Financial Section

Six-Year Summary

ITOCHU Corporation and Subsidiaries
Years ended March 31

Years ended March 31	Millions of Yen 2011	2010	2009	2008	2007	2006	Millions of U.S. Dollars (Note 5) 2011
P/L (For the year):							
Revenue	**¥3,649,671**	¥3,416,637	¥3,419,061	¥2,859,853	¥2,646,037	¥2,217,393	**$43,893**
Gross trading profit	**1,041,291**	924,366	1,060,521	994,547	907,511	713,546	**12,523**
Net income attributable to ITOCHU	**160,975**	128,153	165,390	217,301	175,856	144,211	**1,936**
Per share (Yen and U.S. Dollars):							
Net income attributable to ITOCHU (Note 1)	**¥101.84**	¥81.09	¥104.64	¥137.46	¥111.19	¥ 91.15	**$1.22**
Cash dividends	**18.0**	15.0	18.5	18.0	14.0	9.0	**0.22**
Stockholders' equity (Note 1)	**730.65**	694.98	537.43	615.89	564.48	457.93	**8.79**
Total trading transactions (Note 2)	**¥11,392,589**	¥10,306,799	¥12,065,109	¥11,729,082	¥11,556,787	¥10,456,727	**$137,012**
Adjusted profit (Note 3)	**332,867**	194,290	339,292	333,673	240,766	251,210	**4,003**
B/S (At year-end):							
Total assets	**¥5,673,683**	¥5,476,847	¥5,192,092	¥5,274,199	¥5,288,647	¥4,809,840	**$68,234**
Short-term interest-bearing debt	**288,973**	289,964	628,792	383,463	518,040	555,531	**3,475**
Long-term interest-bearing debt	**1,979,388**	1,919,306	1,760,530	1,720,939	1,647,589	1,670,937	**23,805**
Interest-bearing debt	**2,268,361**	2,209,270	2,389,322	2,104,402	2,165,629	2,226,468	**27,280**
Net interest-bearing debt	**1,633,219**	1,726,073	1,756,764	1,654,532	1,630,928	1,724,314	**19,642**
Long-term debt, excluding current maturities (including long-term interest-bearing debt)	**2,159,929**	2,107,589	1,934,421	1,895,088	1,795,333	1,762,103	**25,976**
Stockholders' equity	**1,154,826**	1,098,419	849,411	973,545	892,553	724,377	**13,888**
Cash flows (For the year):							
Cash flows from operating activities	**¥ 336,868**	¥ 295,376	¥ 276,854	¥ 65,552	¥ 235,917	¥185,147	**$ 4,051**
Cash flows from investing activities	**(230,420)**	(196,318)	(326,033)	(65,774)	(83,394)	(79,871)	**(2,771)**
Cash flows from financing activities	**52,905**	(258,987)	258,322	(81,294)	(100,920)	(85,193)	**636**
Cash and cash equivalents at end of year	**630,722**	475,674	628,820	446,311	532,856	477,707	**7,585**
Ratios:							
Gross trading profit ratio (%) (Note 4)	**9.1**	9.0	8.8	8.5	7.9	6.8	
ROA (%)	**2.9**	2.4	3.2	4.1	3.5	3.1	
ROE (%)	**14.3**	13.2	18.1	23.3	21.8	23.4	
Ratio of stockholders' equity to total assets (%)	**20.4**	20.1	16.4	18.5	16.9	15.1	
Net debt-to-equity ratio (times)	**1.4**	1.6	2.1	1.7	1.8	2.4	
Interest coverage (times)	**10.7**	5.3	7.2	6.2	6.6	5.7	
Common stock information (For the year):							
Stock price (Yen and U.S. Dollars):							
Opening price	**¥829**	¥487	¥ 994	¥1,174	¥1,014	¥ 541	**$ 9.97**
High	**930**	821	1,337	1,591	1,223	1,056	**11.18**
Low	**659**	486	380	804	837	484	**7.93**
Closing price	**871**	819	478	984	1,168	1,011	**10.48**
Market capitalization (Yen and U.S. Dollars in billions)	**1,380**	1,298	758	1,560	1,851	1,602	**16.60**
Trading volume (yearly, million shares)	**2,287**	2,616	2,913	2,928	1,969	1,580	
Number of shares of common stock issued (at year-end, 1,000 shares)	**1,584,890**	1,584,890	1,584,890	1,584,890	1,584,890	1,584,890	
Exchange rates into U.S. currency (Federal Reserve Bank of New York):							
At year-end	**¥82.76**	¥93.40	¥ 99.15	¥ 99.85	¥117.56	¥117.48	
Average for the year	**85.00**	92.49	100.85	113.61	116.55	113.67	
Range:							
Low	**94.68**	100.71	110.48	124.09	121.81	120.93	
High	**78.74**	86.12	87.80	96.88	110.07	104.41	
Number of employees (At year-end, consolidated)	**62,635**	62,379	55,431	48,657	45,690	42,967	

Note:
1. "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.
2. "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.
3. Adjusted profit = Gross trading profit + Selling, general and administrative expenses + Net financial expenses + Equity in earnings of associated companies
4. "Gross trading profit ratio" is the percentage of "Gross trading profit" to "Total trading transactions."
5. The Japanese yen amounts for the year ended March 31, 2011 have been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥83.15=U.S.$1 (the official rate dated March 31, 2011 announced by The Bank of Tokyo-Mitsubishi UFJ, Ltd.).

Management's Discussion and Analysis of Financial Condition and Results of Operations

All of the financial information provided herein is based on the consolidated financial statements included in this annual report. These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Figures in yen for the fiscal year ended March 31, 2011 ("Fiscal 2011" or "the fiscal year"), have been translated into U.S. dollars solely for the convenience of the reader based on the exchange rate of ¥83.15 = US$1, announced by The Bank of Tokyo-Mitsubishi UFJ, Ltd., on March 31, 2011.

