ITOCHU Corporation

Brand-new Deal 2014

Annual Report 2014

For the Year ended March 31, 2014

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Contents

Editing Policy
Annual Report 2014 reflects an awareness of disclosure frameworks that have been discussed internationally in recent years and the benefits of avoiding standardization. The report also reflects its positioning as voluntary disclosure and includes both financial information and social / environmental information so that our shareholders, investors, and a wide range of other readers can deepen their understanding of ITOCHU.

Detailed Financial Information
For detailed financial information for fiscal 2014, please see the Financial Section.

URL: http://www.itochu.co.jp/en/ir/doc/annual_report/2014/pdf/ar2014e_FS.pdf

Reporting Scope and Other Items
- Reporting Period
  April 1, 2013 to March 31, 2014
  (Certain sections include activities occurring in or after April 2014.)
- Reporting Scope
  ITOCHU Corporation and the ITOCHU Group
- Accounting Standards
  Unless otherwise noted, this report is prepared in accordance with U.S. GAAP. Certain portions are prepared in accordance with IFRS.

Investor Relations website http://www.itochu.co.jp/en/ir/

CSR website http://www.itochu.co.jp/en/csr/

ITOCHU's Business Models

Business Models that Create Added Value and Implement Asset Strategies

As its businesses have progressed, ITOCHU has built business models that both create added value and implement asset strategies. Through the enhancement and leveraging of management resources, we are working to maximize earnings from trade and return on investment while simultaneously increasing the probability of business success.

Business Development that Sets the Stage for ITOCHU's Business Models

As a general trading company, ITOCHU's traditional business development was originally centered on trade. We linked demand and supply by serving as an intermediary in the flow of commercial distribution.

Subsequently, manufacturers began to conduct their own overseas operations, and ITOCHU began to shift toward a style of business development in which it took the lead in the generation of business and commercial distribution while leveraging business investment and maintaining a focus on trade. Today, ITOCHU's business development has evolved to the point where it generates business in a multifaceted, linked manner.

Expanding business in a multifaceted, linked manner

1. Advancing into areas where we can leverage our distinctive strengths

ITOCHU narrows down possible areas to those in which it can generate synergies with existing businesses and control risk on its own, and on that basis we advance into new businesses and markets. Accordingly, we select areas in which we can leverage our distinctive strengths. Among those areas, we focus on whether or not we can secure trade business by linking purchasers with producers. Business investment is a key method of entering a new area.

Distinctive strengths

- Securing natural resources / raw materials
- Linking purchasers with producers
- Providing value added that meets consumer needs
- Providing solutions

2. Establishing market positions

After advancing into a new area, we strive to accumulate business know-how. In addition, by applying the distinctive management resources of a general trading company, we take steps to increase the corporate value of the companies that we have invested in to establish a market position. At the same time, we are continually considering initiatives targeting the next business or market.

3. Multifaceted and linked business development

Starting from the areas in which we have established a presence, we leverage the business know-how that we have accumulated and the market positions that we have established. As we create new added value, we expand business opportunities from the following five major points of view. With a view to further increasing earnings, we then create new businesses in a multifaceted, linked manner.

Five Major Points of View

- Expanding and diversifying sources of supply
- Participating in production activities
- Expanding the range of success models
- Pursuing economies of scale
- Obtaining points of contact with consumers

Traditional business development

Matching demand and supply from position as intermediary in the flow of commercial distribution

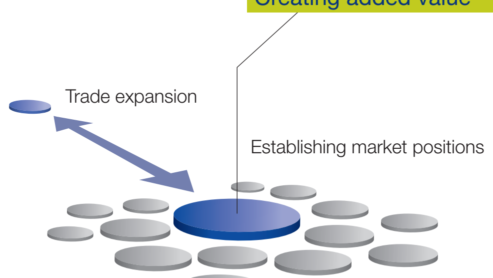
Focus on earnings from trade

1 Advancing into new businesses

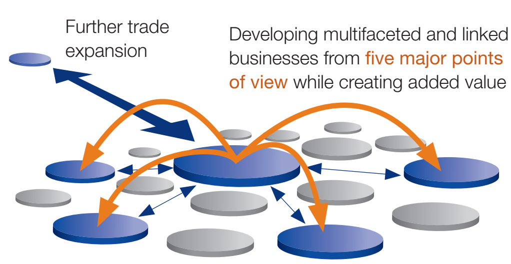
Method:
Investment in areas where we have strengths

2 Establishing market positions

Method:
Creating added value



3 Multifaceted and linked business development



Business Model Suitable for Advanced Business Development

As its businesses have progressed, ITOCHU has built business models that both create added value and implement asset strategies. ITOCHU works to achieve continued advances in these business models while responding to changes in the management environment.

Leveraging of enhanced management resources to expand business while increasing the probability of success

Creating Added Value

P30–37 Special Feature: Creating Added Value and Implementing Our Asset Strategies—Creating Added Value

We strive to continuously create added value and increase the value of businesses, including the companies that we have invested in, while simultaneously taking a complex approach to the utilization of internal and external management resources.

Brand management

Through integrated management of the entire merchandising function, including sales channels and product nurturing, ITOCHU strives to increase brand value and take the initiative in business activities.

Coordination

Leveraging its client assets, partnerships with leading companies, business infrastructure, and knowledge, ITOCHU works to cultivate sales channels and suppliers. In addition, through those activities we discover new needs and foster optimal product development and the creation of new businesses.

Trading company functions

ITOCHU offers its business partners more than just the traditional functions of a general trading company, such as credit, foreign exchange settlement, insurance, logistics, and IT. We also provide new functions aligned with needs to create new businesses with our customers and partners.

Management know-how

By providing the management know-how that we have accumulated and by dispatching management personnel, we support increases in the corporate value of companies that we have invested in.

Management Resources

As a general trading company, ITOCHU has accumulated a variety of management resources through its extensive history, its global

Internal

Financial base

ITOCHU's ability to invest aggressively to expand future earnings is supported by its capacity to steadily generate operating cash flows, its strong Group financial system frameworks in Japan and overseas, and its sound financial base.

Human resources

It is human resources that are the driving force behind the functioning of ITOCHU's development model and the source of the Company's competitiveness. We are working to develop industry professionals who have high levels of expertise in specific areas.

Traditional functions of a general trading company

The traditional functions of a general trading company, such as credit, foreign exchange settlement, insurance, logistics, and IT, are the foundations of the provision of solutions for smooth progress in business transactions.

Business know-how

ITOCHU is developing businesses in a broad array of industries spanned by its six Division Companies, and the Company has accumulated a wide range of business know-how that increases the probability of success in creating new businesses and in advancing into new business areas.

Maximizing earnings from trade and return on investment

Enhancement of management resources

Implementing Asset Strategies

P22–23 ITOCHU's Approach to Business Investment

P26–29 Special Feature: Creating Added Value and Implementing Our Asset Strategies—Implementing Asset Strategies

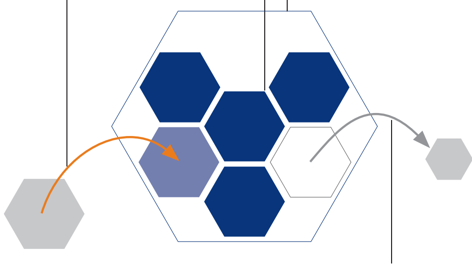
As the strategic importance of business investment has increased, we have developed asset strategies comprising investment in areas where we have strengths, risk management, and monitoring for efficiency.

Investment in areas where we have strengths

For new investments, our fundamental principle is to invest in areas where we have strengths. Under "Brand-new Deal 2014," to establish a position as the No. 1 trading company in the non-resource sector, ITOCHU is implementing focused investment in the consumer-related sector and the basic industry-related sector.

Risk management

In addition to comprehensive management of risk through risk assets, ITOCHU is also implementing risk management on a project-by-project basis through evaluation of investment efficiency using a hurdle rate based on the cost of capital.



Monitoring for efficiency

We implement continual reviews, and exit from investments that are determined to be low-efficiency assets from such perspectives as scale of earnings, investment efficiency, and strategic significance. In this way, we are working to increase asset efficiency.

business development, and its adaptation to many changes in its business environment.

External

Various strengths of Group companies

The combination of the strengths of ITOCHU's 217 subsidiaries and 139 associated companies and the strengths of the Company itself substantially expands the potential for the creation of added value.

Organizational assets

In addition to a variety of systematic regulations and rapid decision-making systems, ITOCHU also has functional organizations that possess high levels of expertise in such fields as legal affairs / risk management, accounting / taxation, and finance. These organizations provide strong backup for ITOCHU's ability to generate income from a front-line perspective.

Client assets (customers / suppliers)

Maintaining relationships with customers and suppliers—client assets—is indispensable in securing continued trade opportunities. In addition, ITOCHU can control risk in investments precisely because it can draw on these client assets.

Partner assets

From the viewpoints of rapidly advancing into new business areas and increasing the probability of business success, ITOCHU emphasizes win–win relationships with partners. Over many years, ITOCHU has built excellent relationships with many leading companies in growth areas and markets.

To Our Shareholders, Investors, and Other Stakeholders

President & Chief Executive Officer

Masahiro Okafuji

With a clear focus on the future, ITOCHU will make steady, step-by-step progress to become the No. 1 trading company in the non-resource sector.

In fiscal 2014, ITOCHU rewrote Company history in a range of management indicators and reinforced its position as a member of the top three general trading companies. However, we will neither rest on our laurels nor become complacent about the current situation. Rather, we will continue striving to make strong progress toward becoming the No. 1 trading company in the non-resource sector and achieving our future objectives.

A Year in Which ITOCHU Overcame Headwinds to Rewrite the Company's History

Financial budgets have to be met. This is my belief and my philosophy.

I believe management is a lot like hang gliding. When you are in the air, the wind doesn't always blow in the direction you expect. There are times when the updraft is replaced with a strong crosswind. As flying conditions change, you have to look for updrafts and adjust your direction, all the while continuing toward your destination. Management is exactly the same. Managers have to keep a steady eye on risk, seize opportunities, implement countermeasures that address changes, and achieve their initial plans. I believe that a change in assumptions is not a sufficient reason for failing to achieve goals. Fiscal 2014 was certainly a year that reflected the benefits of that approach.

Net income attributable to ITOCHU surpassed the level of ¥300.5 billion that was recorded in fiscal 2012 to reach ¥310.3 billion, a new record for the Company. For three consecutive years, we have reinforced our position as one of the top three general trading companies. For the first time in five years, trading income, which shows the true earning power of a general trading company, surpassed the level of ¥275.7 billion set in fiscal 2009, reaching ¥279.1 billion in the year under review, another new record for ITOCHU. This was the highest level among Japan's general trading companies. Net income attributable to ITOCHU in the non-resource sector increased ¥55.6 billion year on year, to ¥246.8 billion. This also marks a new record for ITOCHU, by a substantial margin. Operating cash flows, which have been an issue for ITOCHU over the past several years, surpassed ¥400.0 billion for the first time in the Company's history. Due to these favorable results, annual dividends per share were also set to a new record high of ¥46 per share.

Fiscal 2014 (U.S. GAAP)

Net income attributable to ITOCHU	Dividends per share
Record high ¥310.3 billion	Record high ¥46

Looking at these results, it may seem that fiscal 2014 was all smooth sailing for ITOCHU, but that is not the case. At the beginning of the fiscal year, our initial forecast for net income attributable to ITOCHU was ¥290.0 billion, and we subsequently raised that to ¥310.0 billion. However, shortly after we increased the forecast, it became clear that we would need to record impairment losses of ¥29.0 billion on oil and gas exploration and production-related operations in the United States. Because we encountered this "strong crosswind" just before the end of the fiscal year, there was a limit to what could be accomplished before the close of the fiscal period. Nonetheless, the entire Group focused its comprehensive strengths and overcame this difficult situation, and as a result, we were able to reach our "destination." Since I became president, for four consecutive years I have been committed to turning words into accomplishments, and over that period, we have proved that this commitment has become a part of the corporate culture throughout the ITOCHU Group.

Substantial Increase in Fundamental Earning Power in the Non-Resource Sector

A major driving force behind our ability to achieve new record high profits even when resource prices are falling is the non-resource sector, where under the medium-term management plan “Brand-new Deal 2014” we are aiming to be the No. 1 trading company. All of the Division Companies in the non-resource sector—Textile, Machinery, Food, and ICT, General Products & Realty—set new record-high profits in the past year. These results demonstrate that we have strengthened our fundamental earning power throughout the entire non-resource sector.

In addition, these results include favorable growth in profits from major investment projects that we have implemented in recent years in the non-resource sector. Simply making investments in the non-resource sector is not enough to generate a sufficient contribution to profits. In these fields, after an investment is made, it is necessary to steadily strive to improve profitability and to add value while raising corporate value over a period of several years. A good example is European Tyre Enterprise Limited, which is the holding company for Kwik-Fit, the largest tyre retailer in the United Kingdom. By reforming the distribution channel and retail shops through our rigorous focus on the front lines, we achieved substantial gains in equity in earnings of associated companies. In addition, other major contributors to earnings included METSA FIBRE Oy, of Finland, one of the world’s leading softwood pulp producers, and Shandong Ruyi Science & Technology Group Co., Ltd., a leader in China’s textile industry. Each of these projects began to show results after we steadily added value for two to three years after the initial investment.

Of the four Division Companies in the non-resource sector, the Machinery Company has recorded especially strong growth. Machinery is one of Japan’s basic industries. Japan has many large, representative companies in a wide range of industrial fields, and the Machinery Company’s approach was to expand its relationships with these customers. In fiscal 2014, the Machinery Company achieved substantial growth in profits, with net income attributable to ITOCHU exceeding ¥40.0 billion. The key drivers of this growth were higher profits from automobile trade, independent power producer (IPP)-related profits, and profits from affiliate businesses.

In addition, the ICT, General Products & Realty Company generated the highest profits of any Division Company. It is noteworthy that net income attributable to ITOCHU grew substantially, to around ¥25.0 billion, in each of this Division Company’s three divisions, including not only the Forest Products & General Merchandise Division and the ICT, Insurance & Logistics Division but also the Construction, Realty & Financial Business Division, which had experienced tough times in the past. Under the new organizational system that was launched in April 2012, all of the divisions in this Division Company are leveraging their latent power through cooperation and competition.

Investing in Strictly Selected, Superior Projects

In fiscal 2014, we invested approximately ¥430.0 billion on a gross basis. Of this total, investment in the non-resource sector accounted for approximately ¥285.0 billion, or more than 60%. Following the acquisition of the Asian fresh produce business and the worldwide packaged foods business of Dole Food Company, Inc., of the United States, we have worked to increase corporate value through the use of the Dole brand. To that end, we have implemented initiatives that make full use of the functions of the ITOCHU Group. In the basic industry-related sector, we invested in projects that will bolster our fundamental earning power, such as the acquisition of additional shares of YANASE & CO., LTD., which sells imported vehicles in Japan.

In the resource sector, we acquired new interests in the Jimblebar Iron Ore Mine in Australia. This is a large prospective iron ore deposit with substantial reserves, and further increases in iron ore supply capacity are expected. Moreover, this investment project was strictly selected from a range of perspectives. Because it will be a large-scale, open pit mining operation that produces high-quality ore, it will have superior operating cost performance. It will also be able to utilize rail and port facilities in which ITOCHU is already participating.

Remaining Challenges that Need to be Addressed

Our results are favorable, but we still face challenges. In the resource sector, Samson Resources Corporation, a U.S. oil and gas exploration and production company, recorded impairment losses for the second year in a row. Also, sluggish profits are being registered by the U.S. Drummond Company’s mining operations in Colombia, and Nacional Minérios S.A. (NAMISA), an iron ore production and sales company in Brazil. We recognize that the delay in reaching profitability in these resource areas is a major impediment to the achievement of balanced growth even in environments characterized by weak resource and energy prices.

Capitalizing on Our Strengths and Moving to the Next Level

Next, I will explain again the reason why ITOCHU aims to be the No. 1 trading company in the non-resource sector.

Textiles are the founding business of ITOCHU, which recorded growth as a company closely linked to consumers. In the consumer-related sector, we have a dominant earnings platform. In this sector, we have certain advantages in our track record and business know-how, and are confident that these competitive advantages, which we have cultivated since our founding, cannot be easily overturned. Accordingly, in the consumer-related sector we have many business opportunities. In March 2014, we concluded a sponsorship agreement to acquire the Edwin Group, Japan's largest manufacturer and distributor of jeans, as a subsidiary. This is one example of a new project aligned with our track record in the textile business.

Looking at what we need to do to achieve further growth, we will not overextend ourselves in the resource sector. Rather, we will implement investments that are appropriate for our operational scale in the resource sector and will take steps to boost our earning power in the non-resource sector, which includes consumer-related businesses as well as machinery and other basic industry-related businesses, where the scale of our earnings is smaller than those of other trading companies. In this way, we will endeavor to secure an overwhelming No. 1 position in the non-resource sector. Although resource prices have fallen in recent years, we have been able to limit the decline in earnings due to our strengths in the non-resource sector, where earnings volatility is comparatively low.

We will strive to move to the next level as our employees, divisions, and Division Companies leverage their individual strengths and work toward their individual objectives rather than uniform goals. If our employees, divisions, and Division Companies move up one step at a time, then I am confident that ITOCHU will make steady progress toward its objectives.

Fiscal 2015: A Test of Our True Earning Power

In consideration of such factors as resource prices, the situation in the Ukraine, and the future course of China's economy, the economic situation certainly does not warrant an optimistic outlook. However, I believe that it is our responsibility to our shareholders to achieve the stable generation of a scale of profits that is suitable for a member of the top three general trading companies. We are applying International Financial Reporting Standards (IFRS) from fiscal 2015. As a result, unlike in fiscal 2014, gain on sales of stocks of non-affiliated companies will no longer be recorded as earnings. However, this situation applies to other companies as well. Fiscal 2015 will be a year that tests our true earning power.

We recognize that some investors are saying that "we expect further strong growth from the level of net income attributable to ITOCHU that has been recorded over the past few years." I would like everyone to understand that we are focused on the next stage—net income attributable to ITOCHU of ¥350.0 billion. However, if we are overconfident in our own abilities and attempt to carelessly leap forward, we will not achieve the desired results. I would like all shareholders and investors to carefully watch fiscal 2015, which we have positioned as an important year that will determine if our growth levels off or continues upward.

Investment Policy—Multifaceted Investments

Under "Brand-new Deal 2014," we set an upper limit of ¥1 trillion on gross investment, with a 2:1 ratio of non-resource to resource sector. In fiscal 2015, the second year of the plan, in the consumer-related sector we will leverage a virtuous cycle under which our overwhelming strengths facilitate superior new projects. In the basic industry-related sector, such as machinery and chemicals, we will invest in projects that will strengthen our fundamental earning power. In this way, we will work to expand our earnings platform to establish a position as the No. 1 trading company in the non-resource sector. On the other hand, resource prices have begun to fall by significant amounts, and in the resource sector we will invest in strictly selected, superior projects, centered on areas in which we have strengths. We will continue to advance asset replacement through strict monitoring and to strengthen risk management.

Next, I will discuss my approach to ITOCHU's next step in the non-resource sector. Economic growth in China has lost steam. Due in large part to the depreciation of the yen and to rising labor costs, the cost of imports to Japan from China and other Asian markets is increasing. However, taking a global view, there is no doubt, especially in the consumer-related sector, that the most important issue will be to capture growth in consumer spending in China and the rest of Asia. However, our approach will focus on investment projects that grow in a multifaceted manner rather than simply looking at returns on a project-by-project basis.

No matter how superior an investment is, if it is a simple one-off project, like an "island," then our benefits will be limited to receiving profits from the company that we have invested in. I want ITOCHU to focus on investments that are "connected by land." For example, we could simply use the business infrastructure of the company that we have invested in, such as stores, and leverage our strengths in the consumer-related sector to deliver products and services. But we can offer much more than the simple provision of products and services; we can draw on our unique strengths to add further value. If we can do that, then we can take a multifaceted approach to meeting the demand for apparel, food, and housing generated by hundreds of millions of consumers in Asia. In this way, we can generate profits in a variety of ways from a single investment. In accordance with this approach, we will cautiously search for investments while keeping an eye on the next stage.

ITOCHU Must Continue to Be a Company of Merchants

ITOCHU has a history of more than 150 years since its founding in 1858. As Japan's economy transitioned from the post-war recovery phase through a period of rapid economic growth, an economic bubble, and a mature economy, the industrial structure underwent substantial changes. Over that period, ITOCHU and many other general trading companies overcame difficult times to record sustained corporate growth. The reason is that we focused on "selling products that the market wants."

In the past, there were retail shops in Japan called *Mikawaya*. At first they just handled alcoholic beverages, but before long they also offered miso, tofu, and soy sauce to meet customer demands, expanding later still to offer a full range of food products. As a result, they were able to stay in business for nearly 300 years, from the Edo period to the beginning of the Showa period. ITOCHU, like *Mikawaya*, continued to operate by providing what customers said they wanted. The relative importance of fields differs with the times, but we maintained a diverse portfolio centered on fields in which we had strengths, so that we could always meet the needs of customers. That is precisely why we have been able to overcome changing management environments. With a wider scope of business, we can obtain a wider variety of business-related information.

I sometimes hear comments that companies must implement the principles of selection and concentration. However, I believe that these principles are not appropriate for a general trading company such as ITOCHU. If *Mikawaya* had insisted on only handling alcoholic beverages due to selection and concentration, then it most likely would not have stayed in business for very long.

Infinite Missions that We Must Accomplish

Simply handling a wide array of products and merely trading a commercial good from one place to another will result in a steady reduction in the presence of a general trading company. Hence, to maintain our market presence, each individual employee must continue to strive on the front lines of various businesses around the world, to quickly grasp changing market needs and continually offer value added. This approach is not limited to the business front lines. Responding to demands from ever-changing society and providing the abundance that results from trade is required for sustainable growth. And this path is aligned with *sampo yoshi* (Good for the seller, Good for the buyer, and Good for society), the management philosophy of ITOCHU founder Chubei Itoh and the Ohmi merchants. It is the mission that we must accomplish.

In June 2014, we announced the Corporate Message: "I am One with Infinite Missions." This message expresses ITOCHU's strengths in easy-to-understand words, including the concept of *sampo yoshi* and the capabilities of individuals. Regarding the message as the starting point of ITOCHU's "integrity," I would like us to set about completing "countless missions."

Our Mission for Shareholders and Investors: Corporate Value

Our mission for shareholders is the return of profits through such means as growth in market capitalization and dividends. I own ITOCHU stock, and I am always working to implement management that reflects a focus on our stock price, which is an evaluation of management, and on shareholder return. In fiscal 2014, we maintained our position as one of the top three general trading companies by market capitalization throughout the year, and reduced the gap between ITOCHU and Japan's *Zaibatsu* industrial groups. I want to continually conduct dialogues with shareholders and investors so that key points about ITOCHU are clearly understood. These points include our markedly stronger financial base and our stable growth in profits on a base of strengths in the non-resource sector, as well as the reasons for the wide range of business areas that I mentioned above.

We have a performance-linked, progressive dividend policy for aggressively providing returns in line with growth in our profits. (See page 18 for details about the dividend policy and about dividends in fiscal 2014.) For fiscal 2015, we plan to pay a dividend of ¥46 per share, comprising a ¥2 per share fixed dividend over and above the dividend calculated in the normal manner. In addition, we believe that buying back our own-stock is one means of providing a return to shareholders, and will continuously consider these buy backs. In conjunction with our profit plan, we will do our utmost to share our results with our shareholders.

Our Mission for Society: Avoid Risks and Generate Opportunities

Accompanying growth in the scale of our profits, the scope of our business activities has expanded, and our business fields are becoming increasingly diverse. Inevitably, the extent and scale of the impact of our business activities on society are also increasing, and the range of missions that we must fulfill for society continues to expand. For example, if we work to expand our value chain in emerging countries, we will face increased responsibilities in the areas of respect for human rights and environmental conservation. If we neglect those aspects of management, we will be judged harshly by global society, and our corporate value could be adversely impacted in one fell swoop. We must advance without neglecting meticulous attention to the risks that we face, which are increasing in conjunction with the growth in our business activities.

If we can establish the practice of responding appropriately to these types of demands from society, then we can generate opportunities to ensure the continuity of our corporate value. In addition, we should be able to capture further diverse opportunities by leveraging the management resources that we have cultivated as a general trading company and sharpening our focus on establishing businesses that resolve the challenges faced by society.

To avoid business risks and grasp opportunities that lie within social challenges, individual employees must sustain the values that are shared with society, and continue to carry out our front-line approach to enhance their sensitivity in determining what their missions are.

Securing the Human Resources Who Will Support the Future

In Japan, there are concerns that the working population will decline over the medium to long term due to the trends toward fewer children and an aging population. This is an extremely important issue for ITOCHU because our people are our greatest management asset. We are well aware of the necessity of hiring and developing the people who will support the future. I believe that we need to hire on the basis of talent, without regard to gender or nationality. ITOCHU's female executive officer, the first among general trading companies in Japan, was appointed to this position not because she is a woman but because of her superior abilities. In much the same way, the term "global human resources" does not necessarily refer to non-Japanese. We need to employ and develop human resources who can understand and respect the culture of each country, work effectively on the front lines around the world, and take the lead in business activities.

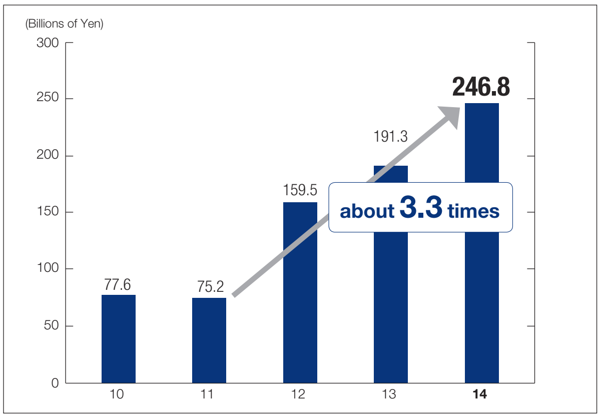
Unlocking ITOCHU's Latent Power over a Period of Four Years

When I became president four years ago, my role was to steer the Company toward full-scale "offense." In changing course, I resolved to "draw out the latent power of ITOCHU." ITOCHU had traditionally been a company that was strong in terms of the capabilities of individuals, where individuals carried out their front-line approach, identified business seeds, and cultivated them. Because we prioritized improving our financial foundation, we came to focus on administration, and as a result I announced that we would focus on strengthening our front-line capabilities to draw out our full latent power. And then, in fiscal 2011, my first year in office, we implemented a variety of internal reforms to "strengthen our front-line capabilities," such as aggressively liquidating or replacing inefficient assets, reducing the frequency of in-house meetings and the volume of materials used in these meetings, enhancing the personnel and compensation systems, and implementing organizational reforms. After making these preparations, we moved to a "new growth stage," where our key words were "proactively seeking new opportunities" and "expanding our scale of operations."

In the past four years, the employees have one by one cleared the objectives that I have laid out. Step by step, we have returned to the ranks of the top three general trading companies, become No. 1 in the consumer-related sector, and are working to become the No. 1 trading company in the non-resource sector. I think it is safe to say that ITOCHU has truly unlocked its latent power. That is clear from our results.

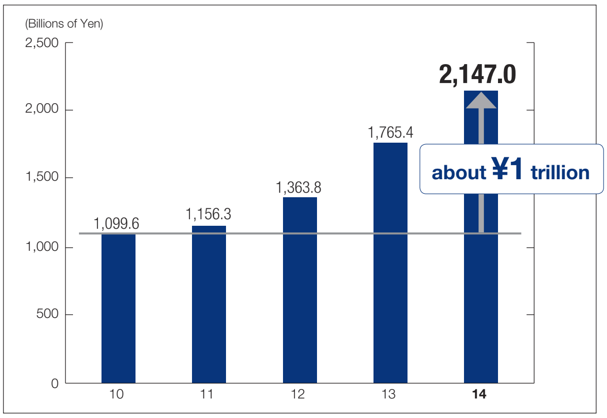
Net income attributable to ITOCHU in the non-resource sector, at about ¥250.0 billion, is about 3.3 times the level of four years ago, which was about ¥75.0 billion. Looking at the four Division Companies in the non-resource sector over the past four years, they have each achieved consistent gains in profits. In the past fiscal year, the Textile Company's profits were about 2.1 times the level of four years ago, the Machinery Company's were about 4.2 times, the Food Company's were about 2.6 times, and the ICT, General Products & Realty Company's were about 12.7 times. And the progress is not just in profits. Our balance sheet has improved to the extent that it is almost unrecognizable. Stockholders' equity, which was about ¥1 trillion at the end of March 2010, just before I took office, increased by another about ¥1 trillion over the next four years, to reach about ¥2 trillion. In this way, over the past four years ITOCHU has made great strides, and that is the very reason why we are cautious about being overconfident.

Net Income Attributable to ITOCHU in the Non-Resource Sector Increased 3.3 Times in Four Years



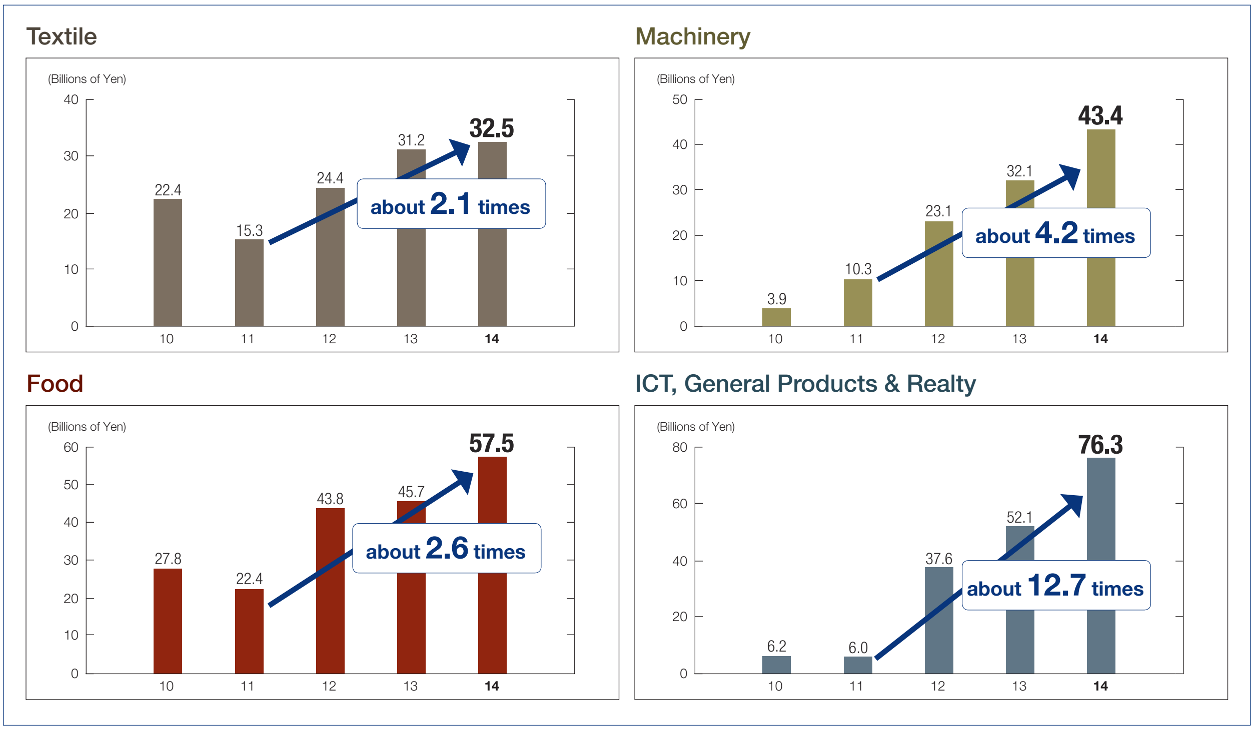
Years ended March 31

Accumulated ¥1 Trillion in Stockholders' Equity in Four Years



As of March 31

All Four Division Companies in the Non-Resource Sector Achieved Record-high Profits



Years ended March 31

Neither Overconfident Nor Satisfied

Currently, I believe that only the negligence and overconfidence of our officers and employees could cause the Company to collapse at this point. If we are overconfident, customers will leave us and we will go downhill at a rapid pace. In May 2014, we introduced a morning-focused working system. This system has a number of objectives. By shifting inefficient night overtime to the morning, we increased the efficiency of operational execution, reduced total work hours, bolstered health management, and helped support employees who have child-rearing or nursing responsibilities. However, the main objective of this initiative is to support a rigorous approach to customer service in addition to providing a warning against overconfidence.

ITOCHU's ability to proactively seek new opportunities and record strong results is the result of the hard work of our predecessors. ITOCHU has survived multiple life-or-death crises, built a solid financial base, and painstakingly planted seeds. If we slacken our efforts due to overconfidence we will leave a burden on future generations of ITOCHU employees. To prevent that, we need to maintain a sense of humility and focus at all times and communicate to new generations an understanding of the challenges that we have overcome.

We have entered the second year of working to be the No. 1 trading company in the non-resource sector. Although we have reinforced our position as one of the top three general trading companies, we are not satisfied with the current situation. Accordingly, we will continue striving to turn words into accomplishments as we maintain a focus on the future.

ITOCHU in a New Growth Stage

NEW GROWTH STAGE

Fiscal 2011
¥161.1 billion

Fiscal 2012
¥300.5 billion

Fiscal 2013
¥280.3 billion

Fiscal 2014
¥310.3 billion

Record-high profits

Fiscal 2015 (Plan)
¥300.0 billion
(IFRS)

Fiscal 2014
¥245.3 billion
(IFRS)

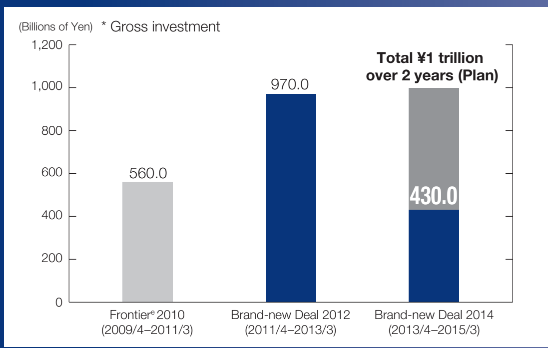
ITOCHU has moved into a new growth stage.
Through internal reforms executed under the "strengthen our front-line capabilities" campaign, we reinforced our foothold. Under our medium-term management plan "Brand-new Deal 2012," we shifted to focus on "expanding our scale of operations." Under "Brand-new Deal 2014," we are "proactively seeking new opportunities" to become the No. 1 trading company in the non-resource sector.

Brand-new Deal 2012
(Fiscal 2012–2013)

Brand-new Deal 2014
(Fiscal 2014–2015)

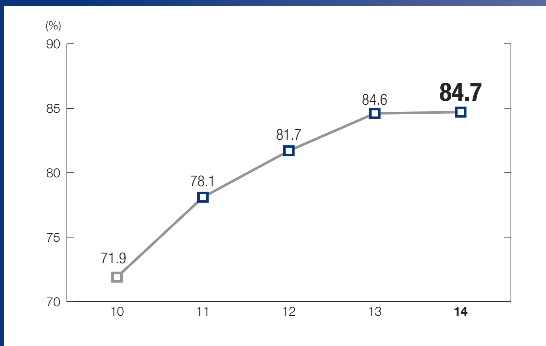
Shift from "Expanding Our Scale of Operations" to "Aiming to be the No. 1 Trading Company in the Non-Resource Sector"

Subsequent to our success in expanding our scale of operations by accumulating superior assets by gross investment of ¥970.0 billion over the two years under "Brand-new Deal 2012," we are strengthening our earnings platform to become the No. 1 trading company in the non-resource sector under our current medium-term management plan, "Brand-new Deal 2014."



Strengthening Our Ability to "Earn" (Percentile of profit-making companies within the consolidated Group companies*)

Due to the combination of our accelerated efforts to dispose of, and to improve the earning power of unprofitable affiliates the percentile of companies reporting profits within the consolidated Group were improved to a record high of more than 80%.



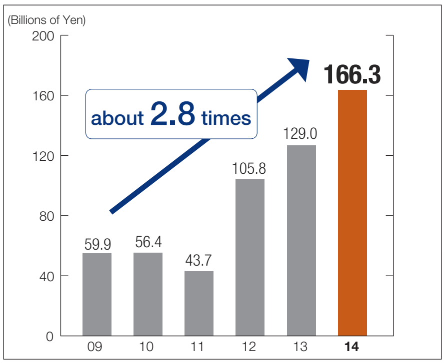
Years ended March 31
* The number of Group companies reporting profits as a percentage against the number of companies included in our consolidated financial report

Background to “Brand-new Deal 2014”

Strength >> Positioning Ourselves as the Leading Company in the Consumer-related Sector, and Aiming to be No. 1 in the Non-Resource Sector

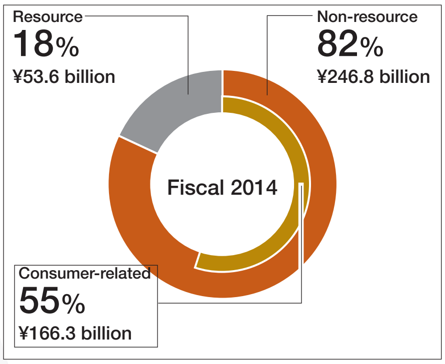
We have expanded our earnings in the non-resource sector, which includes the consumer-related sector, where our earnings are among the largest in the industry, as well as machinery and chemicals businesses. In this way, we have established a well-balanced portfolio between non-resource and resource sector.

Net Income Attributable to ITOCHU in the Consumer-related Sector



Years ended March 31

Composition of Earnings
(Net Income Attributable to ITOCHU)

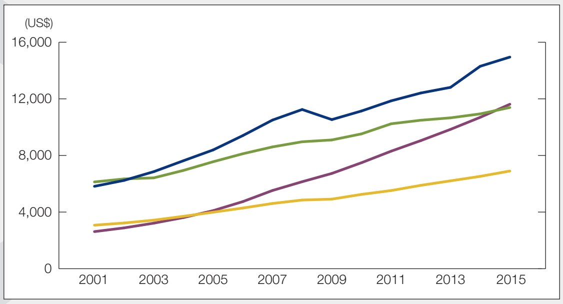


(Note 1) % composition is calculated with the total for the operating segments before Adjustments & Eliminations and others.
(Note 2) The steel products business and petroleum products transaction of energy are included in the non-resource sector.

Business Opportunity >> Stable Growth Expected in Consumer-related Businesses

While uncertainty of resource prices are increasing, consumer spending is expected to record solid growth, not only in ASEAN members and China but also in the United States, Japan, and other developed countries. For ITOCHU, which is a leader in the consumer-related sector, this represents a major opportunity for growth.

Per-Capita GDP in Key Emerging Market Regions
(Purchasing Power Parity Conversion)

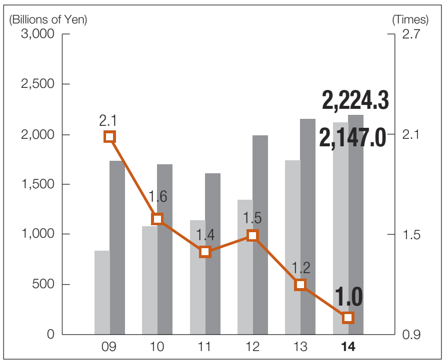


Russia and CIS — ASEAN-5* — Middle East and North Africa — China
Source: International Monetary Fund, World Economic Outlook Database, April 2014
* Indonesia, Malaysia, the Philippines, Thailand, and Vietnam

Strength >> Bolstered Financial Base

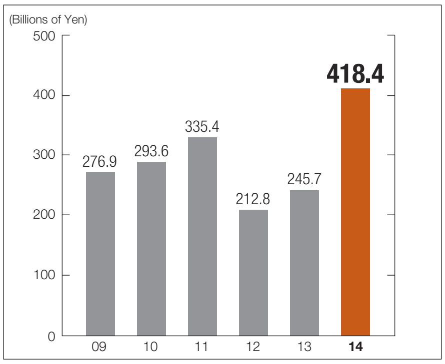
We improved our net debt-to-equity ratio (NET DER) to a record-low level by increasing consolidated stockholders’ equity through the accumulation of earnings and are enhancing our ability to achieve stable generation of cash flows from operating activities by accumulating additional earnings, rigorously managing the collection of cash from customers, and heightening the dividend payout ratios of associated companies.

Stockholders’ Equity /
Net Interest-bearing Debt / NET DER



Stockholders’ equity (left) Net interest-bearing debt (left)
NET DER (right)
As of March 31

Cash Flows from Operating Activities



Years ended March 31

Fiscal 2014–2015 Medium-Term Management Plan

ITOCHU, on the Move
Brand-new Deal 2014
—Aiming to be the No. 1 Trading Company in the Non-Resource Sector

Basic Policies

Boost Profitability
- Reap benefits from large-scale investments
- Increase profitability of existing business
- Aggressively take on promising new projects

Pursue Balanced Growth
- Maintain balance between non-resource and resource sectors
- Reinvigorate domestic and trading businesses
- Capitalize on our strengths, Move to the next level

Maintain Financial Discipline and Lean Management
- Sustain a sound NET DER
- Place priority on operating cash flow
- Reduce stock holdings in non-affiliate companies
- Further improve ratio of SG&A expenses to gross trading profit

Goals by Key Sector

Non-Resource	Consumer-related	■Maintain No. 1 industry position ■Increase profits while maintaining a balance between trade and affiliate operations ■Reinvigorate domestic business
Non-Resource	Basic Industry-related	■Bolster machinery and chemicals ■Reinforce trading and expand existing operations ■Lay groundwork for businesses in which we are aiming for the No. 1 position
Resource		■Increase earnings capacity by reducing costs and expanding operations in existing businesses ■Strengthen relationships with partners ■Increase asset efficiency by promoting asset replacement

Affiliate, Overseas, and Human Resource Policies

Affiliate Policies
- Strengthen monitoring of existing businesses
- Promote liquidation / consolidation of low-efficiency businesses
- Reinforce development of personnel who will manage operating companies

Overseas Policies
- Continue overseas development under leadership of Division Companies
- Cultivate strong partners in growth markets
- Increase number of personnel stationed overseas

Human Resource Policies
- Move ahead with reallocation of human resources, including from / to overseas offices and affiliate companies
- Bolster overseas trainee system to foster acquisition of second languages other than English
- Support the further development of female role models in their career track

Internal Control and Corporate Governance

Risk Management
- Strengthen consolidated risk management system and continue appropriate management of concentration risk

Internal Control and Compliance
- Enhance internal control in accordance with the business risks in each organization
- Continue to strengthen the overseas compliance system
- Establish system for effective, efficient investigation and monitoring of bribery and collusive bidding risks in Japan and overseas

Corporate Governance
- Maintain the current corporate governance system, which is based on the Board of Directors including outside directors and the Board of Corporate Auditors, half or more of whom are outside corporate auditors

REVIEW

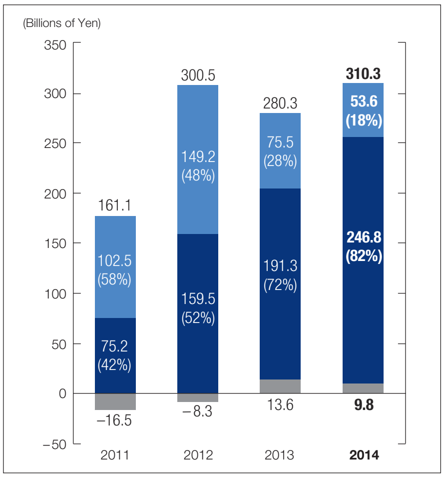
Fiscal 2014 Review

Quantitative Review

Billions of Yen	Fiscal 2014 Initial Plan	Fiscal 2014 Results
Net income attributable to ITOCHU	290.0	**310.3**
Total assets	7,500.0	**7,848.4**
Net interest-bearing debt	2,650.0	**2,224.3**
Stockholders' equity	1,900.0	**2,147.0**
NET DER	1.4 times	**1.0 times**

- Net income attributable to ITOCHU in fiscal 2014 exceeded initial plans by ¥20.3 billion, reaching ¥310.3 billion for the year, a record high.
- Despite the recognition of impairment loss in the resource sector due to the decline in price, we achieved our planned target due to higher earnings in the non-resource sector, which is one of our strengths.
- We expanded our scale of operations through aggressive investment while maintaining financial discipline. (NET DER: 1.0 times)

Resource / Non-Resource Ratio



■ Non-resource ■ Resource
■ Adjustments & Eliminations and others
Years ended March 31
(Note 1) % composition is calculated with the total for the operating segments before Adjustments & Eliminations and others.
(Note 2) The steel products business and petroleum products transaction of energy are included in the non-resource sector.

Investment Review

Billions of Yen	Fiscal 2014 Results
Non-resource	**285.0**
Consumer-related sector	215.0
Basic Industry-related sector	70.0
Resource	**145.0**
Gross amount	**430.0**
Net amount	**320.0**

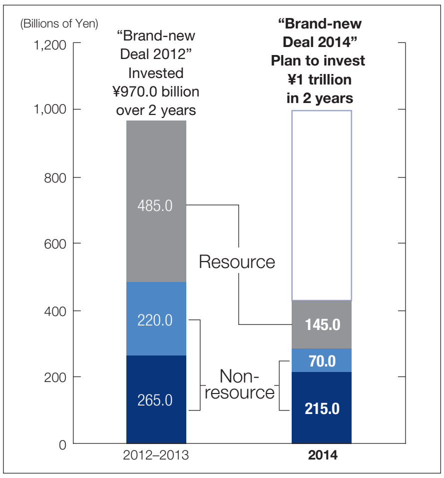
Major Investments

Consumer-related
Dole business / underwriting capital increase of Unicharm consumer products (China) / ASF Limited, etc.

Basic Industry-related
Beijing Aotong Automobile Trading / YANASE / automobile dealer in USA, etc.

Resource-related
Jimblebar / IMEA expansion / ACG (Azerbaijan) expansion, etc.

Investment (Gross)

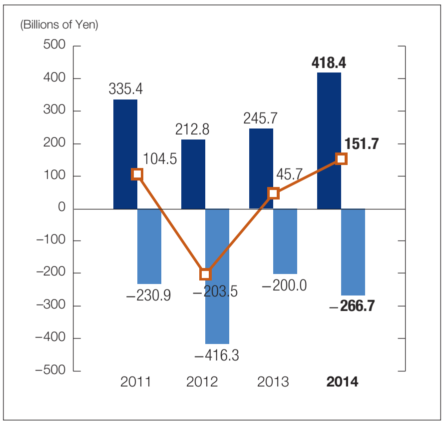


■ Consumer-related ■ Basic Industry-related ■ Resource-related
Years ended March 31

Cash Flows

Billions of Yen	Fiscal 2013 Results	Fiscal 2014 Results	Increase / Decrease
Cash flows from operating activities	245.7	**418.4**	**+172.7**
Cash flows from investing activities	(200.0)	**(266.7)**	**–66.7**
Cash flows from financing activities	(11.3)	**(71.7)**	**–60.4**
Free cash flows	45.7	**151.7**	**+106.0**

Cash Flows



■ Cash flows from operating activities
■ Cash flows from investing activities
Free cash flows
Years ended March 31

SHAREHOLDER VALUE

Shareholder Value

Shareholder Return Policy and Fiscal 2014 Dividends

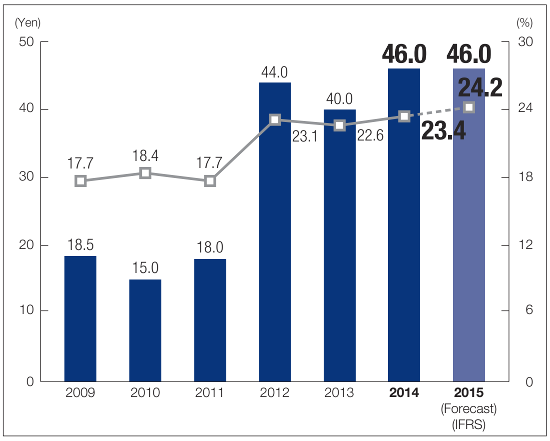
Since "Brand-new Deal 2012" (fiscal 2012 to fiscal 2013), we have amended our dividend policy to quantitatively present our dividend payout strategy, and established a highly transparent dividend policy that links the amount of dividends to net income. Specifically, we target our dividend based on a dividend payout ratio of approximately 20% on net income attributable to ITOCHU up to ¥200 billion, and a dividend payout ratio of approximately 30% on the portion of net income attributable to ITOCHU exceeding ¥200 billion.

