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.

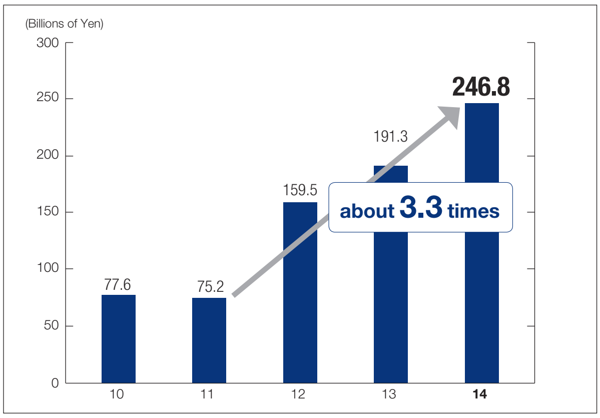
Unlocking ITOCHU's Latent Power over a Period of Four Years

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.

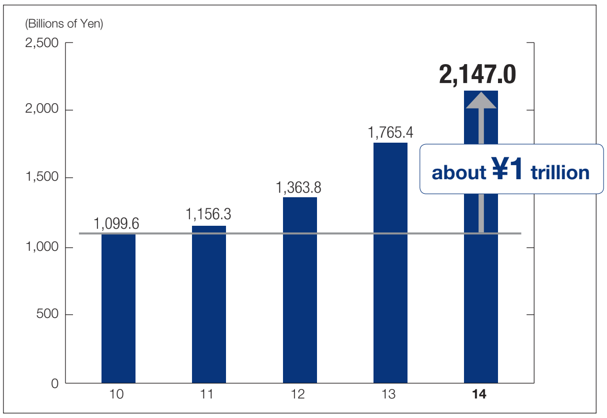
Net income attributable to ITOCHU in the non-resource sector, at about ¥250.0 billion, is about 3.3 times the level of four years ago, which was about ¥75.0 billion. Looking at the four Division Companies in the non-resource sector over the past four years, they have each achieved consistent gains in 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



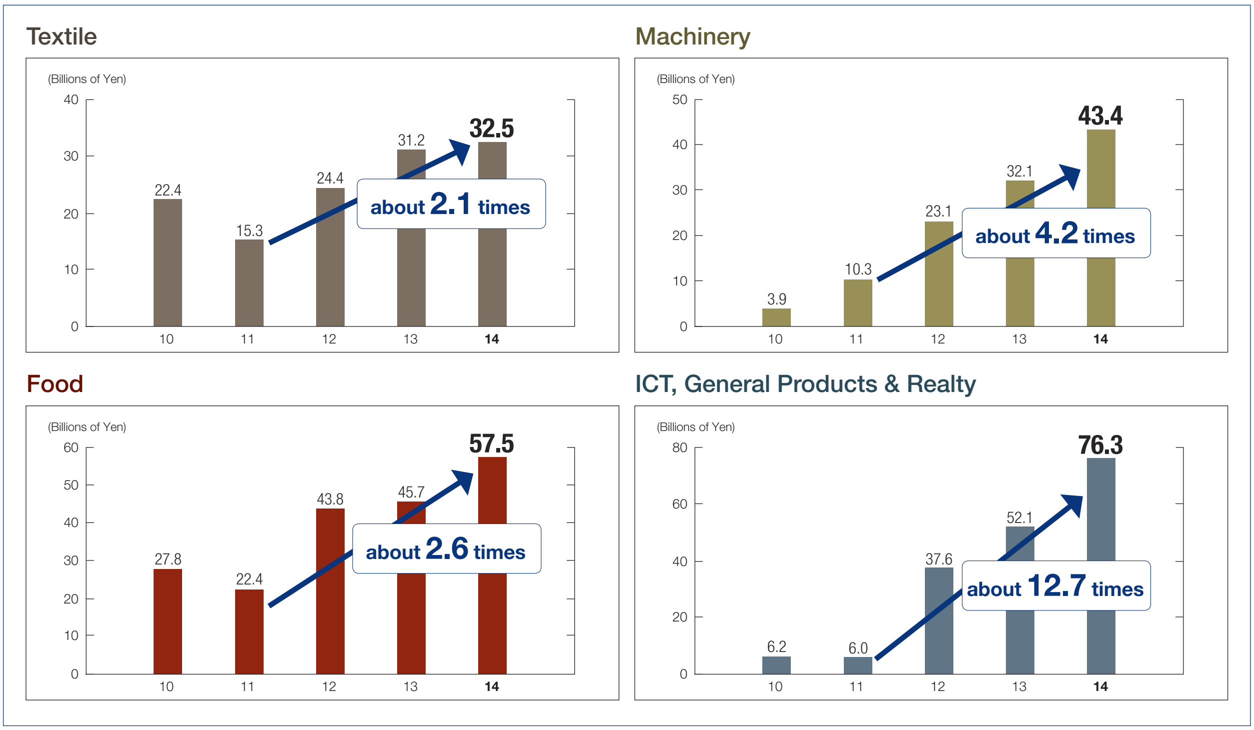
Years ended March 31

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.