Overview

In Fiscal 2011, Japan's economy followed an overall course of moderate recovery interrupted by short periods of sluggish activity. However, on March 11, the Great East Japan Earthquake caused tremendous human suffering and physical damage, and economic activity declined drastically through the end of March. The global economy basically continued to follow a course of moderate recovery, led by growth in the economies of emerging countries. However, the adverse influence of the earthquake did affect the global economy due to such factors as supply chain interruptions stemming from shortages of materials and products made in Japan. Additional monetary easing measures by the central banks of industrialized countries resulted in fund inflows, and the price of WTI crude oil continued to rise, and increasing tensions in the Middle East were a factor affecting the price of oil. At the end of March, the price of WTI crude oil was above $100. The yen-dollar rate followed a course of yen appreciation. In March, it temporarily reached the ¥76 level due to the influence of the earthquake, but subsequently it recovered to ¥83.15 at the end of March due to coordinated exchange rate intervention by industrialized countries. There were growing concerns about the adverse influence of yen appreciation on the profits of export companies, and the Nikkei Stock Average temporarily fell below ¥9,000 in late August. Subsequently, the Average recovered to the ¥10,000 level by the end of December due to growing expectations for economic recovery, but due to the influence of the earthquake, it was once again below ¥10,000 and down to ¥9,755.10 at the end of March. The yield on 10-year Japanese government bonds declined, from about 1.4% to the 0.8% level in October, due in part to the monetary easing measures implemented by the Bank of Japan. Subsequently, it once again rose due to concerns about the worsening of Japan's fiscal situation, and it had reached the 1.2% level by the end of March.

The Medium-Term Management Plan "Frontier[e] 2010—Enhancing Corporate Value on the World Stage, Shaping the Future—," covered the two-year period from Fiscal 2010 to Fiscal 2011. Under this plan, the basic policy was as follows: "In light of significant changes in the global economy, ITOCHU will review foundations, continue to reform and take on challenges, and move forward steadily to become a global enterprise that is highly attractive." ITOCHU added, "Strengthen Our Front-line Capabilities," to the basic policy in Fiscal 2011, and advanced the following key measures: expand and improve earnings platforms, strengthen financial position, upgrade risk management, evolve management systems, and advance full-fledged implementation of global human resources strategy.

The following shows the results for the fiscal year ended March 31, 2011 as the final year of "Frontier[e] 2010."

Consumer-Related Sector

In Textile, together with the LOTTE Group in Korea, ITOCHU made a joint investment in LuckyPai Ltd., which is one of China's leading telemarketing companies and has a strong network extending throughout China. ITOCHU also invested in Fortune Link (Global) Holdings Ltd., an online shopping company based in Hong Kong. In Food, in Heilongjiang Province in China as a major producer of vegetables and food grains, ITOCHU has concluded business alliance agreements with the Heilongjiang Agricultural Development Bureau, which manages a vast national farm, and with the Heilongjiang Academy of Agricultural Sciences, a specialist research organization for agricultural products. Moving forward, ITOCHU will continue to aggressively expand its operations in the consumer-related sector in China.

Furthermore, ITOCHU and subsidiaries NIPPON ACCESS, Inc., Family Corporation Inc., ITOCHU Fresh Corporation Inc., and Universal Food Co., Ltd., have agreed to management integration in food distribution and marketing operations. Moreover, business alliance agreements were concluded among Prima Meat Packers, Ltd., ITOCHU Feed Mills Co., Ltd., and ITOCHU Corporation in the feed and livestock sector and among Prima Meat, Yayoi Foods Co., Ltd., and ITOCHU Corporation in the food manufacturing sector. The objectives of these alliances are to bolster the supply system for safe and secure food materials and food products, to expand sales, and to increase productivity in the fields of feed and livestock as well as food manufacturing.

ITOCHU agreed to acquire all the shares of the Kwik-Fit Group, an independent tyre retailer in the UK and Europe, from a Group company of PAI Partners, a European private equity firm. In the UK, ITOCHU operates STAPLETON'S (TYRE SERVICES) LTD., which is wholly owned by the ITOCHU Group. STAPLETON'S (TYRE SERVICES) LTD., has established a position as the industry's largest wholesaler. Through this acquisition, ITOCHU will work to enhance its tyre business by leveraging the logistics and retail know-how of STAPLETON'S (TYRE SERVICES) LTD., with the network and brand strength of the Kwik-Fit Group to generate synergies in its tyre-related businesses.

Natural Resources / Energy-Related Sector

In the Natural resource area, ITOCHU acquired the shares of Extract Resources Limited, which owns and is conducting a feasibility study on the Husab Uranium Project in the Republic of Namibia, a large-scale uranium mine with one of the world's highest levels of resources. Through a subsidiary, ITOCHU Minerals & Energy of Australia Pty Ltd ("IMEA"), ITOCHU concluded an agreement under which it will acquire a 15% interest in the Maules Creek coal project from Aston Resources Limited. Aston currently has this project in development planning. ITOCHU also decided to move ahead with the development of the Ravensworth North coal mine, which will be jointly owned by the Cumnock Joint Venture, in which ITOCHU holds 10% interest through IMEA. The project will produce semi-soft coking coal and high-quality thermal coal.

In addition, ITOCHU also decided to invest in expanding Western Australia coal operations with BHP Billiton Group.

In the Energy-related area, through its subsidiary ITOCHU Oil Exploration (Azerbaijan) Inc., ITOCHU is conducting development and production at the Azeri-Chirag-Gunashli ("ACG") oil field in the Azerbaijan sector of the Caspian Sea. In the year under review, ITOCHU purchased an additional interest, raising its operating interest from 3.9205% to 4.2986%. ITOCHU entered into an agreement with Fidelity Exploration & Production Company, a U.S. oil and natural gas company, to acquire a 25% working interest in the emerging DJ Basin Niobrara play in the state of Wyoming, in the U.S., and thereby to participate in shale oil development.

Other Sectors

In the machinery-related field, ITOCHU and Chubu Electric Power Co., Inc., entered into an agreement to acquire partial interests in 5 gas-fired power plants (about 1,565MW) from Tenaska, Inc., a U.S. IPP company. ITOCHU has identified the L-I-N-E-s* as priority areas in the development of new fields of business, and ITOCHU entered a comprehensive agreement with General Electric Company, of the U.S., to identify joint investment opportunities in renewable energy worldwide. Together with GE, ITOCHU made a joint investment in the CPV Keenan II wind farm in Oklahoma and concluded an agreement under which they will jointly acquire the Shepherds Flat wind farm in Oregon, and together with Abengoa Solar S.A., a major solar power generation company, ITOCHU concluded an agreement under which they invested in building two 50-megawatt solar power plants in southern Spain and conducting power generation operations.

Further, ITOCHU and Duke Energy, a major U.S. power company, signed an agreement to collaborate in the fields of smart grids and renewable energy.