In accordance with this policy, annual dividends per share in fiscal 2014, in which we achieved net income attributable to ITOCHU of ¥310.3 billion, were ¥46.

For fiscal 2105, we will pay ¥2 per share fixed dividend in addition to the dividend calculated above, and the dividend is forecast to be a total of ¥46 per share (interim, ¥23; year-end, ¥23)

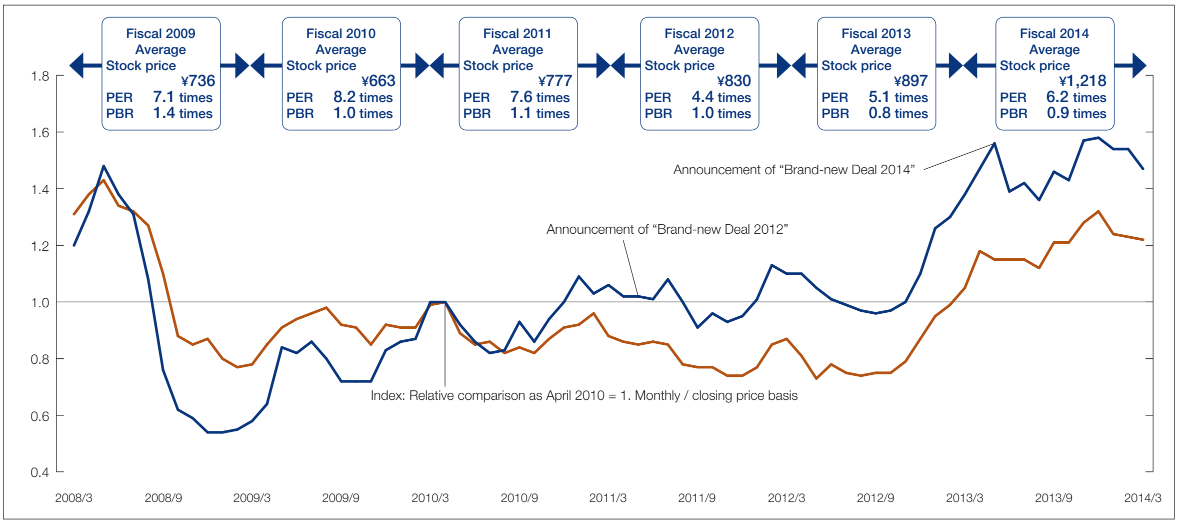
Transparent Shareholder Returns

Since "Brand-new Deal 2012," we have quantitatively presented our dividend payout ratio and increased the transparency of our shareholder returns.



■ Cash dividends per share (left) -□- Dividend payout ratio (right)
Years ended March 31

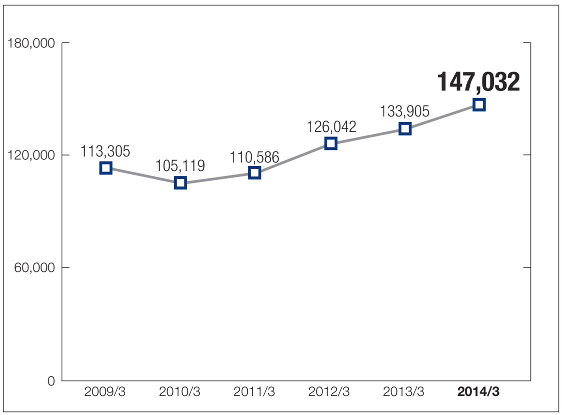
Comparison between ITOCHU's Stock and TOPIX (Tokyo Stock Price Index)



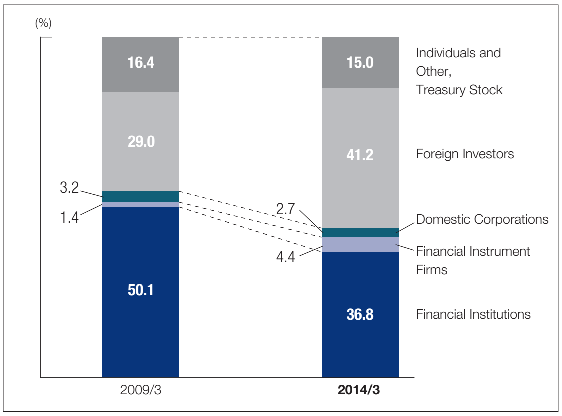
— ITOCHU (Tokyo Stock Exchange) — TOPIX

* PER (price-to-earnings ratio): Market capitalization (Average stock price during the period x Number of shares issued and outstanding at the end of the period) / Net income attributable to ITOCHU
* PBR (price-to-book ratio): Market capitalization (Average stock price during the period x Number of shares issued and outstanding at the end of the period) / Stockholders' equity

Number of Shareholders



Breakdown of Shareholders (% of shares)



PLAN

Fiscal 2015 Management Plan (IFRS)

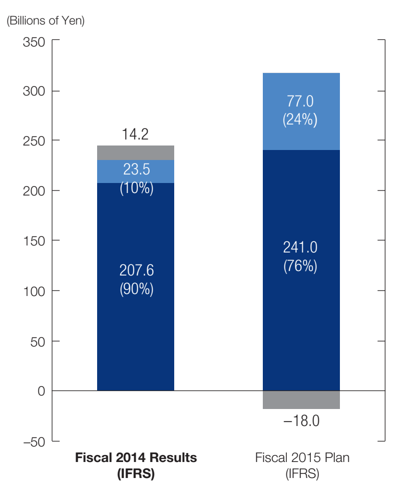
Quantitative Plan

Billions of Yen	Fiscal 2014 Results (IFRS)	Fiscal 2015 Plan (IFRS)	Increase / Decrease
Gross trading profit	1,045.0	**1,110.0**	+65.0
Trading income	289.0	**300.0**	+11.0
Equity in earnings of associated companies	56.0	**140.0**	+84.0
Net income attributable to ITOCHU	245.3	**300.0**	+54.7
Total assets	7,783.8	**8,200.0**	+416.2
Interest-bearing debt	2,893.4	**3,100.0**	+206.6
Net interest-bearing debt	2,232.0	**2,500.0**	+268.0
Total ITOCHU stockholders' equity	2,045.7	**2,300.0**	+254.3
Ratio of stockholders' equity to total assets	26.3%	**28.0%**	+1.7%
NET DER	1.1 times	**1.1 times**	Same level

Earnings from Resource / Non-Resource

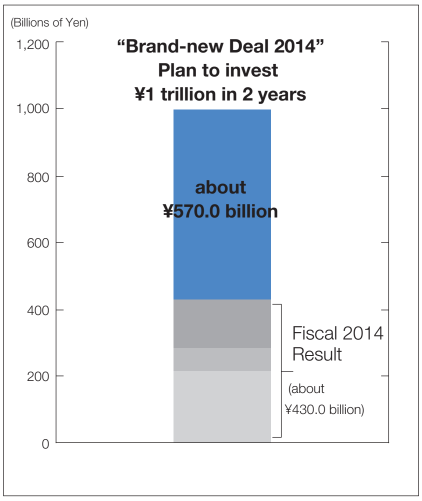
Billions of Yen	Fiscal 2014 Results (IFRS)	Fiscal 2015 Plan (IFRS)	Increase / Decrease
Resource	23.5	**77.0**	+53.5
Non-resource	207.6	**241.0**	+33.4
Others	14.2	**(18.0)**	–32.2
Total	245.3	**300.0**	+54.7
Resource / Non-resource	10% / 90%	**24% / 76%**	+14% / –14%

Resource / Non-Resource Ratio
(Net Income Attributable to ITOCHU)



■ Non-resource ■ Resource
■ Adjustments & Eliminations and others
(Note) % composition is calculated with the total for the operating segments before Adjustments & Eliminations and others.

Fiscal 2015 Investment Plan (Gross)



Assumptions

	Fiscal 2014 Results	Fiscal 2015 Plan	(Reference) Sensitivities on net income attributable to ITOCHU against forecast
Exchange rate (¥/US$)	100	**100**	–¥1.5 billion (¥1 appreciation against US$)
Interest rate (%) Yen TIBOR	0.23	**0.25**	–¥5.0 billion (1% increase)

An Interview with the Chief Financial Officer (CFO)

In order to realize balanced growth, I will dedicate myself on solid management to support the Company's proactive initiatives.

Tadayuki Seki
Director
Executive Vice President
CFO

Q1 What points do you regularly focus on in your role as CFO?

A1 My role includes communicating market feedback to our senior management.

Over the past several years, ITOCHU has taken a more proactive approach in seeking business opportunities by making record-high levels of investment. One of the most important responsibilities for me is to focus on financial discipline, that is, on strengthening our solid management and not to expand in a disorderly manner. In addition, I believe another important role for me is to engage in dialogue with the capital market through interviews with financial institutions and investors, and to relay their feedback to our senior management. We do receive challenging feedback from time to time, but I will strive to maintain good relationships with the capital market by reflecting such feedback in our management decision-making.

Q2 Capital efficiency is a key point of focus from the market. Would you discuss ITOCHU's approach to capital efficiency and the outlook going forward?

A2 Over the medium to long term, we will maintain a ROE of at least 12%.

With consolidated stockholders' equity increasing, we will monitor ROE closely and will work to sustain a high level of capital efficiency. In fiscal 2014, we succeeded in maintaining both ROE and ROA at high levels, with ROE of 15.9% and ROA of 4.1% (U.S. GAAP). Although such a hurdle may be high in the near term while we are at the stage to increase our stockholders' equity, over the medium to long term we will strive to pursue an ROE of at least 12%. In addition, we will work to build an asset portfolio that can steadily generate an ROA of approximately 4%.

Q3 As ITOCHU continues to make aggressive investment, what is the Company's approach to NET DER?

A3 We will control NET DER to be below 1.3 times even in circumstances where we temporarily increase our financial leverage.

At the end of March 2014, our NET DER was 1.0 times even though we are investing aggressively, so I believe we were successful in maintaining appropriate financial discipline. Considering that our asset portfolio is not heavily weighted toward resource-related assets which have a high volatility in earnings, we believe that it is not necessary to maintain this ratio below 1.0 times. However, our policy is to control NET DER not to rise above 1.3 times even in circumstances where financial leverage increases temporarily.

Q4 Given the improvement in operating cash flows in fiscal 2014, what is the outlook for the years ahead?

A4 This improvement is the result of the reinforced awareness throughout the Company of cash flow management.

In fiscal 2014, cash flows from operating activities were ¥418.4 billion, a record-high for ITOCHU. The figure excluding non-recurring factors was about ¥350.0 billion, which we believe reflects commercial reality. Free cash flows were positive for the second consecutive year, at ¥151.7 billion.

In recent years, while we have expanded our scale of earnings, cash flows from operating activities remained at a low level. We recognized this issue as an important matter, and shared common awareness throughout the Company to increase cash flows to a level appropriate as one of the top three general trading companies. On this basis, we enforced our process to accurately track cash flows by each organization, and implemented monitoring procedures on a quarterly basis. In particular, we paid close attention to working capital management, such as maintaining suitable level of inventories, ensuring that trade receivable financing terms are appropriate, and securing dividends from equity-method associated companies. Cash flows are one of the reasons why we are shifting from equity-method investments toward 100% investments for equity investment.

We are satisfied that awareness of cash flows has started to be sufficiently shared throughout the Company. However, I believe that we must continue to focus on this issue in order to generate operating cash flows at the same level as net profit planned in fiscal 2015 of approximately ¥300.0 billion.

Q5 What is ITOCHU's approach toward credit ratings?

A5 We are aiming to achieve a rating of "A flat" from U.S.-based credit rating agencies.

We strongly believe we are capable of obtaining an increase in our credit ratings, considering ITOCHU's significantly improved earning power, financial position comparable to those of other top-ranked trading companies, and free cash flows which has been positive for two consecutive years. To increase our fund-raising options and flexibility, we aim to acquire "A flat" ratings from U.S.-based credit rating agencies in addition to domestic credit rating agencies.

Q6 Please discuss ITOCHU's management of the various risks that the Company faces.

A6 We are working to reduce risk by implementing appropriate responses.

ITOCHU has established a risk management system to appropriately address risks on a consolidated basis, and specifically dedicated teams take initiatives to conduct monitoring of each major risk item.

We prevent excessive concentration of risks by establishing specialized limits for particular areas of business, country-specific exposure limits based on multiple factors such as political and economic conditions, and conduct monitoring regularly.

To accommodate the risk of interest rate increase, we use certain management methods to establish limits on losses from interest rate fluctuations, and fix interest rates as necessary.

With regards to fund-raising risk, we work to diversify sources to support the stable raising of long-term funds by utilizing methods such as direct and indirect financing, and commitment line agreements.

In addition, for emergency preparation, management of fund efficiency and foreign currency liquidity, we have introduced a cash management system that links headquarters and overseas locations and an integrated Chinese yuan management system within mainland China and Hong Kong.

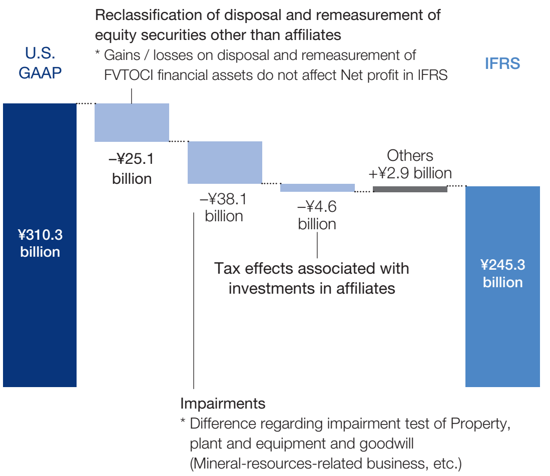
Voluntary Adoption of International Financial Reporting Standards (IFRS)

From the fiscal 2014 annual securities report, ITOCHU is presenting consolidated financial statements prepared in accordance with IFRS. For fiscal 2014, the differences between U.S. GAAP and IFRS are as follows.

* For further information, please refer to "Transition to International Financial Reporting Standards (IFRS)" at http://www.itochu.co.jp/en/ir/financial_statements/2014/

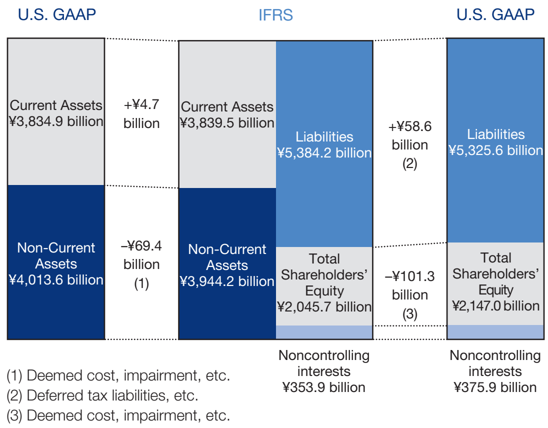
Effect on Fiscal 2014 Net Profit

- Net Profit Attributable to ITOCHU: **¥65.0 billion (decrease)**
  (U.S. GAAP ¥310.3 billion ⇒ IFRS ¥245.3 billion)



Effect on Fiscal 2014 Financial Position

- Total Assets: **¥64.7 billion (decrease)**
  (U.S. GAAP ¥7,848.4 billion ⇒ IFRS ¥7,783.8 billion)
- Total Shareholders' Equity: **¥101.3 billion (decrease)**
  (U.S. GAAP ¥2,147.0 billion ⇒ IFRS ¥2,045.7 billion)



ITOCHU's Approach to Business Investment

Fundamental Approach and Decision-Making Process

Along with strategic business alliances, business investment is an important means in creating new businesses. Based on our strategic goals, we choose the optimal format among a range of methods and investment ratios, such as establishing a fully-owned subsidiary, joint investment with partners, and participating in management through merger and acquisitions.

As a principle, we hold assets with a goal of long-term investment. After making each investment, we work to maximize its corporate value, expand trade and investment return by full utilization of our Groupwide capabilities.

In making investments, decisions are made after the appropriateness of our investment is considered in light of our investment criteria. The decisions are made after multiple stages of screening and examination, depending on the amount and significance of the investment. Subsequent to making investments, we implement performance reviews at least once per year to evaluate scale of earnings, investment efficiency and strategic significance. Any investment which fails such criteria will be determined as an "EXIT" asset and the withdrawal from such investment will be implemented.

For detailed information about the decision-making process, please refer to page 89, Examples of Risk Management.

Strictly Select New Investments and Strengthen Monitoring of Existing Business Investments

With larger scale investments and increases in acquisition prices in recent years as a backdrop, we strictly select new investments to ensure that we invest at a reasonable price (1). Also, to increase investment earnings and to withdraw quickly from low-efficiency assets, we are further strengthening monitoring procedures for existing investments, centered on (2) and (3) below.

(1) Screening the appropriateness of the business plan and acquisition price

(2) Instituting more rigorous "EXIT" criteria

(3) Thoroughly implementing a one-year post investment review

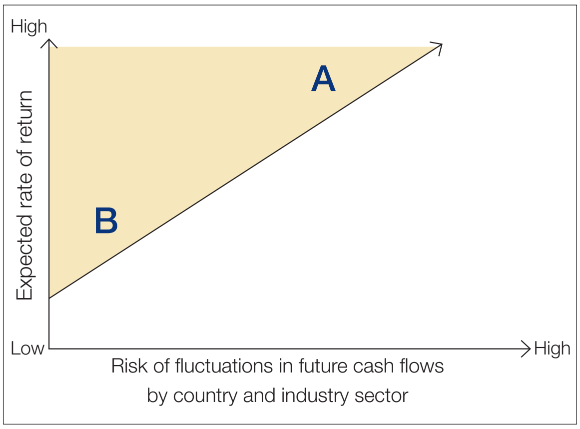
1 Investment Decisions

Investment Criteria

In making investment decisions, we evaluate investment efficiency by calculating the net present value of free cash flows using a hurdle rate based on cost of capital set individually by country and industry sector. The use of this hurdle rate, which reflects the risk of fluctuations specific for each country and industry sector, enables us to make investment decisions in accordance with the characteristics of each country and industry, and broadens the range of potential superior projects. In addition to investment efficiency, our investment criteria also include cash inflows to ITOCHU, such as dividends received and earnings from trade activities, and scale of earnings.

Meanwhile, as we accumulate stockholders' equity, we need to manage our business portfolio with even greater consideration of ROE. Accordingly, we are managing our business portfolio to ensure that our overall corporate ROE does not deteriorate.

Investment Criteria



A Projects with high expected rate of return but high risk of fluctuations in future cash flows
Example: Resource business

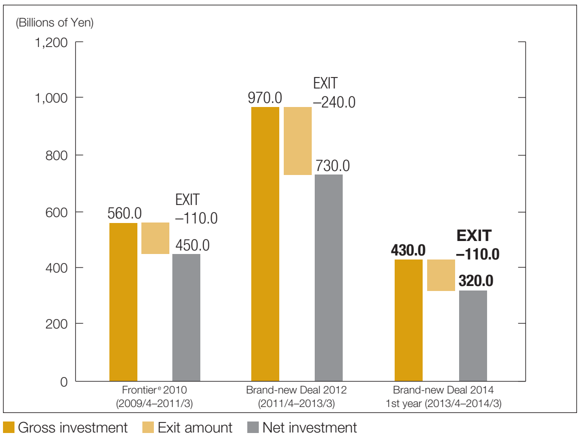
B Projects with low expected rate of return but for which stable earnings can be expected.
Example: Infrastructure business

2 Asset Replacement

Continuous Asset Replacement

After making investments, we continue to monitor and exit from low-efficiency assets which do not meet our designated criteria for investment return after passage of a given period of time, or which have become strategically less significant. During the five years between fiscal 2010 to fiscal 2014, our gross investment was ¥1,960.0 billion, and in comparison, our net investment was ¥1,500.0 billion. This illustrates that we have exited from assets worth ¥460.0 billion while investing in growth areas.

Continuous Asset Replacement

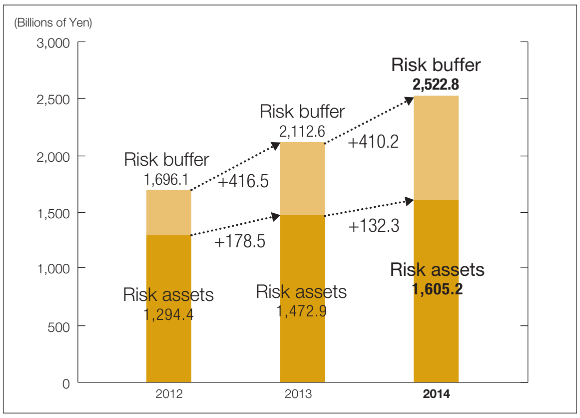


3 Risk Management

Managing Investment Risk Based on Risk Assets

We have introduced, and are utilizing, a Risk Capital Management (RCM) strategy. Under this strategy, we first calculate "risk assets" based on the maximum amount of the possible future losses from all assets on the balance sheet including investments, as well as all off-balance-sheet transactions. Second, we manage to control the quantity of risk assets within the limits of our "risk buffer" (consolidated stockholders' equity + noncontrolling interests). At the end of March 2014, the amount of risk assets stood at 64% of the risk buffer.

Risk Assets at the End of March 2014



As of March 31

Maintaining Financial Soundness

We are working to maintain financial soundness through continuous asset replacement and Risk Capital Management (RCM). During the period covered by "Brand-new Deal 2014," which sets an upper limit of ¥1 trillion for investment on a gross basis, we will maintain a sound NET DER and redouble our efforts to focus on cash flows from operating activities. In addition, we aim to achieve a credit rating of "A flat" from U.S.-based credit rating agencies, in addition to Japanese credit rating agencies*.

* Ratings of ITOCHU's long-term debt as of June 30, 2014, are Japan Credit Rating Agency (JCR): AA–, Rating and Investment Information (R&I): A+, Moody's Investors Service: Baa1, and Standard & Poor's (S&P): A–.

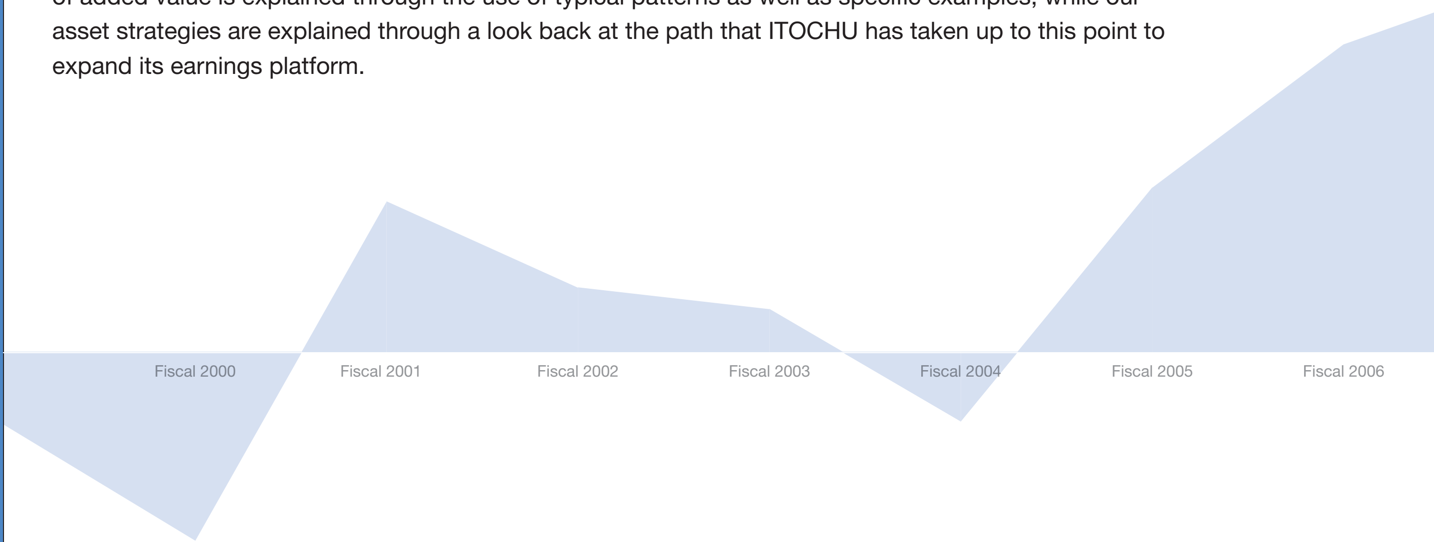
SPECIAL FEATURE

Creating Added Implementing Our

In a new growth stage, ITOCHU is aiming to be the No. 1 trading company in the non-resource sector, and in fiscal 2014 set a new record high of ¥310.3 billion for net income attributable to ITOCHU. This is a marked contrast from the end of the 1990s, however, when we had problems with our balance sheet and were caught up in difficult circumstances.

Over the next 10 years, we strengthened our earnings structure and dramatically improved our financial position. Favorable economic developments during this period included the IT boom in 2000, followed by the resource boom. In 2008, we made our way through the global financial crisis, and in recent years we faced an unfavorable economic development in the decline in resource prices. During that period, we steadily enhanced our business models of creating added value and implementing our asset strategies.

This special feature section explains two key elements that make up our business models. The creation of added value is explained through the use of typical patterns as well as specific examples, while our asset strategies are explained through a look back at the path that ITOCHU has taken up to this point to expand its earnings platform.



Value and Asset Strategies

Implementing Asset Strategies

Creating Added Value

Fiscal 2007 Fiscal 2008 Fiscal 2009 Fiscal 2010 Fiscal 2011 Fiscal 2012 Fiscal 2013 Fiscal 2014

SPECIAL FEATURE

IMPLEMENTING ASSET

Under the previous medium-term management plan, “Brand-new Deal 2012,” our cumulative total investment was about ¥970.0 billion on a gross basis over two years and we realized expanded the scale by accumulating superior assets. Under the current medium-term management plan, “Brand-new Deal 2014,” we are strengthening our earnings platform aiming to be the No. 1 trading company in the non-resource sector. To facilitate a better understanding of the establishment of the corporate strengths that have become the basis of our growth strategy and the framework for management of the business risks involved, this section will explain the path that ITOCHU has taken since around 2000.

Rebuilding PHASE 1

¥303.9 billion

Amount of restructuring loss recorded due to write-off of low-efficiency, unprofitable businesses in fiscal 2000

Fiscal 2000 | Fiscal 2001 | Fiscal 2002 | Fiscal 2003 | Fiscal 2004

Global-2000 (Fiscal 2000–2001)

A&P-2002 (Fiscal 2002–2003)

Super A&P-2004 (Fiscal 2004–2005)

Disposing of Unprofitable Legacy Assets —Establishing a Highly Profitable Business Model

At the end of the 1990s and the beginning of the 2000s, ITOCHU was burdened by large amounts of interest-bearing debt, inefficient assets, and unprofitable businesses. Although we boasted top-class earning capabilities, a significant portion of our profit had to be allocated to interest payments, the disposal of under-performing assets, and loss on bad debts, which weakened our financial position. Under the medium-term management plan “Global-2000” (fiscal 2000 and 2001), we declared “Reorganization of the Profit Structure.” We had taken a decisive action to sell, scale back, and withdraw from inefficient assets, and unprofitable businesses such as golf course-related businesses, fixed assets, and investment property, and reduced interest-bearing debt. We wrote off low-efficiency, unprofitable businesses, and recorded a restructuring loss of more than ¥300.0 billion in fiscal 2000.

Our management stance to focus on withdrawal from inefficient assets and improve our financial position under the “Global-2000” plan was maintained under the following medium-term management plans—“A&P-2002” (fiscal 2002 and 2003) and “Super A&P-2004” (fiscal 2004 and 2005). As a result of these continued rebuilding efforts over those six years, we had reduced net interest-bearing debt in half, to about ¥1,900.0 billion, and the net debt-to-equity ratio (NET DER) to 3.7 times.

NET DER

March 1999
13.7 times

March 2005
3.7 times

In parallel with these efforts to fundamentally improve our financial position, we also aimed to convert to a highly profitable business model, and implemented the principles of selection and concentration in areas that had the potential to become a pillar of our earnings over the medium to long term. The consumer-related sector and China were among the selected segments which we had heavily allocated resources.

Net Interest-bearing Debt

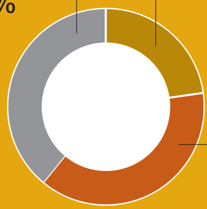
March 1999
about ¥**4.2** trillion

March 2005
about ¥ **1.9** trillion

To maximize the efficiency of our limited management resources, in fiscal 2000 we introduced the Risk Capital Management (RCM) method. This method aims to control the maximum risk exposure by tracking risk assets*1 which quantifies risk and asset efficiency by measuring “RRI”*2, the return on risk assets.” This new method entailed withdrawing from inefficient assets and allocating funds to high-efficiency assets. The introduction of this RCM method enabled ITOCHU to create the framework to implement our asset strategy, comprising of investing in areas where we have strengths, asset replacement, and risk management.

*1 Maximum possible loss from holding an asset, calculated by multiplying the asset by a risk weight
*2 RRI: Risk Return Index

STRATEGIES



Balance PHASE 2

Portfolio of our balanced allocation of investments during “Frontier+ 2008” and “Frontier^e 2010” (four years)

Fiscal 2006 | Fiscal 2007 | Fiscal 2008 | Fiscal 2009 | Fiscal 2010

Frontier-2006 (Fiscal 2006–2007) ▶◀ **Frontier+ 2008** (Fiscal 2008–2009) ▶◀ **Frontier^e 2010** (Fiscal 2010–2011)

“Enhancement of Solid Management” and “Shift to Aggressive Business”

As ITOCHU strengthened its financial position from “Frontier-2006” (fiscal 2006 and 2007), we steadily adopted a more “aggressive” stance for new business (expanding our asset scale).

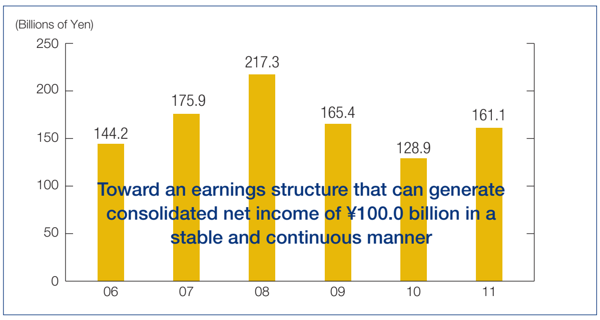
Aiming to build an earnings structure that can sustainably generate consolidated net income of ¥100.0 billion, even in a changing business environment, we invested with a focus on “balance” among the consumer-related sector, the natural resource development sector, and other sectors. However, although having achieved substantial improvements at the beginning of “Frontier-2006,” ITOCHU was still halfway in strengthening its balance sheet with NET DER, which was at 3.7 times. Accordingly, we decided on the “Enhancement of Solid Management" strategy to enhance solid management by continuing to reduce interest-bearing debt, strengthening risk management, and withdrawing from inefficient assets.

“Enhancement of Solid Management” / “Shift to Aggressive Business,” and “Balance” among investment portfolios were common key words shared throughout the subsequent medium-term management plans “Frontier+ 2008” (fiscal 2008 and 2009) and “Frontier^e 2010” (fiscal 2010 and 2011). For example, over the four years of “Frontier+ 2008” and “Frontier^e 2010,” we implemented a well-balanced investment, with an allocation of about 30% to the consumer-related sector, about 40% to the natural resource / energy-related sector, and about 40% to other sectors. This is the era when we had subsidized NIPPON ACCESS, INC., and established one of the top class food distribution systems in food distribution and marketing business structure. In addition, we took steps to capture the growth in consumer purchasing power in China. These steps included the conclusion of capital and business alliances with TING HSIN (CAYMAN ISLANDS) HOLDING CORP., a leading food manufacturer and distributor in China and Taiwan, and Shanshan Group Co., Ltd., a major conglomerate in China.


NIPPON ACCESS Distribution Center

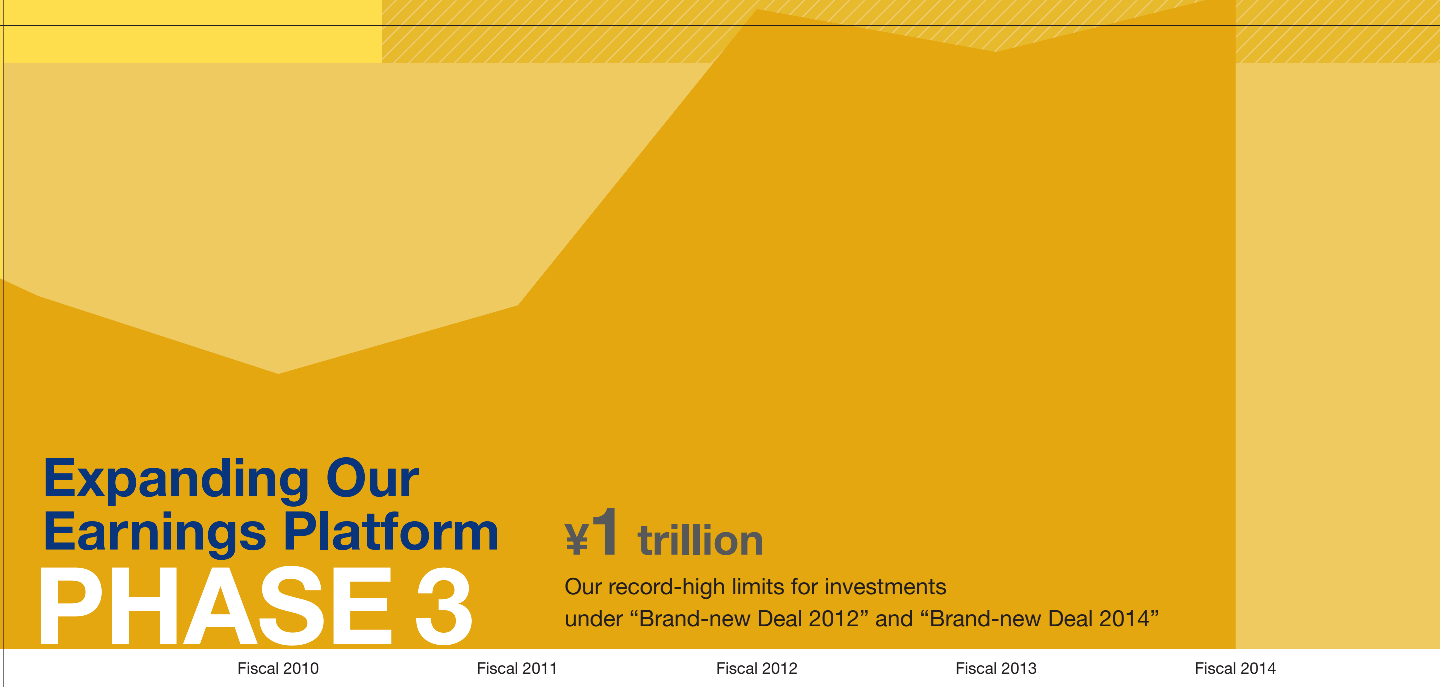
On the other hand, we continued to withdraw from inefficient assets, and accumulated stockholders’ equity. As a result, NET DER improved. In fiscal 2011, the final year of “Frontier^e 2010,” we set a goal not to carry over any items which may be of risk to the next fiscal year and accelerated the restructuring and withdrawal of inefficient assets. We recorded a restructuring loss of more than ¥50.0 billion in impairment losses on the stocks of listed equity-method associated companies, and liquidated 41 associated companies that were either unprofitable or had weak growth potential. These initiatives were aimed to reinforce our footing for the coming “next stage.”

Net Income Attributable to ITOCHU



Years ended March 31

SPECIAL FEATURE



Expanding Our Earnings Platform PHASE 3

¥1 trillion

Our record-high limits for investments under "Brand-new Deal 2012" and "Brand-new Deal 2014"

Frontier[e] 2010 (Fiscal 2010–2011) ▶◀ **Brand-new Deal 2012** (Fiscal 2012–2013) ▶◀ **Brand-new Deal 2014** (Fiscal 2014–2015)

Proactively Seeking New Opportunities

Through various initiatives to focus on efficiency implemented up to fiscal 2011, we dramatically strengthened our financial base. On the other hand, we had felt that we lacked aggressiveness in accumulating assets during this era, in contrast with the number of abundant business opportunities generated by growth of emerging countries such as China and an increase in resource prices. As a result, we decided to make a major shift in our focus from efficiency to "expanding our scale of operations." Accordingly, under "Brand-new Deal 2012" (fiscal 2012 and 2013) we decided to accelerate our approach to "proactively seek new opportunities" to facilitate the transition to the next stage of "expanding our scale of operations." However, there were things to be done first.

Streamlining Operating Rules for a Proactive Approach

In fiscal 2011, prior to the start of "Brand-new Deal 2012," we accelerated withdrawal from inefficient assets, as previously described, and revised our rules regarding investment to a format more suitable for proactively seeking new opportunities.

Revising Our Organization and Human Resource Management Systems for a Proactive Approach

Organizational Reform

With the objective of bolstering earning power through precise management, we took steps to equalize the scale of earnings and organizational size to enable detailed and timely management, maximize synergies between organizations, and optimize positioning of human resources and gradually revised the Division Company system, from seven Division Companies which had been in place since the system was introduced in 1997 to six Division Companies.

Personnel and Compensation Systems

To increase the motivation of our employees, we eliminated the organizational results evaluation system for compensation of employees and increased the magnitude of which individual capabilities influenced the compensation amount. This change was made due to the fact that compensation under the previous method was substantially biased by the result of the organizational unit in which the employee worked, rather than the individual employee's own capabilities and achievements.

Textile
Machinery
ICT, Aerospace & Electronics
Energy, Metals & Minerals
Chemicals, Forest Products & General Merchandise
Food
Finance, Realty, Insurance & Logistics Services

From 7 Division Companies to 6

Objectives
- Equalizing the scale of earnings and organizational size to enable detailed and timely management
- Maximizing synergies between organizations
- Optimizing positioning of human resources

Textile
Machinery
Metals & Minerals
Energy & Chemicals
Food
ICT, General Products & Realty

Investment Criteria for a Proactive Approach and Revision of Risk Asset Calculation Method

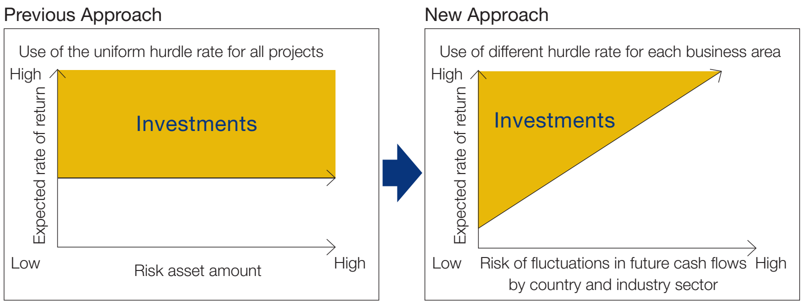
(1) Investment Criteria

The original approach for investment criteria was made using risk assets, based on a hurdle rate that was uniform for the entire company. The reason is that we had carried over this approach from the era of "rebuilding," which was designed to specify and exclude inefficient assets, and focused on raising the overall efficiency of assets. These criteria made a substantial contribution to improving our financial position, but there was a setback where it may exclude investments which are low in expected returns, but would otherwise provide stable earnings. In changing our direction to a proactive approach, the investment criteria were subdivided into about 40 categories by country and industry, enabling investment decisions to be made in accordance with the industrial criteria of each business area.

(2) Risk Asset Calculation Method

The RCM method was introduced at a time when our top priority was to reduce inefficient assets, and accordingly the risk weight was set conservatively. Consequently, for the first time in 10 years we revised the risk asset calculation method to bring it in line with current business environment. Specifically, we revised the risk weight, which was overly conservative, considered the effects of diversification, and revised the definition of the risk buffer from "consolidated stockholders' equity" to "aggregate of consolidated stockholders' equity and noncontrolling interests."

Investment Criteria



Aggressive Investment to Expand Scale of Operations: "Brand-new Deal 2012"

After solidifying our foothold, under "Brand-new Deal 2012" our cumulative total investment was about ¥970.0 billion on a gross basis over two years. While rigorously selecting projects, we accumulated superior projects to expand our scale of operations.

In the consumer-related sector, we invested ¥265.0 billion over a two-year period. The projects that we invested under this plan, such as the Kwik-Fit Group, the U.K.'s largest tyre retailer, and METSA FIBRE Oy, of Finland, one of the world's largest softwood pulp producers, improved their performance and successfully contributed to this year's group net income. In the machinery-related business, we built a stable earnings platform that included the wind power generation, water supply, and automobile-related businesses. On the other hand, in the natural resource / energy-related sector, we invested in areas in which we have strength, such as coal and iron ore. These projects included the Colombian mining operation of Drummond Company, of the United States.

Consequently, by the time our medium-term management plan was concluded, we had built a well-balanced portfolio that would form the foundation for "Brand-new Deal 2014."


METSA FIBRE Oy


Drummond Company's mining operations in Colombia

Aiming to be the No. 1 Trading Company in the Non-Resource Sector: "Brand-new Deal 2014"

Under "Brand-new Deal 2014" (fiscal 2014 and 2015), we announced that we would aim to be the No. 1 trading company in the non-resource sector and allocated about two-thirds of our total investment budget of ¥1 trillion (gross) for investment in this sector. In addition, we are working to gain returns from large-scale projects that we invested in. Accordingly, we are aiming to pursue a balanced growth and to achieve a solid position as the No. 1 trading company in the non-resource sector. However, there have been no changes to our vigilance in our awareness of keeping a sound financial position and pursuing asset efficiency, by withdrawing from inefficient assets.

In this way, while we adjusted the extent of our proactive approach and changed our focus fields during the course of our growth stage, we have continued to strengthen our risk management and asset replacement without interruption. The next section will explain the creation of "added value," which complements the asset strategies explained in this section.

SPECIAL FEATURE

CREATING ADDED VALUE

Even as times change, the tireless creation of added value ensures that ITOCHU's earnings are supported by a solid foundation of trade, which links sellers and buyers. This section introduces specific examples to explain ITOCHU's typical approach to the creation of added value by making wide-ranging use of both internal and outside management resources.

Brand Management

Drawing on Accumulated Know-how to Maximize Brand Value —Textile Business

Brand management is an approach of adding value to products and services through branding, increasing brand value, and thereby maximizing earnings. The textile business is a good example.

In the 1970s, ITOCHU created a new business model by adding value to imported fabrics through branding. Aiming for stable commercial rights over the long term, ITOCHU began to acquire brands, principally from the 1990s, and to implement direct investment in brand-holding companies. We then worked to enhance our brand management know-how while increasing the value of the acquired brands.

In brand management, we start with branding and then create a brand strategy that is aligned with the brand's distinctive characteristics. For example, this is the process that we implemented with LeSportsac and HUNTING WORLD. Based on each strategy, we work to achieve continuous increases in brand value in each market through integrated management of all aspects of marketing, including pricing, distribution, designing, advertising and promotion. Furthermore, we then work to implement initiatives to increase brand value using the distinctive coordination function of a general trading company. With CONVERSE, for example, we formed alliances with leading apparel manufacturers, and with OUTDOOR PRODUCTS, we introduced the brand into the Chinese market through alliances with leading local partners.

LeSportsac

HUNTING WORLD

CONVERSE

OUTDOOR PRODUCTS

Coordination

Developing Businesses through the Establishment of Win–Win Relationships—China Food Business

In rapidly establishing a market position and increasing the probability of success, ITOCHU focuses on partners that offer complementary functions. One form of added value that is demonstrated in collaboration with partners is coordination. The China food business is a good example.

The key to the success of the global Strategic Integrated System (SIS) strategy* in the food business is the partnerships with leading companies that have accumulated knowledge in each market and established market positions. In China, we concluded a tie-up with TING HSIN (CAYMAN ISLANDS) HOLDING CORP., a corporate group that is a leader in food manufacturing and distribution in China and Taiwan and includes an operating company, Tingyi (Cayman Islands) Holding Corp., that has a number of products with the No. 1 share in such categories as instant noodles, tea drinks, and water. ITOCHU is coordinating new businesses, working together with the Ting Hsin Group and Japanese companies that strive to enter the China market.

Japanese companies are able to draw on the sales channels, raw material procurement channels, and abundant sales know-how of the Ting Hsin Group, while the Ting Hsin Group can differentiate itself through the use of the world-leading technologies of Japanese companies, such as quality control technologies. By boosting the flow of commercial distribution, ITOCHU expects to increase the return on its investment in TING HSIN (CAYMAN ISLANDS) HOLDING and to expand profits from trade.

* SIS strategy: A strategy for supply chain optimization through vertical integration, from upstream procurement of food resources to mid-stream product processing and marketing and distribution and through to downstream retail businesses.

ASAHI BREWERIES	Fuji Oil
KAGOME	FamilyMart
Pasco Shikishima	Calbee
Prima Meat Packers	Nippon Flour Mills

ITOCHU Corporation

Ting Hsin Group

Provision of Trading Company Functions & Brand Management

Focusing Comprehensive Strengths in Pursuit of Corporate Value —Dole Business

The Dole business is a typical example of how we have pursued growth in the corporate value of the businesses that we have invested in while combining various approaches to the pursuit of added value into the optimal format.

With the Asian fresh produce business and the worldwide packaged foods business that we acquired from Dole Food Company, Inc., we are working to maximize the value of the Dole brand while leveraging the various trading company functions of the ITOCHU Group. We are aiming to expand the brand's share in China and Asia by combining the Dole brand built over many years with our knowledge about dietary culture and business practices in each market, our partnerships with leading companies, and our management resources, such as sales channels and logistics networks. On the other hand, our strategic plan is for products handled by ITOCHU to be distributed through the local-market sales channels built up around the world by Dole, and for the focus of the SIS strategy to rapidly shift from importing to meet domestic demand to implementing a global business model.

In addition, targeting a stable supply of products suitable for the global Dole brand, we are moving ahead with the development of production sites. Specifically, we are advancing the production site development initiated by Dole. Leveraging our financial strengths, we are working to reduce production costs by expanding in-house farms. We are also taking steps to reduce weather risk by using our global network to advance the development of new production sites. Furthermore, the entire Group is working together to provide trading company functions, such as the procurement of cardboard and packaging materials through the Group.

In addition to fresh fruits, such as bananas and pineapples, Dole is also known around the world as a brand of processed foods. Combining Dole's product development capabilities with ITOCHU's marketing strengths, we will strive to increase brand value by offering a wide range of products that earn the support of consumers. The commitment to quality that Dole has maintained since its founding is being rigorously maintained in all of our supply chains. In addition, we are developing new products in line with the concept of "health and nutrition." We are also taking products that were successful in North America and launching them in Asia, as well as marketing high-quality Japanese produce in Asia under the Dole brand.

Function 1	Expanding sales of Dole products in China and Asia utilizing business infrastructure built by ITOCHU
Function 2	Developing production sites using ITOCHU's financial base and networks
Function 3	Reducing costs by using the wide-ranging strengths of ITOCHU Group companies
Function 4	Further increasing the value of the Dole brand by using brand management know-how

Providing the Functions of a General Trading Company—Automobile Business

ITOCHU offers its business partners more than just the traditional functions of a general trading company, such as credit, foreign exchange settlement, insurance, logistics, and IT. To add value in trade, we strive to continually cultivate new functions. The automobile business is a representative example.

Working Closely with Business Partners

ITOCHU continues to gain ground in the non-resource sector, and one of the strongest performers in this sector is the machinery-related business, which is generating strong growth in profits. In fiscal 2014, the Machinery Company set a new record high for profits, with a 35% year-on-year rise in net income attributable to ITOCHU. The automobile business was one of the drivers of this profit growth.

ITOCHU got its start in the automobile business in 1955 with the export of trucks of Isuzu Motors Limited (hereinafter "Isuzu") to South America. Trade was a pillar of ITOCHU's profits at that time, and it maintains that central position today.

The domestic manufacturing industry became internationally competitive during Japan's period of rapid economic growth, and Japanese manufacturers began to open up sales channels on their own and to shift production facilities overseas. Many times, such as in the 1980s, people questioned if general trading companies could even add value in the new markets. The trading business of many trading companies began to contract, and the automobile business was no exception to that trend. Despite these challenges, ITOCHU has remained committed to the trading business. Today, ITOCHU continues to export Japanese vehicles to more than 100 countries around the world, working as a business partner with such companies as Isuzu, Mazda Motor Corporation, and SUZUKI MOTOR CORPORATION.

Focused on Increasing the Sales of Automakers

The automobile trading business, which is centered on exports, is substantially influenced by the unit sales of the automakers. Accordingly, ITOCHU has done more than just open up sales routes in markets around the world. We have also extended our business from mid-stream operations to downstream areas and worked to support growth in the sales of the automakers in a variety of ways.

In general, after automobiles are manufactured, they are exported to the market where they will be used and delivered to the consumer through the local distributors (wholesalers) and dealers (retailers). As with "SUZUKI MOTOR RUS" LLC, for example, ITOCHU contributes to the management of distributors, either through joint ventures with automakers or independently. We provide support to help automakers open up sales routes and enhance their distribution networks.

In downstream areas, we typically participate in the management of dealers, such as Auto Investment Inc., by becoming a major shareholder. To increase sales, we provide support at a point of direct contact with consumers. These dealers employ sales strategies aligned with the policies of the automakers, and in addition they feed back to the automakers information that is useful in marketing. Using our financial resources and know-how, we also provide retail finance functions that are indispensable in automobile sales. A good example is Isuzu Finance of America, Inc., a captive retail finance company for Isuzu. Isuzu Finance of America was established in the United States as a joint venture between ITOCHU, Century Tokyo Leasing Corporation, and Isuzu. Another way in which we provide functions to businesses is through the dispatch of personnel who manage operations to these types of joint ventures.

In this way, our focus on helping to increase the sales of manufacturers and on continuing to provide added value through detailed responses to the needs of both manufacturers and markets has undergirded our ability to maintain and expand trade.

ITOCHU's Automobile Exports

Fiscal 2014
414 thousand

Fiscal 2010
213 thousand

ITOCHU's Value Chain in the Automobile Business

Function 2: Opening up sales routes, providing support for enhancement of logistics networks, participating in management

Function 1: Exports

Function 3: Providing support for expanding sales and participating in management

Manufacturers ▶ Distributors ▶ Dealers ▶ After-sales services ▶ Used vehicle logistics ▶ Vehicle scrapping

Emerging countries: Centered on new vehicle sales

Developed countries: Centered on after-sales services

Function 4: Providing support for the establishment of the optimal business model with a complete view of the entire life cycle

Towards a Business Model with a Complete View of the Entire Value Chain

The automobile value chain extends from the sale of a new vehicle to after-sales services, such as the provision of maintenance, repairs, and parts, the sale of used vehicles, and finally to the scrapping of the vehicles. Considering the entire value chain, the optimal business model for an automobile dealer depends on the degree of maturity of the market it serves. In developing countries where automobile ownership is growing, the optimal business model would center on sales of new vehicles, but in developed countries where rapid growth in automobile ownership has ended, the business model would center on after-sales services. Maintaining close ties with manufacturers, ITOCHU is building distributor and dealer business models that are aligned with these types of market-specific characteristics.

For example, we have strengthened our cooperative relationship with Isuzu in downstream areas. In 2007, we established Isuzu Motors Sales Ltd. as a joint venture, thereby establishing a foothold in sales of commercial vehicles in the domestic market. The needs of the corporate customers that are customers of Isuzu Motors Sales extend throughout the entire vehicle life cycle, from purchase and operation to replacement and disposal. Accordingly, Isuzu and ITOCHU have worked together to build a business model that provides comprehensive services extending to maintenance, inspections, and repairs; used vehicle trade-ins; and scrapping. This business model is not limited to new vehicle sales, which are significantly influenced by economic trends. Rather, the model incorporates multifaceted coverage of the entire life cycle, thereby contributing to the stability of the management foundation. In April 2013, Isuzu Leasing Services Limited was established. By combining Isuzu's Life Cycle Business with ITOCHU's know-how in the automobile finance business and Century Tokyo Leasing's know-how in the auto lease business, the new company has an enhanced ability to meet the needs of customers.

ITOCHU also has a close cooperative relationship, including human resources, with YANASE & CO., LTD., which is the leader in unit sales of imported cars in Japan. Through this relationship, ITOCHU is moving forward with the establishment of a business model for the provision of services throughout the value chain, from sales to after-sales services. Through our cooperative relationship with YANASE, we have acquired customer service know-how that is among the strongest in the industry. We will consider applying this know-how in markets around the world, centered on emerging countries.

Unit sales of automobiles are expected to increase due to further advances in motorization in emerging countries. Moreover, environmental technology is expected to hold the key to competitiveness in the automobile industry. Accordingly, as we move forward in our role as a business partner we will continue to provide needed functions so that manufacturers can focus their resources on technical innovation.

Providing Management Know-how —European Tyre Enterprise Limited

To increase the probability of success in investment, ITOCHU provides know-how in a wide range of areas, such as management strategy, risk management, finance, and legal affairs. Furthermore, by sending management personnel to front-line worksites, we provide additional support to increase the corporate value of the companies we have invested in. This section explains this approach, using the U.K. tyre business.

ITOCHU's Front-line Approach Opens Business Opportunities —U.K. Tyre Business (European Tyre Enterprise Limited)

A focus on the front lines generates strong business opportunities, even in developed countries. The U.K. tyre market is a good example.

The replacement tyre market in the U.K. has sales of approximately 30 million units a year, or about ¥400.0 billion. European Tyre Enterprise Limited (ETEL), a wholly owned subsidiary of ITOCHU, handles a substantial segment of this market, with a share of about 40%. ETEL is the holding company for Stapleton's (Tyre Services) Ltd., Kwik Fit Netherlands, and Kwik-Fit GB Ltd. Stapleton's is the largest tyre wholesaler in the U.K. and also operates retail centers, while the Kwik-Fit Group is the largest tyre retailer in Europe.

ITOCHU's European tyre business started when Stapleton's became a subsidiary in 1994, and since then the business has evolved and recorded steady growth and increases in corporate value. For example, net income from ETEL in the fiscal year ended March 31, 2014, was up ¥2.9 billion year on year, to ¥5.1 billion. Nonetheless, the journey has been anything but smooth. This section reviews that journey, from the initial identification of the business opportunity as a result of ITOCHU's focus on the front lines, to the substantial improvements in profitability and competitiveness, while introducing the key ITOCHU person who led the drive to put the tyre business back on track.

Introducing Japanese-style Service Quality while Respecting British-style Management

In 2004, current ETEL CEO, Kenji Murai, who at the time had just been dispatched to Stapleton's with the mission of turning the business around, said "The results are not favorable, and we may have to consider exiting the business as one of our options."

In the U.K., there are two places that people tend to avoid until they must go. One is the dentist, which is probably the case in every country in the world. The other is the tyre center. Many tyre centers in the U.K. are similar to warehouses. They tend to be somewhat messy, do not have waiting rooms, and they make customers wait outside in the cold while their tyres are being changed. In addition, the customer service level in U.K. tyre retail is not always excellent compared to other industries. Stapleton's retail centers were no exception. All tyre centers have similar items, as a result it is difficult to be differentiated in the tyre market. Kenji Murai said "The U.K. may be a nation where people do not generally worry about little things, but the hearts of the customers are the same as Japan. They would simply appreciate better service from tyre centers." He selected "service quality" as the decisive point of differentiation in front-line worksites, where the existing conditions were taken for granted.

Nonetheless, Murai could not simply transfer the Japanese style to the U.K., which has substantially different culture and values. In particular, Stapleton's was an entirely local enterprise, with retail operations closely tied to local communities and a workforce composed almost entirely of British employees. Accordingly, he decided to introduce Japanese-style service quality while maintaining and making the most of the superior aspects of U.K.-style management.

Strengthening the Wholesale Function by Simultaneously Increasing Service Quality and Reducing Costs

Stapleton's as a wholesaler handled 4,500 varieties of tyres, but the in-store inventory was restricted to about 250 varieties, so customers faced limited choices. Stapleton's referred to the system in Japan, where a tyre can be delivered anywhere in the country within two hours. On that basis, Stapleton's restructured its product flow, storage systems, and control procedures to build a small-lot delivery system that could make two deliveries per day to sites in 85% of the U.K., compared with the previous system's one delivery per day.

This restructuring of the entire supply chain made it possible for both retail and wholesale customers to select the optimal tyre for their needs at the right time, which dramatically increased their handling volume. As a result, this has reduced distribution costs, and made a major contribution to improving Stapleton's earnings structure.

Focusing on the Fundamentals and Improving Morale

As wholesale operations had been successful in assessing market needs, retail operations actively invested to increase customer satisfaction.

The company first implemented a rigorous approach to the fundamentals of the retail business. In addition to keeping centers neat and organized, the floors and bays in the centers were repainted. In this way, the centers were transformed from "warehouses" to "clean, relaxing spaces." In addition, Stapleton's implemented employee education and awareness training, targeting error-free maintenance services and qualitative improvements in customer service. Murai said "We made employees change some things, such as not eating sandwiches or drinking coffee when customers were present. At the time, they probably wondered why we were asking them to change." Eventually, however, even the employees who were a bit hesitant at first began to straighten up their appearance and to follow the new rules. In addition, Stapleton's transparently displayed product and service prices and eliminated poor business practices, such as overcharging by selling at more than the list price, which had been considered to be a standard practice.

In the U.K., generally employee morale is one of the main focuses for management. Accordingly, Stapleton's introduced a variety of initiatives to boost morale. For example, the company instituted training to help center managers act more like business managers rather than shopkeepers. In addition, Stapleton's worked to nurture a spirit of eagerly taking on challenges and transitioned to an organization in which each center has independence to be run by the center managers.

While customers are relaxing on a sofa, Stapleton's provide the industry's highest quality services, from changing tyres to battery and brake pad maintenance. With a highly efficient distribution system and reforms of the frontline retail work sites, the company was able to achieve service quality that is among the best in the industry, and that quality steadily began to earn the support of customers. That support can be seen in sales, which rose about 2.5 times from 2003 to 2010, and in strong per-center profitability.

The know-how that Stapleton's acquired through these business initiatives will be the foundation on which further success is achieved in the years ahead.

Stapleton's Profit Improvement Initiatives

Wholesale

Build a small-lot delivery system that can make two deliveries per day to sites in 85% of the U.K., compared with the previous system's one delivery per day

Retail

(1) Rigorous approach to the basics of retail (cleanliness, refurbishment to create relaxing spaces, transparent display of prices, improved customer service quality)
(2) Take steps to enhance motivation, such as increasing independence by delegating authority

Stapleton's Profit Improvement Results
(2003: Year before Kenji Murai arrived—
2010: Year before Kwik-Fit acquisition)

	Sales	Profit after Tax
2010	£304 mil	£5.7 mil
2003	£122 mil	£-0.5 mil

Applying the Know-how of Stapleton's into the Largest Retail Network in the U.K.

In 2011, ITOCHU invested about ¥85.0 billion to acquire Kwik-Fit, which had over 1,000 centers in Europe. That included 675 centers in the U.K., the largest tyre retail network. Kwik-Fit has strength of fleet business, which is resistant to the influence of economic fluctuations. Stapleton's and Kwik-Fit have a combined total of about 800 centers in the U.K., which has about half the population and two-thirds of the geographical area of Japan, while in comparison the largest tyre shop chain in Japan has only 500 centers.

Tyre retailing has a long operational cycle. On average, it is about 18 months between visits to a store by an individual customer, including maintenance visits. Accordingly, Kwik-Fit needed to take the time required to nurture the business. However, Kwik-Fit had been owned by an investment fund for many years, and the owners took a short-term approach with the highest priority on sales. They did not invest from a long-term frame of reference. This is where ITOCHU saw the potential of Kwik-Fit.

Murai, who has become the Managing Director of Kwik-Fit, took steps to increase corporate value by leveraging the know-how gained through the turnaround of Stapleton's.

The Tyre Business is a Brand Business

Murai says that "tyre retailing is a brand business." Tyres are important products that have responsibility for people's lives. However, for most consumers tyres are purchased because they are necessary, and consumer awareness of tyre performance and varieties is relatively low. Accordingly, typical consumers select the tyres that are recommended by center employees. Of course, they select staff and centers that can be trusted, when making a tyre purchase. In other words, to encourage customers to visit a center repeatedly, the center itself must be a "trusted" brand. This was a factor in Stapleton's elimination of overcharging and pursuit of customer service quality. Murai insisted that "we will allow discounts but we will not allow overcharging under any circumstances."

The know-how to enhance the brand value of the center, which Murai developed in Stapleton's has been applied to the new project within Kwik-Fit, already 5 times larger than Stapleton's retail network. The key was "How to be trusted from the customers."

Kwik-Fit is aiming to boost profitability by developing a high level of service quality on a large scale.

Being led by Murai, the staff developed new policies known as the "Kwik-Fit Way" in their own words to deliver best customer satisfaction.

The company has taken a thorough approach to staff training and education in customer relationship and technical skill. In addition, leveraging the know-how acquired by Stapleton's center refurbishment, which substantially exceed industry standards in store grades and service details, Kwik-Fit is developing Kwik Fit Premier, a premium-quality center brand for the group. By providing a higher level of service quality without compromise, Kwik-Fit is aiming to gain brand value and on employee morale, to improve the customer repeat rate, and to increase sales. Kwik-Fit has already converted 120 centers to Kwik Fit Premier, and plans call for the entire network to gradually be converted to the new format.

In the two and a half years since the acquisition, the number of complaints from customers has been reduced by 50%, and letters of appreciation from customers are four times more than the previous level. In fact, the number of letters of appreciation is now four times of complaints. These strong results are attributable to the united efforts of the team.

Growing Corporate Value with a Commitment to the Front-Line Approach and a Long-Term Viewpoint

The ETEL Group is using its distinctive strengths to pursue higher value added. One example of that approach is the launch of a private brand that draws on the ITOCHU network.

Operational scale is something that can simply be purchased if sufficient funds are available. However, if the objectives are to foster shared values while respecting the culture, increase customer satisfaction, and build a brand, then long-term, sustained effort is essential. Time and perseverance will be required for the ETEL Group to generate full-fledged synergies. It is in this setting that the true capabilities of an ITOCHU person are demonstrated, with a commitment to the front lines and to enhancing business at a point of direct contact with consumers.

Kenji Murai, who said that “It is OK if others imitate us, we will lead the way forwards,” believes that it is essential to regularly visit the centers in person. That belief is based on the ITOCHU philosophy of focusing on the front-line approach.

ITOCHU Corporation’s Net Income from ETEL (U.S. GAAP)

Fiscal 2014

¥5.1 billion

Fiscal 2013

¥2.2 billion

European Tyre Enterprise Limited

After I returned from a posting in Pakistan, I worked in a regional city in Japan as a branch manager with responsibility for planning, development, and operations for retail tyre centers. I had experience on the front lines of retail in the tyre industry, which differs from the mid-stream sectors of the industry. At a general trading company with operations centered on B2B businesses, that experience was a precious asset that substantially influenced the way I approach things. Even though we are in a different country, I believe that my experience on the front lines has become the cornerstone of management at Kwik-Fit. That is why I continue to place great importance on front lines. When a network reaches a scale of 800 stores, the thinking of the executives does not always reach the stores. Accordingly, several times a month I visit centers. In this way, I can tell the employees directly what I am thinking and confirm for myself how projects are progressing.

When I first came to Stapleton’s and results were poor, I was impressed by the words I heard from U.K. employees, that “happy people make miracles,” and today we are putting those words into practice. We are doing our best to sustain and improve morale. In the tyre business, it can take time to see results. I will strive to maintain an active dialogue with front-line work sites, and to contribute to the success of our projects by working together with employees and sustaining morale at a high level.

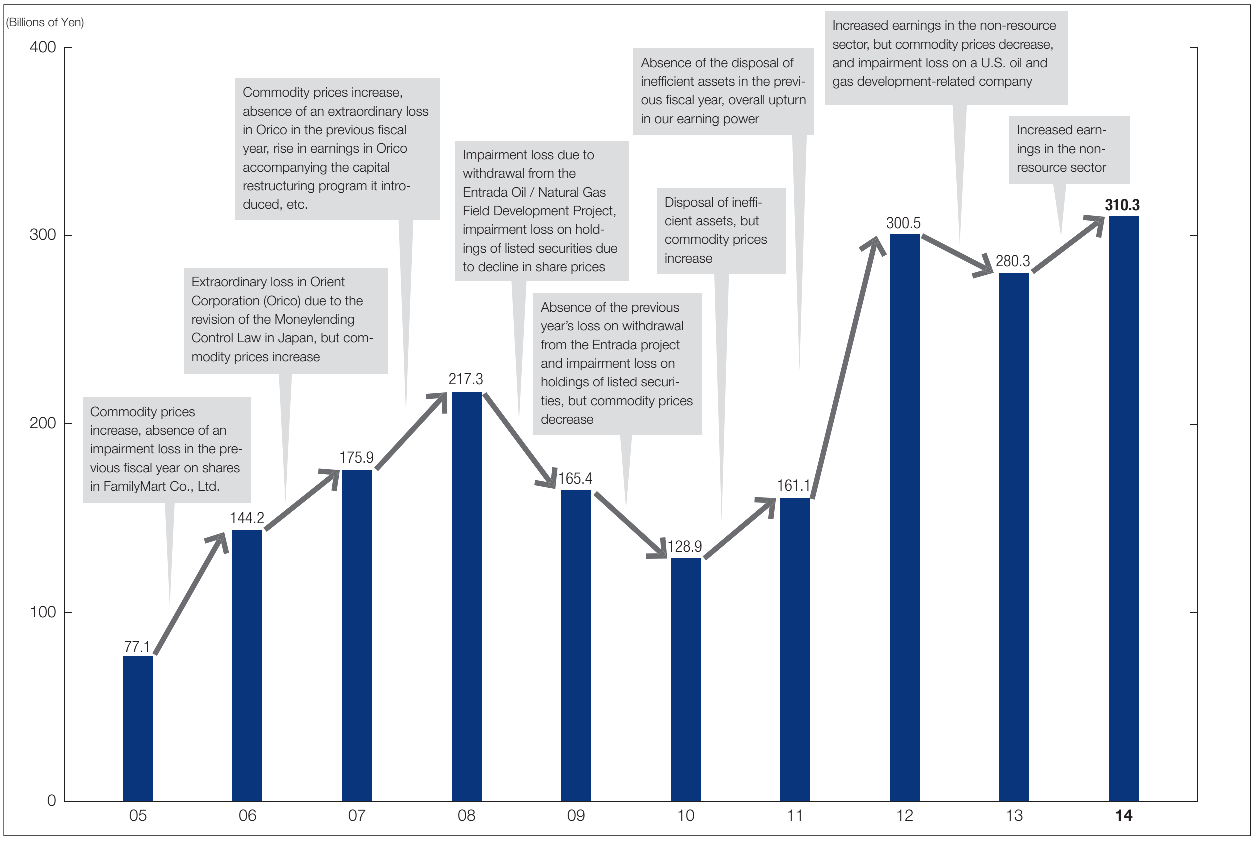
European Tyre Enterprise Limited CEO

Kenji Murai

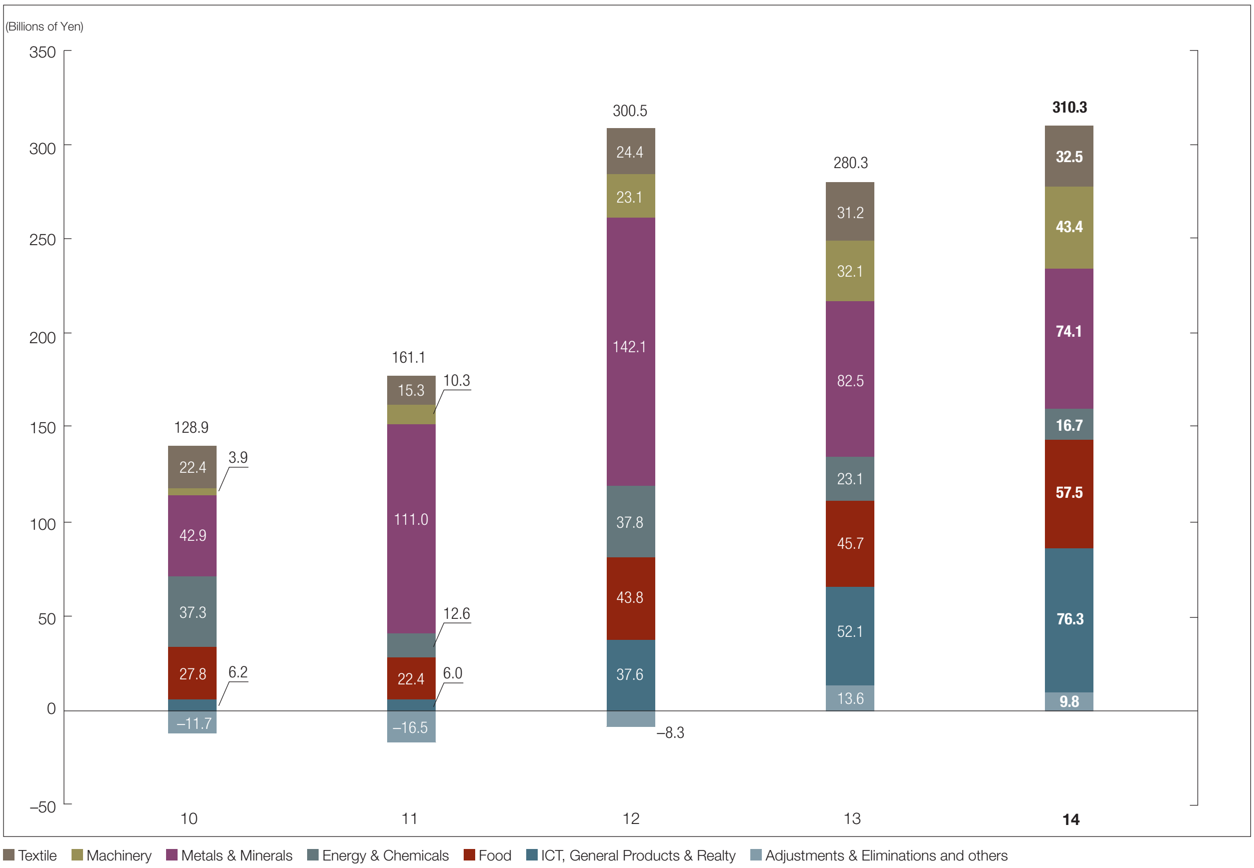
Ten-year Highlights

ITOCHU Corporation and Subsidiaries
Years ended March 31

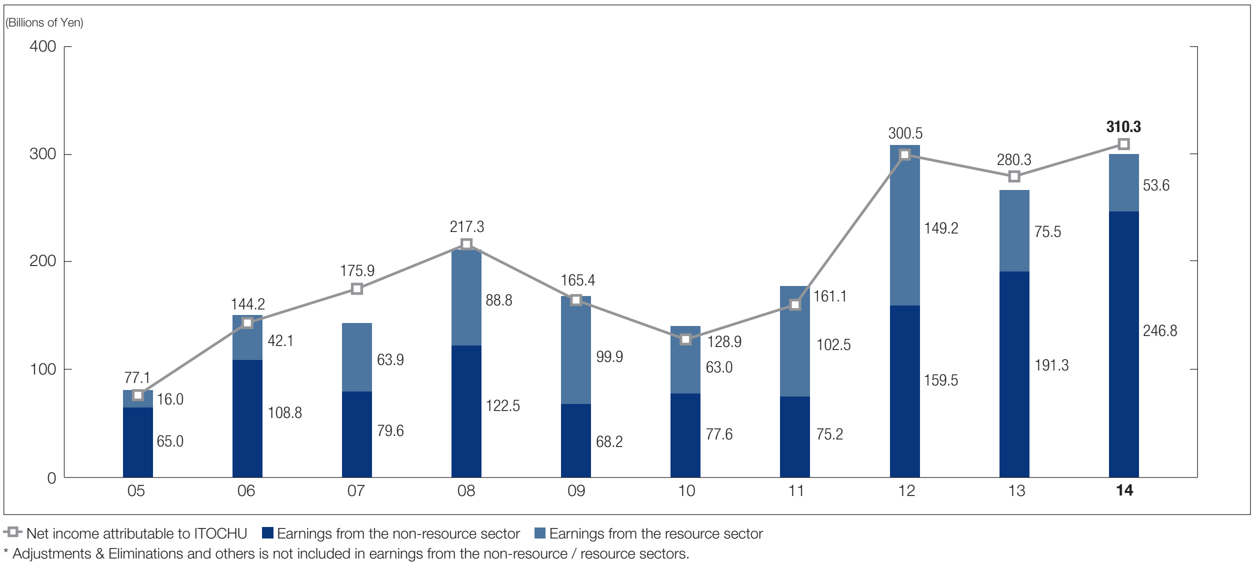
Net Income Attributable to ITOCHU



Net Income Attributable to ITOCHU by Operating Segment

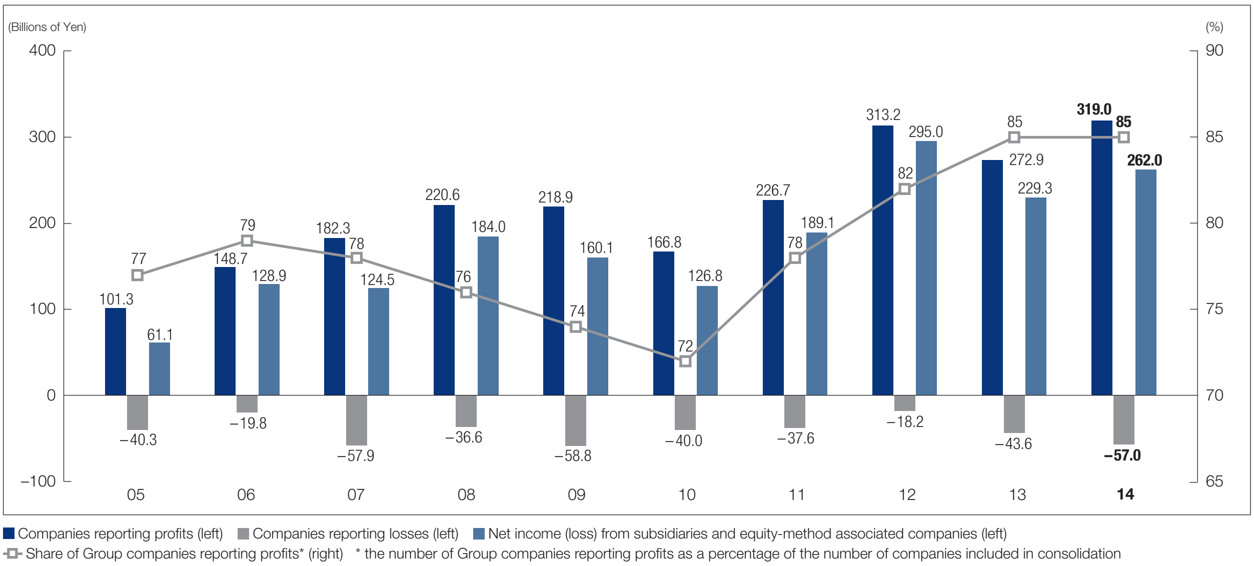


Net Income Attributable to ITOCHU (Non-Resource / Resource)



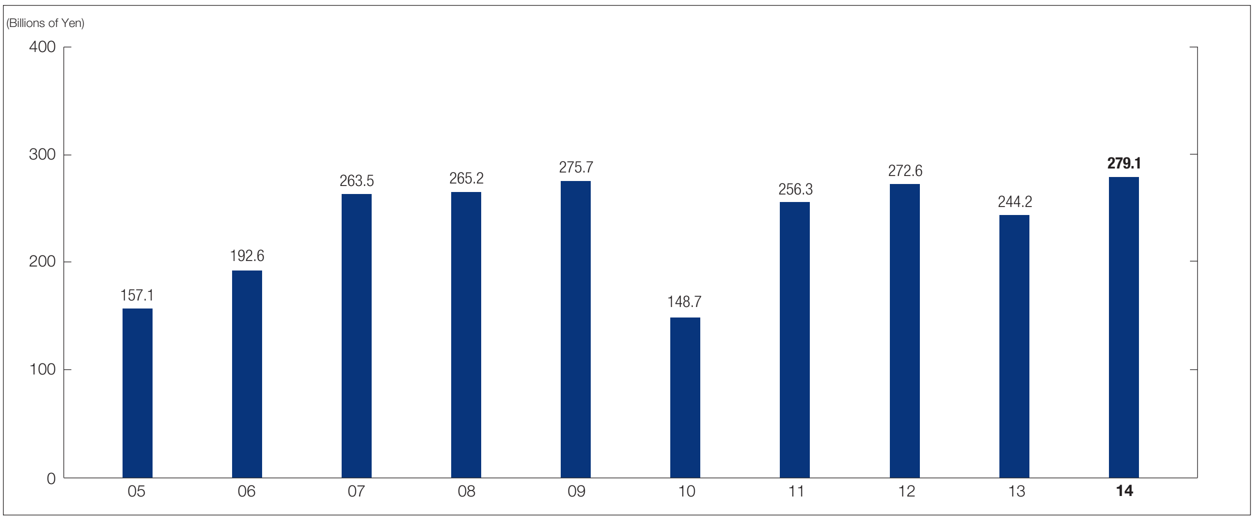
* Adjustments & Eliminations and others is not included in earnings from the non-resource / resource sectors.

Net Income (Loss) from Subsidiaries and Equity-method Associated Companies



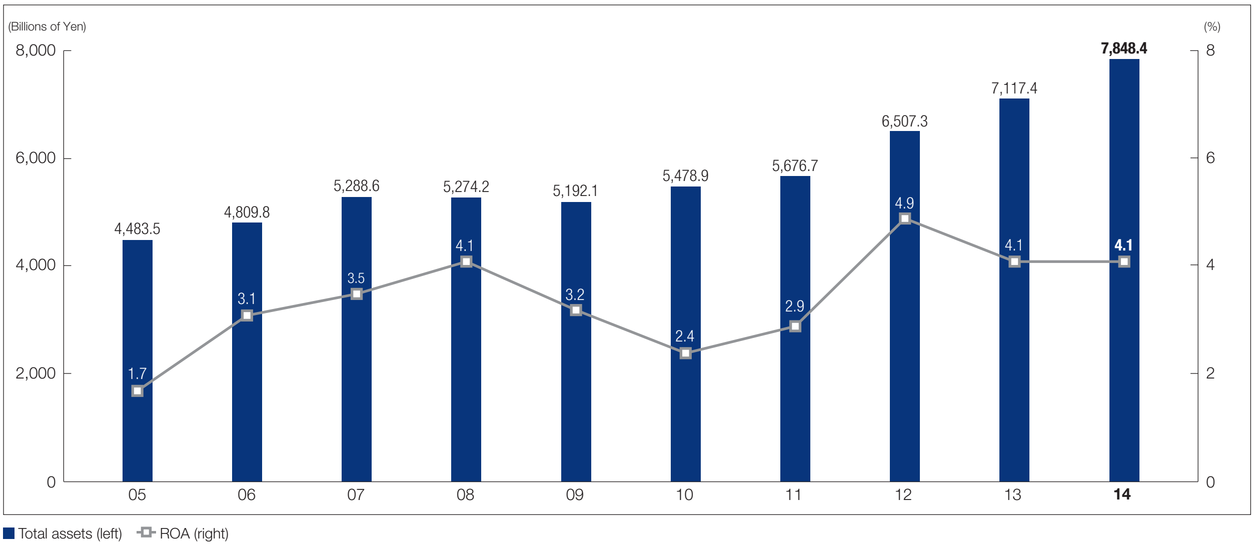
* the number of Group companies reporting profits as a percentage of the number of companies included in consolidation

Trading Income

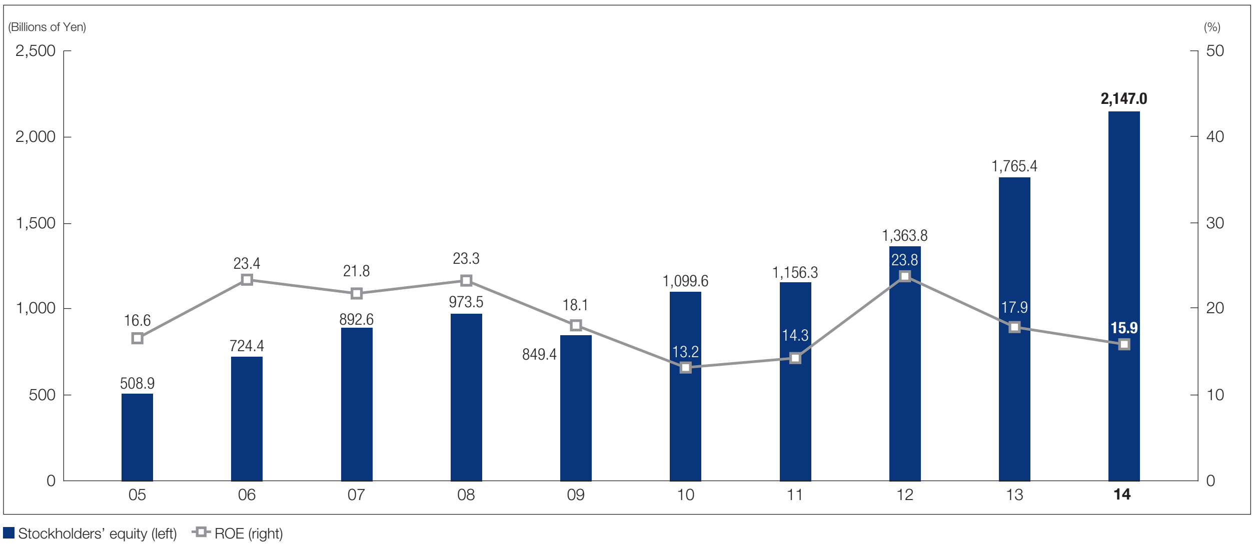


* Trading income = Gross trading profit + SG&A expenses + Provision for doubtful receivables

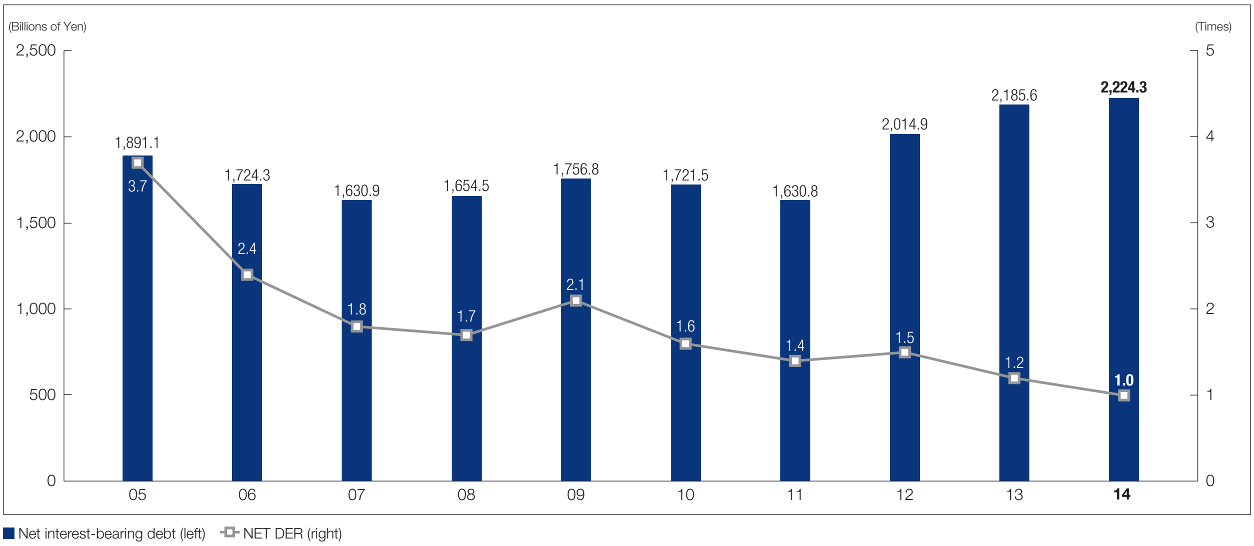
Total Assets / ROA



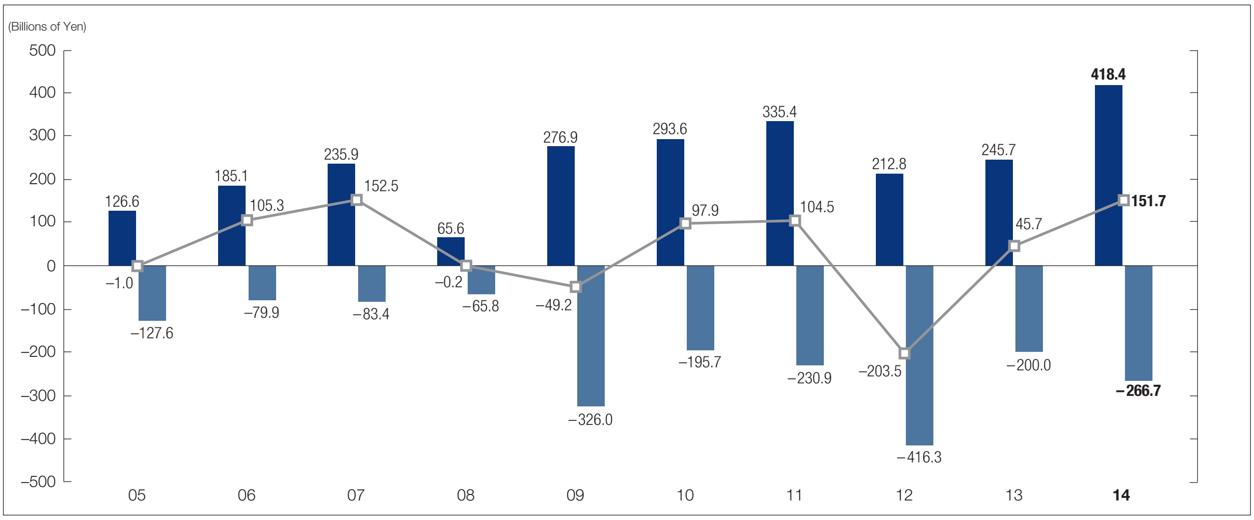
Stockholders' Equity / ROE



Net Interest-bearing Debt / NET DER

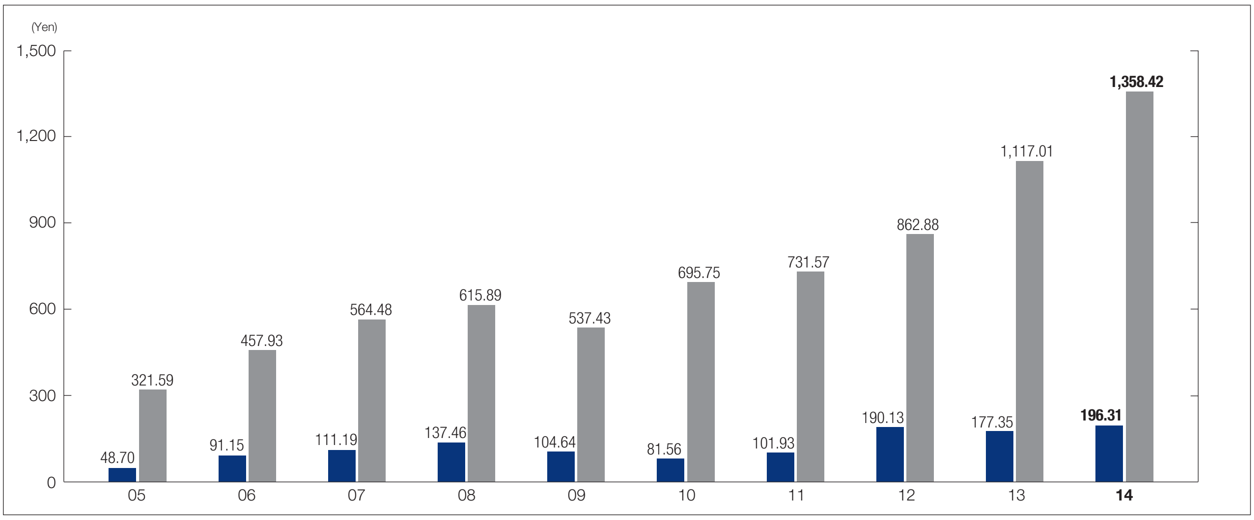


Cash Flows



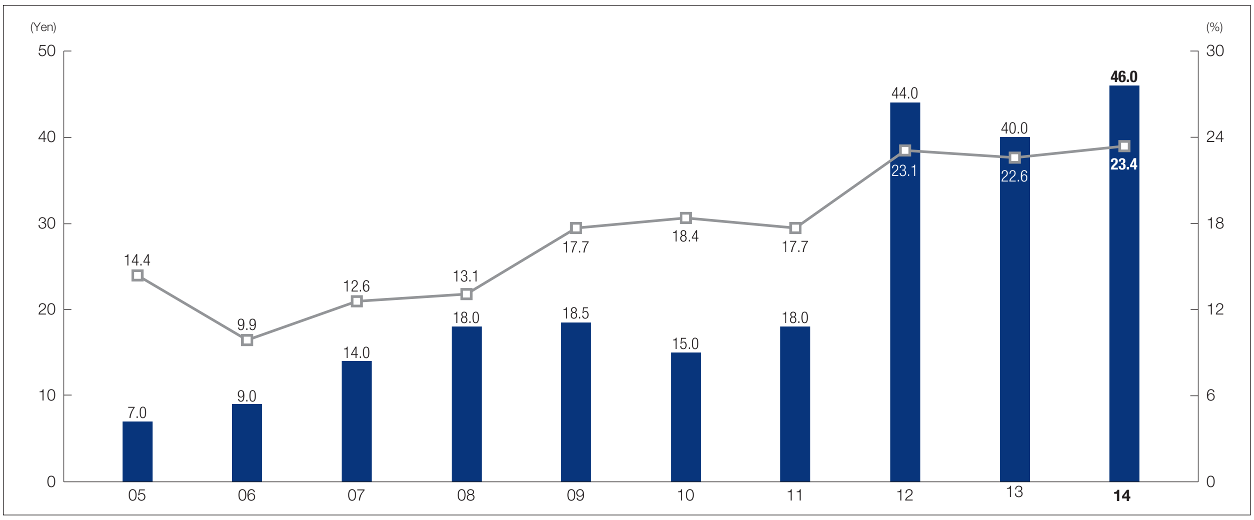
Cash flows from operating activities Cash flows from investing activities Free cash flows

Basic Net Income Attributable to ITOCHU per Share / Stockholders' Equity per Share



Basic net income attributable to ITOCHU per share Stockholders' equity per share

Cash Dividends per Share / Dividend Payout Ratio



Cash dividends per share (left) Dividend payout ratio (right)

Ten-year Summary

Years ended March 31

	Millions of Yen				
	2005	2006	2007	2008	2009
For the fiscal year:					
Revenue	¥1,990,627	¥2,217,393	¥2,646,037	¥2,859,853	¥3,419,061
Trading income*1	157,129	192,561	263,456	265,167	275,664
Net financial income (expenses)*2	(6,878)	(7,816)	(7,555)	(7,709)	5,582
Net interest expenses*3	(21,040)	(26,032)	(29,218)	(32,156)	(29,457)
Dividends received	14,162	18,216	21,663	24,447	35,039
Equity in earnings (losses) of associated companies	31,764	51,737	(20,069)	70,238	41,304
Net income attributable to ITOCHU	77,063	144,211	175,856	217,301	165,390
Comprehensive income (loss) attributable to ITOCHU	86,803	233,342	223,307	108,990	(92,334)
At fiscal year-end:					
Total assets	¥4,483,505	¥4,809,840	¥5,288,647	¥5,274,199	¥5,192,092
Stockholders' equity	508,893	724,377	892,553	973,545	849,411
Net interest-bearing debt*4	1,891,086	1,724,314	1,630,928	1,654,532	1,756,764
Cash flows:					
Cash flows from operating activities	¥ 126,624	¥185,147	¥ 235,917	¥ 65,552	¥ 276,854
Cash flows from investing activities	(127,600)	(79,871)	(83,394)	(65,774)	(326,033)
Cash flows from financing activities	(125,342)	(85,193)	(100,920)	(81,294)	258,322
Cash and cash equivalents at end of year	452,934	477,707	532,856	446,311	628,820
(Reference)					
Total trading transactions*5	¥9,562,614	¥10,456,727	¥11,556,787	¥11,729,082	¥12,065,109
Adjusted profit*6	188,196	251,210	240,766	333,673	339,292

	Yen (Unless otherwise specified)				
	2005	2006	2007	2008	2009
Per share*7:					
Basic net income attributable to ITOCHU	¥ 48.70	¥ 91.15	¥111.19	¥137.46	¥104.64
Stockholders' equity	321.59	457.93	564.48	615.89	537.43
Cash dividends	7.0	9.0	14.0	18.0	18.5
Ratios:					
Gross trading profit ratio (%)	6.6	6.8	7.9	8.5	8.8
ROA (%)	1.7	3.1	3.5	4.1	3.2
ROE (%)	16.6	23.4	21.8	23.3	18.1
Ratio of stockholders' equity to total assets (%)	11.4	15.1	16.9	18.5	16.4
Net debt-to-equity ratio (NET DER) (times)	3.7	2.4	1.8	1.7	2.1
Interest coverage (times)	5.7	5.7	6.7	6.1	7.2
Number of subsidiaries and associates (at year-end)*8	656	651	651	626	420
Number of employees (at year-end, consolidated)	40,890	42,967	45,690	48,657	55,431

All figures are for fiscal years, which begin on April 1 of the years preceding and extend through March 31.
The Japanese yen amounts for the fiscal year ended March 31, 2014 have been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥102.92 = U.S.$1, the official rate of The Bank of Tokyo-Mitsubishi UFJ, Ltd., as of March 31, 2014.
The consolidated financial statements for the year ended March 31, 2014, in accordance with U.S. GAAP are not audited pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act.