Lithium is used in the lithium ion batteries in electric vehicles and hybrid vehicles, and accordingly demand for lithium is expected to grow rapidly. Aiming to secure supplies of lithium, ITOCHU made an investment in Simbol Mining Corp., a U.S. resource development company. ITOCHU also concluded an agreement with Kureha Corporation and Ener1 Inc. to commence design work for a plant that will produce anode materials for lithium ion batteries. In addition, together with Toda Kogyo Corp., ITOCHU made a joint investment in Hunan Shanshan Advanced Material Co., Ltd., for production of cathode materials.

* L-I-N-E-s is an acronym referring to four business areas. "L" stands for Life & Healthcare, centered on medical services and health-related business; "I" for Infrastructure, IT, LT, and FT infrastructure and social infrastructure; "N" for New Technology & Materials, mainly biotechnology and nanotechnology; and "E" for Environment & New Energy, primarily bioethanol and solar power generation, while "s" stands for lateral synergies among business areas.

Business Results For Fiscal 2011—Comparison between Fiscal 2011 and Fiscal 2010

Revenue (the total of sales revenue and trading margins and commissions on trading transactions) increased by 6.8%, or ¥233.0 billion compared with the previous fiscal year, to ¥3,649.7 billion (US$43,893 million). This gain was attributable to higher revenue in several division companies. In the Energy, Metals & Minerals Company, revenue increased due to higher prices for mineral resources and for oil & gas. In the Textile Company, the acquisitions of JAVA HOLDINGS CO., LTD. and LEILIAN CO., LTD. in the second half of the previous fiscal year led to higher revenue in the year under review. In the Chemicals, Forest Products & General Merchandise Company, revenue increased due to higher volume of transactions in chemicals and to higher prices for both natural rubber and pulp.

Gross trading profit increased by 12.6%, or ¥116.9 billion, to ¥1,041.3 billion (US$12,523 million). In addition to gains in the Energy, Metals & Minerals; Textile and Chemicals, Forest Products & General Merchandise companies recorded higher trading profit on increased revenue; the Machinery Company recorded higher trading profit due to improvement in automobile transactions.

Selling, general and administrative expenses increased by 0.8%, or ¥5.9 billion compared with the previous fiscal year, to ¥775.8 billion (US$9,330 million). Although there were costs reductions at existing consolidated companies, a reduction in costs stemming from the deconsolidation of certain subsidiaries, and a decline in pension cost resulting from improved performance of pension asset management, these factors were offset by an increase associated with the acquisitions of two companies mentioned above in the Textile Company.

Provision for doubtful receivables increased ¥2.4 billion from the previous fiscal year, to a loss of ¥9.4 billion (US$113 million), due in part to write-off of loans accompanying the disposal of regional enterprises in North America.

Net interest expenses improved by 34.0%, or ¥8.6 billion compared with the previous fiscal year, to expenses of ¥16.7 billion (US$201 million), mainly due to declines in U.S. dollar and yen interest rates. Dividends received decreased by 18.7%, or ¥5.4 billion compared with the previous fiscal year, to ¥23.5 billion (US$283 million), due primarily to lower dividends from oil & gas related investments. Consequently, Net financial income, which is the total of Net interest expenses and Dividends received, improved by ¥3.2 billion compared with the previous fiscal year, to income of ¥6.8 billion (US$82 million).

Loss on investments–net worsened by ¥33.7 billion compared with the previous fiscal year, to a loss of ¥38.1 billion (US$459 million). This was attributable to a decrease in gain on sales of investments, to the recording of impairment losses on preferred stock issued by Orient Corporation and on other listed equities and to loss on disposal of low-efficiency businesses during the year.

Loss on property and equipment–net worsened by ¥25.2 billion, to a loss of ¥33.7 billion (US$406 million). Gain on sales of property and equipment increased due to the sale of assets (coal interests, etc.,) but impairment losses were recorded on oil and gas assets and other properties, and losses also arose as a result of the Great East Japan Earthquake.

Gain on bargain purchase in acquisition decreased by ¥14.0 billion due to the absence of the non-recurring gain that was recorded in the previous fiscal year.

Other–net worsened ¥11.9 billion from the previous fiscal year, to a loss of ¥8.9 billion (US$107 million), due principally to losses on disposal of three regional enterprises and business reconstruction costs on equipment-material-related businesses in North America.

As a result, **Income before income taxes and equity in earnings of associated companies** increased by 17.5%, or ¥27.1 billion compared with the previous fiscal year, to ¥182.1 billion (US$2,190 million).

Income taxes increased by 32.8%, or ¥16.9 billion compared with the previous fiscal year, to expenses of ¥68.5 billion (US$824 million).

Equity in earning of associated companies increased by 67.1%, or ¥24.3 billion compared with the previous fiscal year, to income of ¥60.6 billion (US$729 million). Impairment losses were recorded on common stock issued by listed equity-method associated companies, such as Orient Corporation. However, accompanying higher prices, there were increases in earnings at mineral resources and pulp-related companies, and a steel-products-related company and a mobile network-related company also recorded higher earnings.

As a result, **Net income** increased by 24.7%, or ¥34.5 billion compared with the previous fiscal year, to ¥174.2 billion (US$2,095 million).

Consequently, **Net income attributable to ITOCHU**, which is calculated as **Net income** minus **Net income attributable to the noncontrolling interest** of ¥13.2 billion (US$159 million), increased by 25.6% or ¥32.8 billion compared with the previous fiscal year, to ¥161.0 billion (US$1,936 million).

(Supplemental information)
In accordance with Japanese accounting practices, **Total trading transactions** for the fiscal year ended March 31, 2011, increased by ¥1,085.8 billion compared with the previous fiscal year, to ¥11,392.6 billion (US$137,012 million). This gain was attributable to higher trading transactions in several division companies. In the Energy, Metals & Minerals Company, trading transactions increased due to higher prices for mineral resources and for oil & gas. In the Chemicals, Forest Products & General Merchandise Company, increased trading transactions resulted from strong transactions in chemicals and gains in prices for both natural rubber and pulp. In the Machinery Company, trading transactions increased due to a recovery in automobile transactions.

Consolidated Statements of Income

	Billions of Yen			Millions of U.S. Dollars
Years ended March 31	**2011**	2010	Increase (Decrease)	**2011**
Revenue	**¥ 3,649.7**	¥ 3,416.6	¥ 233.1	**$ 43,893**
Cost of sales	**(2,608.4)**	(2,492.3)	(116.1)	**(31,370)**
Gross trading profit	**1,041.3**	924.4	116.9	**12,523**
Selling, general and administrative expenses	**(775.8)**	(769.9)	(5.9)	**(9,330)**
Provision for doubtful receivables	**(9.4)**	(7.0)	(2.4)	**(113)**
Interest income	**10.3**	9.9	0.4	**124**
Interest expense	**(27.0)**	(35.2)	8.2	**(325)**
Dividends received	**23.5**	28.9	(5.4)	**283**
Loss on investments–net	**(38.1)**	(4.5)	(33.6)	**(459)**
Loss on property and equipment–net	**(33.7)**	(8.5)	(25.2)	**(406)**
Gain on bargain purchase in acquisition	**—**	14.0	(14.0)	**—**
Other–net	**(8.9)**	3.0	(11.9)	**(107)**
Income before income taxes and equity in earnings of associated companies	**182.1**	155.0	27.1	**2,190**
Income taxes	**(68.5)**	(51.6)	(16.9)	**(824)**
Income before equity in earnings of associated companies	**113.6**	103.4	10.2	**1,366**
Equity in earnings of associated companies	**60.6**	36.3	24.3	**729**
Net income	**174.2**	139.7	34.5	**2,095**
Less: Net income attributable to the noncontrolling interest	**(13.2)**	(11.5)	(1.7)	**(159)**
Net income attributable to ITOCHU	**¥ 161.0**	¥ 128.2	¥ 32.8	**$ 1,936**

Operating Segment Information

	Billions of Yen			Millions of U.S. Dollars
Years ended March 31	**2011**	2010	2009	**2011**
Trading transactions (Note):				
Textile	**¥ 587.7**	¥ 516.8	¥ 589.6	**$ 7,068**
Machinery	**848.5**	751.9	1,370.2	**10,204**
ICT, Aerospace & Electronics	**578.4**	607.8	633.8	**6,956**
Energy, Metals & Minerals	**3,885.7**	3,272.6	3,916.8	**46,731**
Chemicals, Forest Products & General Merchandise	**2,060.2**	1,795.5	2,024.0	**24,777**
Food	**3,097.4**	3,032.4	3,188.4	**37,251**
Finance, Realty, Insurance & Logistics Services	**170.9**	166.9	167.3	**2,055**
Other, Adjustments & Eliminations	**163.8**	162.8	175.1	**1,970**
Total	**¥11,392.6**	¥10,306.8	¥12,065.1	**$137,012**
Gross trading profit:				
Textile	**¥ 128.3**	¥ 102.7	¥ 102.6	**$ 1,544**
Machinery	**51.1**	43.3	71.9	**614**
ICT, Aerospace & Electronics	**134.0**	136.4	138.9	**1,612**
Energy, Metals & Minerals	**212.1**	141.6	222.3	**2,551**
Chemicals, Forest Products & General Merchandise	**118.3**	110.1	114.3	**1,423**
Food	**335.9**	335.5	335.6	**4,040**
Finance, Realty, Insurance & Logistics Services	**37.9**	35.6	42.0	**455**
Other, Adjustments & Eliminations	**23.6**	19.2	33.0	**284**
Total	**¥ 1,041.3**	¥ 924.4	¥ 1,060.5	**$ 12,523**
Net income (loss) attributable to ITOCHU:				
Textile	**¥ 15.3**	¥ 22.4	¥ 22.9	**$ 184**
Machinery	**8.1**	3.7	(15.5)	**98**
ICT, Aerospace & Electronics	**9.8**	6.0	8.0	**118**
Energy, Metals & Minerals	**109.2**	65.7	114.7	**1,314**
Chemicals, Forest Products & General Merchandise	**26.0**	19.3	19.0	**313**
Food	**22.4**	27.8	20.2	**269**
Finance, Realty, Insurance & Logistics Services	**(13.2)**	(4.2)	(1.2)	**(159)**
Other, Adjustments & Eliminations	**(16.7)**	(12.4)	(2.8)	**(201)**
Total	**¥ 161.0**	¥ 128.2	¥ 165.4	**$ 1,936**
Total assets at March 31:				
Textile	**¥ 406.4**	¥ 417.4	¥ 360.4	**$ 4,887**
Machinery	**554.8**	545.0	639.9	**6,673**
ICT, Aerospace & Electronics	**471.2**	513.2	490.2	**5,667**
Energy, Metals & Minerals	**1,278.2**	1,249.0	1,016.6	**15,372**
Chemicals, Forest Products & General Merchandise	**774.2**	728.0	611.4	**9,310**
Food	**1,208.7**	1,130.7	1,054.1	**14,536**
Finance, Realty, Insurance & Logistics Services	**354.3**	382.1	381.8	**4,261**
Other, Adjustments & Eliminations	**625.9**	511.4	637.7	**7,528**
Total	**¥ 5,673.7**	¥ 5,476.8	¥ 5,192.1	**$ 68,234**

Note: "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.

Operating Segment Information

Business results by operating segment are as follows. The Company uses a Division Company system, and the following is in accordance with the categories of that system. Further, trading transactions of Division Companies exclude inter-segment transactions.

Textile

Trading transactions for unaffiliated customers and associated companies increased by 13.7%, or ¥70.9 billion, to ¥587.7 billion (US$7,068million), due to the acquisitions of JAVA HOLDINGS CO., LTD., and LEILIAN CO., LTD. Gross trading profit rose by 24.9%, or ¥25.6 billion, to ¥128.3 billion (US$1,544million), for the same reason. Net income attributable to ITOCHU decreased by 31.7%, or ¥7.1 billion, to ¥15.3 billion (US$184million), as a result of sluggish market conditions in the fiscal year under review, the absence of the non-recurring gain recorded in the previous fiscal year, and losses on liquidation of a subsidiary in apparel-related businesses. Total assets were down by 2.6%, or ¥11.0 billion, to ¥406.4 billion (US$4,887million), compared with the previous fiscal year-end, reflecting a decrease in other intangible assets due to amortization of trademarks and others.

Machinery

Trading transactions for unaffiliated customers and associated companies were up by 12.8%, or ¥96.6 billion, to ¥848.5 billion (US$10,204million), due to a recovery in automobile transactions. Gross trading profit rose by 18.1%, or ¥7.8 billion, to ¥51.1 billion (US$614million), for the same reason. Net income attributable to ITOCHU increased by 119.8%, or ¥4.4 billion, to ¥8.1 billion (US$98million), because cost reductions offset valuation loss on marketable securities and lower equity in earnings of associated companies. Total assets rose by 1.8%, or ¥9.9 billion, to ¥554.8 billion (US$6,673million), compared with the previous fiscal year-end, as increases in automobile-related investment and investment in Independent Power Producers in North America counteracted decline in advance payments and others related to plant and ship transactions.