*1 Trading income = Gross trading profit + SG&A expenses + Provision for doubtful receivables
*2 Net financial income (expenses) = Net interest expenses + Dividends received
Calculation formula (Fiscal 2014: ¥ million): 23,793 = (13,286) + 37,079
*3 Net interest expenses = Interest income + Interest expense
Calculation formula (Fiscal 2014: ¥ million): (13,286) = 11,659 + (24,945)
*4 Net interest-bearing debt = Interest-bearing debt – Cash, cash equivalents and time deposits
Calculation formula (Fiscal 2014: ¥ million): 2,224,279 = 2,885,264 – 660,985
*5 "Total trading transactions" is presented in accordance with Japanese accounting practice and is not meant to present sales or revenue in accordance with U.S. GAAP.
*6 Adjusted profit = Gross trading profit + SG&A expenses + Net financial income (expenses) + Equity in earnings (losses) of associated companies
Calculation formula (Fiscal 2014: ¥ million): 394,201 = 1,028,273 + (743,117) + 23,793 + 85,252

Millions of Yen					Increase (Decrease)	Millions of U.S. Dollars	Millions of Yen
2010	2011	2012	2013	**2014**	2014/2013	**2014**	**2014 (IFRS)**
¥3,418,220	¥3,581,795	¥4,197,525	¥4,579,763	**¥5,530,895**	20.8	**$53,740**	**¥5,587,526**
148,703	256,303	272,620	244,219	**279,094**	14.3	**2,712**	**288,992**
3,535	6,780	15,184	20,572	**23,793**	15.7	**231**	**21,715**
(25,365)	(16,722)	(12,819)	(14,054)	**(13,286)**	(5.5)	**(129)**	**(15,476)**
28,900	23,502	28,003	34,626	**37,079**	7.1	**360**	**37,191**
36,269	60,617	102,748	85,891	**85,252**	(0.7)	**828**	**56,036**
128,905	161,114	300,505	280,297	**310,267**	10.7	**3,015**	**245,312**
270,570	106,041	249,983	475,819	**446,214**	(6.2)	**4,335**	**391,901**
¥5,478,873	¥5,676,709	¥6,507,273	¥7,117,446	**¥7,848,440**	10.3	**$76,258**	**¥7,783,756**
1,099,639	1,156,270	1,363,797	1,765,435	**2,146,963**	21.6	**20,861**	**2,045,683**
1,721,464	1,630,764	2,014,898	2,185,623	**2,224,279**	1.8	**21,612**	**2,231,988**
¥ 293,597	¥ 335,361	¥ 212,830	¥ 245,661	**¥ 418,396**	70.3	**$ 4,065**	**¥ 428,101**
(195,698)	(230,866)	(416,315)	(199,990)	**(266,692)**	33.4	**(2,591)**	**(270,377)**
(256,568)	53,202	84,704	(11,323)	**(71,707)**	533.3	**(697)**	**(77,855)**
480,564	633,756	513,489	569,716	**653,332**	14.7	**6,348**	**653,739**
¥10,308,629	¥11,323,793	¥11,904,749	¥12,551,557	**¥14,566,820**	16.1	**$141,535**	**¥14,645,718**
195,552	333,098	395,477	351,023	**394,201**	12.3	**3,830**	**372,797**

Yen (Unless otherwise specified)					Increase (Decrease)	U.S. Dollars	Yen (Unless otherwise specified)
2010	2011	2012	2013	**2014**	2014/2013	**2014**	**2014 (IFRS)**
¥ 81.56	¥101.93	¥190.13	¥ 177.35	**¥ 196.31**	10.7	**$ 1.91**	**¥ 155.21**
695.75	731.57	862.88	1,117.01	**1,358.42**	21.6	**13.20**	**1,294.34**
15.0	18.0	44.0	40.0	**46.0**	15.0	**0.45**	**46.0**
8.3	8.0	8.0	7.3	**7.1**			**7.1**
2.4	2.9	4.9	4.1	**4.1**			**3.3**
13.2	14.3	23.8	17.9	**15.9**			**13.0**
20.1	20.4	21.0	24.8	**27.4**			**26.3**
1.6	1.4	1.5	1.2	**1.0**			**1.1**
5.3	10.7	13.5	12.4	**13.1**			**12.5**
413	393	366	356	**354**			
62,379	62,635	70,639	77,513	**102,376**			**104,310**

*7 "Basic net income attributable to ITOCHU per share" and "Stockholders' equity per share" are calculated by using the weighted average number of shares issued and outstanding for the period.

*8 "Number of subsidiaries and associates" represents the number of subsidiaries and associates directly invested by ITOCHU Corporation or its overseas trading subsidiaries from the fiscal year ended March 31, 2009.

Certain subsidiaries changed their fiscal periods in the year ended March 31, 2012. The effect of these changes has been reflected in figures of certain items for the years ended March 31, 2011 and 2010.

As a result of the ITOCHU Group's integration of the food distribution and marketing business, the items in which distribution cost related to these operations has been included were changed from the beginning of the year ended March 31, 2012. The relevant amounts in the same period of the previous years ended March 31, 2011 and 2010 have been reclassified based on this new classification.

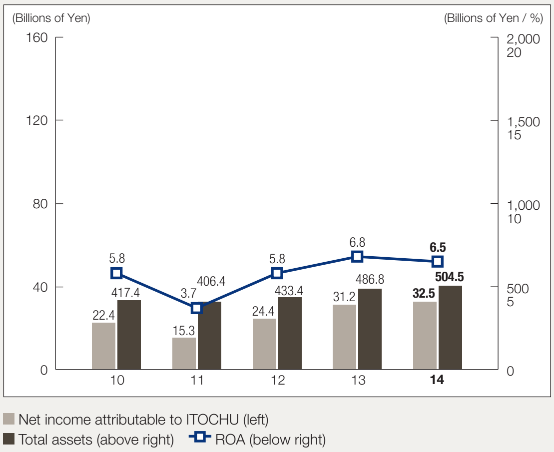
With respect to distribution cost related to the ITOCHU Group's food distribution and marketing business, ITOCHU has made a change in presentation in the financial statements related to the ITOCHU Group's portion of operational cost arising at the distribution centers of the ITOCHU Group's customers, such as mass merchandisers, and delivery costs from the distribution centers to the customers' stores since the beginning of the year ended March 31, 2013. The aforementioned distribution cost for the same period of the previous years ended March 31, 2012 and 2011 have been reclassified in the same manner.

Highlights by Operating Segment (Five years)

Years ended March 31

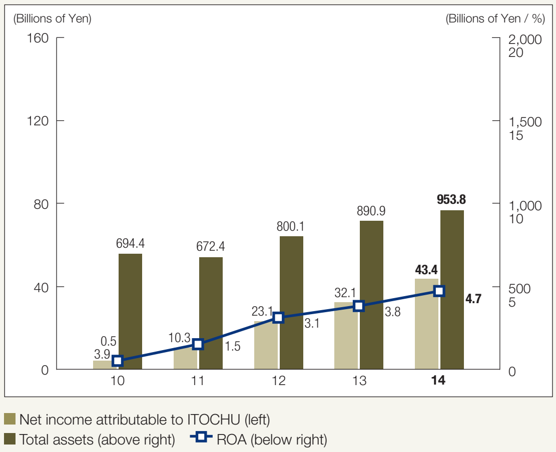
Textile Company

Net Income Attributable to ITOCHU / Total Assets / ROA



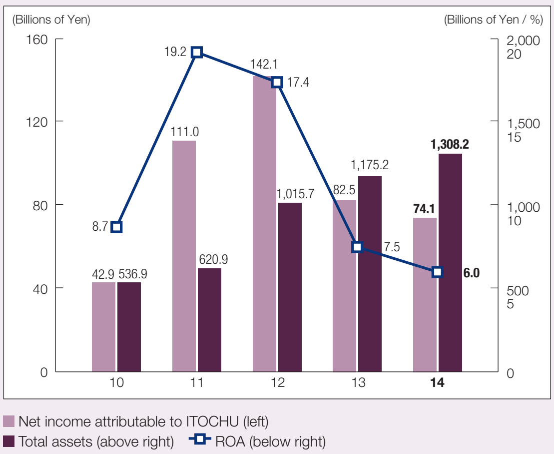
Machinery Company

Net Income Attributable to ITOCHU / Total Assets / ROA



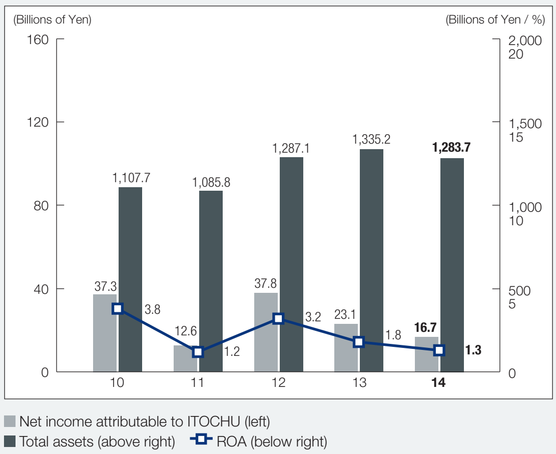
Metals & Minerals Company

Net Income Attributable to ITOCHU / Total Assets / ROA



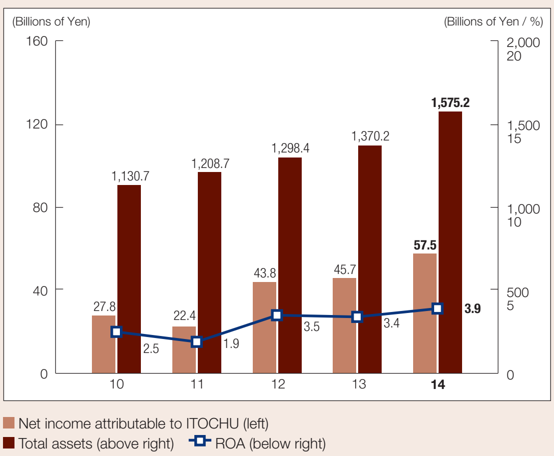
Energy & Chemicals Company

Net Income Attributable to ITOCHU / Total Assets / ROA



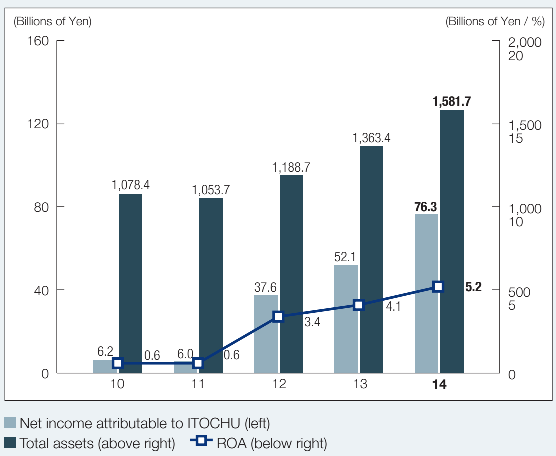
Food Company

Net Income Attributable to ITOCHU / Total Assets / ROA



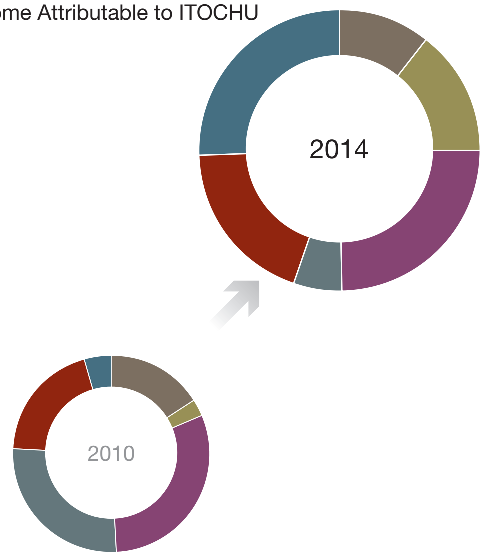
ICT, General Products & Realty Company

Net Income Attributable to ITOCHU / Total Assets / ROA

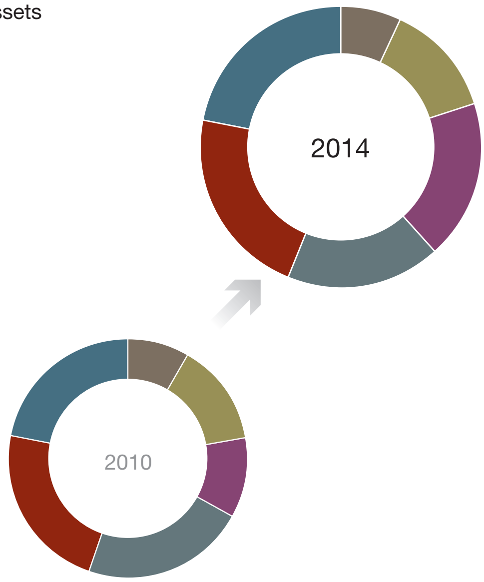


Composition of Operating Segments

Net Income Attributable to ITOCHU



Total Assets



	2010	**2014**
Textile Company	15.9%	**10.8%**
Machinery Company	2.8%	**14.4%**
Metals & Minerals Company	30.5%	**24.7%**
Energy & Chemicals Company	26.6%	**5.6%**
Food Company	19.8%	**19.1%**
ICT, General Products & Realty Company	4.4%	**25.4%**

	2010	**2014**
Textile Company	8.4%	**7.0%**
Machinery Company	14.0%	**13.2%**
Metals & Minerals Company	10.8%	**18.2%**
Energy & Chemicals Company	22.3%	**17.8%**
Food Company	22.8%	**21.9%**
ICT, General Products & Realty Company	21.7%	**21.9%**

* % composition is calculated with the total for the operating segments before Adjustments & Eliminations and others.

ITOCHU's Equity Interests (Sales Results)

	2010	2011	2012	2013	**2014**
Oil and Gas (1,000 barrels per day*1)	39.0	35.0	33.0	58.0	**52.0**
Iron Ore (million tons)	12.1	13.2	16.1	17.6	**18.1**
IMEA*2	9.7	10.5	12.4	13.4	**16.0**
Brazil Japan Iron Ore Corporation (NAMISA)	2.5	2.7	3.7	4.3	**2.0**
Coal (million tons)	8.0	8.0	8.9	11.6	**10.7**
IMEA*2	8.0	8.0	6.8	7.0	**7.0**
ICA*3 (Drummond Company's Mining Operations in Colombia)	—	—	2.1	4.5	**3.7**

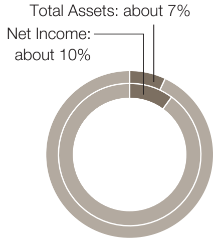
*1 Natural gas is converted to crude oil equivalent using 6,000 cubic feet = 1 barrel.
*2 ITOCHU Minerals & Energy of Australia Pty Ltd
*3 ITOCHU Coal Americas Inc.

Textile Company

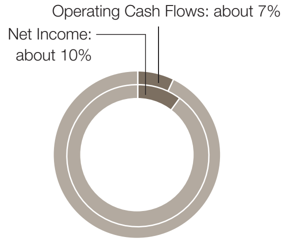
Pursuing value-added propositions for our customers is a reason for our competitiveness.
We will continue to strengthen strategic alliances with leading partners and create new businesses.

Overview

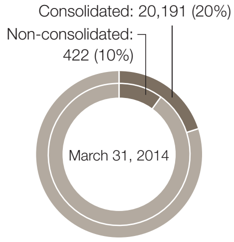
Percentage of Total Consolidated Assets and Total Net Income Attributable to ITOCHU (image)



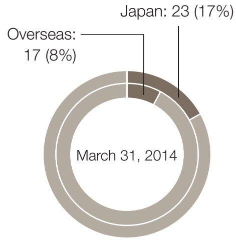
Percentage of Total Consolidated Operating Cash Flows and Total Net Income Attributable to ITOCHU (image)



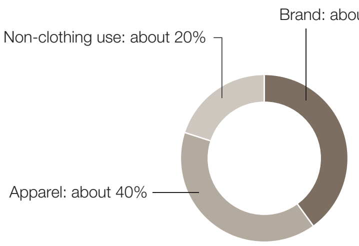
Percentage of Total Employees



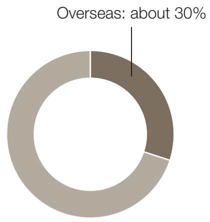
Percentage of Total Number of Subsidiaries and Affiliated Companies



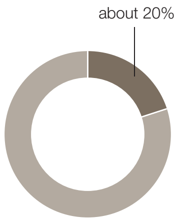
Composition of Company Earnings by Consolidated Segment (image)



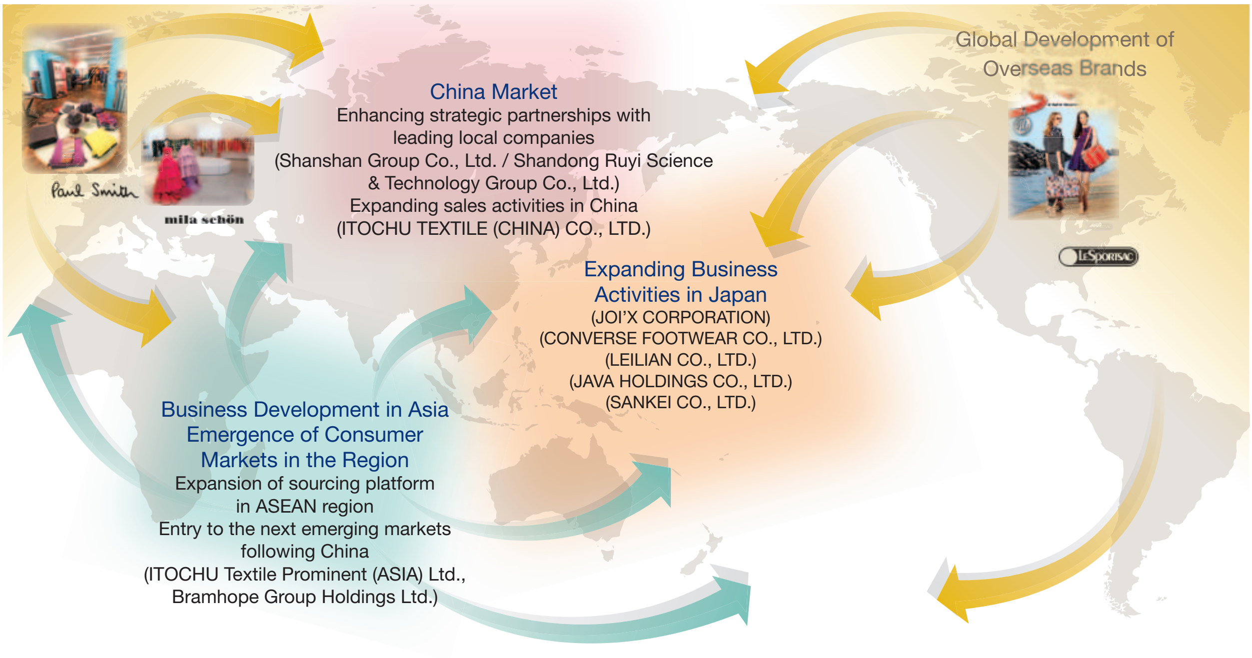
Company Percentage of Earnings from Overseas Businesses (image)



Percentage Contribution of Non-consolidated Trade Earnings to Net Income Attributable to ITOCHU (image)



Business Portfolio



Organization

- **Textile Company**
  - Apparel Division 1
  - Apparel Division 2
  - Brand Marketing Division 1
  - Brand Marketing Division 2
  - CFO
  - Planning & Administration Department

President, Textile Company

Hitoshi Okamoto

RESULTS

Overview of Fiscal 2014

Trading income decreased by 12.3%, to ¥29.2 billion, due to the absence of an unordinary gain on reversal of expenses in the previous fiscal year, although contribution from the European apparel manufacturing and wholesaling business we acquired in the previous fiscal year increased transaction volume involving textile raw materials for China. Net income attributable to ITOCHU expanded 3.9%, to ¥32.5 billion, as the positive impact of higher dividends received and a rise in net gain on investments–net despite a decrease in trading income.

Business Results

Billions of Yen

Years ended March 31	10	11	12	13	14
Trading income	¥ 21.2	¥ 21.6	¥ 25.2	¥ 33.3	**¥ 29.2**
Equity in earnings of associated companies	8.0	5.9	5.9	12.6	**11.7**
Net income attributable to ITOCHU	22.4	15.3	24.4	31.2	**32.5**
Total assets	417.4	406.4	433.4	486.8	**504.5**
ROA (%)	5.8	3.7	5.8	6.8	**6.5**

Net Income (Loss) from Major Group Companies

Billions of Yen

Years ended March 31	10	11	12	13	14
ITOCHU Textile Prominent (ASIA) Ltd.*	¥0.5	¥0.0	¥ 1.0	¥1.1	**¥2.0**
ITOCHU TEXTILE (CHINA) CO., LTD.	0.9	0.8	1.1	1.3	**1.2**
JOI'X CORPORATION	0.1	0.5	(0.3)	1.3	**1.3**

* Net income from ITOCHU Textile Prominent (ASIA) Ltd. includes net income of equity-method associated companies which were transferred from ITOCHU due to the business restructuring in the former Textile Material & Fabric Division. As a result, profit for the period of the fiscal years ended March 31, 2013 and 2012 includes these companies' profit.

MESSAGE

MESSAGE FROM THE DIVISION COMPANY PRESIDENT

We will pursue further earnings growth by continuously accelerating our pursuit of downstream strategies and accumulating superior assets.

Focuses for Fiscal 2015

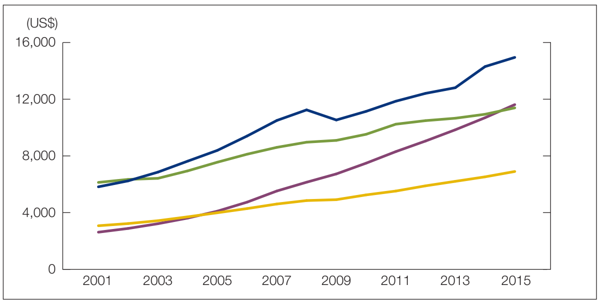
In fiscal 2015, the second year of "Brand-new Deal 2014," we will cultivate high-value-added business in the Japanese market. At the same time, we will work to expand business with global customers by reinforcing production systems that link China and other parts of Asia, as well as stepping up overseas brand development in Asia and other regions. As a result, we will integrate units, domestic and overseas operating companies, and overseas subsidiaries on hybrid initiatives that organically link multiple functions, such as raw materials, planned production, branding, and distribution, thereby promoting downstream strategies globally. Furthermore, through moves such as the sponsorship agreement we have concluded with the Edwin Group, we will make an aggressive approach to accumulate new superior assets that will enable us to expand our business portfolio both domestically and internationally. Through steady progress on these measures, we will reinforce our industry presence as a leading customer-oriented marketing company and firm up the Textile Company's earnings platform, playing a key role in the consumer-related sector.

OPPORTUNITIES

Growth Opportunities and Risks for the Textile Company

The Japanese consumer market, which has continued to shrink in recent years, has regained its momentum thanks to an economic recovery. Whereas yen depreciation is weighing down the textile industry's import earnings, the improvement of consumer sentiment is expected to lift overall apparel demand. Overseas, rising living standards in China and other Asian countries are increasing their attractiveness as consumer markets. In other emerging countries, too, with resurgent economic growth swelling the purchasing power of a growing middle class, we expect consumption to grow more diverse and anticipate increasing sales opportunities for high-value-added products.

Per-Capita GDP in Key Emerging Market Regions (Purchasing Power Parity Conversion)



Russia and CIS — ASEAN-5* — Middle East and North Africa — China
Source: International Monetary Fund, World Economic Outlook Database, April 2014
* Indonesia, Malaysia, the Philippines, Thailand, and Vietnam

STRENGTHS

Strengths for Leveraging Opportunities

- A firm position in the textiles industry, only Japanese general trading company to maintain the textile business as an independent segment
- Operations covering all aspects of textile industries, from raw materials / fabrics to garment manufacturing, brands, and industrial materials
- A highly efficient management foundation achieved by proactively replacing our asset portfolio

STRATEGIES

Medium- to Long-Term Growth Strategies

Rapport and Reach
The Textile Company has inherited the original business of ITOCHU.

Our scope of business covers the entire area of lifestyle categories, and, as a customer-oriented marketing company, we have developed businesses that cover the entire textile industries, from raw materials / fabrics to garment manufacturing, brands, and industrial materials.

In Japan, we are continuously improving our high-value-added production in order to meet consumers' needs. In the retail area, we are also focusing on expanding our business domain, as well as strengthening life & healthcare businesses.

We are also concentrating on brand development in China, countries in the ASEAN region, the Middle East, and Latin America, where consumer markets are expected to expand. Furthermore, we will enhance our production capabilities across Asia to meet our global customers' needs.

CSR at the Textile Company

A marketing company that adopts a social perspective

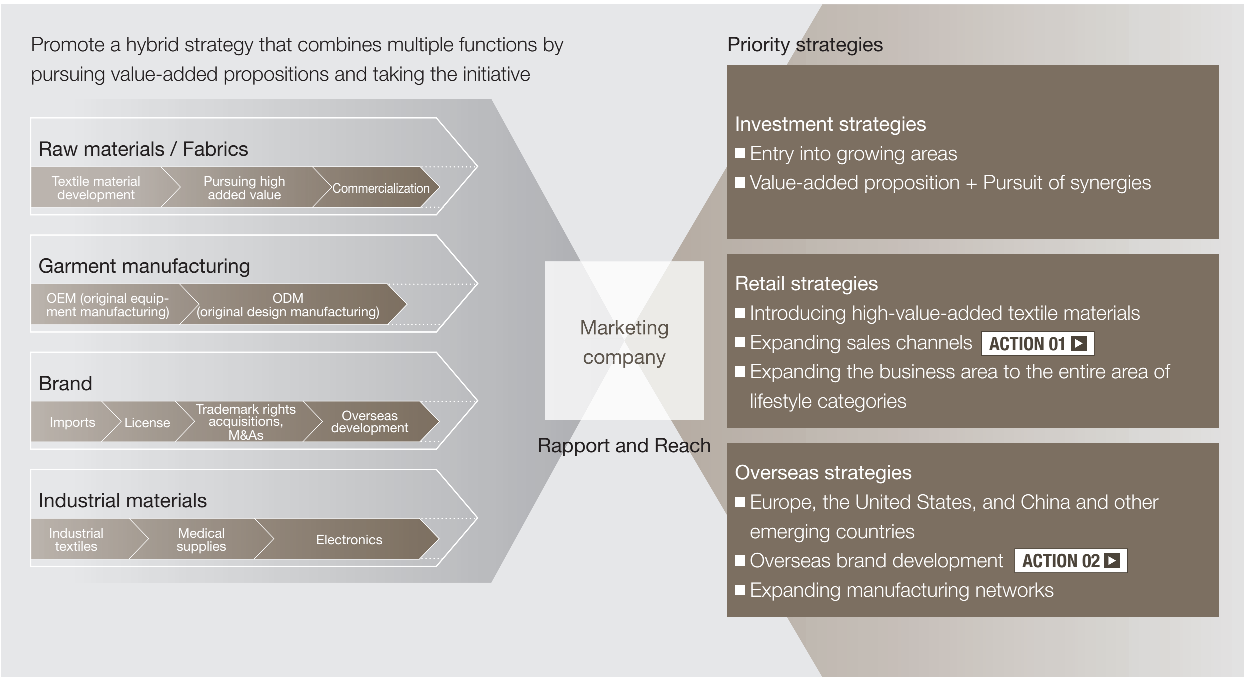
The Textile Company places a high priority on further improving the safety of its products and services as well as customer satisfaction. It is promoting sustainable manufacturing that takes full account of labor customs in the supply chain and the environment in its global setup for production at the most suitable sites worldwide, which supports the manufacturing at the heart of the Textile Company.

CSR Initiatives through Our Business Activities

Pre Organic Cotton Program	
Company value	**Social value**
Create added value by branded textile materials and establishment of traceability	Reduce environmental damage, health hazards, and economic burdens on farmers caused by agrochemicals and chemical fertilizers
Supporting Biodiversity Preservation Initiatives at HUNTING WORLD	
Company value	**Social value**
Develop environmentally savvy customers through an environment-conscious brand business	Protect endangered species and support biodiversity preservation activities

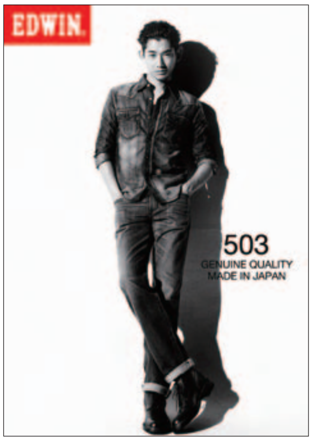
For details on CSR activities at the Textile Company, please visit our website
http://www.itochu.co.jp/en/csr/activities/textile/

Medium- to Long-Term Growth Strategies



Initiatives to Implement Our Growth Strategies

ACTION 01 ITOCHU Concludes a Sponsorship Agreement with the Edwin Group



"EDWIN"

ITOCHU has concluded a sponsorship agreement to acquire the Edwin Group (hereinafter "the Group"), Japan's largest manufacturer and distributor of jeans, as a subsidiary. The Group is well known for manufacturing and distributing its own EDWIN and SOMETHING labels, for which it enjoys strong nationwide recognition. It also holds licensing rights to the leading North American jeans brands Lee and Wrangler. The Group has established a strong position as the market leader by building a unique business model which integrates the entire process from planning and manufacturing to distribution, backed by advanced product development capabilities. Through its long-term business relationships, ITOCHU has contributed to the Group's development in various ways, leading up to this agreement. While respecting the Group's traditions and distinctiveness, we will work to reinforce its mainstay jeans business, further strengthen relationships with existing customers, and cultivate new markets including overseas. As a result, we intend to enhance the Group's corporate value and expand its business.

ACTION 02 ITOCHU Invests in ASF LIMITED, an Affiliate of Hong Kong's Fenix Group Holdings

Rising living standards in the emerging countries of Asia and the Middle East are prompting greater demand for branded products. Against this backdrop, we have acquired a 30% stake in ASF LIMITED, an affiliate of Hong Kong's Fenix Group Holdings, a holding company that operates various businesses including the Italian luxury women's fashion brand ANTEPRIMA in various countries, and the retail operations of brand products in countries such as Hong Kong and China. By taking advantage of the experience and expertise cultivated in the brand business over many years, ITOCHU will manage to expand the ANTEPRIMA licensing business in Japan. Also, by combining the pan-Asian network operated by ITOCHU and ITOCHU Textile Prominent (ASIA) Ltd. with Fenix's sales channels and retail know-how in China and other Asian countries, we will strive to expand existing brands into Asia. We also look forward to generating various synergies, such as jointly introducing new brands throughout Asia.

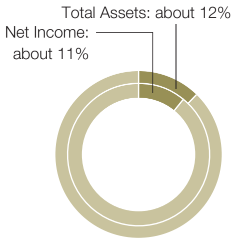
"ANTEPRIMA"

Machinery Company

We will work to reinforce earnings by promoting aggressive investments in superior projects and further expanding the trade business.

Overview

Percentage of Total Consolidated Assets and Total Net Income Attributable to ITOCHU (image)



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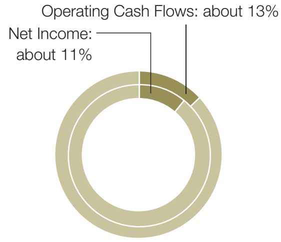
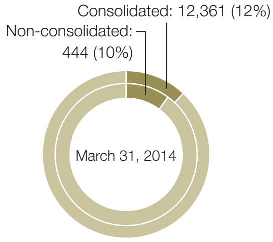
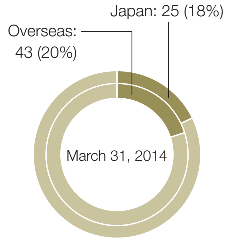


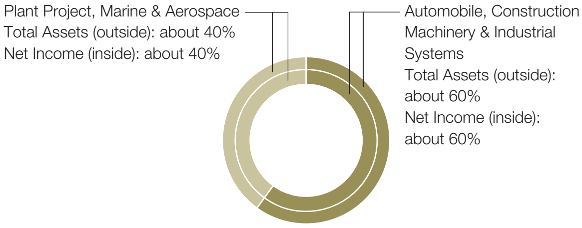
Percentage of Total Employees



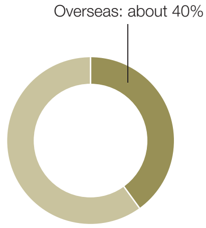
Percentage of Total Number of Subsidiaries and Affiliated Companies



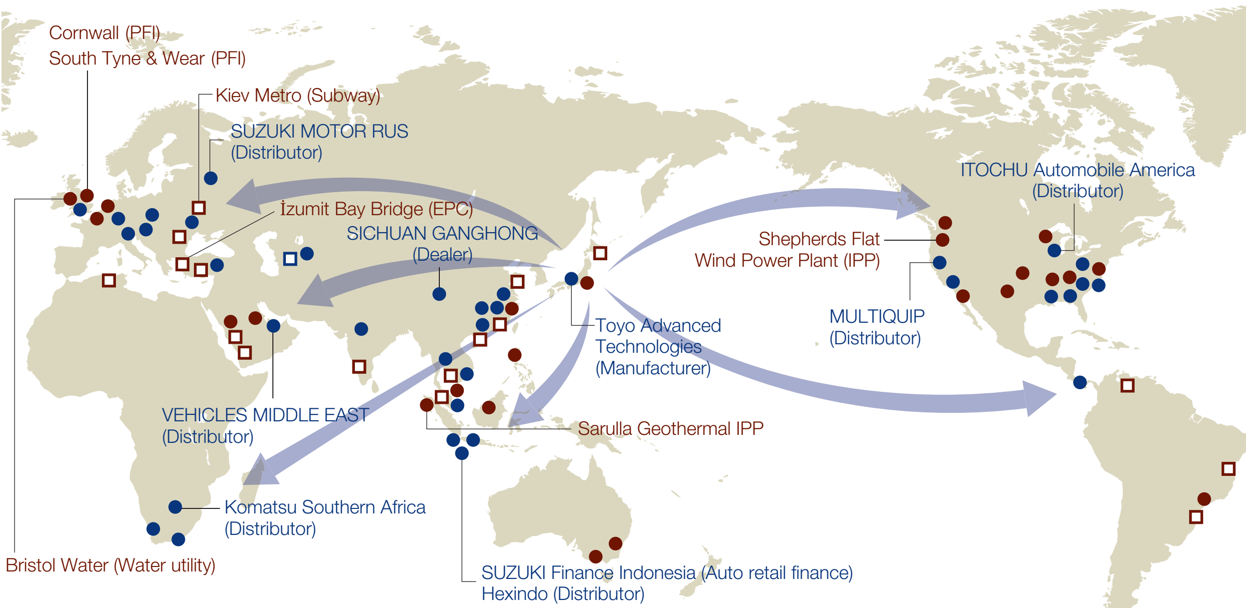
Company Composition by Consolidated Segment (image)



Company Percentage of Earnings from Overseas Businesses (image)



Business Portfolio



	Investment	Project
Plant Project, Marine & Aerospace	● (red)	□ (red)
Automobile, Construction Machinery & Industrial Systems	● (blue)	□ (blue)

Automobile / construction machinery-related trade

Organization

Machinery Company
- Plant Project, Marine & Aerospace Division
- Automobile, Construction Machinery & Industrial Systems Division
- CFO
- Planning & Administration Department

President, Machinery Company

Takao Shiomi

RESULTS

Overview of Fiscal 2014

Despite the absence of unordinary gain on reversal of allowance for doubtful receivables in the previous fiscal year, the Machinery Company posted an 18.9% rise in trading income, to ¥22.9 billion, thanks to increased automobile, construction machinery, and plant-related transactions.

Net income attributable to ITOCHU surged 35.1%, to ¥43.4 billion. In addition to the rise in trading income, the company benefited from increases in dividends received, net gain on investments, and equity in earnings of associated companies.

Business Results

Billions of Yen

Years ended March 31	10	11	12	13	14
Trading income (loss)	¥ (2.2)	¥ 8.9	¥ 15.2	¥ 19.3	**¥ 22.9**
Equity in earnings of associated companies	12.9	9.8	12.5	13.4	**19.0**
Net income attributable to ITOCHU	3.9	10.3	23.1	32.1	**43.4**
Total assets	694.4	672.4	800.1	890.9	**953.8**
ROA (%)	0.5	1.5	3.1	3.8	**4.7**

Net Income (Loss) from Major Group Companies

Billions of Yen

Years ended March 31	10	11	12	13	14
JAPAN AEROSPACE CORPORATION	¥0.2	¥0.6	¥ 0.6	¥0.7	**¥1.0**
JAMCO Corporation	0.0	0.0	(1.2)	0.6	**0.9**
ITOCHU CONSTRUCTION MACHINERY CO., LTD.	0.5	0.6	0.6	0.9	**1.3**
Century Tokyo Leasing Corporation	6.8	4.0	6.2	6.2	**8.4**
Century Medical, Inc.	0.6	0.8	0.9	1.0	**1.1**

MESSAGE

MESSAGE FROM THE DIVISION COMPANY PRESIDENT

We aim to achieve growth by taking progress to the next level.

Focuses for Fiscal 2015

During fiscal 2014, the first year of “Brand-new Deal 2014,” earnings growth from existing businesses contributed substantially to company performance, with gross trading profit and income reaching historic highs for the third consecutive fiscal year. As part of the non-resource sector of the leading general trading company, we aim to be a robust company that contributes solidly to performance in the machinery-related segment.

The Machinery Company’s wide-ranging business areas include plant projects, marine, aerospace, automobiles, construction machinery, industrial machinery, and healthcare and constituting a structure including numerous operating companies. Each of our organizations and individuals aims to advance from the present, taking progress to the next level. By business area, we are concentrating our management resources, expanding our superior assets in independent power producer (IPP), water-related, and environment-related businesses; pursuing strategic involvement in fields where demand is growing, such as the infrastructure, marine, and aerospace businesses; boosting trade in the automobile, construction machinery, and industrial machinery businesses, which have broad value chains; and stepping up healthcare-related businesses in Japan and other Asian markets. Through these initiatives, we are rapidly building a stable earnings platform and targeting net income attributable to ITOCHU of ¥50.0 billion (IFRS).

OPPORTUNITIES

Growth Opportunities and Risks for the Machinery Company

Infrastructure Industry: Demand for infrastructure investment and maintenance is expanding on a global basis, with infrastructure projects growing rapidly in emerging countries, particularly in the ASEAN region. From a trading company standpoint, infrastructure investment opportunities are increasing in industrialized countries, as well, as the operating environment changes due to factors such as the shale gas revolution, environmental considerations, and the privatization of public-sector businesses. Putting to work our extensive experience in infrastructure investment, we will continue to develop superior projects, while minimizing risks in regions where various systems remain to be put in place.

Shipping (LNG Carriers): From 2014, demand for LNG carriers is expected to rise sharply, centering on U.S. shale gas projects. As the scale of investment in LNG carriers is typically large, we will collaborate with partners in Japan and overseas to uncover superior projects, building up assets that will generate stable earnings and profits over the long term.

Automobile Industry: In addition to growth in emerging markets, the overall automobile market is expanding thanks to recovery in the European and Chinese markets. The outlook for the Japanese automobile industry is also improving, benefiting from the correction to yen appreciation since 2013. The industry's structure is changing as a result of environmental regulation and mounting competition in electric vehicles and other areas of new technology. Amid these conditions, we plan to enhance a firm industry position by steadily adding value through the long automobile business value chain.

STRENGTHS

Strengths for Leveraging Opportunities

- Solid, long-term relationships with excellent partners in various industries
- In infrastructure-related business, the capacity to develop superior projects through global human resource and information networks
- In the broad-based automobile industry, the ability to create and promote industrywide value chains

STRATEGIES

Medium- to Long-Term Growth Strategies

In IPP, water supply, environmental, energy, and other infrastructure businesses, we will give consideration to environmental impact. At the same time, we will strive to promote a balance between the accumulation of superior assets in industrialized countries and highly profitable development projects in developing countries. We will endeavor to expand trade in line with improvements in the external environment such as foreign exchange in fields of conventional strength, including marine, aerospace, automobile, construction machinery, and industrial machinery. We will also strive to generate stable earnings through stringently selected investments in peripheral sectors. Furthermore, we will promote the construction of a medical value chain to meet anticipated future growth in this sector, aiming to further enhance business investment and trade in Japan and other parts of Asia. Through these approaches, we will maximize earnings from existing investments and promote the accumulation of superior assets and ongoing, large-scale asset replacement, maximizing earnings as we also conduct trade in related and ancillary fields.

CSR at the Machinery Company

Delivering enrichment to the next generation

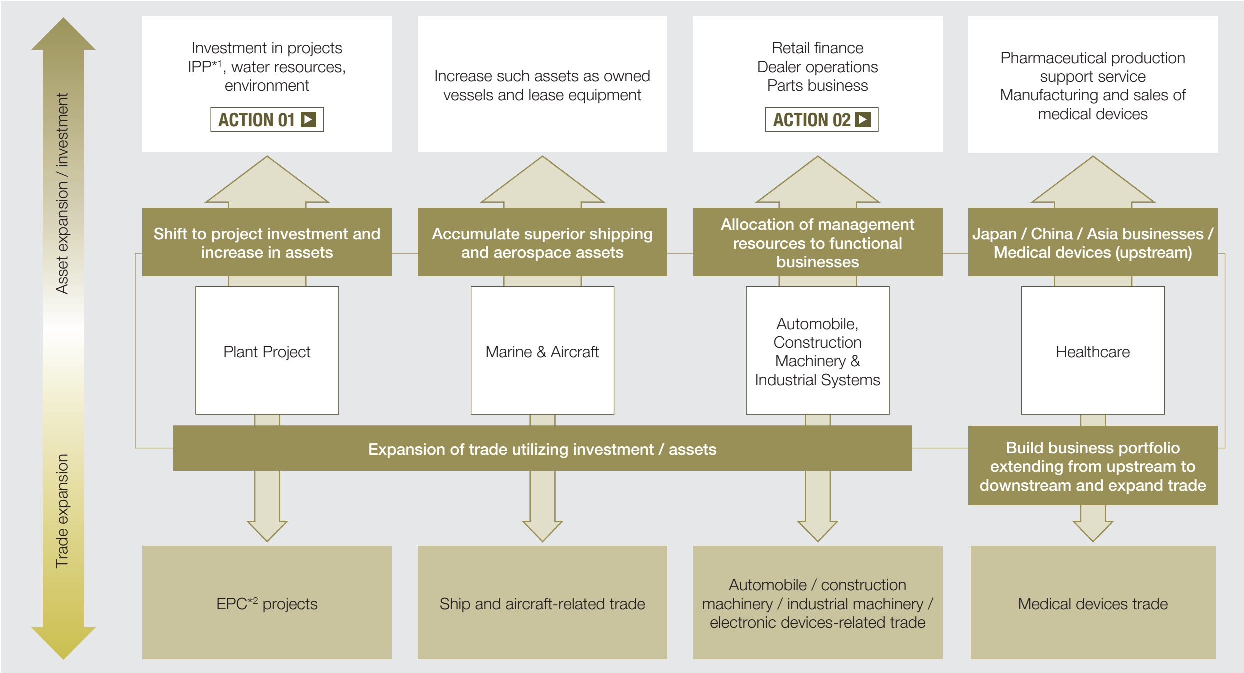
Through its business, which provides wide-ranging support for social infrastructure, the Machinery Company aspires for the advancement of communities by providing a more affluent lifestyle. We strive for contribution to the resolution of global problems such as climate change through environment preservation businesses and the building of a healthy society through healthcare businesses.

CSR Initiatives through Our Business Activities

Merseyside Waste Management and Power Generation Project in the United Kingdom	
Company value	Social value
Building the foundation for waste management and power generation business in the United Kingdom and other regions	Contribution to waste reduction of approximately 92%, lowering annual CO_2 by approximately 130,000 tons
Water Utility Business in the Spanish Canary Islands	
Company value	Social value
Acquire presence in overseas water utility business by participating in project following the investment in the United Kingdom and enhancement of a stable earnings platform	Provide high-quality, sustainable, and efficient water service

For details on CSR activities at the Machinery Company, please visit our website.
http://www.itochu.co.jp/en/csr/activities/machinery/

Medium- to Long-Term Growth Strategies



*1 IPP: Independent power producer
*2 EPC: Engineering, Procurement, and Construction

Initiatives to Implement Our Growth Strategies

ACTION 01 Initiatives in the Water and Environment Sectors

ITOCHU entered the water supply business in 2012 with the acquisition of a 20% stake in the Bristol Water Group, which provides water treatment services to the city of Bristol, in southwest England, and its surrounding area. Following on in this vein, in February 2014 ITOCHU reached an agreement to acquire 33.4% of the shares in CANARAGUA CONCESIONES S.A., which manages water supply and sewage services in the Spanish Canary Islands. We acquired this stake from CANARAGUA S.A., a subsidiary of AGBAR, Spain's largest private water company. This agreement marks the first Japanese investment in the Spanish water sector. In the environment sector, ITOCHU is involved in four energy-from-waste projects in the United Kingdom, including one under an agreement signed with the Merseyside Recycling and Waste Authority in December 2013. These businesses involve the incineration of waste that was previously landfilled, using the waste heat to generate electricity. This approach reduces waste volume and contributes to CO_2 reductions. Around the world, we expect a growing number of water-related businesses to be privatized. Given this trend, combined with growing demand to reduce environmental impact and generate green electricity, we plan to leverage the experience and know-how we are building up in the United Kingdom and Spain to meet such needs in various countries. At the same time, we will step up our involvement in initiatives likely to generate stable, long-term earnings.


Seawater desalination plant on Grand Canaria

ACTION 02 ITOCHU Acquires Additional Stake in YANASE & CO., LTD.

In December 2013, ITOCHU acquired 6,484,000 shares of common stock in YANASE & CO., LTD., through a tender offer from Nippon Tochi-Tatemono Co., Ltd., amounting to a 13.72% share of voting rights in YANASE and increasing ITOCHU's ownership of the company to 39.44%. With more than 200 outlets throughout Japan, YANASE is the country's leading car dealer in terms of units sold. This investment aims to ensure that the company continues to develop its operations further and build a highly profitable operation by promoting the consolidated operation of its three pillars: new car sales, used car sales, and after-sales services; reinforcing its management of the value chain; and making management improvements that will lead to further growth. ITOCHU will continue to support YANASE's management on both the capital and operational fronts. We will also make use chiefly of ITOCHU Group networks to expand the company's overseas business and contribute to increases in its corporate value.