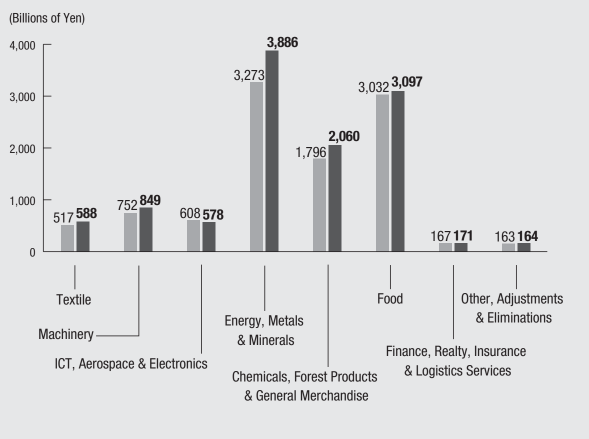
ICT, Aerospace & Electronics

Trading transactions for unaffiliated customers and associated companies declined by 4.8%, or ¥29.4 billion, to ¥578.4 billion (US$6,956million), due to lower transactions in aviation-related businesses and domestic ICT-related businesses. Gross trading profit decreased by 1.8%, or ¥2.4 billion, to ¥134.0 billion (US$1,612million), as a result of lower transactions in domestic ICT-related businesses. Net income attributable to ITOCHU was up by 63.6%, or ¥3.8 billion, to ¥9.8 billion (US$118million), due to cost reductions and higher equity in earnings of associated companies. Total assets declined by 8.2%, or ¥42.0 billion, to ¥471.2 billion (US$5,667million), compared with the previous fiscal year-end, which resulted from a decrease in trade receivables due to lower transactions in aviation-related businesses and a decrease in property and equipment assets due to the sale of aircraft and others.

Energy, Metals & Minerals

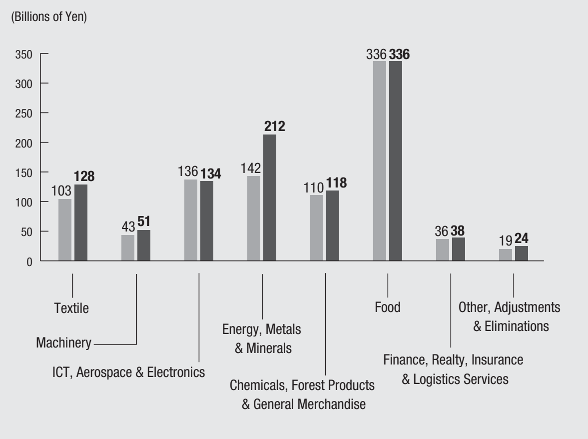
Trading transactions for unaffiliated customers and associated companies rose by 18.7%, or ¥613.1 billion, to ¥3,885.7 billion (US$46,731million), which reflected higher prices for mineral resources, oil, and gas. Gross trading profit rose by 49.8%, or ¥70.5 billion, to ¥212.1 billion (US$2,551million), for the same reason. Net income attributable to ITOCHU was up significantly by 66.3%, or ¥43.6 billion, to ¥109.2 billion (US$1,314million), due to an increase in gross trading profit in mineral resources, an increase in gain on property and equipment–net from the sale of coal interests, and higher equity in earnings of associated companies, which

Total Trading Transactions by Operating Segment



■ 2010
■ 2011
* For fiscal years

Gross Trading Profit by Operating Segment



■ 2010
■ 2011
* For fiscal years

counteracted impairment losses on oil and gas assets in Australia and the United States. Total assets increased by 2.3%, or ¥29.1 billion, to ¥1,278.2 billion (US$15,372million), compared with the previous fiscal year-end, because additional capital expenditures and additional purchase of interests in the overseas natural resource development sector and investments in resources companies with interest in uranium absorbed a decline in trade receivables accompanying lower transactions in petroleum products.

Chemicals, Forest Products & General Merchandise

Trading transactions for unaffiliated customers and associated companies increased by 14.7%, or ¥264.6 billion, to ¥2,060.2 billion (US$24,777million), due to higher prices for natural rubber and pulp and favorable transactions in chemicals. Gross trading profit rose by 7.5%, or ¥8.3 billion, to ¥118.3 billion (US$1,423million), as a result of the above-mentioned reasons and higher tire sales transactions in Europe. Net income attributable to ITOCHU rose by 34.9%, or ¥6.7 billion, to ¥26.0 billion (US$313million), because the increase in gross trading profit and higher equity in earnings of associated companies compensated for the absence of the previous fiscal year's gain on bargain purchase in acquisition of C.I. Kasei Co., Ltd. Total assets were up by 6.3%, or ¥46.2 billion, to ¥774.2 billion (US$9,310million), compared with the previous fiscal year-end, thanks to an increase in trade receivables accompanying higher transactions in chemicals.

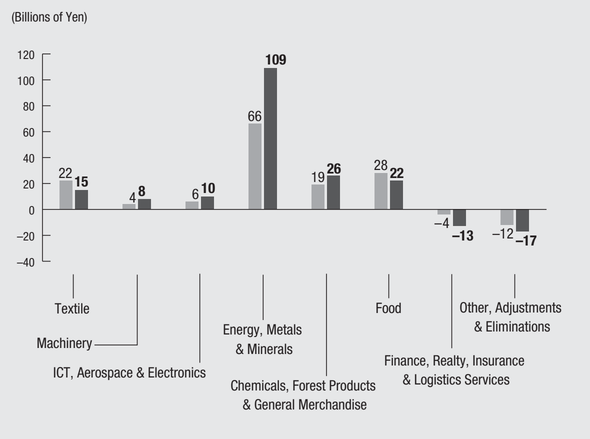
Food

Trading transactions for unaffiliated customers and associated companies increased by 2.1%, or ¥65.0 billion, to ¥3,097.4 billion (US$37,251million), because higher prices in food materials, such as feed grains, oils, and fats, and an increase in transaction volume for the food distribution sector cancelled a decrease in fresh food materials stemming from sluggish domestic consumption. Gross trading profit remained approximately unchanged, edging up by 0.1%, or ¥0.4 billion, to ¥335.9 billion (US$4,040million), because the increase in transaction volume for the food distribution sector counteracted inventory-related losses resulting from the Great East Japan Earthquake. Net income attributable to ITOCHU declined by 19.5%, or ¥5.4 billion, to ¥22.4 billion (US$269million), as the increase in gross trading profit did not fully offset losses resulting from the Great East Japan Earthquake and lower equity in earnings of associated companies. Total assets, compared with the previous fiscal year-end, increased by 6.9%, or ¥77.9 billion, to ¥1,208.7 billion (US$14,536million), which resulted from an increase in trade receivables and inventories accompanying higher sales and an increase in investment resulting from the establishment of a joint holding company with Asahi Breweries, Ltd., and others in order to invest in food business in China.

Finance, Realty, Insurance & Logistics Services

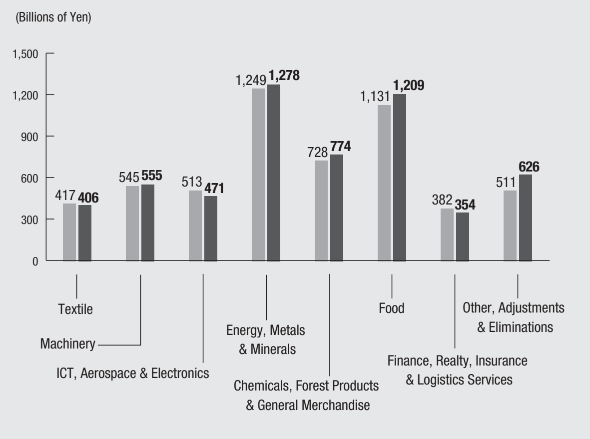
Trading transactions for unaffiliated customers and associated companies were up by 2.4%, or ¥4.0 billion, to ¥170.9 billion (US$2,055million), because higher sales of condominiums and an increase in transactions volume for logistics-related businesses offset the absence of the previous fiscal year's sales to investors of real estate for leasing. Gross trading profit rose by 6.2%, or ¥2.2 billion, to ¥37.9 billion (US$455million), as a decrease in losses on real estate for sale valued using the lower-of-cost-or-market method and higher sales of condominiums compensated for the effect of making a real estate related subsidiary an equity method associated company in the previous fiscal year. Net loss attributable to ITOCHU was up by 210.7%, or ¥8.9 billion, to ¥13.2 billion (US$159million), due to impairment losses on the common stock and preferred stock of Orient Corporation and restructuring of finance-related affiliates, which offset the increase in gross trading profit. Total assets, compared with the previous fiscal year-end, were down by 7.3%, or ¥27.8 billion, to ¥354.3 billion (US$4,261million), reflecting impairment losses on the common stock and preferred stock of Orient Corporation and restructuring of finance-related affiliates.

Net Income (Loss) Attributable to ITOCHU by Operating Segment



■ 2010
■ 2011
* For fiscal years

Identifiable Assets by Operating Segment



■ 2010
■ 2011
* As of March 31

Other, Adjustments & Eliminations

Trading transactions for unaffiliated customers and associated companies edged up by 0.6%, or ¥1.0 billion, to ¥163.8 billion (US$1,970million), thanks to higher transactions in solar-related and life care related businesses, compensating for the sale of a domestic subsidiary Gross trading profit was up by 23.2%, or ¥4.4 billion, to ¥23.6 billion (US$284million), due to higher transactions in solar-related and life care related businesses. Net loss attributable to ITOCHU increased by 34.0%, or ¥4.2 billion, to ¥16.7 billion (US$201million), because losses on the disposal of three regional enterprises and business reconstruction costs on equipment material related businesses in North America as well as impairment losses on investment securities and impairment losses on property and equipment–net counteracted higher gross trading profit and improvement of personnel expenses including pension costs. Total assets were up by 22.4%, or ¥114.6 billion, to ¥625.9 billion (US$7,528million), compared with the previous fiscal year-end, reflecting an increase in cash and cash equivalents.

As of April 1, 2011, ITOCHU's seven division companies have been reorganized into five division companies. Accompanying this revision, the Machinery Company and the ICT, Aerospace & Electronics Company will be merged into the ICT & Machinery Company. Also, the Finance, Realty, Insurance & Logistics Services Company has been reorganized as a division not belonging to a Division Company.

Discussion and Analysis of Results of Operations

A discussion and analysis of the financial position and results of operations for Fiscal 2011 is as follows.

Descriptions of the outlook for Fiscal 2012 and later are forward-looking statements that are based on management's assumptions and beliefs, considering information currently available at the end of Fiscal 2011. Thus, factors that could cause actual results to differ materially from such statements include, without limitation, the factors stated in the following Risk Information and other potential risks and uncertain factors.

Analysis of Results of Operations in Fiscal 2011 and Outlook for Fiscal 2012

Revenue

In accordance with Accounting Standards Codification Topic 605, the Company and its subsidiaries present certain revenue transactions with corresponding cost of revenues on a gross basis in consolidated statements of operations as "sales revenue" for transactions traded as a primary obligor in manufacturing, processing, and service rendering and for sales with general inventory risk before customer orders. Otherwise, the Company and its subsidiaries present revenue on a net basis in consolidated statements of operations as "trading margins and commissions on trading transactions."

In the fiscal year ended March 31, 2011, "sales revenue" on a gross basis was ¥3,120.9 billion (US$37,533 million), and "trading margins and commissions on trading transactions" on a net basis was ¥528.8 billion (US$6,360 million). Total revenue increased by 6.8%, or ¥233.0 billion compared with the previous fiscal year, to ¥3,649.7 billion (US$43,893 million). This gain was attributable to higher revenue in several division companies. In the Energy, Metals & Minerals Company, revenue increased due to higher prices for mineral resources and for oil & gas. In the Textile Company, the acquisitions of JAVA HOLDINGS CO., LTD. and LEILIAN CO., LTD. in the second half of the previous fiscal year led to higher revenue in the year under review. In the Chemicals, Forest Products & General Merchandise Company, revenue increased due to strong transactions in chemicals and to higher prices for both natural rubber and pulp.

Gross Trading Profit

Gross trading profit increased by 12.6%, or ¥116.9 billion, to ¥1,041.3 billion (US$12,523 million). In addition to gains in the Energy, Metals & Minerals; Textile, and Chemicals, Forest Products & General Merchandise companies recorded higher trading profit on increased revenue; the Machinery Company recorded higher trading profit due to improvement in automobile transactions.