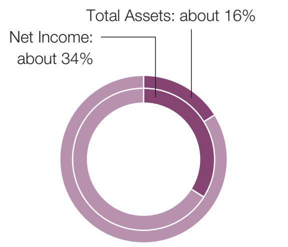

YANASE's Mercedes-Benz showroom

Metals & Minerals Company

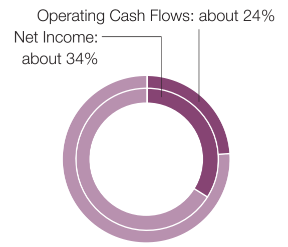
We contribute to the growth of the global economy through the stable supply of mineral resources and of steel and non-ferrous metal products to Japan and other countries.

Overview

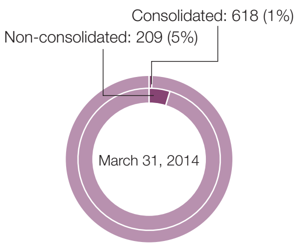
Percentage of Total Consolidated Assets and Total Net Income Attributable to ITOCHU (image)



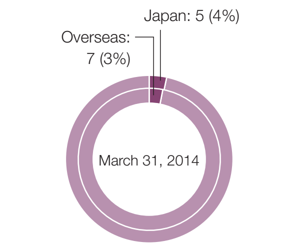
Percentage of Total Consolidated Operating Cash Flows and Total Net Income Attributable to ITOCHU (image)



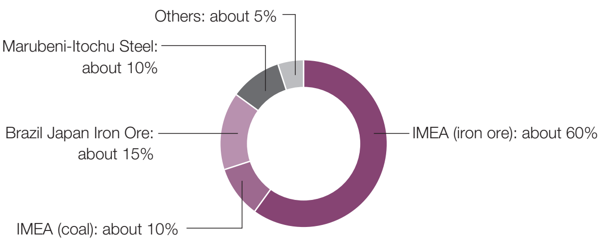
Percentage of Total Employees



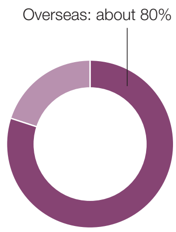
Percentage of Total Number of Subsidiaries and Affiliated Companies



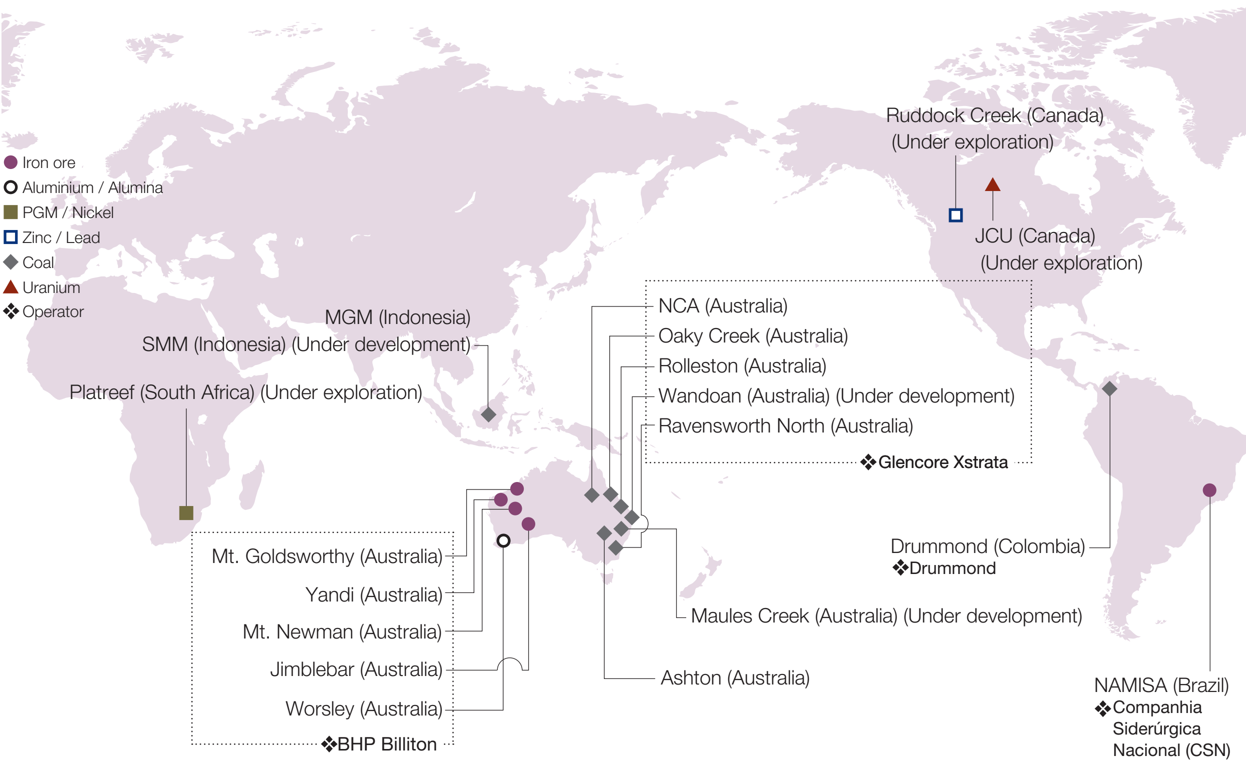
Composition of Company Earnings by Consolidated Group Companies (image)



Company Percentage of Earnings from Overseas Businesses (image)



Business Portfolio



Organization

Metals & Minerals Company
- Metals & Mineral Resources Division
- Coal, Nuclear & Solar Division
- Steel Business Coordination Department
- CFO
- Planning & Administration Department

President, Metals & Minerals Company

Eiichi Yonekura

RESULTS

Overview of Fiscal 2014

Despite falling coal prices, trading income rose 27.6%, to ¥73.2 billion, due to higher iron ore sales volume and the effects of yen depreciation. Although trading income grew, the previous fiscal year's gains on sales of investments were absent, and equity in earnings of associated companies decreased reflecting unordinary tax expenses in Brazilian iron ore operations. Consequently, net income attributable to ITOCHU dropped by 10.2%, to ¥74.1 billion.

Business Results

Billions of Yen

Years ended March 31	10	11	12	13	14
Trading income	¥ 44.3	¥113.6	¥ 101.6	¥ 57.4	**¥ 73.2**
Equity in earnings of associated companies	9.2	29.4	44.3	42.1	**34.3**
Net income attributable to ITOCHU	42.9	111.0	142.1	82.5	**74.1**
Total assets	536.9	620.9	1,015.7	1,175.2	**1,308.2**
ROA (%)	8.7	19.2	17.4	7.5	**6.0**

Net Income from Major Group Companies

Billions of Yen

Years ended March 31	10	11	12	13	14
ITOCHU Metals Corporation	¥ 0.8	¥ 1.2	¥ 1.2	¥ 1.3	**¥ 1.4**
ITOCHU Minerals & Energy of Australia Pty Ltd	34.1	80.1	89.3	50.3	**58.4**
Marubeni-Itochu Steel Inc.	2.7	6.8	12.9	12.8	**13.0**
Brazil Japan Iron Ore Corporation	4.0	12.9	36.8	10.4	**3.8**
ITOCHU Coal Americas Inc.	—	—	2.0	3.5	**0.5**

MESSAGE

MESSAGE FROM THE DIVISION COMPANY PRESIDENT

Through synergies between accumulated equity interests and trade, we will strive to continue to reinforce our earnings platform.

Focuses for Fiscal 2015

In fiscal 2014, income declined year on year due to falling prices of metals and mineral resources and the posting of unordinary tax expenses on Brazilian iron ore operations. However, we invested in the expansion of our existing interests in iron ore and coal, acquired interests in the Jimblebar Iron Ore Mine as part of our Western Australia iron ore operations, and pursued synergies with trading activities. Consequently, as in fiscal 2013 we continued to reinforce our earnings platform.

The outlook for this company's operating environment is opaque for the foreseeable future, owing to factors such as deceleration in the Chinese economy. However, with support from continued strong economic growth in emerging countries, demand for metals and mineral resources is expected to remain firm in the medium to long term. To contribute to the stable procurement of metals and mineral resources for Japan and the rest of the world, we will take a long-term perspective and continue to steadily expand existing operations. We will also rigorously assess new investments to select superior projects, and will reinforce our earnings platform.

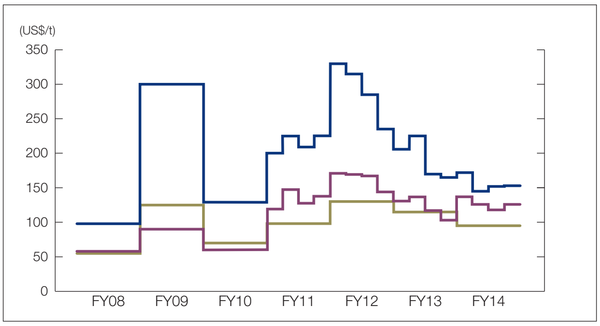
Making full use of the distinctive capabilities of a general trading company, the Metals & Minerals Company will target the achievement of results that are highly evaluated on both the supply and demand sides.

OPPORTUNITIES

Growth Opportunities and Risks for the Metals & Minerals Company

Demand for metals and mineral resources is expected to be robust over the medium to long term, centering on emerging countries; we see this situation as a growth opportunity. Nevertheless, in the short term we expect fluctuations in the balance between supply and demand—on the demand side by economic trends in China and Europe, and on the supply side by progress on new projects and planned expansions by suppliers. Accordingly, we will need to continue monitoring the balance for the impact of metals and mineral resource prices.

Iron Ore / Coal Price



Iron ore — Coking coal (hard coking coal) — Thermal coal

*1 Source: ITOCHU disclosure documents

*2 Figures through fiscal 2010 are benchmark prices for the Japanese market. Figures from fiscal 2011 onward are prices that ITOCHU considers to be general transaction prices based on market information.

STRENGTHS

Strengths for Leveraging Opportunities

- Solid, long-term relationships with strong partners and top class of equity iron ore/coal holders among general trading companies
- Value-added creativities in the trading business that leverage the comprehensive power of the ITOCHU Group
- Steel products business centering on Marubeni-Itochu Steel Inc., in which we hold a 50% stake

STRATEGIES

Medium- to Long-Term Growth Strategies

The Metals & Minerals Company is working to expand its equity interests in order to secure stable supplies of metals and mineral resources underpinning the industrial framework. In addition, we are working to build a value chain that starts from equity interests and to create added value in the trade business by leveraging the ITOCHU Group's comprehensive strengths. Furthermore, we are working to secure non-ferrous metals, rare metals, rare earth metals, and other natural resources that have become increasingly difficult to procure in recent years. In response to growing international concern with environmental problems, we are also actively involved in such areas as solar power and biomass fuels-related business.

CSR at the Metals & Minerals Company

Sustainable development and stable supply of metals & mineral resources

As it promotes the sustainable use of metals & mineral resources for their stable supply, ITOCHU is working with business partners to tighten arrangements for concerning the environment, harmony with communities, and a safe labor environment on development sites. We are also committed to effective use of resources, pursuit of renewable energy projects, and the building of recycling-oriented societies.

CSR Initiatives through Our Business Activities

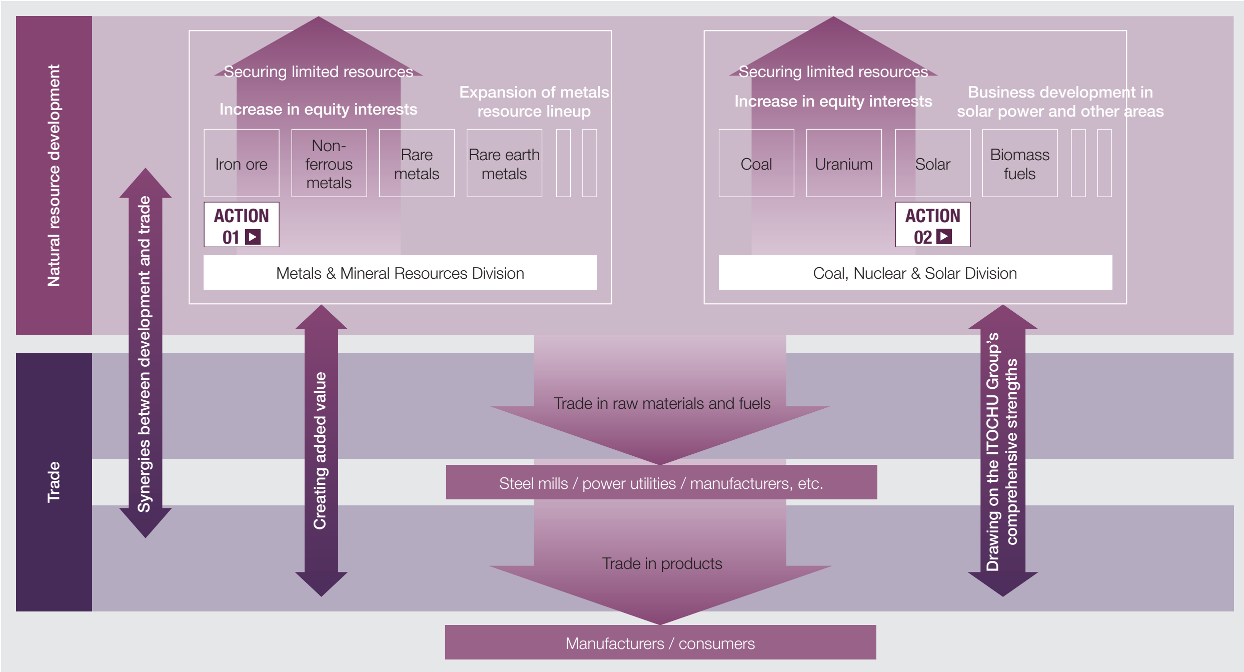
Acquisition of New Interests in the Jimblebar Iron Ore Mine	
Company value	Social value
Further expand supply capacity of Western Australia iron ore operations	Stable supply to Asia, where demand is expected to increase in the medium- to long-term

Start of Operations at One of Africa's Largest Photovoltaic Power Generation Systems	
Company value	Social value
Secure position as a system integrator of solar power generation system in Africa and enhance solid earnings platform in the photovoltaic power generation business	Help to support economic growth and realize a leading-edge, clean-energy society

For details on CSR activities at the Metals & Minerals Company, please visit our website.

http://www.itochu.co.jp/en/csr/activities/metal/

Medium- to Long-Term Growth Strategies



ACTIONS

Initiatives to Implement Our Growth Strategies

ACTION 01 Acquisition of New Interests at the Jimblebar Iron Ore Mine

ITOCHU has acquired interests in BHP Iron Ore (Jimblebar) Pty. Ltd., which is developing the Jimblebar Iron Ore Mine in Western Australia as part of the iron ore business of leading mining company BHP Billiton (Australia and the United Kingdom).

The Jimblebar Iron Ore Mine has abundant deposits, and will be a large-scale open pit mine that produces high-quality competitive ore. ITOCHU and BHP Billiton together operate three iron ore mines in Western Australia. The iron ore excavated from the Jimblebar mine will be transported through the rail and port facilities owned by these companies. Through this transaction, ITOCHU aims to increase iron ore supply capacity through Western Australia iron ore operations, in response to the expected increase in demand for iron ore over the medium to long term, particularly from Asia.


Ore processing facilities at the Jimblebar Iron Ore Mine (photo provided by BHP Billiton)

ACTION 02 Commencement of Operations in South Africa of One of Africa's Largest Photovoltaic Power Generation Systems

Scatec Solar (Norway), in which ITOCHU owns a 37.5% stake, has concluded an agreement with the South African state-owned power utility Eskom, to sell power for a period of 20 years. The company was selected by the South African energy authority in bidding for Phase I and Phase II solar (photovoltaic) power generation business with a capacity that will reach 190 MW. Construction on Phase I of the project, supplying 75 MW, began in September 2012 and was completed in September 2013. An opening ceremony was held in November 2013, and operations commenced. The South African government has set a target of increasing the country's total generation capacity to 85 GW by 2030, and they aim to generate some 20% from renewable energies. The current project is part of the plan to achieve this objective.

Through this business, Scatec Solar will establish its reputation in Africa as a photovoltaic power generation system integrator capable of development, construction, and ownership of large-scale photovoltaic power plants.

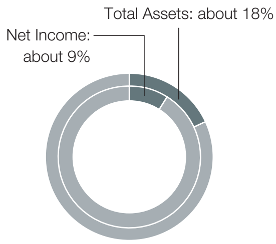
The Kalkbult photovoltaic power generation facility, one of the largest in South Africa

Energy & Chemicals Company

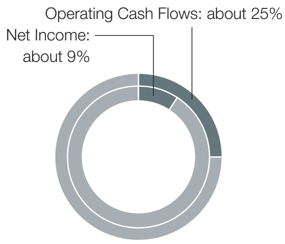
We will create new value through our value chain in the areas of petroleum, gas, and chemicals.

Overview

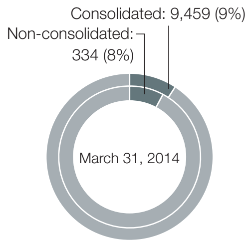
Percentage of Total Consolidated Assets and Total Net Income Attributable to ITOCHU (image)



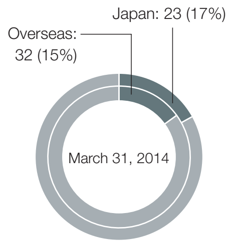
Percentage of Total Consolidated Operating Cash Flows and Total Net Income Attributable to ITOCHU (image)



Percentage of Total Employees

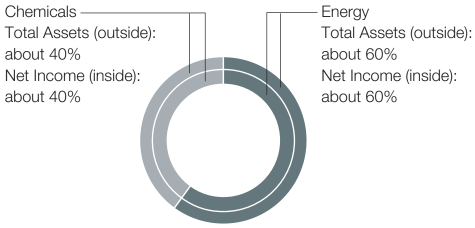


Percentage of Total Number of Subsidiaries and Affiliated Companies



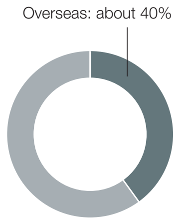
Company Composition by Consolidated Segment (image)

* Excludes impact of extraordinary loss related to U.S. oil and gas development business

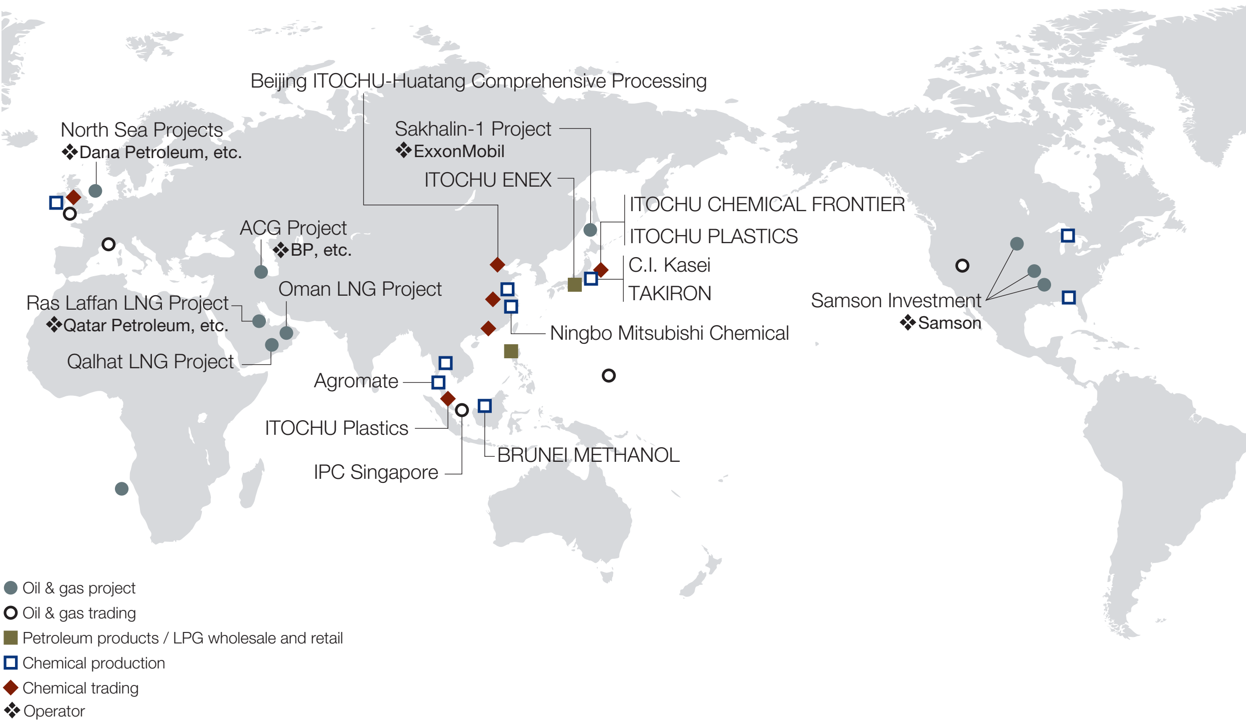


Company Percentage of Earnings from Overseas Businesses (image)

* Excludes impact of extraordinary loss related to U.S. oil and gas development business



Business Portfolio



Organization

- Energy & Chemicals Company
  - Energy Division No. 1
  - Energy Division No. 2
  - Chemicals Division
    - CFO
    - Planning & Administration Department

President, Energy & Chemicals Company

Yuji Fukuda

RESULTS

Overview of Fiscal 2014

The Energy & Chemicals Company generated trading income of ¥57.5 billion, up 7.0% from the previous fiscal year, owing to higher transaction volume and improved profitability of energy trading transactions, and a higher chemicals transaction volume, as well as to the effect of yen depreciation. Although trading income rose, the gain on investments–net declined and equity in earnings of associated companies worsened, reducing net income attributable to ITOCHU 27.7%, to ¥16.7 billion.

Business Results — Billions of Yen

Years ended March 31	10	11	12	13	14
Trading income	¥ 33.2	¥ 42.1	¥ 47.0	¥ 53.7	**¥ 57.5**
Equity in earnings (losses) of associated companies	2.0	1.7	2.4	(28.3)	**(32.9)**
Net income attributable to ITOCHU	37.3	12.6	37.8	23.1	**16.7**
Total assets	1,107.7	1,085.8	1,287.1	1,335.2	**1,283.7**
ROA (%)	3.8	1.2	3.2	1.8	**1.3**

Net Income (Loss) from Major Group Companies — Billions of Yen

Years ended March 31	10	11	12	13	14
ITOCHU Oil Exploration (Azerbaijan) Inc.	¥7.5	¥10.7	¥13.0	¥ 13.1	**¥ 15.7**
ITOCHU PETROLEUM CO., (SINGAPORE) PTE. LTD.	0.8	0.0	(0.2)	0.8	**4.3**
JD Rockies Resources Limited	—	(0.1)	(0.1)	(31.2)	**(32.5)**
ITOCHU CHEMICAL FRONTIER Corporation	1.9	2.0	2.9	3.0	**3.2**
ITOCHU PLASTICS INC.	1.9	2.2	1.9	2.2	**3.0**

MESSAGE

MESSAGE FROM THE DIVISION COMPANY PRESIDENT

We aim to increase earnings through synergy among divisions, and to establish a stable management foundation for the future.

Focuses for Fiscal 2015

In fiscal 2014, in the energy area, additional production commenced in the Azeri-Chirag-Gunashli (ACG) Oil Fields, which is called the Chirag Oil Project and had been under development. In the chemicals area, we succeeded in becoming the world's first entity to produce lithium carbonate from geothermal brine in the United States. We believe that we are making steady progress on these projects, which are included as initiatives spelled out in our medium- to long-term growth strategies.

In fiscal 2015, we aim to reach our management targets through increased earnings on existing businesses and trade. At the same time, we will endeavor to reinforce our management foundation by investing in superior projects, expanding our base of operations for the future. To this end, we will reinforce our generation of operating cash flows and make a lean management by maintaining thorough awareness of asset efficiency. By restructuring our operations, we will curtail costs, bolster management efficiency, and boost earnings from large-scale projects that are currently in operation. At the same time, we will foster synergies between the energy and chemicals areas. Furthermore, based on our medium- to long-term growth strategies, we will expand existing businesses and work with partners with whom we have complementary relationships to accumulate superior assets. The Energy & Chemicals Company's operations span the resource and non-resource sectors. By pursuing strategies in each sector, we will execute the strategies we have drawn up in each area by making full use of the distinctive capabilities of a general trading company, such as securing energy resources for Japan and creating added value throughout the value chain in the petroleum, gas, and chemicals areas. Thus, we will contribute to the development of Japan, other parts of Asia, and the rest of the world.

OPPORTUNITIES

Growth Opportunities and Risks for the Energy & Chemicals Company

Energy Area: Economic growth in emerging countries continues to drive up demand for oil. Given this situation, combined with geopolitical uncertainties in the Middle East, Africa, and Russia, we expect crude oil prices to remain firm from now on. Global demand for natural gas is also rising, and new oil and gas resource development continues apace. Furthermore, increased North American shale oil and gas production is altering the supply / demand structure, and new LNG and LPG exports from North America are expected. Against this backdrop, we believe that business opportunities for oil and gas resource development and trade will grow. At the same time, we need to remain vigilant toward the global supply / demand balance for oil and gas, geopolitical risks in the Middle East and other areas, and the impact on oil and gas prices of monetary policies in the United States and other countries.

Chemicals Area: We expect demand to remain firm, centered on this division's major markets of China, the ASEAN region, and North and Latin America. We also envision expanded trade opportunities as new additions to large-scale ethylene plants in North America, the Middle East, and Asia prompt changes in the medium-term supply and demand structure for commodity chemicals centered on North America and Asia. In line with this forecast, we see new business opportunities for trade and business development. Meanwhile, we recognize the need to continue monitoring the market prices of chemicals, as well as supply and demand trends.

STRENGTHS

Strengths for Leveraging Opportunities

Energy Area

- Solid customer base in trade in Asia and the Middle East
- Expertise based on extensive experience and performance on existing projects involving oil resource and LNG development

Chemicals Area

- Competitive commodity procurement capabilities and sales bases at locations throughout the world
- Business development with partners that leverages trade relationships

STRATEGIES

Medium- to Long-Term Growth Strategies

Energy Area: With regard to trading, we will continue to expand the traditional flow of business—importing and wholesaling products to countries in Asia. Meanwhile, we will take advantage of the opportunity presented by growing unconventional crude oil and gas production in North America to encourage the new flow of trade from North America to Asia.

With regard to oil resource development, we plan to expand existing projects and participate in promising new projects while minimizing risks, leveraging our expertise and experience to expand our business in this area.

Chemicals Area: Based on worldwide trading operations in the areas of organic chemicals, plastics, and fertilizer and other inorganic chemicals, the division will advance projects in upstream areas to secure competitive raw materials. In addition, in downstream areas the division will take steps to expand its business and bolster its supply chains, especially in the retail area, including pharmaceuticals, plastics processing, and electronic materials.

CSR at the Energy & Chemicals Company

Pursuit of stable supply of diversifying energy resources and materials

The Energy & Chemicals Company aspires for the stable supply of energy and materials at the foundation of modern living, and is tightening measures for concerning the environment, harmony with communities, and safety in product handling throughout its wide-ranging value chains for oil, gas, and chemicals. The Company is also committed to the building of an enriched society through the development of diverse energy resources and the environment preservation business.

CSR Initiatives through Our Business Activities

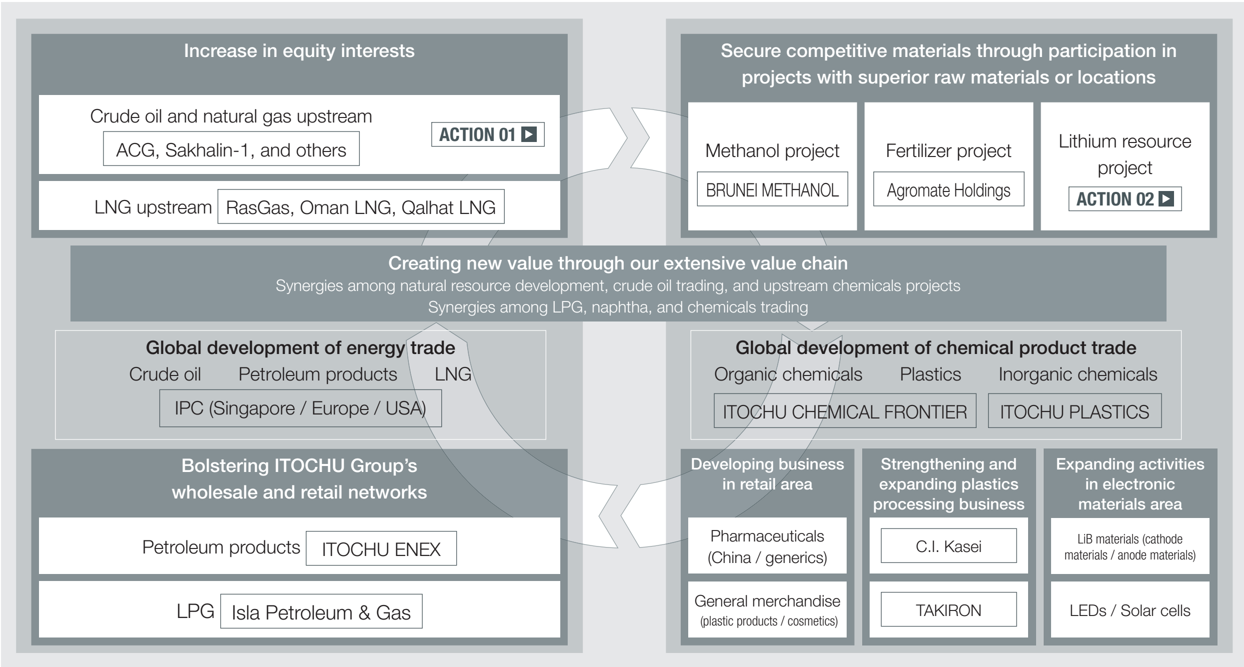
Undertaking a Development Project in the U.K. North Sea in a Bid to Ensure a Stable Resource Supply	
Company value	Social value
Expand operations by applying and making use of our technological and commercial expertise	Secure stable crude oil resources
Entering Business Related to Lithium-Ion Batteries	
Company value	Social value
Apply our Group network to create a value chain spanning upstream to downstream operations	Contribute to the field of clean energy, for which demand is expected to grow

For details on CSR activities at the Energy & Chemicals Company, please visit our website.

http://www.itochu.co.jp/en/csr/activities/chemical/

ACTIONS

Medium- to Long-Term Growth Strategies



* [ ] … Company / project name

Initiatives to Implement Our Growth Strategies

ACTION 01 Azeri-Chirag-Gunashli Oil Fields start additional production in the Caspian Sea, Azerbaijan (Chirag Oil Project)

Through a subsidiary which has a 4.3% participating interest, ITOCHU has commenced additional oil production from both the existing Chirag oil field and the deepwater portion of the Gunashli oil field, including the shallow parts in January 2014, in addition to the current oil production from the Azeri-Chirag-Gunashli (ACG) Oil Fields. (Operator is BP.) The additional oil development is called the Chirag Oil Project (COP), and started in 2010. The additional oil field production that commenced in January was from a sixth drilling platform. The crude oil produced at this field in the Caspian Sea will be shipped via the 1,768-kilometer BTC Pipeline, in which ITOCHU is an investor, to a Turkish port for export.

With a total investment of around US$6.0 billion, this project involves erecting a production platform capable of producing crude oil at a rate of up to 183,000 barrels per day, with additional oil production conducted using pre-drilled wells. ITOCHU plans to continue taking part in development aimed at raising the value of this field.

Production platform for the Chirag Oil Project (photo provided by AIOC)

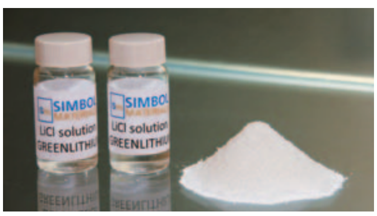
ACTION 02 Success in the United States with the World's First Production of Lithium Carbonate from Geothermal Brine

Lithium carbonate and lithium hydroxide are core raw materials for producing cathode materials, the main components of lithium-ion batteries, and they are also used for producing electrolyte salts necessary to form electrolyte solution in the batteries. Demand for these lithium chemicals is expected to grow for use in electric vehicles and other products.

In June 2010, ITOCHU invested in Simbol Inc., which has a demonstration plant located near the Salton Sea in California. At this plant, the company has succeeded in producing lithium carbonate (with a purity in excess of 99.9%) using geothermal brine—a world's first.

Today, approximately 70% of the world's lithium carbonate and other lithium chemicals are produced through a solar evaporation process, using brine from salt lakes in South America. The unique production technology developed by Simbol uses high-temperature geothermal brine, thereby limiting the emission of carbon dioxide and reducing energy costs without being affected by changes in weather conditions, as it does not involve solar evaporation.

Going forward, after technology verification at the demonstration plant, we expect to begin commercial production with the aim of providing a stable supply of lithium resources.



Product image (lithium compound)

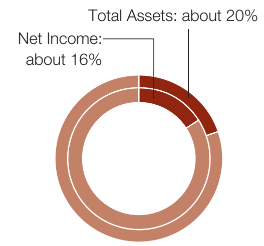
Food Company

We will accelerate the implementation of the global SIS (Strategic Integrated System (vertical integration from upstream area to downstream area)) strategy and aim to be a Japan- and Asia-based leading global food company.

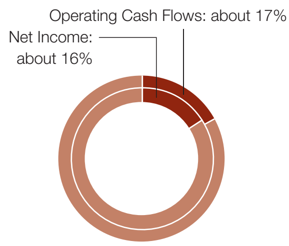
* SIS strategy: A strategy for supply chain optimization through vertical integration, from upstream procurement of food resources to mid-stream product processing and marketing and distribution and through to downstream retail businesses.

Overview

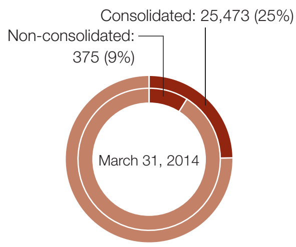
Percentage of Total Consolidated Total Assets and Total Net Income Attributable to ITOCHU (image)



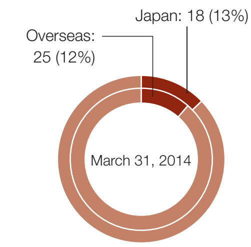
Percentage of Total Consolidated Operating Cash Flows and Total Net Income Attributable to ITOCHU (image)



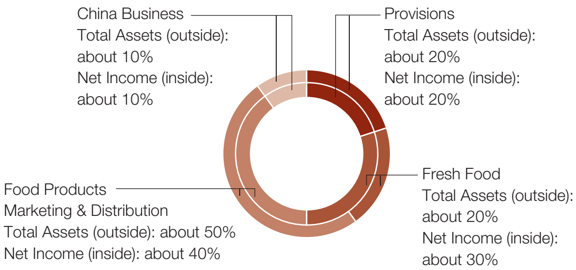
Percentage of Total Employees



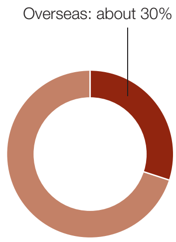
Percentage of Total Number of Subsidiaries and Affiliated Companies



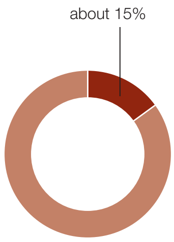
Company Composition by Consolidated Segment (image)



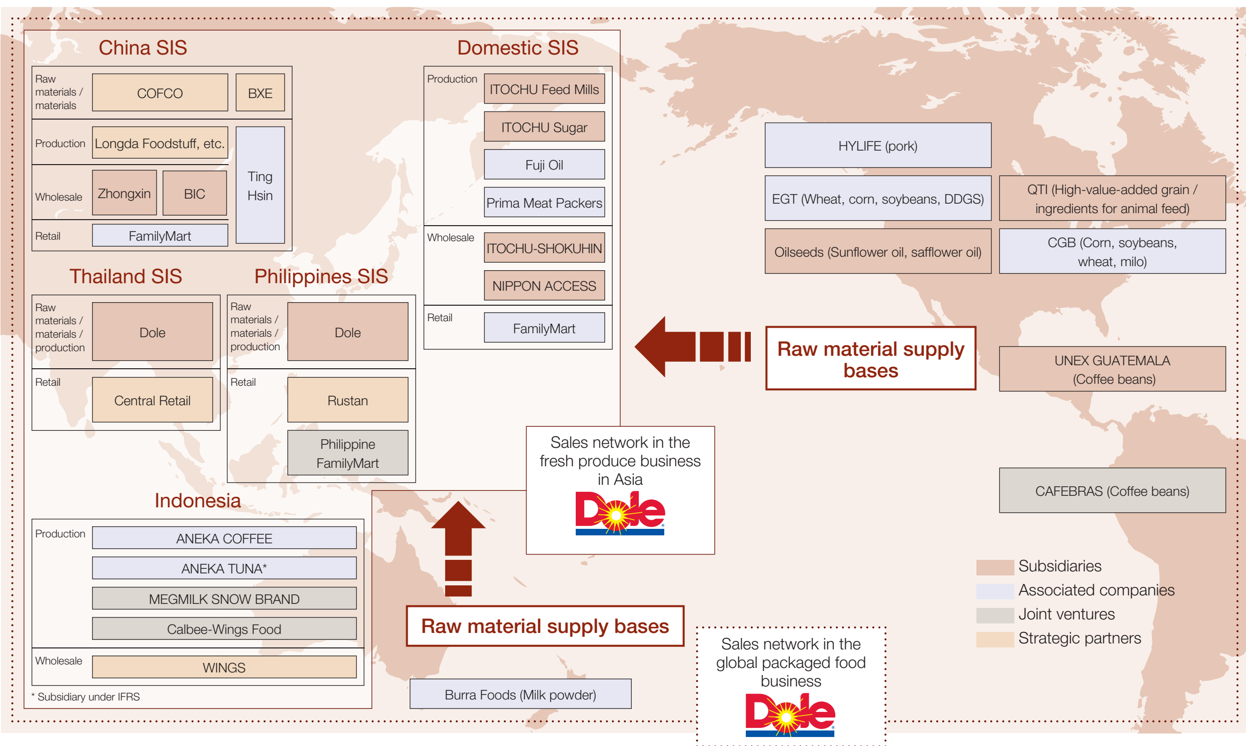
Company Percentage of Earnings from Overseas Businesses (image)



Percentage Contribution of Non-consolidated Trade Earnings to Net Income Attributable to ITOCHU (image)



Business Portfolio



Organization

■ Food Company
- Provisions Division
- Fresh Food Division
- Food Products Marketing & Distribution Division
- China Business Development Department
- CFO
- Planning & Administration Department

President, Food Company

Yoshihisa Aoki

RESULTS

Overview of Fiscal 2014

Thanks to the contribution from the Dole business and solid results from existing operations, the Food Company delivered trading income of ¥49.3 billion, up 22.1%. Although equity in earnings of associated companies decreased, a rise in trading income and higher gain on investments–net pushed net income attributable to ITOCHU up 25.8% year on year, to ¥57.5 billion.

Business Results

Billions of Yen

Years ended March 31	10	11	12	13	14
Trading income	¥ 38.8	¥ 39.8	¥ 37.4	¥ 40.4	**¥ 49.3**
Equity in earnings of associated companies	13.0	11.7	20.1	22.9	**21.5**
Net income attributable to ITOCHU	27.8	22.4	43.8	45.7	**57.5**
Total assets	1,130.7	1,208.7	1,298.4	1,370.2	**1,575.2**
ROA (%)	2.5	1.9	3.5	3.4	**3.9**

Net Income (Loss) from Major Group Companies

Billions of Yen

Years ended March 31	10	11	12	13	14
NIPPON ACCESS, INC.*	¥4.5	¥ 6.5	¥8.6	¥10.8	**¥11.6**
China Foods Investment Corp.	8.7	4.0	2.4	2.7	**4.3**
Dole International Holdings, Inc.	—	—	—	0.0	**7.1**
Fuji Oil Co., Ltd.	2.7	2.5	2.3	2.3	**2.1**
Prima Meat Packers, Ltd.	1.8	(1.4)	2.4	2.4	**2.0**
FamilyMart Co., Ltd.	4.7	4.0	6.7	9.1	**7.3**

* On March 1, 2011, NIPPON ACCESS, INC., merged with the former Family Corporation Inc. and made the former Universal Food Co., Ltd., a consolidated subsidiary. In addition, the company received a business transfer from the former ITOCHU Fresh Corporation Inc. on October 1, 2011. Net income attributable to ITOCHU of NIPPON ACCESS, INC., for the same period of the previous fiscal year ended March 31, 2011 shows the total of these 4 companies.

MESSAGE

MESSAGE FROM THE DIVISION COMPANY PRESIDENT

We will further increase earnings by accelerating the global SIS strategy from its point of origin in Japan and other parts of Asia.

Focuses for Fiscal 2015

We are positioning fiscal 2015, the last year of "Brand-new Deal 2014," as a year for storing up our energy in preparation to make a major leap forward in the future. First, we will concentrate on bolstering the profitability of existing business, such as the Dole business we acquired in 2013. We will push through decisively with radical measures targeting unprofitable businesses, as we aim toward a more stable and robust earnings structure. The Japanese market, the fundamental source of this company's earnings, is growing increasingly oligopolistic and fiercely competitive. To survive in this environment, we will maximize the human resources, know-how, and experience possessed by ITOCHU and its operating companies in Japan as we reinforce our presence in various fields. At the same time, we will further accelerate the deployment of the global SIS—our company's growth strategy. To achieve this, we will make the strategic investments necessary to achieve our aim of evolving from a company with operations in Japan and other parts of Asia to a leading company in the global food industry. We will continue working to build a framework for the stable supply of safe, secure food, and will strive to achieve net income attributable to ITOCHU of ¥58.0 billion (IFRS) in fiscal 2015.

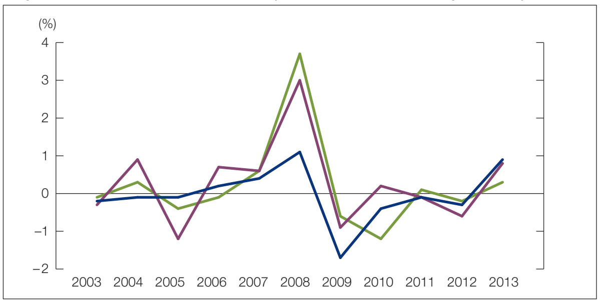
OPPORTUNITIES

Growth Opportunities and Risks for the Food Company

Due to large-scale monetary easing by the Bank of Japan, which is a major pillar of the Abenomics doctrine, the Japanese economy is beginning to pull out of the deflation that has plagued the market for some time, with the inflation rate hitting a positive 0.9% in fiscal 2014. Price inflation in the food category was 0.8%, but only 0.3% if fresh foods are excluded. Consequently, we believe that prices have still not risen to an adequate level. Given that significant yen depreciation is also driving up costs, the outlook for higher profitability in the Japanese food products industry is problematic.

However, overseas—particularly in emerging countries in Asia and other parts of the world—demand continues to rise as populations increase and incomes rise. Consequently, our future growth strategies will place increasing importance on boosting earnings and strengthening profits overseas.

Japanese Consumer Prices (Year-on-Year Comparison)



Overall — Food — Food, Excluding Fresh Foods

* Source: Consumer price index (CPI), Statistics Bureau, Ministry of Internal Affairs and Communications

STRENGTHS

Strengths for Leveraging Opportunities

Food integration based on the global SIS strategy

- Ability to procure a steady supply of foodstuffs from raw material procurement locations, centered on North America and Australia
- Dole and other Japanese and overseas production and product processing value chains and food product development, procurement, and sales functions
- In Japan, established top-level position and infrastructure in food wholesaling and retailing operations, as well as management expertise in these businesses

STRATEGIES

Medium- to Long-Term Growth Strategies

In the implementation of the Food Company's SIS strategy, we have further accelerated our initiatives, including capital / business alliances in the retail sector and integration of Group companies in the distribution and marketing area in Japan (Step 1). We have also broadened the foundations for our SIS strategy through its horizontal extension and development across the food value chain overseas. We have achieved this through joint initiatives with strategic partners in China and other Asian countries such as TING HSIN (CAYMAN ISLANDS) HOLDING because we recognize that although the Japanese market is shrinking due to a falling birthrate and an aging population, demand in fast-growing emerging countries is rising (Step 2). The acquisition of the Dole businesses in 2013 will enable the Food Company to organically combine its existing food value chain with Dole's global brand and production and sales network. To accelerate the rollout of our global SIS strategy, we will expand sales of existing products and develop new products and businesses that leverage the Dole brand (Step 3).

CSR at the Food Company

Construction of value chains for food safety and security

Developing diverse food-related business on a global scale, the Food Company has made rigorous provisions for assurance of food safety and security as well as concern for the environment. It endeavors to deliver healthy and rewarding lifestyles to all people through value chains with high value-added levels encompassing all processes, from stable supply and food resources to their processing, manufacture, wholesaling, and retailing.

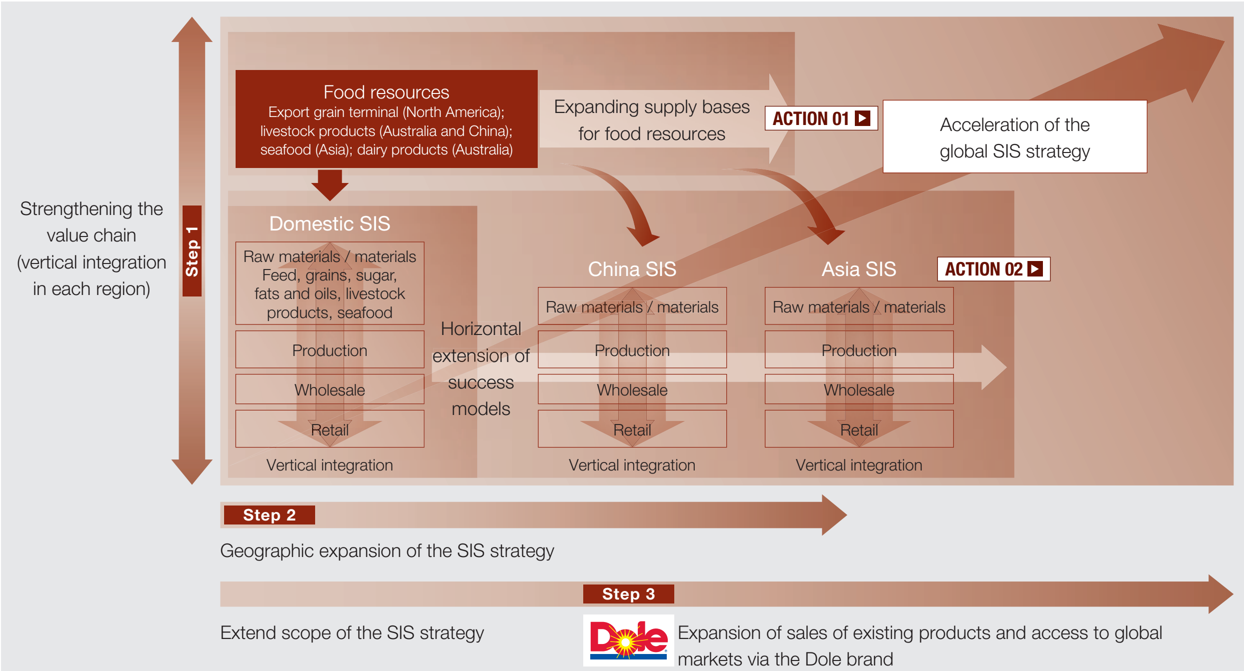
CSR Initiatives through Our Business Activities

Establishment and Operation of Procurement Network to Ensure the Stable Supply of Food Resources	
Company value	**Social value**
Secure customers through the stable provision of food resources to markets in Asia, including Japan and China	Contribute to the safety and security of food in Asian markets, including Japan and China
Efforts to Develop Healthier Foods	
Company value	**Social value**
Enter the Japanese health food market, where demand is expected to grow further	Provide added value in response to consumer health orientation

For details on CSR activities at the Food Company, please visit our website.

http://www.itochu.co.jp/en/csr/activities/food/

Medium- to Long-Term Growth Strategies



Initiatives to Implement Our Growth Strategies

ACTION 01 Enhancing Our Dairy and High-Quality Powdered Milk Businesses in Australia

Global demand for dairy products is growing on the back of a rising population and increased income levels. To meet these needs, in 2009 ITOCHU and ITOCHU Australia invested in BFA HOLDINGS PTY LTD., the 100% holding company of Australian dairy manufacturer Burra Foods Pty Ltd, acquiring 45% of the company's shares. The company is based in the Gippsland area of Victoria, a foremost dairy region.

Burra Foods steadily expanded its operations following this investment, beginning production and sales of skim milk powder and whole milk powder in 2010. To enter rapidly growing markets in China and other parts of Asia, in May 2014 the company added a facility for making powdered milk formula for infants, which requires even higher levels of control, and commenced production.

Our involvement with Burra Foods is one example of efforts to promote the creation of systems for supplying food resources, based on our SIS strategy for constructing a global value chain. We will continue working to ensure a stable supply of food and other high-quality products to Japan, China, and other Asian markets, providing food that is safe and secure.

Burra Foods plant

ACTION 02 Expansion of Manufacturing Plants with a View to Sales Expansion in Southeast Asia

A processed cheese manufacturing plant for PT MEGMILK SNOW BRAND INDONESIA (hereinafter "Snow Brand"), which was jointly established in May 2012 with Megmilk Snow Brand Co., Ltd., and PT RODAMAS, has been completed. This was the first processed cheese plant established in Indonesia as a Japanese company. Located within the Jababeka Industrial Estate situated 40 kilometers east of Jakarta, the plant offers convenient access to a major consumption region. The new plant will introduce the sophisticated manufacturing and quality control expertise that Snow Brand has developed with the aim of delivering "tasty cheese" to customers.

MEGMILK SNOW BRAND INDONESIA plant

Meanwhile, ITOCHU has joined Kagome Co., Ltd., and Thailand's Osotspa Co., Ltd., in the establishment of OSOTSPA KAGOME CO., LTD. The new company will begin by focusing on tomato-derived functional beverages, promoting product development and sales to meet demand from increasingly health-conscious consumers. In addition to expanding our beverage and food-related production and sales operations in Thailand, this move should increase ITOCHU's business in the growing Southeast Asian market.

"Tomato Essence," the first product of OSOTSPA KAGOME

OPERATING SEGMENTS

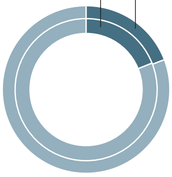
ICT, General Products & Realty Company

We will draw on our comprehensive capabilities and global network to provide new value and support abundant lifestyles.

Overview

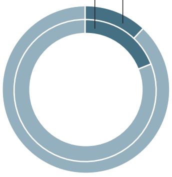
Percentage of Total Consolidated Total Assets and Total Net Income Attributable to ITOCHU (image)

Total Assets: about 19%
Net Income: about 19%



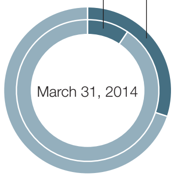
Percentage of Total Consolidated Operating Cash Flows and Total Net Income Attributable to ITOCHU (image)

Operating Cash Flows: about 12%
Net Income: about 19%



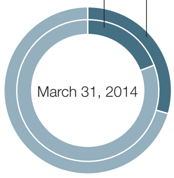
Percentage of Total Employees

Consolidated: 30,808 (30%)
Non-consolidated: 406 (10%)



Percentage of Total Number of Subsidiaries and Affiliated Companies

Japan: 41 (30%)
Overseas: 42 (19%)

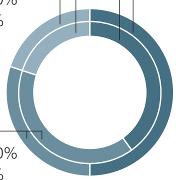


Company Composition by Consolidated Segment (image)

Construction, Realty & Financial Business
Total Assets (outside): about 20%
Net Income (inside): about 20%

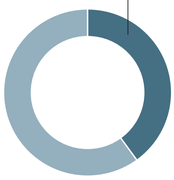
Forest Products & General Merchandise
Total Assets (outside): about 50%
Net Income (inside): about 40%

ICT, Insurance & Logistics
Total Assets (outside): about 30%
Net Income (inside): about 40%



Company Percentage of Earnings from Overseas Businesses (image)

Overseas: about 40%



Business Portfolio

Forest Products & General Merchandise Division


Pulp production (Brazil and Finland)


Natural rubber processing business in Southeast Asia


U.K. tyre distribution and retail business


Building material business in North America

ICT, Insurance & Logistics Division


IT solutions business

Mobile phone distribution


Logistics business


Insurance business

Construction, Realty & Financial Business Division


Logistics facility development business


Overseas real estate development business


Overseas used-vehicle loan business

Domestic credit card business

Organization

ICT, General Products & Realty Company
- Forest Products & General Merchandise Division
- ICT, Insurance & Logistics Division
- Construction, Realty & Financial Business Division
- CFO
- Planning & Administration Department

President, ICT, General Products & Realty Company
Tomofumi Yoshida

RESULTS

Overview of Fiscal 2014

Trading income in the ICT, General Products & Realty Company came to ¥62.9 billion, up 17.4% from the previous fiscal year. This solid performance stemmed from favorable pulp transactions and robust performance by housing materials-related companies, increased business by mobile phone-related companies, and the contribution of real estate transactions, as well as to the effect of yen depreciation. Net income attributable to ITOCHU jumped 46.5%, to ¥76.3 billion, due to higher trading income and increases in gain on investments–net and equity in earnings of associated companies.

Business Results

Billions of Yen

Years ended March 31	10	11	12	13	14
Trading income	¥ 32.6	¥ 42.3	¥ 55.8	¥ 53.6	**¥ 62.9**
Equity in earnings (losses) of associated companies	(7.9)	3.9	17.4	24.5	**36.0**
Net income attributable to ITOCHU	6.2	6.0	37.6	52.1	**76.3**
Total assets	1,078.4	1,053.7	1,188.7	1,363.4	**1,581.7**
ROA (%)	0.6	0.6	3.4	4.1	**5.2**

Net Income (Loss) from Major Group Companies

Billions of Yen

Years ended March 31	10	11	12	13	14
ITOCHU Kenzai Corp.	¥0.2	¥0.0	¥ 1.8	¥1.5	**¥3.0**
ITOCHU FIBRE LIMITED	—	—	—	2.4	**6.5**
European Tyre Enterprise Limited	—	—	(0.4)	2.2	**5.1**
ITOCHU Techno-Solutions Corporation	6.8	6.3	7.5	8.9	**8.1**
CONEXIO Corporation*	1.6	1.4	1.5	4.2	**5.4**
ITOCHU LOGISTICS CORP.	2.0	0.7	1.3	1.2	**1.4**
ITOCHU Property Development, Ltd.	0.5	1.7	2.6	1.8	**2.2**

* On October 1, 2013, the name of ITC NETWORKS CORPORATION was changed to CONEXIO Corporation.

MESSAGE

MESSAGE FROM THE DIVISION COMPANY PRESIDENT

In each field of operations, we are constructing robust earnings platforms and striving to increase earnings by forging stronger links between businesses.

Focuses for Fiscal 2015

Launched on April 1, 2012, as the ICT, General Products & Realty Company, we cover a wide range of business areas, such as Forest Products & General Merchandise, ICT, Insurance & Logistics, and Construction, Realty & Financial Business.

Now in the third year since our inception, during fiscal 2015—the final year of "Brand-new Deal 2014"—we will continue with the growth strategies for existing projects that we have formulated for each of our business areas. We will also focus on achieving steady growth by reinforcing projects that are under way. We will promote proactive asset replacement by seizing the moment in investing in new projects following careful scrutiny and screening, expanding our earnings platform further in each area.

As our company is involved in wide-ranging business areas, we will step up collaboration between different business areas and enhance global networks that we have pursued since the company's formation. In this manner, we aim to create new value that will support abundant lifestyles.

By implementing these measures steadily, we are endeavoring to create "new and true value" by coordinating and integrating our human resources and organizations possessing specialist strength, as we endeavor to increase earnings as a company in the non-resource sector.

OPPORTUNITIES

Growth Opportunities and Risks for the ICT, General Products & Realty Company

In Forest Products & General Merchandise, the volume of pulp market transactions is moving upward, particularly in emerging countries, and this trend is forecast to continue. Market prices on tyres in the United Kingdom show signs of bottoming out, leading to expectations of a future recovery. Meanwhile, we are monitoring changes in Japanese and U.S. housing market conditions and market prices on commodity products such as pulp and natural rubber, which affect the company's operating performance.

In ICT, Insurance & Logistics, we see opportunities for business expansion in the growing demand for ICT services in Asia, the Middle East, and Africa. New business opportunities are also inherent in big data, smart communities, and wearable computing.

We see major business opportunities in Construction, Realty & Financial Business. In the construction sector, for instance, we expect the Japanese real estate securitization market to remain healthy for the foreseeable future, with particularly robust demand for large-scale logistics facilities. Japan's largest residential real estate investment trust, Advance Residence Investment Corporation, is also enjoying a growth trend. In the financial sector, Asia's middle class is expanding in line with rapid economic growth. To meet the growing investment needs this segment represents, we will continue to focus on retail financing (small loans to individuals).

STRENGTHS

Strengths for Leveraging Opportunities

- Firm position as a leading pulp trader through investments in world-leading hardwood and softwood pulp producers
- Ownership of the industry-leading tyre wholesaling and retailing business in the United Kingdom, as well as the management expertise accumulated through this business
- Comprehensive capabilities for combining functions across broad-ranging business domains in the ICT sector, from Internet business to mobile distribution
- Top-class global logistics and insurance network centered on Asia within Japanese companies
- Through collaboration with Japan's largest residential J-REIT, Advance Residence Investment Corporation, ability to develop and supply excellent housing, and proven track record in large-scale logistics facilities
- Retail financing expertise developed through years of domestic and overseas experience

STRATEGIES

Medium- to Long-Term Growth Strategies

As the ICT, General Products & Realty Company is involved in a broad range of areas, our first approach is to add and augment the specialist strengths in each division and sector, while at the same time building a robust earnings platform spanning all organizations. For instance, in Forest Products & General Merchandise we are a leader in the business of distributing domestic and overseas construction products.

Next, to expand earnings we are adopting a holistically cooperative approach that transcends individual departments and sectors. Looking at construction, for example, we are introducing Internet services developed in our ICT business into condominium projects we have developed in our construction business, thereby increasing the level of service to customers and augmenting operations within the Group.

These moves aim to create "new and true value" that supports affluent lifestyles in the sense that they involve new transactions generated by pursuing additional and overlapping earnings.

CSR at the ICT, General Products & Realty Company

Contribution to concerns for the environment and creation of enriched communities

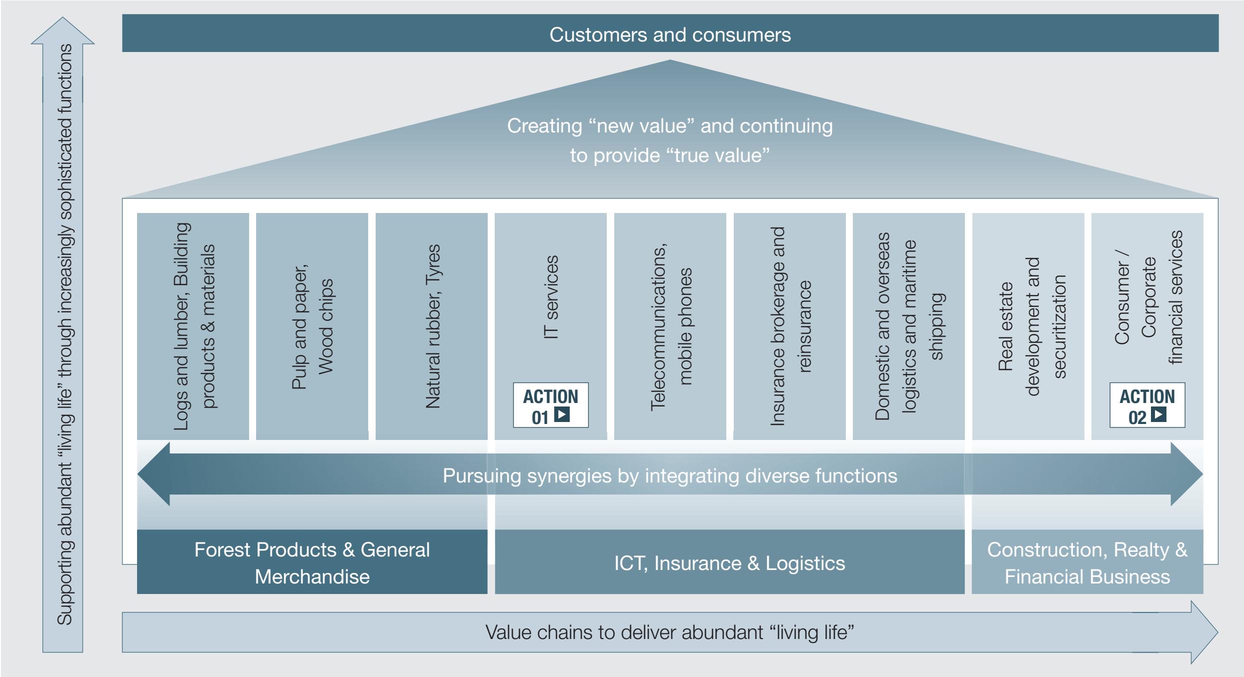
Developing businesses in diverse domains, the ICT, General Products & Realty Company has adopted the mission of contribution to establishment of safe and rewarding lifestyles. It does so through the provision of products and solutions that are closely intertwined with people's lives and adapted to societal needs. We also pursue the stable procurement and efficient use of forest resources in sustainable ways and are working to build a more recycling-oriented society.

CSR Initiatives through Our Business Activities

Sustainable Supply of Forest Resources through CENIBRA of Brazil	
Company value	Social value
Boost profitability from stable supply of high-quality hardwood pulp	CO_2 fixation and ecosystem maintenance through sustainable forest management
IT-Based Energy Management Business (ecoFORTE)	
Company value	Social value
Expand businesses through provision of comprehensive services, from facility to operational improvements	CO_2 reduction through the promotion of efficient energy use

For details on CSR activities at the ICT, General Products & Realty Company, please visit our website.
http://www.itochu.co.jp/en/csr/activities/general/

Medium- to Long-Term Growth Strategies



Initiatives to Implement Our Growth Strategies

ACTION 01 Asian IT Service Business Initiatives

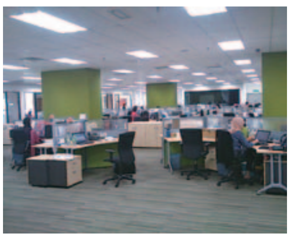
In Southeast Asia, which is undergoing rapid economic development, we are maintaining a close focus on the ICT business, an area of particularly robust growth.

In March 2013, we joined our subsidiary, ITOCHU Techno-Solutions Corporation (CTC), in acquiring a 100% stake in CSC ESI Sdn Bhd of Malaysia and CSC Automated Pte. Ltd. of Singapore, which are affiliated with Computer Science Corporation, a major IT service provider in the United States. (The two companies are now known as “CTC Global.”)

Investing in two of the region’s leading IT service providers in terms of scale should enable CTC to expand its competitive business in the telecommunications field. By transferring leading-edge expertise, we also seek to generate synergies through new service development and pursue a host of initiatives aimed at business expansion.

We continue to enhance the IT service business and focus on supporting Japanese and non-Japanese companies that are entering into or augmenting their businesses in Asia.

CTC Global establishment ceremony (Malaysia)



CTC Global office (Malaysia)

ACTION 02 Consumer Finance Business Initiatives Targeting Non-Japanese Individuals

In the financial sector, we are developing the consumer finance business targeting individuals overseas, designed in particular to meet individual funding needs in countries exhibiting rapid economic growth. Through United Asia Finance Limited, we have steadily enhanced our customer base and earnings platform in Hong Kong since the mid-1990s. Leveraging this expertise, since 2007 we have been developing a personal loan business in mainland China, and business has continued to grow rapidly.

Meanwhile in Thailand, which continues to enjoy economic growth, Easy Buy Public Co., Ltd., has kept pace with the country’s economic expansion, offering financial products in line with consumer needs and in the process emerging as a leading company in this sector. In addition, First Response Finance Ltd., which provides loans on used vehicles in the United Kingdom, uses an extremely sophisticated customer management system and specializes in providing credit and service to match individual customers’ circumstances. Over the past seven years, First Response Finance has grown its customer base and seen profits increase.

In addition to enhancing existing businesses, we will seek to take advantage of expertise we have cultivated in the area of personal loans in Japan and overseas, to develop our business further and boost consolidated earnings.

Employees of First Response Finance, which continues to grow

Easy Buy shop in Bangkok

ITOCHU's Approach to CSR

ITOCHU Corporation is pursuing multifaceted corporate activities in various regions of the world and across a wide range of fields. For ITOCHU, CSR entails making a contribution to the building of sustainable societies through business activities. As a global company, it is our mission to be "Committed to the Global Good."

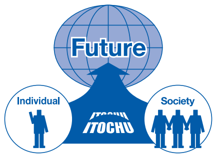
ITOCHU Group Corporate Philosophy

ITOCHU founder Chubei Itoh first launched a wholesale linen business in 1858. For more than 150 years since, ITOCHU has passed down the spirit of *sampo yoshi* (Good for the seller, Good for the buyer, and Good for society), a management philosophy embraced by Ohmi merchants.

After considering ways to demonstrate its commitment to society as an international corporation and to put this commitment into practice, in 1992 ITOCHU formulated "Committed to the Global Good" as a corporate philosophy. The conceptual framework for this philosophy was reorganized in 2009. In order for employees around the world to properly understand and put into practice the responsibility that the ITOCHU Group is charged with fulfilling for society, its core element, "Committed to the Global Good," was set as the ITOCHU Mission for the entire ITOCHU Group, and five values, called the ITOCHU Values, were positioned as vital for enabling each employee to fulfill their role in realizing the ITOCHU Mission.

ITOCHU Mission

Committed to the Global Good



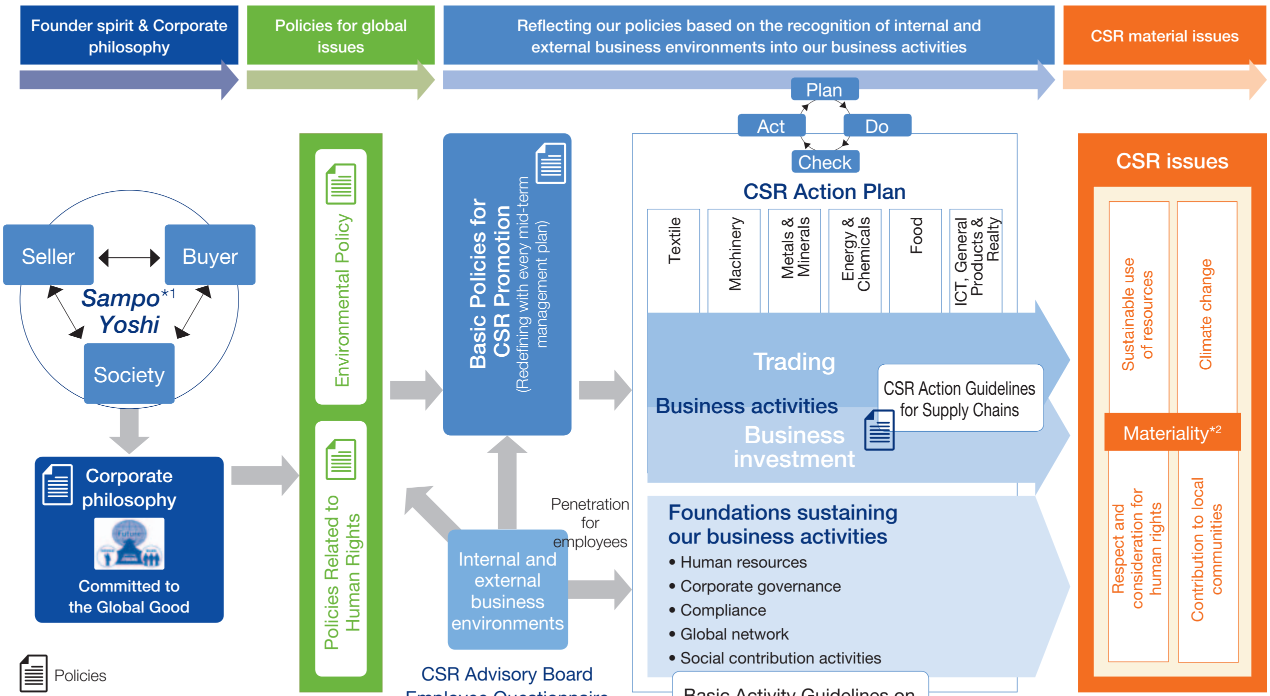
The ITOCHU group respects the individual, society, and the future in its Commitment to the Global Good.

ITOCHU Values

- Visionary
- Integrity
- Diversity
- Passion
- Challenge

Approach to CSR Promotion at ITOCHU

We at ITOCHU, in accordance with the ITOCHU Mission "Committed to the Global Good," believe that fulfilling our social responsibility through our business activities is important. While addressing such tasks as environmental conservation and respect for human rights, we have defined the orientation for our promotion of CSR based on changes in internal and external business environments in the form of our Basic Policies for CSR Promotion, and are promoting CSR activities in both an organized and systematic manner. In addition, each organizational unit also formulates CSR Action Plans grounded in the basic policies. These action plans are linked to the resolution of CSR material issues through the business activities of trading and business investment as well as corporate governance, compliance, and other components of the foundation supporting our business activities.



*1 Good for the seller, Good for the buyer, and Good for society

*2 Materiality: Important issues in sustaining our corporate activities

Basic Policies for CSR Promotion

Alongside the drafting of its management plan, ITOCHU formulates the Basic Policies for CSR Promotion, with the aim of globally promoting CSR with direct linkages to the management plan.

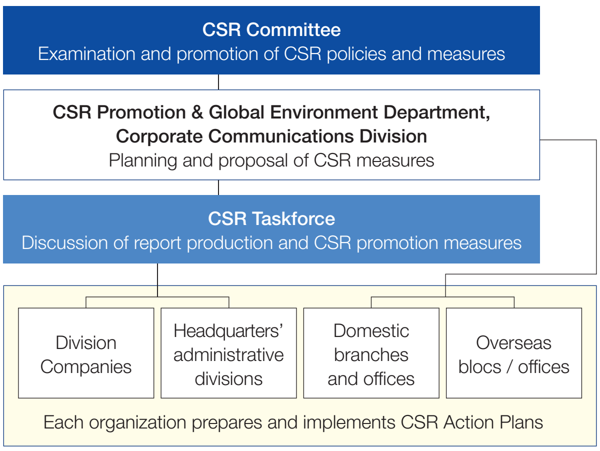
Basic Policies for CSR Promotion during the Period of "Brand-new Deal 2014" Covering Fiscal 2014 to Fiscal 2015

1. Strengthening communication with stakeholders through a front-line approach
2. Promoting businesses that help solve social issues
3. Strengthening supply chain management to advance consideration for the environment and human rights and to promote the use of sustainable resources
4. Promoting education on CSR and environmental conservation
5. Involving in and contributing to development of local and global communities

CSR Promotion System at ITOCHU

The CSR Promotion & Global Environment Department within our Corporate Communications Division plans and drafts policies and initiatives for companywide CSR promotion based on internal and external business environments and the opinions of the CSR Taskforce, which is composed of representatives of each Division Company and administrative divisions. These policies and initiatives are discussed and determined by the CSR Committee, which is one of our key internal committees.

CSR Management System



Awareness of Risks and Ongoing Review in Each Business Field

ITOCHU Corporation's business spans a wide range of fields. We regularly make reviews to assess industry-specific risks in each field, covering both internal factors and the external environment. More specifically, we identify CSR risks in each field, ascertain the prospective frequency of incidence and degree of importance, and assess them. Taking account of these assessment results, we develop measures linked to prevention of actualization and curtailment of their influence. We likewise incorporate these assessments into the CSR Action Plans and review them on a continuous basis.

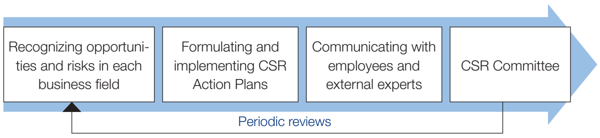
CSR Action Plans

In order to steadily promote CSR through its business activities in trading and business investment, each Division Company formulates CSR Action Plans setting forth key CSR tasks in its fields, and then promotes CSR in accordance with the plan–do–check–act (PDCA) cycle system.

CSR Material Issues

By analyzing CSR Action Plans, ITOCHU identified four CSR material issues which are important issues in sustaining our corporate activities. We will strive to ensure that our activities contribute to resolution of these issues, in accordance with the Basic Policies for CSR Promotion.

Process of Identifying CSR Material Issues



CSR Material Issues

1 Climate change (see page 76)

Climate change is an issue capable of affecting all sorts of business activities. We are going to assist the resolution of this issue through measures in each of two aspects: adaptation to risks such as natural disasters induced by climate change, and mitigation of impact by solutions-oriented business in areas such as reduction of greenhouse gas emissions from, and use of renewable energy in, our business activities.

2 Sustainable use of resources (see page 72)

The wide-ranging business activities of ITOCHU depend on diverse resources from the natural world and their circulation. Amid increasing apprehensions about resource depletion, we have positioned resource conservation as a major task to be approached from both the risk and opportunity aspects in all phases, from development to utilization, with consideration for sustainability.

3 Respect and consideration for human rights (see page 74)

As the scale of our business expands, the influence of our business activities is widening in scope. With an awareness of this situation, we consider it vital to view our business activities as a value chain, ascertain who can possibly be impacted, and thereby make full provisions for respect and consideration for the human rights of the people involved.

4 Contribution to local communities (see page 77)

While developing business in various regions around the world, we take actions on issues and needs faced by host societies in both our business activities and social contribution initiatives. By so doing, we hope to assist the advancement of those societies and cultivate the development of new markets that will lead to growth for us.

Participation in UN Global Compact

ITOCHU participates in the United Nations Global Compact, a global initiative to achieve sustainable growth of the international community.

THE GLOBAL COMPACT
Network Japan
WE SUPPORT

MATERIALITY

CSR Material Issues ~Documentary Report Project on Supply Chains~

Sustainable use of resources

ITOCHU's Australian Coal Supply Chain: Coexisting with Natural Environments

Documentary Report Project on Supply Chains for Products Handled by ITOCHU Corporation.
This year's report, the sixth in the series, covers ITOCHU's supply chain for Australian coal, from the extraction at the mine to the shiploading at the port.
From the perspective of using sustainable resources, the report introduces how management gives consideration to environmental conservation and a safe working environment.

Coal being transported from the mine to the port

Front-Line Report
Jiro Yamatomi, Dr.
Professor, Department of Systems Innovation, University of Tokyo

In the Hunter Valley, New South Wales (N.S.W.), Australia, which is located about 150 kilometers north of Sydney, there is a coal mining area producing high-quality coal. The Hunter Valley is famous for its wine, and as I traveled through the region's grasslands dotted with pastureland and vineyards, I came to the coal mining site. In March 2014, I visited Ravensworth North (RVN), which belongs to the Ravensworth Complex owned by Glencore Coal Assets Australia*, a resource major. During my visit, I was able to confirm the operational status of the site and the related CSR activities. ITOCHU owns 10% of RVN through a local subsidiary.

* A group company of Glencore Xstrata, a major resources company

Consideration for the Environment at the Site of the Coal Mine

Operations began at RVN in May 2012, with initial mine production achieving 3.0 million tonnes per annum (Mtpa) of run of mine (ROM) coal by December 31, 2012. Throughout 2013 and 2014 the mine has progressively grown by the introduction of additional equipment. By 2015, production is scheduled to be about 11 million ROM tonnes, which equates to 7.8 million tonnes (clean coal). Coal reserves at the site total 280 million ROM tonnes, and the mine life is more than 20 years. The mine manager said that this is the latest large-scale, high-grade coal development project in the Hunter Valley. The start-up of the RVN mine required an investment of approximately AUD1.4 billion to expand the coal handling and preparation plant, relocate roads and power transmission lines, and purchase giant mining equipment including off-highway trucks and hydraulic excavators.

Over the four years from 2010 to 2013, 493 hectares of land were disturbed for RVN development and coal mining activities, while rehabilitation of 396 hectares in the Ravensworth Complex was performed. In mining coal, soil and waste rock over and between coal seams are removed prior to mining, which is known as stripping. The topsoil is directly placed on prepared rehabilitation areas or stockpiled and later used in the rehabilitation of the mine site. The overburden is placed in nearby emplacement areas. Mined coal is transported to the coal handling and preparation plant, where coal tailings and rejects, associated soils and minerals in coal seams, are removed from ROM coal and later used to fill up the ex-open cut void. Plans call for the site to be rehabilitated back to the typical landscape of the Hunter Valley, with woodlands and grasslands, through a series of planting and other rehabilitation initiatives.

In its operations, RVN is paying special attention to the impact on the environment caused by dust generation and blasting vibration. Air and water monitoring is conducted at several locations on and off the site. Water is sprayed on roads using a water truck, and automatic water sprinkling equipment is installed in the conveyor transfers, dump hopper, and crushing plants. In addition, the site also continues to use and trial other dust minimization technologies such as fogger and water cannons. Moreover, RVN restricts or ceases dust-generating activities on extremely windy or dry days. RVN has had positive results with these measures. In 2013, there were three complaints regarding blasting vibration from nearby residents, and the person in charge responded immediately in accordance with site procedures. The maintenance of good relationships with local communities is an essential element of mining operations, and the entire Ravensworth Complex is taking steps to sustain those relationships. For example, comprehensive operational and environmental reports are issued several times a year.

The world's largest off-highway trucks and hydraulic excavators in use at the RVN site

Hunter Valley, N.S.W., Australia

Column: Japan's Clean Coal Technology for the Earth

In April 2014, Japan's Cabinet decided on the new Strategic Energy Plan. In regard to coal, the plan stated that, "Though coal has a problem—it emits a large amount of greenhouse gas—it is now being re-evaluated as an important base-load power supply... It is an energy source that we should use while reducing the environmental load..." Currently, coal accounts for about 25% of Japan's primary energy, and that importance is not expected to change in the future. Globally, electric power is the foundation for economic development, especially in emerging countries, and coal-fired thermal power generation will have an extremely important position. Accordingly, demand for coal is forecast to increase. In terms of efficiency, environmental countermeasures, and facility operations, Japan has the world's most advanced technologies for the use of coal. Moving forward, Japan will have a significant role to play in the development and use of coal resources with consideration for the environment.

Motohiko Kato
Senior Executive Director and Secretary General
Japan Coal Energy Center

Protecting the Health and Safety of Employees

RVN is also working hard in training employees. For example, on the road to the RVN offices there is a series of signs with nine safety provisions. At the main entrance, a monitor is used to give employees and guests an induction comprising questions about safe behaviors and operations. There is also a device used to conduct breath tests to check blood alcohol concentration. On the mining site, the huge off-highway trucks used to carry coal, which are dozens of times larger than passenger vehicles, move back and forth at a rapid pace. Directly viewing this scene in person impressed upon me the importance of ensuring that machinery is operated correctly.

Realizing Communications with Close Ties to Local Communities

RVN is working to achieve continual communications with Federal and State authorities and local communities. For example, in 2013 RVN participated in 26 local activities in such areas as tree planting, school commemorative activities, emergency rescue helicopter training, and fund raising for cancer eradication. Twice a year, a consultative community meeting is held with the participation of local residents and government authorities, and reports are made on a variety of topics, such as the state of operations, results of monitoring, and safety records. The regional support program is also discussed.

Rail Transport from the Mine to the Port

Railroad tracks have been laid to the Ravensworth Complex handling and preparation plant, and clean coal for export is loaded onto freight cars and transported by rail about 100 kilometers to the Port of Newcastle. In 2013, about 7.24 million tonnes of coal was transported on 979 trains, with measures taken to prevent the coal from falling off the rail car during transport.

Consideration for the Environment and Safety at the Port

Large reclaimer in operation as coal is loaded onto belt conveyor

The Port of Newcastle has three coal terminals with a combined annual shiploading capacity of about 200 Mtpa. In 2012, about 134 million tonnes was loaded. Two of the terminals, Kooragang, which has the highest shiploading capacity (120 Mtpa), and Carrington (25 Mtpa), are operated by Port Waratah Coal Services Limited. Investors in Port Waratah include Glencore Xstrata and other mining companies, Japanese coal users, and general trading companies, such as ITOCHU. Coal from the RVN mine is exported from the Port Waratah terminals to Japan and other destinations in Asia.

Kooragang has four rail receival facilities that automatically unload coal from bottom-dumping wagons of coal trains. Coal is then carried by belt conveyor to open coal stockpile yards. There are four large stockpile yards, each of which is 2.5 kilometers long and 56 meters wide. At the stockpiles, dust is controlled through the sprinkling of water at regular intervals, depending on the weather conditions. When it is time for coal to be loaded, reclaimers are used to collect coal from the stockpiles, and then belt conveyors transport coal to the shiploaders. Port Waratah is actively committed to environmental conservation and its relationship with local communities. Accordingly, despite the recent increase in volume of coal handled, the quantity of dust deposited, as regularly measured at monitoring sites, has generally remained the same.

To ensure the safety of workers, education and training are complemented with a rigorous approach to safe operations based on know-how accumulated over many years.

Concluding the Observation: Japanese Society and Australian Coal Supply Chain

Other than steam locomotive enthusiasts, the number of Japanese who have actually seen coal is probably declining. Australia's coal exports have expanded rapidly over the past several years, especially to China, yet Japan is still the largest importer of coal from Australia. The Hunter Valley's coal operations are conducted with awareness of the burden placed on the environment and nature, and of the importance of local communities as coal is exported to Japan. Visiting the RVN mine firsthand left me with a strong impression of how that awareness is incorporated into the front-line coal mining operations that provide Japan with an ongoing supply of coal, as well as the important role that trading companies play in that mission. All of us in Japan benefit from the work that is being done on the front lines and throughout the coal supply chain.

Website for Documentary Report Project on Supply Chains

http://www.itochu.co.jp/en/csr/supply_chain/reportage/

CSR Material Issues

Respect and consideration for human rights

Manufacturing Strategy which Supports the Marketing Company

As a customer-oriented marketing company, ITOCHU's Textile Company is pursuing a new business model which aims to add value within the supply chain that is socially beneficial and environmentally friendly.

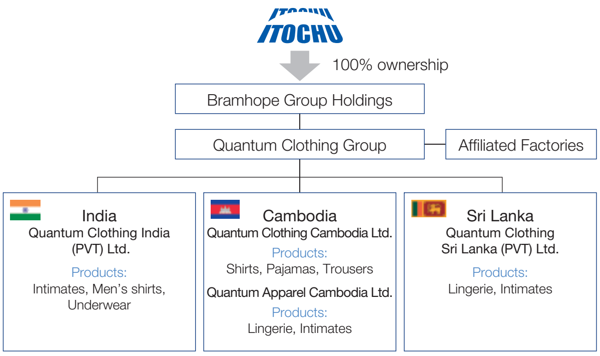
Textile Company's Manufacturing Strategy

The Textile Company, the roots of which are in manufacturing, handles a broad range of products such as apparel, sportswear, underwear, uniforms, bags, and shoes for both men and women. It is able to provide products with high added value due to its ability to recommend materials and its extensive network of production bases. This has become a major source of the Textile Company's growth. Furthermore, in the apparel industry, substantial added value for customers and consumers is generated not only by product quality and competitive prices but also a wholehearted commitment to improving labor conditions and making contributions to society.

ITOCHU acquired Bramhope Group Holdings Ltd. (hereinafter "Bramhope") in July 2012. Bramhope is an apparel manufacturer and wholesaler with headquarters in the U.K., founded in 2000. The major strength of its subsidiary, Quantum Clothing Group (hereinafter "Quantum Group"), is its extensive production network that includes the company's own factories in India, Sri Lanka, and Cambodia and affiliated factories in various ASEAN countries.

The Quantum Group's main customer is Marks & Spencer PLC (hereinafter "M&S"), which is one of the world's top U.K.-based retailers. M&S purchases a large percentage of its apparel from the Quantum Group. In addition to handling various products including women's underwear (hosiery, lingerie, etc.) and men's shirts, the Quantum Group has the ability to develop stylish products in the U.K. that are in line with the M&S Plan A initiative, a progressive program that M&S has developed to pursue sustainability. Each of the Quantum Group's factories meet strict management standards related to working environment, contributions to society, environment protection, and other aspects. Also, in addition to possessing advanced technical skills related to quality and price competitiveness, the company creates high added value in terms of society and the environment.

Building on the solid production infrastructure that combines Bramhope's expertise in supplying ethically compliant products and the ITOCHU Group's production network, which extends throughout Asia, the Textile Company will strive to enter global markets such as those of North America, China, and developing countries and develop a new business model as a marketing company.



Quantum Group's CSR

In 2010, the Quantum Group's management came together and compiled a plan in order to create a firm footing for a sustainable business; this would later become the Quantum Business Excellence Model. Developed with the Quantum Group's medium- and long-term strategy in mind, this program, which covers people, the environment, and sustainable use of raw materials, is implemented by the Quantum Group throughout the world.

Efforts by Quantum Cambodia

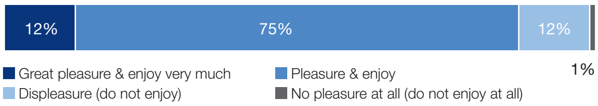
In Cambodia, which is in the spotlight as a center of textile manufacturing, the Quantum Group has its two main factories, one for Quantum Clothing and one for Quantum Apparel. The country is an extremely important production base where more than 5,000 employees from both companies work. Quantum Clothing is ISO 9001 and ISO 14001 certified, while Quantum Apparel is currently developing their model. Both companies give due consideration to high quality standards and the environment.

Efforts to Ensure Employee Safety

Recognizing human resources as its most important asset, the Quantum Group strives to create a working environment in which employees can not only work enthusiastically but also do so safely. As for the factory's production floor, where many employees work, the company was the first to manage factory workers' working time using a computerized system. The company also has thorough health and safety controls and checks in place to look after workers' well-being and to prevent accidents. In addition, the company has been able to create an easy-to-work-in environment that includes break areas, a cafeteria for factory workers, and a nurse's office. Surveys of employee satisfaction are also regularly conducted and acted upon, which leads to improvements that make the workplace one that employees want to work in and take pride in.


Packing assembly line

Satisfactory in Working with the Company



Providing Employees with Learning Opportunities

As for Quantum Group's CSR activities, the company considers it important that each employee properly understands CSR, and initiatives are in place to fulfill the company's responsibilities at all worksites, offering a wide range of programs and providing employees with opportunities to learn. The factory is equipped with training rooms and the company actively works to develop the skills of factory workers and to conduct educational activities, which include instruction from sewing technicians, courses in the English language, IT skills courses, and workshops in calculating wages. The company has also introduced an outstanding employee award system, which reinforces employee drive and motivation. These efforts have been highly praised in terms of their contributions to society, as can be seen in various outcomes such as the factory being officially recognized by the local government as one with a labor environment which makes it possible for factory workers to do their work with peace of mind.


English class

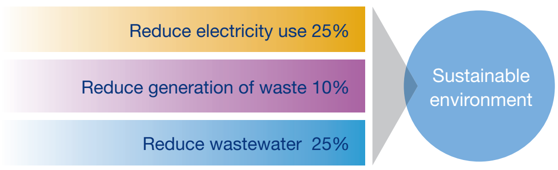
Efforts to Preserve the Environment

In 2004, the company received ISO 14001 certification and continually works to make improvements through the plan–do–check–act (PDCA) cycle. Since this PDCA cycle was introduced, the company has implemented a variety of measures that have resulted in reductions in electricity use, wastewater, and waste. An ongoing monitoring program helps to continually drive these numbers down.

With regard to specific measures, the company has not only installed energy-efficient T5 fluorescent lights on factory production floors but has also made meticulous efforts to save energy wherever it can, such as introducing light-emitting diodes (LEDs) for all sewing machines. In addition, the company conducts various educational activities and is striving to spread and raise awareness among front-line workers.

Environmental Target

Quantum Clothing (Cambodia) Ltd. has set the following plan for Eco Sustainable Management against a base line in 2007:



Comment from a Customer

M&S launched its Plan A initiative in 2007 in order to become the most sustainable retailer in the world. The plan consists of 180 concrete goals in seven fields related to sustainability which the company plans to achieve by 2020; these goals relate to areas such as climate change, waste, and natural resources.

The most important way of promoting Plan A is by gaining the understanding of consumers and business partners regarding the aims of the plan and sharing the same values. In order to do this, we provide awards to suppliers who fully understand the principles embodied in Plan A and have contributed to improving the quality of people's lives and maintaining the environment. In 2013, the Quantum Group was selected as the Supplier of the Year. For the apparel industry, issues relating to sustainability include worker welfare, raw materials, and use of chemicals throughout the supply chain, and the Quantum Group has aggressively worked on all these issues. In particular, the company continuously implements innovative measures related to employees, including education and training programs, welfare systems, and maintaining an active dialogue. In addition, many of the company's factories have won our Eco-Factory status because of their passionate environmental efforts.

Throughout the world there is a growing focus on transparency and there are demands that companies fulfill their responsibilities, which are proportional to the scale of their operations. We are hopeful that as leading companies in the industry, both the Quantum Group and the ITOCHU Group will continue to pursue innovation which leads to sustainability within their daily operations and that those efforts become part of their corporate cultures.

Krishan Hundal
Marks & Spencer
Director of GM Technology

CSR Material Issues

Climate change

Working to realize sustainability that will deliver enrichment for the next generation by advancing environment-friendly businesses, centered on renewable energy

Renewable energy, such as geothermal and wind power, is expected to record growth as a key pillar of the energy supply in the future. Through business investment in power generation assets that utilize renewable energy, ITOCHU is working to help alleviate climate change, which is a pressing issue for global society.

Geothermal IPP Project in Indonesia

In April 2013, ITOCHU concluded a contract to construct a 320 MW geothermal power generation plant in Indonesia's Sarulla region in North Sumatra and to sell the power generated by the plant to Indonesia's state-owned electricity company for 30 years. In addition, a loan contract concerning this project was concluded in March 2014. Indonesia's potential geothermal resources are among the most extensive in the world, accounting for 40% of global geothermal resources, and the country has positioned geothermal energy as a strategic power source.

Geothermal power generation uses high-temperature and high-pressure steam and hot water extracted from geothermal reservoirs deep underground to generate electricity. The CO_2 emitted during power generation is limited. In addition, the power generation is not dependent on weather conditions, and as a result the supply of electric power is stable in comparison with other forms of energy. Consequently, geothermal power is a form of renewable energy that is drawing attention around the world. This project is one of the largest geothermal independent power producer (IPP) projects in the world. Plans call for commercial operation to commence in stages from 2016, and the project is expected to contribute to economic development in Indonesia, where demand for electric power is projected to increase in the future.

Working with GE to Advance the Wind Power Generation Business in the United States

In May 2010, ITOCHU and General Electric Company (GE) entered into a comprehensive agreement to identify co-investment opportunities in renewable energy worldwide, and ITOCHU is now forging ahead with renewable energy operations.

The Shepherds Flat Wind Project in the U.S. state of Oregon is one of the world's largest wind power projects, with a total capacity of 845 MW. The power is supplied to approximately 235,000 regular households in California under a 20-year power purchase agreement with Southern California Edison, a California power utility. The project is contributing to the reduction of greenhouse gas emissions by approximately 1.5 million tons annually. The Shepherds Flat Wind Project and the Keenan II Wind Power Project in the U.S. state of Oklahoma, which has a total capacity of 152 MW, are expected to reduce greenhouse gas emissions by a combined total of approximately two million tons annually. Moving forward, ITOCHU will continue working to contribute to the stable supply of electricity and the alleviation of climate change through these two projects.

Global Map of Renewable Energy Power Generation Projects

U.K.: Waste processing / power generation (See page 53)

Project name	Waste processing capacity per year	Greenhouse gas emissions reduction scale
ST&W	260,000 tons	Approx. 62,000 tons per year
Cornwall	240,000 tons	Approx. 60,000 tons per year
Merseyside	460,000 tons	Approx. 130,000 tons per year
West London	350,000 tons	Approx. 830,000 tons per year

U.S.: Wind power generation

Project name	Power generation capacity / scale	Greenhouse gas emissions reduction scale
Shepherds Flat	845 MW	Approx. 150,000 tons per year

Spain: Concentrating solar power generation

Project name	Power generation capacity / scale	Greenhouse gas emissions reduction scale
Solaben2&3	100 MW	Approx. 63,000 tons per year

U.S.: Wind power generation

Project name	Power generation capacity / scale	Greenhouse gas emissions reduction scale
CPV Keenan II	152 MW	Approx. 410,000 tons per year

South Africa: Solar power generation (See page 57)

Project name	Power generation capacity / scale	Greenhouse gas emissions reduction scale
Kalkbult	75 MW	Approx. 125,000 tons per year
Dreunberg	75 MW	Approx. 125,000 tons per year
Linde	40 MW	Approx. 65,000 tons per year

Indonesia: Geothermal power generation

Project name	Power generation capacity / scale	Greenhouse gas emissions reduction scale
Sarulla	320 MW	Approx. 1 million tons per year

CSR Material Issues

Contribution to local communities

ITOCHU is aiming for sustainable growth through the establishment of business models that contribute to the development of local communities

ITOCHU conducts business activities in regions throughout the world, and we strive to contribute to the development of local regions through both our business activities and our social contribution activities, thereby addressing the challenges and needs of local communities.

Supporting Cotton Farmers in India Transfer to Organic Cotton Cultivation

ITOCHU and KURKKU Co., Ltd., jointly plan and operate the Pre Organic Cotton (POC) Program, which helps farmers in India to transfer from cotton farming to organic cotton cultivation. The program aims to stop the vicious circle of environmental damage, health hazards, and economic burdens on farmers caused by pesticides and chemical fertilizers. To that end, the program includes giving guidance on organic farming and supporting acquisition of organic farming certificates during a three-year transition. From the start of the program in 2008 to its end in 2013, 3,348 farming households took part, and 1,479 of these have acquired organic farming certificates. In addition, with products from upward of 40 companies, including apparel and natural cosmetics manufacturers, having been introduced, in 2013 the volume of cotton handled reached 1,500 tons. In 2014, initiatives with major customers are expected to drive higher POC sales and an expansion of the POC market, and to generate volumes of 2,500 tons. In 2012, as a business model achieving commercial activities and sustainable development, the project was approved as an initiative of the Business Call to Action (BCtA), which is a global initiative led by the United Nations Development Programme (UNDP). Since that time, businesses working on development issues, centered on the UNDP, have earned growing recognition.