Furthermore, the deconsolidation of consolidated subsidiaries resulted in a ¥7.0 billion decrease. The translation of overseas subsidiaries resulted in a ¥2.8 billion decrease due to foreign exchange fluctuations (mainly due to U.S. dollar) during Fiscal 2011; and, the above-mentioned acquisitions of JAVA HOLDINGS CO., LTD., LEILIAN CO., LTD., and other companies as newly consolidated subsidiaries contributed ¥27.4 billion. Excluding those positive and negative factors, the actual decrease in the gross trading profit of existing subsidiaries was ¥99.3 billion.

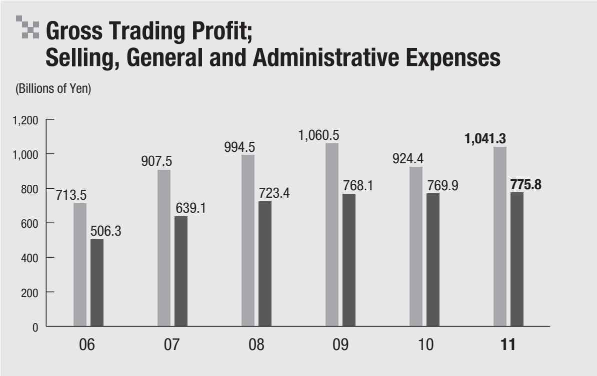
Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 0.8%, or ¥5.9 billion, to ¥775.8 billion (US$9,330 million). Although there were costs reductions at existing consolidated companies, a reduction in costs stemming from the deconsolidation of certain subsidiaries, and a decline in pension cost resulting from improved performance of pension asset management, these factors were offset by an increase associated with the acquisitions of two companies mentioned above in the Textile Company.

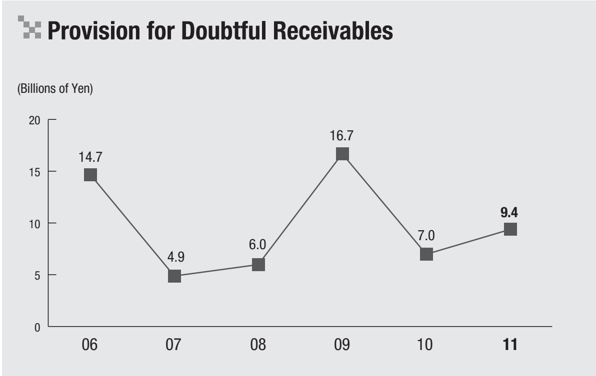
Furthermore, the decrease in expenses due to the deconsolidation of consolidated subsidiaries was ¥9.9 billion, and the translation of overseas subsidiaries resulted in a ¥4.7 billion decrease due to foreign exchange fluctuations during the fiscal year. The increase in expenses due to the acquisitions of two companies mentioned above in the Textile Company and other companies as newly consolidated subsidiaries was ¥26.6 billion. Excluding those positive and negative factors, the actual increase in the expenses of existing subsidiaries was ¥6.1 billion.

Provision for Doubtful Receivables

Provision for doubtful receivables increased ¥2.4 billion, to a loss of ¥9.4 billion (US$113 million), due in part to write-off of loans accompanying the disposal of regional enterprises in North America.



■ Gross Trading Profit
■ Selling, General and Administrative Expenses
* For fiscal years



* For fiscal years

Net Financial Income
(Net of Interest Income, Interest Expense and Dividends Received)

Net financial income improved by ¥3.2 billion, to income of ¥6.8 billion (US$82 million).

Net interest expense, consisting of interest expense and interest income, improved 34.0%, or ¥8.6 billion, to ¥16.7 billion (US$201 million). Interest income increased by 3.7%, or ¥0.4 billion to ¥10.3 billion (US$124 million). Interest expense decreased by 23.4%, or ¥8.2 billion, to ¥27.0 billion (US$325 million) due to lower interest rates for the U.S. dollar.

Furthermore, Dividends received decreased by 18.7%, or ¥5.4 billion, to ¥23.5 billion (US$283 million), mainly due to a decrease in dividends from oil and gas-related investments.

Other Profit (Loss)

Loss on investments–net worsened by ¥33.7 billion, to a loss of ¥38.1 billion (US$459 million). This was attributable to a decrease in gain on sales of investments, to the recording of impairment losses on preferred stock issued by Orient Corporation and on other listed equities, and to loss on disposal of low-efficiency businesses during the year.

Furthermore, net gain on disposal of investments and marketable securities decreased by ¥17.4 billion, to ¥7.2 billion. Business-related losses and others (including impairment losses on preferred stock issued by Orient Corporation) were up by ¥16.7 billion, to ¥26.1 billion. Impairment losses on investments declined by ¥0.5 billion, to ¥19.3 billion.

Loss on property and equipment–net worsened by ¥25.2 billion, to a loss of ¥33.7 billion (US$406 million). Gain on sales of property and equipment increased due to the sale of assets (coal interests, etc.,) but impairment losses were recorded on oil and gas assets and other properties, and losses also arose as a result of the Great East Japan Earthquake.

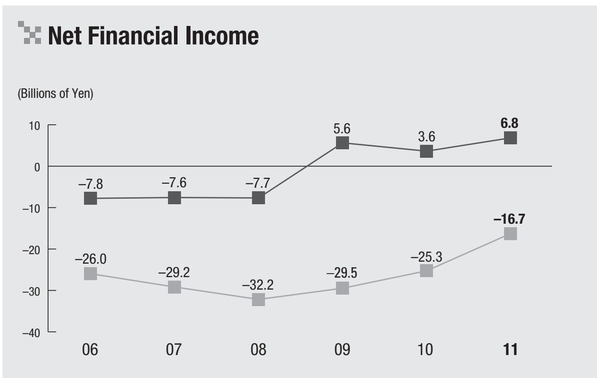
Furthermore, impairment losses increased by ¥25.2 billion, to a loss of ¥36.2 billion due to impairment losses on oil & gas assets in Australia and the U.S., and other properties. And, net gain on sales of property and equipment and others increased by ¥3.3 billion, to a gain of ¥5.8 billion. Losses due to the Great East Japan Earthquake were ¥3.4 billion.

Gain on bargain purchase in acquisition decreased by ¥14.0 billion due to the absence of the non-recurring gain that was recorded in the previous fiscal year.

Other–net worsened by ¥11.9 billion, to a loss of ¥8.9 billion (US$107 million), due principally to losses on disposal of three regional enterprises and business reconstruction costs on equipment-material-related businesses in North America.