Moving forward, we will work to further expand the POC Program, supported by understanding and empathy among companies, organizations, and consumers.

	Volume handled and sales of related products	
2013	1,500 tons	¥500 million
2015*	5,000 tons	¥2.3 billion
2017*	10,000 tons	¥5.0 billion

* Outlook

Contributing to the Reconstruction and Development of Disaster-Affected Areas with the Support of Local Industry

The ITOCHU Group is working to support the reconstruction of the city of Rikuzentakata, which suffered considerable damage due to the Great East Japan Earthquake. As a part of those initiatives, ITOCHU is providing support, from production to sales, of *Takata-no-yume*, a variety of rice grown in the region.

The city of Rikuzentakata is aiming to establish *Takata-no-yume* as an original, regional brand of rice that will serve as a symbol for the reconstruction of farms that suffered catastrophic damage. Production in 2014 is forecast to reach 150 tons. As a means of helping disaster-affected areas through Group business activities, ITOCHU Food Sales and Marketing Co., Ltd., is providing support in the area of sales to department stores in the Tokyo metropolitan area. Moreover, in the area of production, Group employees have volunteered to participate in rice planting and harvesting while engaging in exchanges with local farmers. The Group is also implementing PR activities.

Nearly every month since the earthquake, ITOCHU Group employee volunteers have visited the city of Rikuzentakata, and the Group is also supporting sports and other activities for the local children (see page 85). Moving forward, the ITOCHU Group will continue to provide support, both through its business activities and through social contribution, thereby contributing to the reconstruction and development of the region.

Supporting Agriculture through Employee Volunteers

Employee volunteers provide assistance from rice planting to harvest while enjoying interaction with local farmers.

PR

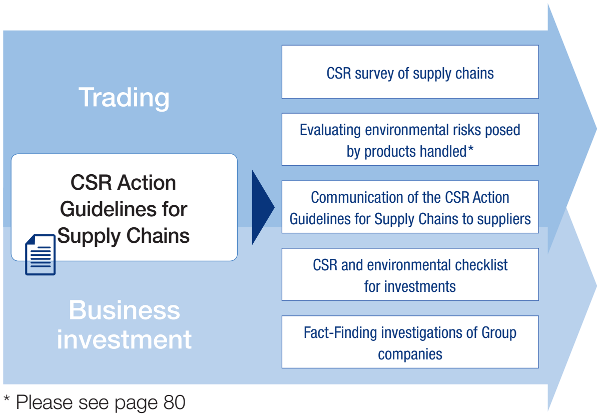
- Booth at Roppongi Hills in Tokyo sells rice balls.
- At Takashimaya Department Store in Shinjuku, which sells a wide variety of products including rice, the city of Rikuzentakata photo exhibition was held, providing PR for *Takata-no-yume* rice.
- Rice samples distributed at local cycling event.

Sales

- ITOCHU Food Sales and Marketing, which handles the ITOCHU Group's wholesale and sales of rice, sold *Takata-no-yume* rice at Shinjuku Takashimaya, Ginza Mitsukoshi, and other stores.
- Le Pain Quotidien, a high-end bakery restaurant operated by ITOCHU, offered a limited-time menu using *Takata-no-yume* rice.

CSR in Our Supply Chain and Business Investment

Engaged in trading and business investment on a worldwide basis, ITOCHU gives full consideration to human rights, labor, and the environment through CSR management that is commensurate with respective business activities for its supply chain and business investment. Through such consideration, the Company is determined to build a sustainable value chain and to link this to a heightening of the competitiveness and corporate value of the ITOCHU Group.



* Please see page 80

Supply Chain Management

ITOCHU has set out its CSR Action Guidelines for Supply Chains, and implements the following surveys and reviews. Through these activities, ITOCHU is striving to prevent the occurrence of any problems. If a problem is detected, however, improvement in the concerned area is sought through communication with suppliers.

ITOCHU Corporation's CSR Action Guidelines for Supply Chains

1. Suppliers shall respect the human rights of its employees, and shall not treat employees in an inhumane manner including verbal abuse and physical punishment.
2. Suppliers shall not engage in forced labor or child labor.
3. Suppliers shall not practice discrimination in hiring and employment.
4. Suppliers shall prevent unfair low-wage labor.
5. Suppliers shall respect the rights of employees to organize and bargain collectively to promote smooth negotiation between labor and management.
6. Suppliers shall ensure that employees' working hours, holidays, and use of leave of absence are properly managed so as to comply with statutory standards.
7. Suppliers shall strive to provide employees with a safe and healthy work environment.
8. In the course of their business activities, suppliers shall duly consider the need to conserve ecosystems as well as local and global environments, and strive to prevent the occurrence of any environmental pollution.
9. Suppliers shall observe all related laws and international rules, and ensure fair transactions and prevent corruption.
10. Suppliers shall disclose information regarding the above items in a timely and appropriate manner.

Communication of the CSR Action Guidelines for Supply Chains to Suppliers

We believe it is important to win the understanding and cooperation of all our suppliers for our procurement-related policies. In keeping with this belief, in fiscal 2014 we again made notice of ITOCHU Corporation's CSR Action Guidelines for Supply Chains to the approximately 4,000 suppliers with whom we have continuing transactions. We are endeavoring to deepen communication with them on our CSR-related policies.

Response to Non-Compliant Supplier

When a case that does not comply with the intent of the guidelines has been confirmed, ITOCHU will request the relevant supplier to take remedial action, and will provide support and guidance as needed. If a remedy is deemed difficult despite ITOCHU making continuous requests for remedial action, ITOCHU will reexamine its dealings with the supplier concerned.

CSR Survey of Supply Chains

In order to check the status of our various suppliers, ITOCHU conducts a survey with a method suited to the characteristics of the goods of each Division Company, along with mandatory questions on the 10 requirements of our CSR Action Guidelines for Supply Chains.

Each Division Company selects target suppliers and creates a survey plan based on such parameters as high-risk countries, products handled, and transaction amounts. Sales representatives or locally assigned ITOCHU employees of each Division Company visit the suppliers and survey them by means of interviews or questionnaires.

In fiscal 2014, we surveyed 380 companies, including 25 suppliers of overseas offices and 89 suppliers of 12 Group companies. No serious problems requiring immediate response were found in the survey results.

Even when surveys have revealed the existence of problems

On-site report

A Fact-Finding Survey at a Natural Rubber Processing Plant in Indonesia

On February 27 and 28, 2014, ITOCHU paid a visit together with an external expert to two plants operated by P.T. ANEKA BUMI PRATAMA, a member and supplier of the ITOCHU Group, in Jambi and Palembang, Indonesia. They confirmed that management was taking due consideration for the environment and labor safety in the processing sequence for natural rubber used to manufacture tires. The external expert advised action to bolster prevention of environmental and labor accidents in areas including control of plant wastewater and rainwater drainage routes, prevention of soil contamination, and anti-noise measures. The plant personnel are rapidly implementing proper initiatives and working to raise the control level even higher.

that are cause for apprehension, we confirm the initiatives for prompt improvement or countermeasures taken by the supplier. We will continue to engage in communication with suppliers to seek their understanding of our thinking.

For our significant suppliers, we also have personnel from the CSR Promotion & Global Environment Department of our Corporate Communications Division make visits for on-site surveys together with external experts, as necessary.

Moving forward, in addition to conducting surveys of the actual situation and reviewing survey methods, ITOCHU plans to continue this initiative.

CSR Survey: Survey results by organization (Fiscal 2014)

Division Companies	Suppliers
Textile Company	26
Machinery Company	13
Metals & Minerals Company	12
Energy & Chemicals Company	62
Food Company	118
ICT, General Products & Realty Company	149
Total	380

Business Investment Management

The business activities at companies in which we invest must take account of and address their possible influence on the global environment and society at large. For this reason, we endeavor to understand the potential CSR risks and to prevent the actualization of CSR risks at Group companies. We assess their activities by using a checklist and doing on-site visits, and take the requisite measures in response to the assessment results. We do these assessments as part of our environmental management system and try to improve their management level.

Evaluating the CSR Risks of New Investment Projects

For new business investments, we are required to evaluate in advance whether a potential investee has policies and systems relating to a range of issues as well as whether it has a significantly adverse effect on the environment, whether it violates laws and regulations, and whether it faces the risk of being subject to lawsuits brought by stakeholders. We do this by using a CSR and environmental checklist for investments, which include items covering the seven core subjects of the ISO 26000 standards. If a cause for concern is identified, for projects requiring an expert perspective, a request is made for an advance due diligence study by an external specialized institution. Once the results of these studies confirm the absence of any major problems, ITOCHU then proceeds with investments.

For details about companywide "Managing Investment Risk.", please see page 89.

Fact-Finding Investigations of Group Companies

To prevent environmental pollution and related problems among Group companies, ITOCHU (the CSR Promotion & Global Environment Department of our Corporate Communications Division) has been making on-site visits for the purpose of survey work continuously since 2001. In fiscal 2014, such visits were made to a total of 10 companies, some involving the participation of external experts, with consideration of the level of environmental risk at each company. By the end of March 2014, such surveys had been completed at a total of 249 establishments.

The survey work consists of interviews with management, a survey of facilities such as factories and warehouses as well as drainage into rivers, and checks of compliance with environmental laws and regulations. Based on the findings, the survey team points out problems, indicates measures for prevention, and confirms the status as regards correction.

On-site report

A Fact-Finding Environmental Survey at Marine Access

On August 7, 2013, ITOCHU visited a site of Marine Access Corporation (which was then named the Shizuoka Center of Access Fresh Food Processing Corporation). The site performs storage and processing of marine products, and there are many environmental laws and regulations pertaining to these operations, such as the Waste Management and Public Cleansing Act and various local ordinances. We consequently advised the site to practice surer control. They also confirmed that the site's determination to work in response to such advice for prevention of environmental pollution on a continuous basis.

Communication with External Experts

On February 28, 2014, at the Tokyo Headquarters ITOCHU held a meeting of the CSR Advisory Board to host a dialogue between management members of ITOCHU and external experts as regards the promotion of CSR. The Board had a lively discussion for about two hours around the two themes of "Sustainable supply chains and business investment management" and "The further promotion of businesses that help solve social issues." The topics included the building of a value chain that is meaningful and beneficial to a wide variety of stakeholders in fields ranging from materials resources development to production and consumption (recycling) and the creation of more opportunities to explain about CSR issues. Looking ahead, ITOCHU will continue to hold dialogues with stakeholders in order to make use of opinions and ideas from external sources in the promotion of CSR management for supply chains and business investment.

CSR Advisory Board members
Dr. Seiichiro Yonekura (Professor, Hitotsubashi University)
Mr. Ken Shibusawa (Chairman, Commons Asset Management Inc.)
Ms. Mariko Kawaguchi (Senior Researcher, Daiwa Institute of Research Holdings Ltd.)

Environmental Initiatives

At ITOCHU, environmental initiatives include both proactively seeking out new opportunities to advance environment-conserving businesses and taking a precautionary approach to the prevention of problems associated with environmental risks. We believe that it is important to contribute to sustainable development by implementing both proactive and precautionary approaches.

Environmental Policy

The ITOCHU Group Environmental Policy states that, as a global enterprise, the ITOCHU Group is positioning environmental problems as one of its most important management policies, and the Group will strive to contribute to the realization of a sustainable society by actively working for a better global environment. Accordingly, the ITOCHU Group has defined five activity guidelines for environmental conservation—prevention of environmental pollution, observance of laws and regulations, promotion of environmental conservation activities, harmonious coexistence with society, and promotion of educational activities. We are taking steps to ensure that all employees in units subject to ISO 14001 are fully aware of our Environmental Policy, such as distributing Environmental Policy cards that employees carry at all times.

For the text of the Environmental Policy, please refer to our CSR website.

http://www.itochu.co.jp/en/csr/environment/policy/

Environmental Management

To comply with environment-related laws and regulations and to take a rigorous precautionary approach to environmental risks, in 1997 ITOCHU became the first trading company to establish an environmental management system (EMS) based on ISO 14001. Appointed by the president, the chairman of the CSR Committee (CAO) has complete authority for the EMS, and environmental managers are assigned and operate with authority delegated from the leader of their organizational unit (total of 61 in fiscal 2014). The system is continually improved through a plan–do–check–act (PDCA) cycle with the participation of all employees.

Internal Environmental Audits

Audit teams are comprised of members of the CSR Promotion & Global Environment Department in the main. Internal audits are conducted to confirm that initial plans are being appropriately implemented. Our internal environmental audits for fiscal 2014 covered a total of 60 departments.

Results of External Inspections

Each year, ITOCHU is inspected by the Japan Audit and Certification Organization for Environment and Quality (JACO) in connection to ISO 14001 certification. The outcome of the fiscal 2014 inspection was an overall "improvement" grade and renewed certification.

Precautionary Initiatives: Preventing Problems Associated with Environmental Risks

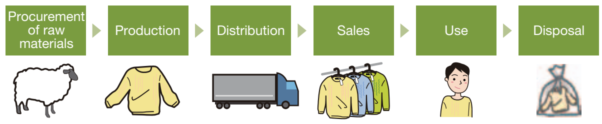
We work to identify the impact on the global environment from ITOCHU Group business activities and to implement initiatives supporting a precautionary approach on environmental risks.

In fiscal 2014, there were no major incidents involving violations of environment-related laws.

Evaluating Environmental Risks Posed by Products Handled

We handle a wide range of products on a global scale, and carry out our own environmental impact evaluations regarding the influence of these products on the global environment. In these initiatives, we use an LCA*-based analysis method at each stage of a product's life cycle, from procurement of raw materials, production, and use, through disposal. If this analysis identifies a product as having a significant effect on the global environment, we register it as having "significant environmental aspects" and implement priority management by preparing regulations or manuals and conducting special training.

* Life-Cycle Assessment (LCA) is a method that evaluates the environmental impact of products at all stages of their life cycle, from manufacturing, transport, and use through to disposal and recycling or reuse.



Please refer to "Business Investment Management" (page 79) for the contents of Evaluating the CSR Risks of New Investment Projects and Fact-Finding Investigations of Group Companies.

Promoting Environmental Education and Awareness

In fiscal 2014, we organized environmental seminars about the Waste Management Act, the Soil Contamination Countermeasures Act, and CSR and the global environment; held general environmental training; and conducted an e-learning test on waste disposal for all employees. A total of 10,431 employees received training through these initiatives. Going forward, the ITOCHU Group will continue working to ensure strict compliance with environmental laws and regulations and to heighten the environmental awareness of its employees.

Proactive Initiatives: Advancing Environment-Conserving Businesses

ITOCHU contributes to solving environmental problems through various businesses, and each of its Division Companies implements a CSR Action Plan through a PDCA cycle system.

For specific examples, please see CSR material issues "Sustainable use of resources" (page 72–73) and "Climate change" (page 76).

Fiscal 2014 Environmental Performance Data

	Domestic	Overseas	Total
(1) Electricity consumption (kWh thousands)	2,092,110	185,809	2,277,919
(2) CO_2 emissions (CO_2-t)	1,194,533	144,112	1,338,645
(3) Waste volume (t)	217,207	155,176	372,383
(4) Water consumption and wastewater discharge (m^3)	6,029,675	9,237,319	15,266,994

Subject Organizational Units

(1) "Domestic" refers to ITOCHU Corporation and 66 domestic Group companies.
(2) "Overseas" refers to 15 overseas subsidiaries and 36 overseas Group companies.
(3) Conversion to carbon dioxide (CO_2-t) is handled in accordance with the Tokyo Metropolitan Ordinance on Environmental Preservation and the Law Concerning the Rational Use of Energy for ITOCHU Corporation and in accordance with IEA (International Energy Agency) standards for others.

For further information (including a third-party opinion), please refer to our CSR website.

http://www.itochu.co.jp/en/csr/environment/office_activities/

Respect for Human Rights

The ITOCHU Mission "Committed to the Global Good" stands at the heart of the ITOCHU Group's corporate philosophy. "Global good" refers not only to improved living standards but also a general sense of well-being. As a company with diverse operations worldwide, ITOCHU respects human rights and individuality and is committed to the global good of society and individuals alike.

Policy on Respect for Human Rights

Accompanying this corporate philosophy, the ITOCHU Values consist of five values important for fulfilling the ITOCHU Mission "Committed to the Global Good." One of those values is "Diversity," under which the Group holds the human rights and individuality of every person as important.

Based on this policy, ITOCHU supports the Universal Declaration of Human Rights adopted by the United Nations in 1948 as a common standard of achievement for all people and all nations. Furthermore, ITOCHU participated in the United Nations Global Compact in 2009, which is derived from this Declaration and other international standards.

Guided by this approach, we clearly prohibit the violation of human rights and sexual harassment in our employment regulations, and have outlined punitive measures to be taken against those who engage in such conduct.

Respect for Human Rights in Business Activities

ITOCHU Corporation engages in business activities all over the world and conducts its business while respecting people's human rights in each of the regions in which it operates. In fiscal 2014, as part of its commitment to respecting human rights in business activities, ITOCHU formulated "Respecting the Rights of Indigenous Peoples," "Approach to Engaging the Services of Security Firms," and "Approach to Conflict Minerals Issues."

Respecting the Rights of Indigenous Peoples

When conducting business activities in regions that are home to indigenous populations, ITOCHU will recognize the unique cultures and histories of such peoples and endeavor to respect and consider their human rights in accordance with the laws of the country or region concerned as well as international standards, such as those of the United Nations and the International Labour Organization (ILO).

Approach to Engaging the Services of Security Firms

ITOCHU Corporation supports the Basic Principles on the Use of Force and Firearms by Law Enforcement Officials, in which the United Nations established basic principles governing the use of firearms by law enforcement officials in order to facilitate the respect and safeguarding of people's dignity in the execution of the duties of those officials.

Approach to Conflict Minerals Issues

To fulfill its social responsibility in procurement activities, in keeping with the spirit of the Dodd-Frank Wall Street Reform and Consumer Protection Act*, which was enacted in the United States in July 2010, ITOCHU will coordinate with its business partners and work to procure minerals that do not help armed groups that violate human rights.

* Requirement that U.S. listed companies disclose information such as their use of conflict minerals produced in the Democratic Republic of the Congo and neighboring countries in their products. ITOCHU Corporation is not bound by this Act because it is not listed on a stock exchange in the United States.

Raising Awareness Internally of Respect for Human Rights

Raising Awareness through Internal Training Programs

We work to extensively embed understanding of the relationship between business activities and human rights through in-house training programs. In the training program for new recruits, they are instructed to acquire the proper mindset for respecting human rights that they should have as members of the ITOCHU family. In in-house training for organization heads, sexual harassment and power harassment issues are discussed, and a thorough understanding of human rights is fostered. Also, training conducted prior to overseas assignments includes the topic of consideration for human rights in the supply chain. In this way, we are working to raise awareness in each region. In fiscal 2014, 370 people participated in ITOCHU's human rights training programs.

Number of Employees that Participated in Human Rights Training Programs

	Number of employees that participated
Training for new recruits	124 people
Training for newly appointed managers	48 people
Training prior to overseas assignments	198 people

Raising Awareness in Regard to "Business and Human Rights"

As a general trading company that operates around the world and plays an important role in supply chains, we are implementing educational activities about "business and human rights." The objective of these activities is to keep up with the latest developments relating to business activities and human rights, and to incorporate this knowledge into our business.

In fiscal 2014, we implemented an e-learning program on the subject of "business and human rights" for all ITOCHU employees worldwide. This training provided the CSR-related knowledge that all employees should have, at a minimum. The content of this program reflected the UN Guiding Principles on Business and Human Rights and examples of corporate responsibilities in regard to respecting human rights. Of the total 6,738 employees of ITOCHU Corporation and overseas bloc employees, 6,505, or 96.5%, completed this training.

Establishment of a 24-Hour Employee Consultation Desk System

ITOCHU has set up an employee consultation desk to allow employees to discuss problems they may be individually confronting. As well, the "HR Help Guide Book" has been posted to the ITOCHU intranet, and efforts to broadly raise employee awareness of the consultation desk are part of a structure that allows employees to consult on issues of concern. An external Hotline System staffed by independent counselors has also been established.

Employee Relations

As we are a general trading company with diverse businesses around the world, human resources are our greatest management asset. Accordingly, ITOCHU is developing and strengthening human resources as the foundation supporting the growth of its businesses.

Developing Human Resources to Enable the "Seeking of New Opportunities"

Human resources support the stable ongoing growth of ITOCHU. Accordingly, our human resource development targets employees throughout the Group, in Japan and overseas. Based on each employee's work experience and abilities, we help them develop into professionals who contribute to their business fields and provide them with the skills necessary to manage businesses on a global level. Through individual evaluations and feedback centered on on-the-job training, we motivate employees to increase career opportunities within the Group. To further support employees' self-development, we provide skills and expertise through training and support career development in light of each person's abilities.

Supporting Activity by Diverse Human Resources

Amid intensifying competition with newly emerging economies, we believe diversity as an organization is indispensable to respond accurately to diversifying needs in the global market and to continue creating new businesses and additional value. Based on this belief, we formulated the Plan for Promotion of Human Resource Diversification in December 2003. Reflecting the plan, ITOCHU began increasing personnel diversity. For personnel that joined us as a result, we began providing support to enhance their work fulfillment and thereby contribute to our businesses. We will continue to strengthen individual and organizational capabilities, as these efforts make ITOCHU an attractive company with an appealing corporate culture.

Holding Women's Executive Forum

In April 2013, ITOCHU became the first major Japanese general trading company to appoint a woman to the position of executive officer. In March 2014, we held a panel discussion with Tokio Marine & Nichido Fire Insurance Co., Ltd., and Calbee, Inc., featuring three women whose respective companies appointed them executive officers at approximately the same time. More than 70 people attended the forum, mainly female managers from each company and budding female managers. Attendees gained valuable insights into the mindset of a leader and into stepping up fearlessly from the panelists' lively discussion about their experiences as pioneers for women in senior management positions.

Continuing Global Human Resources Strategy

Since fiscal 2008, ITOCHU has been promoting a global human resources strategy to maximize the value of human resources and to optimize talent development on a global basis. Currently, we are collaborating with each Division Company to develop a Talent Management Process, which encourages the preparation of individual development plans by talented personnel who will play key roles in growing revenues and earnings overseas.

Creating Environments that Bring Out the Best in Employees

ITOCHU considers the development of environments that allow employees to enjoy peace of mind and concentrate on their work with a sense of job satisfaction to be of crucial importance. Accordingly, we are expanding and improving a range of systems to create environments that enable employees to work with peace of mind even when they have child-rearing or nursing care responsibilities.

Year	Initiative
2010	Opened I-Kids, a childcare center for employees close to our Tokyo Headquarters
2011	Received "*Kurumin*" certification mark from Ministry of Health, Labour and Welfare
	Launched "*Furusato Care Service*" to help employees posted abroad care for elderly relatives
2012	Implemented revisions to treat five-day period following start of childcare leave as paid leave
	Extended period of shorter working hours for nursing care from three years to five years

Occupational Health and Safety

Aiming to ensure that employees reach their full potential and that they and their families in Japan and overseas live safely, healthily, and with a greater sense of fulfillment, we have established a comprehensive system based on a contract with a specialist security company.

- Assigning persons responsible for security, distributing information in-house about Japan and overseas as required
- Conducting seminars for employees before they assume positions overseas about local safety, medical care, and culture
- Encouraging employees to manage own emotional and physical well-being through health management system
- Providing counseling by clinical psychologists at in-house stress management room

Communicating with Employees

ITOCHU provides opportunities for direct dialogue between the president and employees. In fiscal 2014, we held 15 dialogue meetings with the president at domestic branches and offices and overseas bases. In addition, discussions with the ITOCHU Labor Union cover a wide range of issues. In fiscal 2014, we held five management meetings for such discussions.

Ratio of ITOCHU Labor Union Members (As of April 1, 2014)

PICK UP

Taking Steps to Achieve a More-Effective Working Style

Introduction of Morning-Focused Working System

On May 1, 2014, ITOCHU officially introduced a morning-focused working system to achieve a more-effective working style.

With a focus on managing employee health and promoting effective operations, ITOCHU has long sought to reduce overtime work. To that end, we decided that it was necessary to implement decisive reforms by reevaluating the traditional working style, which is based on the assumption that employees will work overtime. In October 2013, we started a trial of a new working system that was intended to foster a shift from a night-focused, overtime-based system to a morning-focused working style.

Reviews that were conducted during the trial period confirmed that the new system was effective. For example, the morning-focused working system did not cause any particular inconvenience for operations in any workplace. In addition, the system met the initial objective, which was a significant reduction in the number of overtime work hours. Consequently, ITOCHU decided to officially introduce the system on May 1, 2014, in accordance with the labor-management agreement with the ITOCHU Labor Union.

ITOCHU believes that this initiative will help individual employees to reform their approach to their own working styles and to advance well-balanced operational reforms. In this way, the Company will strive to achieve a work environment that further strengthens the effectiveness of operations, supports the maintenance and improvement of employees' health, and helps diverse employees, including female employees, to make full use of their capabilities.

Outline and Effects of Initiatives during Trial Period

Period: October 2013 to March 2014   Scope: Approx. 2,600 employees in Japan (excluding employees on temporary assignment)

Outline of Initiatives (Continued after official introduction)

Night work (10 p.m.–5 a.m.) is prohibited. Work after 8 p.m.–10 p.m is, in principle, prohibited, though it is permitted upon prior application when such work needs to be performed due to unavoidable reasons.

As an incentive for employees who work early in the morning (5 a.m.–8 a.m.), extra wages are provided at the same rate paid for night work (employees subject to time management: 50%; employees not subject to time management: 25%).
* When an employee starts working at 7:50 a.m. or before, the extra wage rate is applied not only for 5 a.m.–8 a.m. but also for 8 a.m.–9 a.m.

From the perspective of managing employees' health, the Company provides light meals to employees who begin work before 8 a.m.

Cost

(1) Amount of overtime allowance	Reduced by about 7%, even when extra wages provided for early-morning work are included
(2) People receiving light meals	Average of 550 people per day
Overall (1 + 2)	Reduction of about 4%*

* With overtime allowance (including extra wages for early-morning work) and cost of light meals, overall reduction of about 4%*.

Effects of Initiatives
(Comparison with same period in the previous fiscal year)

Entering and Leaving Office (Percentage of employees who entered / left the office)

		Prior to introduction	Trial period
Leaving	8:00 p.m. or after	About 30%	About 7%
	10:00 p.m. or after	About 10%	Nearly 0*
Entering	8:00 a.m. or before	About 20%	About 34%

* Includes employees who applied in advance or on-the-spot

Hours of Overtime Work per Person (Monthly average)☆

	Prior to introduction	Trial period	Effectiveness
Employees in career-track positions	49 hours 11 minutes	45 hours 20 minutes	Reduction of about 4 hours
Employees in clerical positions	27 hours 3 minutes	25 hours 5 minutes	Reduction of about 2 hours

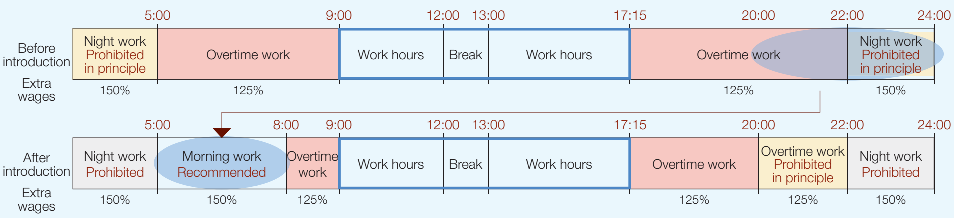
Reduction of a cumulative total of about 20,100 hours over six months (Employees subject to time management)

☆ Data assured by a third party, an external assurance provider based on the international standard ISAE 3000, in our CSR website

Electricity Consumption (Tokyo Headquarters)   About 6% reduction

Diagram of Morning-Focused Working System

Time Schedule: Employees subject to time management



Employee Voice

Now I have more time to spend with my family after the day's work is done. My children are still young, so I get a great deal of enjoyment when I find their growth each day. It makes me feel positive and realize that I should keep working hard. Also, since I want to find time to think quietly every day, I go to a library near my house to make some time for thinking and studying after my children are asleep. Now that I go to sleep earlier than I used to, I wake up refreshed and start the day with a good feeling.

Typical day

5:00	Wake up
5:30	Go to the gym
7:30	Drop children off at I-Kids (childcare center for employees)
7:40	Arrive at work
18:30	Pick up children at I-Kids
19:00	Dinner, cleaning up, relax with family
21:30	Study or reading at nearby library
23:00	Lights out

Keisuke Masuda
Legal Division

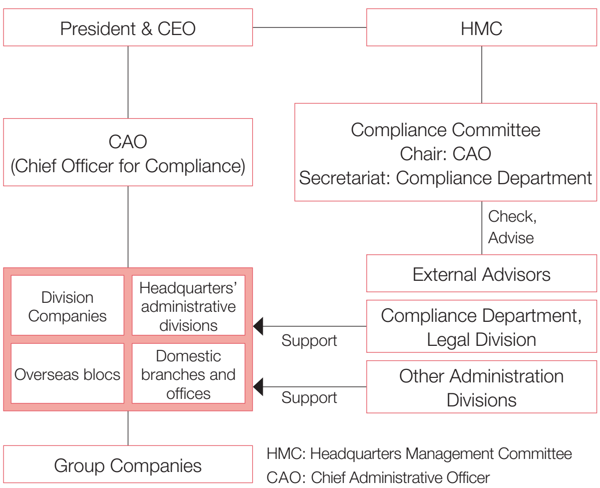
Compliance

Integrity is one of the ITOCHU Values that are a part of ITOCHU's corporate philosophy. Accordingly, we have established systems and environments that enable each individual employee to study and strictly observe the rules that are related to corporate activities, such as laws and international rules, and to conduct their activities from a highly ethical viewpoint.

ITOCHU Group's Compliance System and Management

The ITOCHU Group is building a promotion system of compliance by placing compliance officers in each organization within Headquarters and at all major Group companies worldwide. The ITOCHU Group Compliance Program is part of the system and structure of the ITOCHU Group that was established so that each organization can consider local laws, business characteristics, and operational formats while complying with compliance. Besides carrying out Monitor & Review surveys once a year for key organizations, such as overseas offices and Group companies, we are implementing activities with a focus on system operation such as on-site guidance with the objective of ascertaining actual front-line compliance conditions and identifying risks. Furthermore, based on trends in former incidences of compliance violations and the findings of the Monitor & Review surveys, we are formulating individual compliance reinforcement measures tailored to each Division Company, and these measures are steadily being implemented.

Compliance System



Internal Information Reporting System (Hotlines)

ITOCHU has formulated regulations on the Internal Information Reporting System (Hotlines) and instructed the installment of hotlines at Group companies as well. In addition to protecting whistleblowers through these arrangements, we have defined mechanisms for proper disposal of cases. This initiative is reinforcing compliance management by supporting the prompt discovery and rectification of any incidents of corruption.

Implementation of Compliance Training

On-Site Compliance Training

We periodically conduct On-Site Compliance Training for all Headquarters employees and for employees of Group companies that requested training. This training, which was intended to raise compliance awareness and prevent the occurrence of any cases, used actual incidences of compliance violations as teaching materials. We also conduct separate programs of finely-tuned education and training for each employee layer that are likewise based on actual cases.

In fiscal 2014, compliance training was provided to an extended total of 6,300 employees at ITOCHU Headquarters and 52 Group companies.

Compliance Awareness Survey

The ITOCHU Group implements a Compliance Awareness Survey every two years with all Group employees. The survey ascertains the status in regards to penetration of compliance among the employees, and assists the implementation of specific initiatives. In fiscal 2014, we conducted the survey of about 30,000 Group employees, and received response from 27,598 of them (retrieval rate of 90.7%). The results of the analysis of the findings are presented as feedback to each organization and reflected in efforts to improve the compliance system.

Bolstering Measures to Fight Corruption

The U.S. Foreign Corrupt Practices Act (U.S. FCPA) and the U.K. Bribery Act 2010 evidence the global trend toward the tightening of legislation against bribery. In keeping with this trend, ITOCHU Corporation has thus far determined Regulation Concerning the Prohibition of Giving Illicit Profit and three related guidelines (regarding public officers, agents and consultants, and foreign public officers). These rules and guidelines are aimed at prohibiting all employees from giving any improper advantage to Japanese or foreign civil servants or people in an equivalent position, and indicate guides for decision and judgment in actual business. We are working to prevent corruption by pursuing their full penetration.

Measures to Fight Collusive Bidding and Cartels

In recent years, there have been many reports of suspected cartel activities in markets around the world. In response, to prevent involvement in any illicit transactions, we regularly revise our Anti-Monopoly Law Manual and the document "A Must-Read! 51 Q&A about the Anti-Monopoly Law," which facilitates referral. Through various Monitor & Review surveys and education and training programs as well, we are making sure all employees are aware of requirements.

Fundamental Approach to Dealing with Antisocial Forces

ITOCHU has formulated a basic policy and specific points for the issue of antisocial forces and groups, which declare a position of resolute opposition. We are working to ensure that all employees are aware of this approach.

Social Contribution Activities

ITOCHU pursues harmony with local communities and international society and contributes to the realization of a sustainable society. We advance initiatives in accordance with an awareness of the role we should play as a good corporate citizen from a global viewpoint and in accordance with our Basic Activity Guidelines on Social Contribution in five priority areas: action on global humanitarian issues, environmental conservation, community contribution, growth of the future generation, and support for volunteer work by our employees.

Supporting Development of the Future Generation for Four Decades

Through the ITOCHU Foundation, established in 1974, we have continued supporting the future generation's development. This Foundation supports the sound development of children and supplies books to children in disaster areas by providing children's literature collection subsidies (purchasing books and providing subsidies for the purchase of children's books for hospitals, the 100 Children's Books Subsidy, and subsidies for libraries at Japanese schools and supplementary schools) and promoting the development of an e-book library.

Children from the Great East Japan Earthquake disaster area helping send picture books overseas

Subsidies for Children's Literature Collections

	Number of subsidies
Subsidies for purchase of children's books	41 (of which, 2 overseas)
Subsidies for purchase of children's books for hospitals	7
100 Children's Books Subsidy	27 (of which, 7 overseas)
Subsidies for libraries at Japanese schools / supplementary schools	30
Award for distinguished service to children's literature collections and related initiatives	2
Support for areas affected by the Great East Japan Earthquake	21
Total	**128** (of which, 39 overseas)

Promoting Use of e-books

Multimedia Daisy Library	55 titles (sent to 600 locations)

Reflecting Employee Feedback in Social Contribution Activities

In 2008, ITOCHU celebrated the 150th anniversary of its foundation. We decided to implement a social contribution program to commemorate this occasion. A questionnaire found that employees were most interested in forest conservation programs. Since then, we have been restoring the tropical rainforests and conserving the ecosystem in Borneo by collaborating with World Wide Fund (WWF) for Nature Japan. Because the area we are supporting is a habitat for orangutans, an endangered species, we have named the program the ITOCHU Group Forest for Orangutans. Since 2009, ITOCHU and its Group companies have donated ¥250 million through the program and restored 967 hectares of rainforest—one of the largest areas a general company has ever restored as part of forest conservation activities.

At the ITOCHU Group Forest for Orangutans

Helping Improve Medical Technology in Emerging Countries and Providing Solutions to Problems of Japan's Aging Society

ITOCHU donated ¥500 million to build a facility that will foster international medical exchanges, ITOCHU Medical Plaza. It will be located in Kobe Medical Industrial City, the largest cluster of medical facilities in Japan. Furthermore, we made the donation through the Foundation for Kobe International Medical Alliance. ITOCHU expects the facility to become a hub for a range of initiatives focused on Japan and Southeast Asia, including the development of overseas doctors and medical professionals, international exchanges, and various research projects. The facility is scheduled for completion in fall 2014.

An image of the completed ITOCHU Medical Plaza

Contributing to Education as the Foundation of National Development

In collaboration with Save the Children, an international organization specializing in support for children, ITOCHU launched a program providing mobile library buses for street children in India, which has the largest number of children in the world. This recent initiative has points in common with our long-standing activities that provide children with picture books and books through the ITOCHU Foundation. Bearing in mind the aspirations of international society, such as the United Nations' post-Millennium Development Goals, we will contribute to the development of communities through this initiative.

©Save the Children

Unveiling a new mobile library bus in June

Maintaining Long-Term Support for Areas Affected by the Great East Japan Earthquake

The Great East Japan Earthquake caused significant damage in many parts of Eastern Japan. Since directly after the earthquake, ITOCHU has been sending volunteers, mainly to the city of Rikuzentakata in Iwate Prefecture. More than 335 of our employees have participated in these voluntary activities as of March 31, 2014. Furthermore, in October 2014 we gave children of Rikuzentakata the opportunity to have a great time playing baseball by holding the ITOCHU Children's Dream Cup baseball tournament through the ITOCHU Children's Dreams Fund, which we established to support the Great East Japan Earthquake disaster area. Going forward, we are committed to continuing support for the restoration of areas affected by the Great East Japan Earthquake.

The ITOCHU Children's Dream Cup baseball tournament

GOVERNANCE

Corporate Governance

ITOCHU Corporation operates its business to establish the long-term preservation and enhancement of its corporate value by building fair and positive relationships with its stakeholders in accordance with the ITOCHU Group corporate philosophy and Code of Conduct. To ensure its appropriate and efficient business operations, ITOCHU is increasing the transparency of its decision-making process and constructing a corporate governance system that incorporates proper monitoring and supervisory functions.

Overview of the Corporate Governance System

Corporate Governance System

Type of system	Company with the Board of Directors and corporate auditors (the Board of Corporate Auditors)
Number of directors	13
Of which, number of outside directors	2
Number of corporate auditors	5
Of which, number of outside corporate auditors	3
Term of office for directors	1 year (the same for outside directors)
Employment of an Executive Officer System	Yes
Organization to support CEO decision-making	Headquarters Management Committee (HMC) deliberates companywide management policy and important issues
Corporate Officer Compensation System	(1) Monthly compensation Monthly compensation determined by the contribution to ITOCHU of each director according to a base amount set by position
	(2) Performance-linked bonuses Total payment amount determined on the basis of consolidated net income attributable to ITOCHU Note: Outside directors paid monthly compensation only
Independent external auditor	Deloitte Touche Tohmatsu LLC

Steps Taken to Strengthen Corporate Governance

1997	Introduced the Division Company System	To accelerate decision making / increase efficiency of business management
1999	Introduced the Executive Officer System	To strengthen decision-making and supervisory functions of the Board of Directors
2007	Shortened the terms of office of directors and executive officers to one year	To clarify management responsibility during terms of office
2011	Introduced an Outside Directors System	To increase the effectiveness of the supervision of management and improve the transparency of decision making

ITOCHU is a company with the Board of Directors and corporate auditors (the Board of Corporate Auditors).

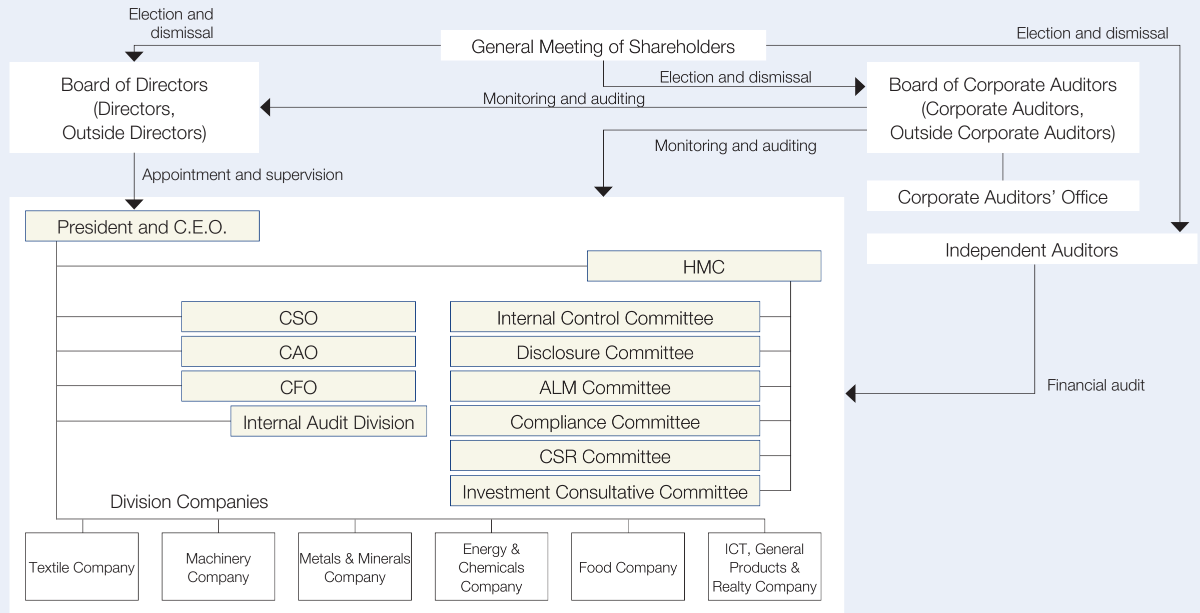
Comprising 13 directors (including 2 outside directors) as of July 1, 2014, the Board of Directors makes decisions on important management matters and supervises each director's business management.

Since June 2011, ITOCHU has appointed two highly independent outside directors. The outside directors contribute to ensuring and increasing the effectiveness of the supervision of management by the Board of Directors, as well as the transparency of the Board of Directors' decision-making, by way of appropriately providing their monitoring and supervising functions to the internal directors and management advice based on various perspectives from their neutral and objective position.

ITOCHU has adopted an Executive Officer System to strengthen decision-making and supervisory functions of the Board of Directors and to boost the efficiency of business execution. Also, ITOCHU has in place the Headquarters Management Committee (HMC) and various internal committees to support appropriate and flexible decision-making by the CEO and the Board of Directors. As a body to support the CEO, the HMC discusses companywide management policy and important issues. The various internal committees screen and discuss management issues in individual areas of responsibility. Moreover, ITOCHU is developing and implementing a system for incorporating third-party opinions in some internal committees in which outside experts become members.

In addition, ITOCHU appoints five corporate auditors, including three outside corporate auditors. Each auditor monitors and audits business management independently and objectively. Standing corporate auditors strengthen audit functions by regularly attending meetings of the Board of Directors and other in-house meetings and by working in cooperation with ITOCHU's independent auditor and other audit bodies inside and outside ITOCHU. ITOCHU's Internal Audit Division is responsible for internal audits. Members of this division discuss internal audit planning, exchange information, and collaborate closely with corporate auditors though regular meetings. In order to support corporate auditors' activities and performance, the Corporate Auditors' Office, reporting directly to the Board of Corporate Auditors, has been established.

Overview of ITOCHU's Corporate Governance and Internal Control System



*1 HMC: Headquarters Management Committee CSO: Chief Strategy Officer CAO: Chief Administrative Officer CFO: Chief Financial Officer 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. Further, the Internal Control Committee receives reports from internal departments related to internal control on the development and operation of respective internal controls for which they are responsible; evaluates the overall development and implementation status of internal control; and reports the results of evaluations as well as items for improvement to the HMC and Board of Directors.

Principal Internal Committees

Name	Objectives
Internal Control Committee	Deliberates on issues related to the development of internal control systems
Disclosure Committee	Deliberates on issues related to business activity disclosure and on issues related to the development and operation of internal control systems in the area of financial reporting
ALM Committee	Deliberates on issues related to risk management systems and balance sheet management
Compliance Committee	Deliberates on issues related to compliance

Name	Objectives
CSR Committee	Deliberates on issues related to corporate social responsibility, environmental problems, and social contribution initiatives
Investment Consultative Committee	Deliberates on issues related to investment and financing
Corporate Officer Compensation Consultative Committee	Deliberates on issues related to the compensation of corporate officers, including their compensation after retirement

Appointment of Outside Directors and Outside Corporate Auditors

In the course of appointing outside directors and outside corporate auditors, ITOCHU places a high value on ensuring their independence by way of considering certain requirements for "Independent Director(s) / Auditor(s)" as prescribed by the domestic financial instrument exchanges. As of July 1, 2014, ITOCHU had two outside directors and three outside corporate auditors, all of whom satisfy the aforementioned requirements and therefore are registered as "Independent Director(s) / Auditor(s)" in the domestic financial instrument exchanges on which ITOCHU is listed.

Reason for Appointment as Outside Directors

Name	Reason for appointment
Ichiro Fujisaki appointed in June 2013	Mr. Fujisaki is appointed as an outside director in the anticipation that he will use his high level of insight and knowledge on the international situation, economy and cultures, and other matters, nurtured through his many years of experience as a diplomat and also monitor and supervise the corporate management of ITOCHU from an independent perspective. Mr. Fujisaki has no material interests in ITOCHU.
Chikara Kawakita appointed in June 2013	Mr. Kawakita is appointed as an outside director in the anticipation that he will use his high level of insight and knowledge on public finance, financial transaction and tax affairs, and other matters, nurtured through his many years of experience at the Ministry of Finance and National Tax Agency and also monitor and supervise the corporate management of ITOCHU from an independent perspective. Mr. Kawakita has no material interests in ITOCHU.

Reason for Appointment as Outside Corporate Auditors

Name	Reason for appointment
Masahiro Shimojo appointed in June 2011	Mr. Shimojo is appointed as an outside corporate auditor in the anticipation that he will monitor management and provide auditing from an independent perspective by utilizing his wealth of experience and expertise as a lawyer in the field of corporate legal practice and international business law. Mr. Shimojo has no material interests in ITOCHU.
Shingo Majima appointed in June 2013	Mr. Majima is appointed as an outside corporate auditor in the anticipation that he will monitor management and provide auditing from an independent perspective by utilizing his wealth of experience and expertise on finance and accounting as a certified public accountant and university professor. Mr. Majima has no material interests in ITOCHU.
Harufumi Mochizuki appointed in June 2014	Mr. Mochizuki is appointed as an outside corporate auditor in the anticipation that he will monitor management and provide auditing from an independent perspective by utilizing his wealth of experience and expertise in economics and industrial policy nurtured through his service at the Ministry of Economy, Trade and Industry (formerly, the Ministry of International Trade and Industry) and other governmental agencies of Japan. Mr. Mochizuki has no material interests in ITOCHU.

Messages from Outside Directors

At meetings of the Board of Directors, we consider resolutions that have undergone an internal deliberation process and discussion at the HMC. Reports are received on the details and results of those deliberations, and their appropriateness and suitability are discussed. We also receive explanations of issues with the resolutions and conditions for their approval. Looking at this process, I believe that each item has been carefully deliberated.

Internal directors are well-versed in the business of a general trading company. On the other hand, outside directors have extensive experience outside the company and can view things from a more open perspective. In that sense, I believe that these groups have mutually complementary roles.

I intend to fulfill my responsibilities as an outside director from three viewpoints—leveraging my experience in government in a wide range of fields, fulfilling my responsibilities to shareholders, and drawing on social standards.

* Headquarters Management Committee (HMC): A supporting body of the CEO where companywide management policy and important issues are discussed and decided.

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 (current position)
Jun. 2013 Outside Director, ITOCHU Corporation

In the year that has passed since I was appointed, I have deepened my understanding of ITOCHU's business. The matters brought up before the Board of Directors, such as long-term investment projects, are all extremely important and require careful management decision-making. As an outside director, I receive explanations from the divisions in charge and confirm the details of the internal deliberation process before attending a meeting of the Board of Directors.

In these endeavors, I draw on my own experience while asking questions from such perspectives as "How will this be explained to the shareholders?" and "What will society think about this?" On this basis, I offer my opinion. From this viewpoint, I believe that additional verification increases the accuracy of internal decision-making and also helps the company to fulfill its responsibilities in the area of accountability.

ITOCHU's corporate culture prioritizes the abilities of all employees as well as their spirit of taking on challenges. I believe that carefully passing on that tradition will be the cornerstone of further growth. I expect ITOCHU to institute bold initiatives while rigorously ensuring internal control and compliance so that the company continues to earn the respect of society. In this fiscal year, I will continue to support ITOCHU as it takes on these kinds of challenges.

Internal Control System

On April 19, 2006, ITOCHU's Board of Directors established the Basic Policy regarding the Internal Control System, which was partially revised on May 8, 2013. ITOCHU intends to revise and improve the internal control system tirelessly in order to build a system that is even more appropriate and efficient. The following highlights two noteworthy initiatives under this policy.

(For ITOCHU's Basic Policy regarding the Internal Control System, please see: http://www.itochu.co.jp/en/about/governance_compliance/control/policy/)

Initiatives to Further Enhance the Reliability of Financial Reporting

In order to further enhance the reliability of our consolidated financial reporting, we have established a company structure. The designing and implementing of internal control are periodically assessed to keep making appropriate improvements. Specifically, a Chief Responsible for Internal Control has been appointed in each organization to design and implement internal control. The Internal Audit Division evaluates the effectiveness of internal control and provides feedback to each organization to ensure the continuous improvement. Overall management of these initiatives is conducted by the Internal Audit Division, and important matters are determined through deliberations in the Disclosure Committee chaired by the Corporate Headquarters CFO. In this way, we are working to reinforce the companywide internal control system.

Strengthening Risk Management

ITOCHU has established internal committees and responsible departments in order to address the various risks associated with its business operations, such as market risk, credit risk, country risk, and investment risk. At the same time, ITOCHU has developed the risk management systems and methods to manage various risks individually and on a companywide basis. Those include a range of management regulations, investment criteria, risk exposure limits, and transaction limits, as well as reporting and monitoring systems. Moreover, ITOCHU regularly reviews the effectiveness of its risk management systems. As part of such efforts, the ALM Committee protects the ITOCHU Group's assets through deliberations on balance sheet management as well as analysis and management of risk.

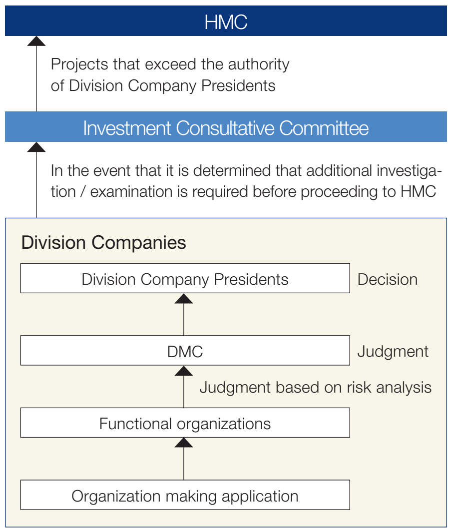
Examples of Risk Management

Managing Investment Risk (Example: Decision-Making Process for Investments)

Executing New Investments

When making new investments, first the department making the application gives due consideration to factors such as the purpose of the investment, growth strategies, business plans, the appropriateness of the acquisition price, the state of conformance with investment criteria, and the setting of exit conditions. Next, related administrative organizations implement risk analysis from various specialized perspectives and attach their screening results to the application. After deliberation by the Division Company Management Committee (DMC), the application is submitted to the Division Company President for a final decision. Projects that exceed the Division Company President's authority must be approved by the HMC. If additional consideration and screening of an investment's profitability and strategy are needed prior to the HMC, the application is sent to the Investment Consultative Committee for deliberation. After discussing the application, this committee—whose members include the CSO, CFO, and the General Manager of the Global Risk Management Division—puts the matter before the HMC. This approach devolves authority to the Division Companies and speeds decision-making, while at the same time providing multiple screening processes to control investment risk.

Decision-Making Process for New Investments



Monitoring

To promote asset replacement and achieve other objectives, we implement annual reviews of all Group companies from both the qualitative (such as strategic significance) and quantitative (such as scale of earnings and investment efficiency) perspectives. This methodology enables us to determine the future policies of all Group companies after confirming whether Group companies are infringing on exit selection criteria.

Exiting

The Global Risk Management Division monitors the progress of Group companies that have been slated for exits during the annual reviews, ensuring that they are moving steadily toward an exit.

Managing Concentrated Risks

In addition to distributing internal covenants on management resources to each Division Company, ITOCHU defines asset limits in areas of trading where exposure is high, thereby managing the concentration of risk in specific segments and areas. We also manage overall country risk exposure to non-industrialized countries and manage individual country risk based on internal country rating standards. Limits on assets in specific areas and country limits are deliberated by the ALM Committee and approved by the HMC.

Fiscal 2014 in Review

Results in fiscal 2014 under the corporate governance system explained on the previous pages include the following.

Number of Meetings Convened by Principal Management Bodies

Board of Directors	16
Outside director attendance at Board of Directors' meetings	96%
Outside corporate auditor attendance at Board of Directors' meetings	96%
Board of Corporate Auditors	14
Outside corporate auditor attendance at Board of Corporate Auditors' meetings	100%

Major Decisions at the Board of Directors' Meetings Held in Fiscal 2014

(1) Acquisition of new interests in the Jimblebar Iron Ore Mine
(2) Acquisition of additional shares of YANASE & CO., LTD.
(3) Application of IFRS
(4) Investment in Edwin Holdings

Corporate Officer Compensation, etc. (Actual)

Type	Number of people	Amount paid (Millions of Yen)	Details	Maximum compensation paid
Directors (Outside directors)	15 (3)	1,556 (21)	(1) Monthly compensation ¥817 million (2) Bonuses ¥739 million Please refer to "Method of Calculating Directors' Bonuses" below	(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 the outside directors) (Both (1) and (2) were resolved at the General Meeting of Shareholders on June 24, 2011)
Corporate auditors (Outside corporate auditors)	6 (4)	115 (26)	(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)	21 (7)	1,671 (48)		

*1 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.

The compensation paid to all directors of ITOCHU (excluding outside directors) consists of (i) monthly compensation and (ii) performance-linked bonuses. The (i) monthly compensation is determined by the contribution to ITOCHU of each director based on the base amount set by its position, whereas the (ii) total amount of the performance-linked bonuses is determined based on consolidated net income attributable to ITOCHU. Only monthly compensation is paid to the outside directors and bonuses are not paid thereto.

Method of Calculating Directors' Bonuses for Fiscal 2015

After the completion of the 91st Ordinary General Meeting of Shareholders, directors' bonuses for fiscal 2015 will be determined and paid according to the calculation method below.

Total amount paid to all directors

Total amount paid to all directors (maximum of ¥1.0 billion) = **(Consolidated net income attributable to the Company for the fiscal year ended March 31, 2015 – ¥100.0 billion) x 0.35% x Sum of position points for all the eligible directors ÷ 55**

The total amount paid to all directors shall be the lesser of the following.

(i) 0.35% of the amount after deducting ¥100.0 billion from consolidated net income attributable to the Company, for the fiscal year ended March 31, 2015 [such amount as provided in the 91st Annual Securities Report (*yuka shoken hokokusho*); if the amount is less than ¥100.0 billion, it shall be treated as zero for the above calculation purposes], which shall be adjusted with due regard to the increase / decrease in the number of eligible directors and the change in position and other factors, or (ii) ¥1.0 billion.

Amount paid to an individual director

Amount paid to an individual director = Total amount paid to all directors × Assigned position points / Sum of position points for all the eligible directors

The individual amount paid to each director is the proportion of the total amount paid, calculated in accordance with the above formula, corresponding to the following points assigned to each rank. (Amounts less than ¥1,000 are rounded down to the nearest ¥1,000.) However, the limits on the individual amounts paid are as shown below.

	Chairman President & Chief Executive Officer	Executive Vice President	Senior Managing Executive Officer	Managing Executive Officer
Points	10	5	4	3
Limits on individual amounts paid	¥181.8 million	¥90.9 million	¥72.7 million	¥54.5 million

Breakdown of Remuneration for Auditing

Details of Remuneration of Deloitte Touche Tohmatsu LLC, which is the Independent Auditor

(Millions of Yen)

Type	Fiscal 2013		Fiscal 2014	
	Remuneration for audit certification	Remuneration for non-audit certification services	Remuneration for audit certification	Remuneration for non-audit certification services
The Company	620	24	645	13
Its subsidiaries	732	78	803	54
Total	1,352	102	1,448	67

Non-Audit Certification Services Conducted by Deloitte Touche Tohmatsu LLC, which is the Independent Auditor

During the fiscal years ended March 31, 2013 and 2014, the Company paid remuneration to its independent auditor for non-audit certification services, comprising the creation of comfort letters and the consultation and advices regarding International Financial Reporting Standards (IFRS).

Policy on Determining Remuneration for Auditing

After the CFO determines the appropriateness of the audit plan, the number of audit days, and the content of audit certification presented by the independent auditor, the decision is made through agreement by the Board of Corporate Auditors.

Other Significant Remuneration

During the fiscal years ended March 31, 2013 and 2014, the amount of remuneration paid by the Company and its subsidiaries to member firms of Deloitte Touche Tohmatsu Limited other than the Company's independent auditor, Deloitte Touche Tohmatsu LLC, was ¥1,375 million and ¥1,457 million, respectively.

Accountability

Viewing explanations of corporate and business management information to such stakeholders as shareholders and other investors as an important corporate governance task, we strive for timely and appropriate disclosure.

Investor relations activities in fiscal 2014 include the following.

Activity	Times	Content
Presentations for analysts and institutional investors	4	We hold meetings for analysts and institutional investors each fiscal quarter. The second-quarter and annual financial results are explained by the President & CEO, whereas the first- and third-quarter financial results are explained via online conference by the CFO.
Site tours for analysts and institutional investors	1	We conduct tours so that analysts and institutional investors can visit Group companies or project sites. (Dole Thailand in year under review)
Segment-specific briefings for analysts and institutional investors	1	We hold meetings for analysts and institutional investors to explain specific themes, such as strategies of individual operating segments. (Machinery Company in year under review)
Briefings on large-scale projects for analysts and institutional investors	—	We hold explanatory meetings when announcing large-scale projects of particular interest to analysts and institutional investors. (Not held in year under review)
Individual meetings for overseas institutional investors	6	These meetings are concentrated on Europe, North America, Hong Kong, and Singapore.
Presentations sponsored by securities companies	6	We attend conferences sponsored by brokerage firms and hold individual meetings with overseas institutional investors.
Presentations for individual investors	several times	We hold meetings for individual investors at stock exchanges.
Investor relations-related materials available on our website	—	IR-related materials are made available on our website. Materials that can be downloaded include our financial statements, presentation materials for investors' meetings (including Q&A materials), materials used in segment-specific briefings, TSE filings, annual securities reports (*yuka shoken hokokusho*), quarterly securities reports (*shihanki hokokusho*), Corporate Governance Report, and Notice of General Meeting of Shareholders.

Corporate Officers

As of July 1, 2014

Directors

President & Chief Executive Officer*

Masahiro Okafuji

Number of shares held: 139,295

Chairman

Eizo Kobayashi

Number of shares held: 114,070

Director*

Yoichi Kobayashi

Executive Advisory Officer for Kansai District Operation & Division Companies Operation

Number of shares held: 98,500

Director*

Tadayuki Seki

Executive Advisory Officer, CFO & CAO

Number of shares held: 74,405

Director*

Yoshihisa Aoki

President, Food Company

Number of shares held: 63,200

Director*

Koji Takayanagi

CSO

Number of shares held: 53,100

Director*

Tomofumi Yoshida

President, ICT, General Products & Realty Company

Number of shares held: 51,450

Director*

Hitoshi Okamoto

President, Textile Company

Number of shares held: 31,665

Director*

Takao Shiomi

President, Machinery Company

Number of shares held: 27,900

Director*

Yuji Fukuda

President, Energy & Chemicals Company

Number of shares held: 42,800

Director*

Eiichi Yonekura

President, Metals & Minerals Company

Number of shares held: 23,005

Director**

Ichiro Fujisaki

Number of shares held: 500

Director**

Chikara Kawakita

Number of shares held: 0

* indicates a representative director
** indicates an outside director as provided in Paragraph 2, Clause 15 of the Corporate Law

Corporate Auditors

(Standing, from left)
Kazutoshi Maeda
Yoshio Akamatsu

(Seated, from left)
Harufumi Mochizuki
Masahiro Shimojo
Shingo Majima

Corporate Auditor

Yoshio Akamatsu

2010 Director, Senior Managing Executive Officer
2012 Corporate Auditor

Corporate Auditor

Kazutoshi Maeda

2007 Managing Executive Officer
2011 Corporate Auditor

Corporate Auditor*

Masahiro Shimojo

Apr. 1973 Registered as an attorney at law Nishimura & Partners, Tokyo (current position)
Dec. 1982 Admitted in California (inactive)
Jun. 1984 Nishimura & Asahi, Tokyo
Jun. 2000 Corporate Auditor, Hitachi Cable Co., Ltd.
Jun. 2003 Board Director, Hitachi Cable Co., Ltd. (to June 2013)
Jun. 2011 Corporate Auditor, ITOCHU Corporation
Apr. 2012 Visiting Professor, Faculty of Law, Gakushuin University
Apr. 2013 Distinguished Visiting Professor at School of Law, Gakushuin University (to March 2014)

Corporate Auditor*

Shingo Majima

Mar. 1972 Registered as a certified public accountant
Established Certified Public Accountant Office of Shingo Majima
Sep. 1975 Joined Peat Marwick Mitchell & Co. New York Office (currently KPMG LLP)
Mar. 1981 Registered as a certified public accountant, USCPA (New York)
Jul. 1987 Partner, Audit Division, KPMG LLP
Jul. 1997 Partner in charge of Japanese Practice for U.S. / Northeast and Midatlantic area (audit, tax and consulting department): Partner in charge of Japanese Practice for U.S. audit department, KPMG LLP
Jan. 2005 Advisor, KPMG LLP
Sep. 2005 Retired from KPMG LLP
Apr. 2006 Professor, Faculty of Commerce, Chuo University (current position)
May 2007 Outside Director, Aderans Co., Ltd. (to August 2008)
Nov. 2011 Director, the Institute of Accounting Research, Chuo University (current position)
Jun. 2012 Outside Director, WIN INTERNATIONAL CO., LTD. (to March 2013)
Apr. 2013 Outside Director, WIN-Partners Co., Ltd. (current position)
Jun. 2013 Corporate Auditor, ITOCHU Corporation

Corporate Auditor*

Harufumi Mochizuki

Apr. 1973 Joined Ministry of International Trade and Industry
Jul. 1998 Deputy Director-General for Economic Structural Reform, Ministry of International Trade and Industry
Jan. 2001 Director-General for Nuclear and Industrial Safety Policy, Nuclear and Industrial Safety Agency
Jul. 2002 Director-General for Commerce and Distribution Policy, Ministry of Economy, Trade and Industry
Jul. 2003 Director-General, Small and Medium Enterprise Agency
Jul. 2006 Director-General, Agency for Natural Resources and Energy
Jul. 2008 Vice-Minister of Economy, Trade and Industry
Jul. 2010 Retired from Ministry of Economy, Trade and Industry
Aug. 2010 Special Advisor to the Cabinet (to September 2011)
Jun. 2012 Outside Board Director, Hitachi, Ltd. (current position)
Jun. 2013 President & CEO, Tokyo Small and Medium Business Investment & Consultation CO., LTD. (current position)
Jun. 2014 Corporate Auditor, ITOCHU Corporation

* indicates an outside corporate auditor as provided in Paragraph 2, Clause 16 of the Corporate Law

Executive Officers

President & Chief Executive Officer

Masahiro Okafuji

Executive Vice Presidents

Yoichi Kobayashi
Executive Advisory Officer for Kansai District Operation & Division Companies Operation

Tadayuki Seki
Executive Advisory Officer, CFO & CAO

Senior Managing Executive Officers

Yoshihisa Aoki
President, Food Company

Koji Takayanagi
CSO

Ichiro Nakamura
CEO for Latin America;
President & CEO, ITOCHU Brasil S.A.

Tomofumi Yoshida
President, ICT, General Products & Realty Company

Hitoshi Okamoto
President, Textile Company

Takao Shiomi
President, Machinery Company

Managing Executive Officers

Yuji Fukuda
President, Energy & Chemicals Company

Shuichi Koseki
CEO for East Asia Bloc;
Chairman, ITOCHU (CHINA) Holding Co., Ltd.;
Chairman, ITOCHU SHANGHAI Ltd.;
Chairman, ITOCHU HONG KONG Ltd.;
Chairman, BIC

Junichi Sasaki
CEO for ASEAN & South West Asia Bloc;
President & CEO, ITOCHU Singapore Pte Ltd;
General Manager, ITOCHU Corporation Singapore Branch

Eiichi Yonekura
President, Metals & Minerals Company

Masahiro Imai
Chief Executive for European Operation;
CEO, ITOCHU Europe PLC

Nobuyuki Kizukuri
Executive Vice President, ICT, General Products & Realty Company;
Chief Operating Officer, Construction, Realty & Financial Business Division

Fumihiko Kobayashi
General Manager, Human Resources & General Affairs Division

Kazutaka Yoshida
Executive Vice President, Machinery Company;
Chief Operating Officer, Automobile, Construction Machinery & Industrial Systems Division

Yozo Kubo
Executive Vice President, Textile Company;
Chief Operating Officer, Apparel Division 1

Executive Officers

Harutoshi Okita
Chief Operating Officer, Plant Project, Marine & Aerospace Division

Kunihiro Nakade
General Manager, General Accounting Control Division

Masahiko Kameoka
Executive Vice President, Food Company;
General Manager, China Business Development Department

Ichiro Tsuge
Chief Operating Officer, Forest Products & General Merchandise Division

Tsuyoshi Hachimura
General Manager, Finance Division

Noriyuki Hayata
General Manager, Secretariat

Shigeji Sugimoto
General Manager for Chubu Area

Akihiro Ueda
Vice President, ITOCHU East Asia Bloc (East China);
Managing Director, ITOCHU SHANGHAI LTD.

Isao Kubo
General Manager, Corporate Planning & Administration Division

Yasuyuki Harada
President & CEO, ITOCHU International Inc.

Mitsuru Chino*
General Counsel

Hiroyuki Tsubai
CEO for Africa Bloc;
General Manager, ITOCHU Corporation Johannesburg Branch

Naoto Chiba
Chief Operating Officer, Food Products Marketing & Distribution Division

Atsushi Katsu
Director, CFO, Dole International Holdings, Inc.

Akihiko Okada
Chief Operating Officer, Metals & Mineral Resources Division

Keita Ishii
Chief Operating Officer, Chemicals Division

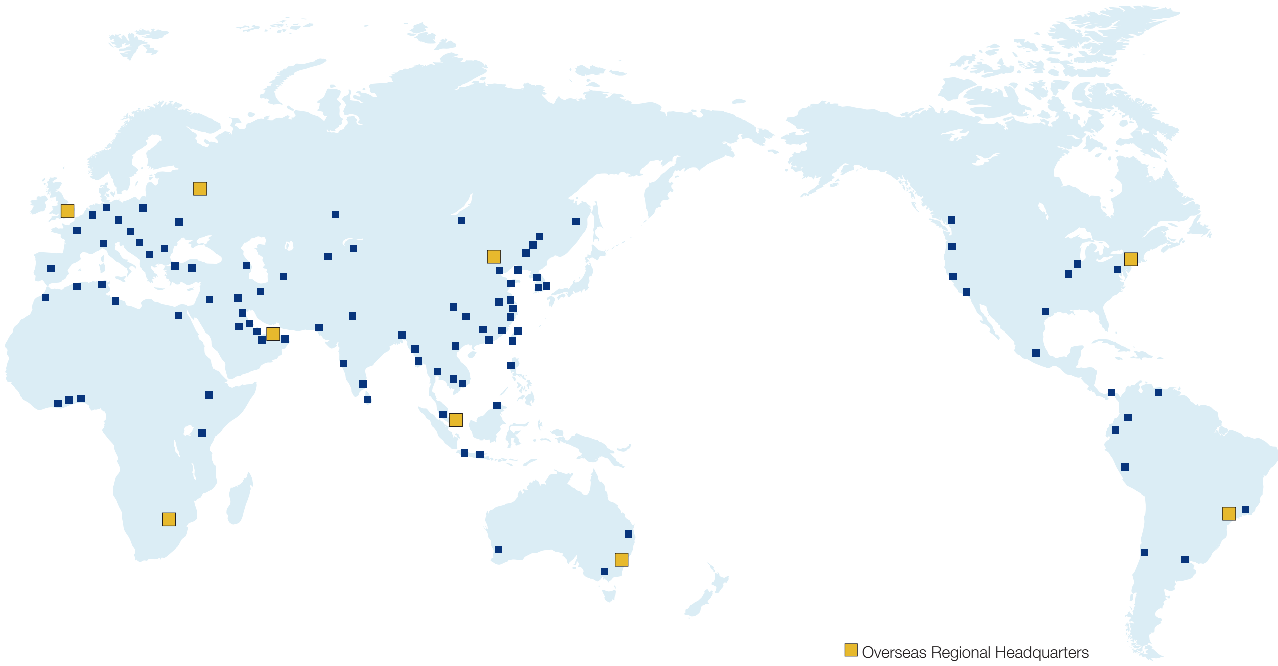
Masahiro Morofuji
Chief Operating Officer, Brand Marketing Division 1

Hiroyuki Fukano
Vice President, Machinery Company

* Ms. Mitsuru Chino's registered name is Mitsuru Ike.

Global Network

As of July 1, 2014



North America

ITOCHU International Inc.

■ New York, San Francisco, Los Angeles, Washington, Houston, Portland, Chicago, St. Louis, Vancouver, Mexico City

Latin America

ITOCHU Brasil S.A.

■ São Paulo, Rio de Janeiro, Buenos Aires, Santiago, Panama, Bogota, Caracas, Quito, Lima

Europe

ITOCHU Europe PLC

■ London, Düsseldorf, Hamburg, Milano, Paris, Madrid, Budapest, Warszawa, Praha, Bucharest, Alger, Tunis, Casablanca

Africa

ITOCHU Corporation, Johannesburg Branch

■ Johannesburg, Abidjan, Accra, Lagos, Nairobi, Addis Ababa

Middle East

ITOCHU Corporation, Dubai Branch

■ Dubai, Abu Dhabi, Istanbul, Ankara, Riyadh, Al Khobar, Tehran, Karachi, Doha, Kuwait, Muscat, Amman, Cairo, Tripoli

CIS

ITOCHU Corporation, Moscow Representative Office

■ Moscow, Almaty, Kiev, Ashgabat, Tashkent, Baku

Oceania

ITOCHU Australia Ltd.

■ Sydney, Melbourne, Perth, Brisbane

East Asia

ITOCHU (China) Holding Co., Ltd.

■ Beijing, Dalian, Tianjin, Qingdao, Chongqing, Sichuan, Changchun, Shanghai, Nanjing, Hong Kong, Guangzhou, Taipei, Kaohsiung, Seoul, Ulaanbaatar

ASEAN & South West Asia

ITOCHU Singapore Pte Ltd

■ Singapore, Manila, Kuala Lumpur, Jakarta, Surabaya, Bangkok, Yangon, Phnom Penh, Hanoi, Ho Chi Minh City, New Delhi, Mumbai, Chennai, Colombo, Dhaka

Japan

Tokyo Headquarters, Osaka Headquarters

Chubu, Kyushu, Chugoku & Shikoku, Hokkaido, Tohoku

Hokuriku, Toyama

* For information about ITOCHU's bases in Japan and overseas, please refer to the Global Network page on our website.
http://www.itochu.co.jp/en/about/network/

Major Subsidiaries and Associated Companies

As of March 31, 2014

Textile Company

		Name	Voting Shares (%)	Operations
Subsidiaries	Domestic	SANKEI CO., LTD.	100.0	Manufacture and wholesale of garment materials
		LEILIAN CO., LTD.	99.1	Retail of women's apparel
		UNICO CORPORATION	100.0	Manufacture and wholesale of uniforms
		JAVA HOLDINGS CO., LTD.	65.0	Holding company of retail of ladies' & kids' apparel brand
		ITOCHU MODEPAL CO., LTD.	100.0	Manufacture and wholesale of apparel
		ROY-NE CO., LTD.	99.9	Manufacture and wholesale of woven and knitted products
		JOI'X CORPORATION	100.0	Manufacture and wholesale of men's apparel
		BMI HOLDINGS CO., LTD.	100.0	Holding company of brand business
		SCABAL JAPAN Co., Ltd.	80.0	Import and sale of SCABAL brand products
		ITOCHU FASHION SYSTEM Co., Ltd.	100.0	Comprehensive consulting in the fashion industry
		ITOCHU HOME FASHION CORPORATION	100.0	Manufacture and wholesale of home furnishings
		CI Shopping Service Co., Ltd.	100.0	Sale of everyday items aimed at ITOCHU Group employees and families
		CI TEXTILE SERVICE CO., LTD.	100.0	Outsourcing of administrative duties for delivery, production control, and quality control
	Overseas	ITOCHU Textile Prominent (ASIA) Ltd. (Hong Kong S.A.R., China)	100.0	Production control and wholesale of textile materials, fabrics, and apparel
		ITOCHU TEXTILE (CHINA) CO., LTD. (China)	100.0	Production control and wholesale of textile materials, fabrics, and apparel
		UNIMAX SAIGON CO., LTD. (Vietnam)	80.0	Manufacture of uniforms
		Bramhope Group Holdings Ltd. (U.K.)	100.0	Manufacture and wholesale of apparel products
Associates	Domestic	MARUKO CO., LTD.	26.5	Manufacture and wholesale of ladies' underwear, etc.
		DESCENTE, LTD.	25.6	Manufacture and wholesale of sportswear, etc.
		MAGASeek Corporation	25.0	Retail website of fashion apparel by PC and mobile
		T.KAWABE & CO., LTD.	25.7	Manufacture and wholesale of handkerchiefs, scarves, and other accessory goods
		Watakyu Seimoa Corporation	25.0	Total outsourcing service, mainly linen supply for medical & welfare institutions
		TERAOKA SEISAKUSHO CO., LTD.	25.4	Manufacture of adhesive tape
		AYAHA CORPORATION	33.5	Manufacture of tyre cords, etc.
	Overseas	Shandong Ruyi Science & Technology Group Co., Ltd. (China)	31.7	Holding company of Shandong Ruyi Technology Group, operating a textile business, etc.
		Thai shikibo co., ltd. (Thailand)	30.0	Manufacture of cotton yarn
		Paul Smith Group Holdings Limited (U.K.)	40.4	Holding company of Paul Smith Group
	☐	ASF LIMITED (Hong Kong S.A.R., China)	30.0	Holding company of ANTEPRIMA brand planning, retail and logistics of brand products in Asia
		Shanshan Group Co., Ltd. (China)	30.0	Holding company of Shanshan Group, operating a textile business, electronic components, etc.

☐ Newly consolidated associated company in the fiscal year ended March 31, 2014

Machinery Company

		Name	Voting Shares (%)	Operations
Subsidiaries	Domestic	ITOCHU Plantech Inc.	100.0	Export and import of small-to-medium-scale plant and equipment and domestic environmental and energy solution businesses
		IMECS Co., Ltd.	100.0	Ownership and operation of ships, chartering, sale of ship machinery and secondhand ships, and administration management of overseas shipping companies
		ITOCHU AVIATION, CO., LTD.	100.0	Import / export and wholesale of aircraft, aircraft parts, and related equipment
		JAPAN AEROSPACE CORPORATION	100.0	Import / export and wholesale of aircraft, its parts, and related equipment, helicopter engines, defense-related systems and products, and security-related systems
		ITOCHU Automobile Corporation	100.0	Export / import and inter-third trade of car parts
		Toyo Advanced Technologies Co., Ltd.	70.0	Manufacturing and sales of machine tools and automobile parts
		ITOCHU CONSTRUCTION MACHINERY CO., LTD.	100.0	Sales and rental of construction machinery
		ITOCHU MACHINE-TECHNOS CORPORATION	100.0	Import / export and wholesale of industrial machinery
		Century Medical, Inc.	100.0	Import and sales of medical equipment
	Overseas	I-Power Investment, Inc. (U.S.A.)	100.0	Investment company in the power industry
		I-ENVIRONMENT INVESTMENTS LIMITED (U.K.)	100.0	Investment company in European water and environment industries
		ITOCHU Automobile America Inc. (U.S.A.)	100.0	Trading / distribution of automobiles and parts, investment in automobile-related companies
		PT. SUZUKI Finance Indonesia (Indonesia)	70.0	Automobile and motorcycle finance company
		VEHICLES MIDDLE EAST FZCO (U.A.E.)	100.0	Trade finance for automobiles
		MULTIQUIP INC. (U.S.A.)	100.0	Distribution and manufacturing of light construction equipment and generators

Machinery Company

		Name	Voting Shares (%)	Operations
Associates	Domestic	Malha Gas Investment Co., Ltd.	30.0	Investment in the project for the construction, ownership, and operation of gas pipelines
		JAMCO Corporation	33.2	Maintenance of aircraft and manufacture of aircraft interior
		Isuzu Motors Sales Ltd.	25.0	Commercial vehicle life-cycle business
		YANASE & CO., LTD.	39.4	Sales and repair of imported automobiles
		Century Tokyo Leasing Corporation	25.2	Diversified leasing business, various types of financing, and international business
		SUNCALL CORPORATION	27.1	Manufacture and sales of optical communication devices, electronic devices, and assembly
		GOODMAN Co., Ltd.	33.0	Import, development, manufacturing, and sales of medical equipment
		Japan Medical Dynamic Marketing, Inc.	30.0	Import, development, manufacturing, and sales of medical equipment
	Overseas	PT. BHIMASENA POWER INDONESIA (Indonesia)	32.0	Independent power producer (IPP) in Indonesia
		KS Drilling Pte. Ltd. (Singapore)	20.0	Oil drilling services
		SICHUAN GANGHONG ENTERPRISE MANAGEMENT CO., LTD. (China)	49.0	Sales and repair of automobiles
		“SUZUKI MOTOR RUS” LLC (Russia)	50.0	Import and wholesale of automobiles, motorcycles, and spare parts
		Komatsu Southern Africa (Pty) Ltd. (Republic of South Africa)	20.0	Sales and service of construction and mining equipment
		PT Hexindo Adiperkasa Tbk (Indonesia)	25.0	Sales and service of construction machinery

Metals & Minerals Company

		Name	Voting Shares (%)	Operations
Subsidiaries	Domestic	ITOCHU Metals Corporation	100.0	Import / export and wholesale of non-ferrous / light metals, products, and steel scrap, development of recycle business
		Brazil Japan Iron Ore Corporation	67.5	Investment in projects of iron ore in Brazil
		ITOCHU Mineral Resources Development Corporation	100.0	Consulting and technical services in the mining industry
	Overseas	ITOCHU Minerals & Energy of Australia Pty Ltd (Australia)	100.0	Investment and sales in projects of iron ore, coal, and bauxite mining and manufacture of alumina
		ITC Platinum Development Ltd (U.K.)	75.0	Managing business of the exploration and development of Platinum Group Metals (PGMs) and Nickel of the Platreef Project in South Africa
		ITOCHU Coal Americas Inc. (U.S.A.)	100.0	Owning an interest of coal mining and transport infrastructure
Associates	Domestic	Marubeni-Itochu Steel Inc.	50.0	Import / export and wholesale of steel products
	Overseas	Scatec Solar AS (Norway)	37.5	Photovoltaic system integrator

Energy & Chemicals Company

		Name	Voting Shares (%)	Operations
Subsidiaries	Domestic	ITOCHU ENEX CO., LTD.	54.0	Wholesale of petroleum products and LPG and electricity and supply business
		ITOCHU Oil Exploration Co., Ltd.	100.0	Exploration and production of oil, gas, and other hydrocarbon resources
		ITOCHU CHEMICAL FRONTIER Corporation	100.0	Wholesale of fine chemicals and related raw materials
		ITOCHU PLASTICS INC.	100.0	Development and wholesale of plastics and related products
		C.I. Kasei Co., Ltd.	98.3	Manufacture of PVC pipe and film and related materials
		ITOCHU Retail Link Corporation	100.0	Wholesale of daily necessities and plastic products for retailers
	Overseas	ITOCHU Oil Exploration (Azerbaijan) Inc. (Cayman Islands, British West Indies)	100.0	Exploration, development, and production of crude oil and gas
		CIECO Exploration and Production (UK) Limited (U.K.)	100.0	Exploration, development, and production of crude oil and gas
		ITOCHU PETROLEUM CO., (SINGAPORE) PTE. LTD. (Singapore)	100.0	International trade of crude oil and petroleum products
		IPC EUROPE LTD. (U.K.)	100.0	International trade of crude oil and petroleum products
		IPC (USA), Inc. (U.S.A.)	100.0	Trade of petroleum products
		JD Rockies Resources Limited (U.S.A.)	100.0	Holding interest of Shale Oil block and investment in Samson Resources Corporation
		ITOCHU Plastics Pte., Ltd. (Singapore)	100.0	Wholesale of plastic resins
		PTAGENT. CORPORATION (China)	100.0	Wholesale of purified terephthalic acid (PTA)

		Name	Voting Shares (%)	Operations
Associates	Domestic	NISSHO Petroleum Gas Corporation	25.0	Wholesale of LPG and petroleum products
		Ningbo PTA Investment, Co., Ltd.	35.0	Investment in manufacture of purified terephthalic acid (PTA) in China
		TODA KOGYO CORP.	22.1	Manufactures iron oxide products including magnetic powder, ferrite and materials
		TAKIRON Co., Ltd.	29.7	Manufacture of flat and corrugated plastic sheets
		Kureha Battery Materials Japan Co., Ltd.	20.0	Manufacture of materials for lithium-ion batteries
	Overseas	Isla Petroleum & Gas Corporation (the Philippines)	40.0	Domestic LPG distribution business in the Philippines
		NCT Holland B.V. (Netherlands)	40.0	Trading and distribution of the plastics materials based on Europe and Middle East
		BRUNEI METHANOL COMPANY SDN. BHD. (Brunei)	25.0	Manufacture of methanol in Brunei

Food Company

		Name	Voting Shares (%)	Operations
Subsidiaries	Domestic	ITOCHU Feed Mills Co., Ltd.	99.9	Compound feeds manufacturer
		ITOCHU Sugar Co., Ltd.	100.0	Sugar and sugar-related by-products manufacturer
		ITOCHU Food Sales and Marketing Co., Ltd.	100.0	Food materials importer and wholesaler
		Japan Nutrition Co., Ltd.	100.0	Feed and feed additives wholesaler
		I-SILO HOLDINGS CO., LTD.	100.0	Holding company of grain terminals
		Dole International Holdings, Inc.	100.0	Investment in Asian fresh produce business and worldwide packaged foods business
		ITOCHU-SHOKUHIN Co., Ltd.	51.7	Wholesale and distribution of foods
		NIPPON ACCESS, INC.	93.8	Wholesale and distribution of foods
		China Foods Investment Corp.	74.1	Business management of Ting Hsin and its group companies
	Overseas	UNEX (GUATEMALA), S.A. (Guatemala)	80.0	Export and manufacturing of coffee
		OILSEEDS INTERNATIONAL LTD. (U.S.A.)	100.0	Vegetable oil manufacturer
		Quality Technology International, Inc, (QTI) (U.S.A.)	100.0	High-value-added feed materials and feed additives wholesaler
Associates	Domestic	Fuji Oil Co., Ltd.	25.7	Integrated manufacturer of vegetable oil and related products
		Japan Foods Co., Ltd.	36.8	Manufacture of soft drinks
		KUMESHIMA SUGAR CO., LTD.	34.8	Manufacture and sales of raw sugar
		Prima Meat Packers, Ltd.	39.6	Manufacture and marketing of meat, ham, sausage, and processed foods
		KI Fresh Access, Inc.	50.0	ECR*1-type dedicated produce service center operations for food supermarkets, as well as wholesale and distribution of fresh fruits, vegetables, and processed products
		SHOW-WA Co., Ltd.	20.0	Wholesale of foods
		FamilyMart Co., Ltd.	31.7	Operation of a convenience store chain, using the name FamilyMart, and a franchise system
		CONFEX CO., LTD.	25.0	Wholesale and distribution of confectionery products
	Overseas	CGB ENTERPRISES, INC. (U.S.A.)	50.0	Grain company in U.S. midwest
		EGT, LLC (U.S.A.)	36.3	Grain terminal operator on the U.S. west coast
		PT. ANEKA COFFEE INDUSTRY (Indonesia)	26.8	Coffee processor and exporter
		BFA HOLDINGS PTY LTD. (Australia)	45.0	Holding company of dairy products manufacturer
		PT. ANEKA TUNA INDONESIA (Indonesia)	47.0	Manufacture of canned and pouched tuna
		HYLIFE GROUP HOLDINGS LTD. (Canada)	33.4	Genetics, commercial breed, and manufacture of pork
		TAIWAN DISTRIBUTION CENTER CO., LTD. (Taiwan)	39.4	Wholesale of foods and sundries

*1 Efficient consumer response (ECR): Promoting distribution efficiency by linking manufacturers, wholesalers, and retailers, thereby responding to customer demands for lower prices

ICT, General Products & Realty Company

			Name	Voting Shares (%)	Operations
Subsidiaries	Domestic		ITOCHU Kenzai Corp.	100.0	Wholesale of wood products and building materials
			ITOCHU Pulp & Paper Corp.	100.0	Wholesale of paper, paper boards, and various materials
			ITOCHU Ceratech Corp.	100.0	Manufacture and sales of ceramic raw materials and products
			ITOCHU Windows Co., Ltd.	66.0	Manufacture and sales of insulating glass
			ITR Co., Ltd.	100.0	Wholesale and retail of tyres
			ITOCHU Techno-Solutions Corporation	57.2	Sales, maintenance, and support of computers and network systems; commissioned software development; information processing services
			Excite Japan Co., Ltd.	57.4	Internet information service
		■	CONEXIO Corporation*2	60.3	Distribution and retail business of mobile phones
			ITOCHU Orico Insurance Services Co., Ltd.	65.0	Insurance agency
			I&T Risk Solutions Co., Ltd.	95.0	Insurance brokering services and risk consulting
			ITOCHU LOGISTICS CORP.	99.0	Comprehensive logistics services (3PL, warehousing, trucking, international freight forwarding, customs clearance, and NVOCC)
			ITOCHU Property Development, Ltd.	99.8	Development and sales of housing (apartments, condominiums, and homes)
			ITOCHU HOUSING Co., Ltd.	100.0	Real estate agent and property consultant
			ITOCHU Urban Community Ltd.	100.0	Operation and management of real estate property
			ITOHPIA HOME Co., Ltd.	100.0	Planning and construction of homes
			AD Investment Management Co., Ltd.	66.0	Asset management for Advance Residence Investment Corporation
	Overseas		PrimeSource Building Products, Inc. (U.S.A.)	100.0	Wholesale of building materials
			ITOCHU BUILDING PRODUCTS CO., INC. (U.S.A.)	100.0	Wholesale of building materials
			ITOCHU FIBRE LIMITED (U.K.)	100.0	Distribution and trading of pulp and paper materials and investment in METSA FIBRE Oy
			P. T. ANEKA BUMI PRATAMA (Indonesia)	100.0	Processing of natural rubber
			RUBBERNET (ASIA) PTE LTD. (Singapore)	80.0	Sales of natural rubber
			European Tyre Enterprise Limited (U.K.)	100.0	Headquarters of Stapleton's (tyre distributor) and Kwik-Fit group (tyre retailer) management
			COSMOS SERVICES CO., LTD. (Hong Kong S.A.R., China)	100.0	Consulting and brokering of insurance and reinsurance
			ITOCHU LOGISTICS (CHINA) CO., LTD. (China)	100.0	Comprehensive logistics services (3PL, warehousing, trucking, import / export, customs clearance, and value-added services)
			ITOCHU Finance (Asia) Ltd. (Hong Kong S.A.R., China)	100.0	Proprietary financial investment and development of new financial business in Asia
			First Response Finance Ltd. (U.K.)	100.0	Auto loan business
			GCT MANAGEMENT (THAILAND) LTD. (Thailand)	49.0	Investment in retail finance company (Easy Buy) and insurance broker company (Siam Cosmos)
Associates	Domestic		Japan Brazil Paper and Pulp Resources Development Co., Ltd.	32.1	Investment in CENIBRA, one of the largest eucalyptus pulp manufacturers in Brazil
			DAIKEN CORPORATION	25.5	Manufacture of building materials and construction parts
			Adways Co., Ltd.	20.0	Internet advertising & application software development for smartphones
			SPACE SHOWER NETWORKS INC.	37.0	Music channel on cable / satellite television
			Asurion Japan K.K.	33.3	Mobile insurance agency
			eGuarantee, Inc.	25.0	Account receivables protection services for general corporations and financial institutions
			CENTRAL ENGINEERING & CONSTRUCTION Co., Ltd.	50.0	Engineering and ventilation construction
			CENTURY 21 REAL ESTATE OF JAPAN LTD.	49.7	Headquarters of real estate franchise system
			POCKETCARD Co., Ltd.	27.0	Credit card business
			Orient Corporation	25.8	Consumer credit, credit card business
	Overseas		SOUTH EAST FIBRE EXPORTS PTY. LTD. (Australia)	37.5	Manufacture of woodchips
			THAITECH RUBBER CORPORATION LTD. (Thailand)	33.0	Processing of natural rubber
			YOKOHAMA RUSSIA L.L.C. (Russia)	20.0	Wholesale of tyres
			Unicharm Consumer Products (China) Co., Ltd. (China)	25.0	Production and sales of baby care, feminine care, and other products
			TINGTONG (CAYMAN ISLANDS) HOLDING CORP. (Cayman Islands, British West Indies)	50.0	Comprehensive logistics services in China (3PL, warehousing, trucking, and value-added services)
			United Asia Finance Limited (Hong Kong S.A.R., China)	25.1	Consumer loan business (Hong Kong S.A.R., China)

■ Subsidiary changed from associated company in the fiscal year ended March 31, 2014

*2 On October 1, 2013, the name of ITC NETWORKS CORPORATION was changed to CONEXIO Corporation.

		Name	Voting Shares (%)	Operations

Headquarters

		Name	Voting Shares (%)	Operations
Subsidiaries	Overseas	ITOCHU TREASURY CENTRE ASIA PTE. LTD. (Singapore)	100.0	Financial services
		ITOCHU TREASURY CENTRE EUROPE PLC (U.K.)	100.0	Financial services
		ITOCHU Treasury Center Americas Inc. (U.S.A.)	100.0	Financial services

Headquarters, Overseas Trading Subsidiaries and their Subsidiaries

Name	Voting Shares (%)	Operations
ITOCHU International Inc. (U.S.A.)	100.0	Wholesale and investment
Master-Halco, Inc. (U.S.A.)	100.0	Manufacture and distribution of fence materials
ITOCHU Europe PLC (U.K.)	100.0	Wholesale and investment
ITOCHU Singapore Pte Ltd (Singapore)	100.0	Wholesale and investment
ITOCHU Korea LTD. (Korea)	100.0	Wholesale and investment
ITOCHU (Thailand) Ltd. (Thailand)	100.0	Wholesale and investment
ITOCHU Hong Kong Ltd. (Hong Kong S.A.R., China)	100.0	Wholesale and investment
ITOCHU Latin America, S.A. (Panama)	100.0	Wholesale and investment
ITOCHU BRASIL S.A. (Brazil)	100.0	Wholesale and investment
ITOCHU MIDDLE EAST FZE (U.A.E.)	100.0	Wholesale and investment
ITOCHU Australia Ltd. (Australia)	100.0	Wholesale and investment
ITOCHU (China) Holding Co., Ltd. (China)	100.0	Wholesale and investment
Beijing ITOCHU-Huatang Comprehensive Processing Co., Ltd. (China)	100.0	Reprocessing, sorting, packaging, and shipping of products in the consumer-related category
ITOCHU TAIWAN CORPORATION (Taiwan)	100.0	Wholesale and investment

Corporate Information / Stock Information

As of March 31, 2014

Company Name:
ITOCHU Corporation

Founded:
1858

Incorporated:
1949

Common Stock:
¥202,241 million

Tokyo Head Office:
5-1, Kita-Aoyama 2-chome,
Minato-ku, Tokyo 107-8077, Japan
Telephone: 81 (3) 3497-2121

Osaka Head Office:
1-3, Umeda 3-chome,
Kita-ku, Osaka 530-8448, Japan
Telephone: 81 (6) 7638-2121

Offices: (As of April 1, 2014)
Domestic: 9
Overseas: 116

Number of Employees (U.S. GAAP)*:
Consolidated: 102,376
Non-consolidated: 4,235

* The number of consolidated employees is based on actual working employees excluding temporary staff.
The number of non-consolidated employees includes employees temporarily relocated to other companies (domestic 924, overseas 342) and employees and trainees assigned to overseas posts (339).

Website:
http://www.itochu.co.jp/en/

Fiscal Year:
From April 1 to March 31

General Meeting of Shareholders:
Late June

Number of Share Trading Unit (*Tangen*):
100

Transfer Agent of Common Stock:
Sumitomo Mitsui Trust Bank, Limited

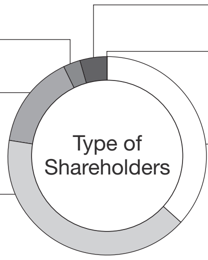
Stock Listings:
Tokyo, Nagoya, Fukuoka, Sapporo

Stock Code:
8001

Number of Common Stock Issued:
1,584,889,504

Number of Shareholders:
147,032

Breakdown of Shareholders:
% (Number of shares held, 1,000 shares) (Number of shareholders)



Major Shareholders:

Name	Number of shares held (1,000 shares)	Share-holding ratio (%)
Japan Trustee Services Bank, Ltd. (trust account)	80,149	5.06
The Master Trust Bank of Japan, Ltd. (trust account)	74,157	4.68
Mizuho Bank, Ltd.	39,200	2.47
Mitsui Sumitomo Insurance Company, Limited	37,750	2.38
Nippon Life Insurance Company	34,056	2.15
JPMorgan Chase Bank 385632	31,865	2.01
State Street Bank and Trust Company	29,854	1.88
Barclays Securities Japan Limited	25,000	1.58
Asahi Mutual Life Insurance Company	23,400	1.48
Tokio Marine & Nichido Fire Insurance Co., Ltd.	21,888	1.38

Forward-Looking Statements

This Annual Report contains forward-looking statements regarding ITOCHU Corporation's corporate plans, strategies, forecasts, and other statements that are not historical facts. They are based on current expectations, estimates, forecasts and projections about the industries in which ITOCHU Corporation operates. As the expectations, estimates, forecasts and projections are subject to a number of risks, uncertainties and assumptions, including without limitation, changes in economic conditions; fluctuations in currency exchange rates; changes in the competitive environment; the outcome of pending and future litigation; and the continued availability of financing; financial instruments and financial resources, they may cause actual results to differ materially from those presented in such forward-looking statements. ITOCHU Corporation, therefore, wishes to caution that readers should not place undue reliance on forward-looking statements, and, further that ITOCHU Corporation undertakes no obligation to update any forward-looking statements as a result of new information, future events or other developments.

ITOCHU Corporation

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