Income Taxes

Income taxes increased by 32.8%, or ¥16.9 billion, to expenses of ¥68.5 billion (US$824 million), which was mainly due to a ¥27.1 billion increase in income before income taxes, minority interests and equity in earnings of associated companies.



Net Interest Expenses
Net Financial Income
* For fiscal years
Net Interest Expenses = Interest Income + Interest Expense
Net Financial Income = Net Interest Expenses + Dividends Received

Equity in Earnings of Associated Companies

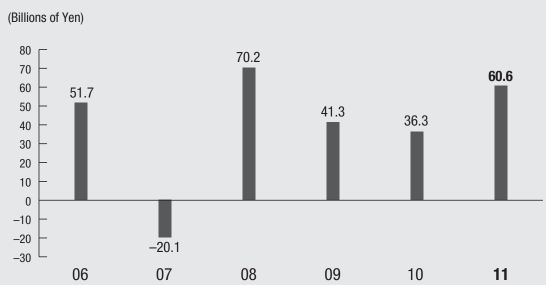
Equity in earnings of associated companies increased by 67.1%, or ¥24.3 billion, to income of ¥60.6 billion (US$729 million). Impairment losses were recorded on common stock issued by listed equity-method associated companies, such as Orient Corporation. However, accompanying higher prices, there were increases in earnings at mineral resources and pulp-related companies, and a steel-products-related company and a mobile network-related company also recorded higher earnings.

Furthermore, the business results of major equity-method associated companies are included in Performance of Subsidiaries and Equity-Method Associated Companies, under Major Group Companies Reporting Profits or Major Group Companies Reporting Losses.

Adjusted Profit

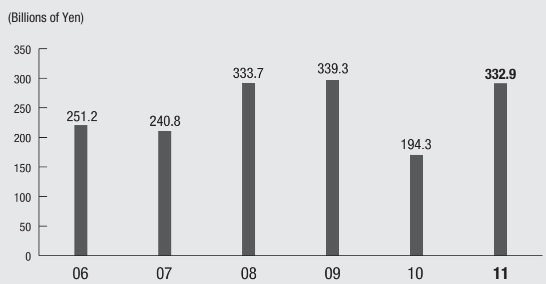
Adjusted profit (net of gross trading profit, selling, general and administrative expenses, net interest expenses, dividends received, and equity in earnings of associated companies) increased 71.3%, or ¥138.6 billion, to ¥332.9 billion (US$3,890 million), due to increase in Gross Trading Profit, improvement in Net Financial Income, and increase in Equity in Earnings of Associated Companies, despite an increase in Selling, General and Administrative Expenses.

Equity in Earnings of Associated Companies



* For fiscal years

Adjusted Profit



* For fiscal years

Performance of Subsidiaries and Equity-Method Associated Companies

Consolidated business results for the fiscal year includes the business results of 393 companies, comprising 245 consolidated subsidiaries (96 domestic and 149 overseas) and 148 equity-method associated companies (63 domestic and 85 overseas).

Profits / Losses of Group Companies Reporting Profits / Losses

Billions of Yen

	2011			2010			Changes		
Years ended March 31	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total
Group companies excluding overseas trading subsidiaries	**¥213.1**	**¥(31.9)**	**¥181.3**	¥156.6	¥(38.2)	¥118.4	¥56.6	¥ 6.3	¥62.9
Overseas trading subsidiaries	**14.7**	**(5.7)**	**8.9**	9.7	(1.8)	7.9	5.0	(3.9)	1.1
Total	**¥227.8**	**¥(37.6)**	**¥190.2**	¥166.2	¥(40.0)	¥126.3	¥61.6	¥ 2.4	¥63.9

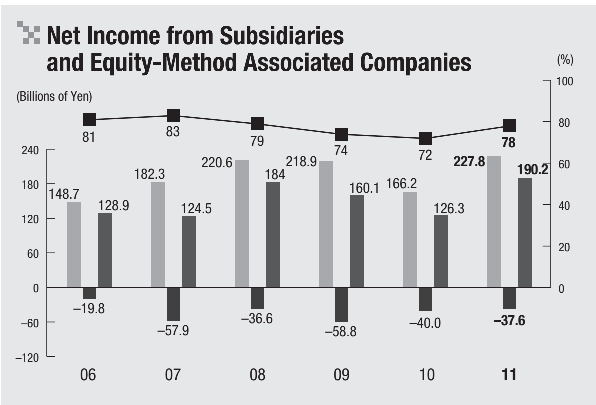
Share of Group Companies Reporting Profits

	2011			2010			Changes		
Years ended March 31	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
No. of companies reporting profits	**128**	**179**	**307**	126	171	297	**2**	**8**	**10**
No. of group companies	**159**	**234**	**393**	170	243	413	**(11)**	**(9)**	**(20)**
Share	**80.5%**	**76.5%**	**78.1%**	74.1%	70.4%	71.9%	**6.4 pts.**	**6.1 pts.**	**6.2 pts.**

(Note) Investment companies which are considered as part of parent (144 entities) and companies indirectly invested by ITOCHU or its overseas trading subsidiaries (311 entities) are not included in the above-mentioned number of companies.

In the fiscal year, net income from subsidiaries and equity-method associated companies (aggregate profit / loss of subsidiaries and equity-method associated companies excluding overseas trading subsidiaries) increased ¥62.9 billion, to ¥181.3 billion, because increases in profit from ITOCHU Minerals & Energy of Australia Pty Ltd and Brazil Japan Iron Ore Corporation. The increase in profit from ITOCHU Minerals & Energy of Australia Pty Ltd was due to higher prices for mineral resources and higher unit sales of iron ore, which compensated for impairment losses on oil & gas assets. The increase in profit from Brazil Japan Iron Ore Corporation resulted from higher sales volume and higher prices. Profits from overseas trading subsidiaries rose ¥1.1 billion, to ¥8.9 billion, as a result of an Australian trading subsidiary's increase in earnings from ITOCHU Minerals & Energy of Australia Pty Ltd, which compensated for a decrease in profit of a U.S. trading subsidiary due to losses on the disposal of three regional enterprises and business reconstruction costs on equipment material related businesses in North America.

The aggregate income from Group companies (subsidiaries, equity-method associated companies, and overseas trading subsidiaries) reporting profits was up ¥61.6 billion, to ¥227.8 billion, because of the above-mentioned increases in profits from ITOCHU Minerals & Energy of Australia Pty Ltd and Brazil Japan Iron Ore Corporation. Meanwhile, the aggregate loss from Group companies reporting losses improved ¥2.4 billion, to ¥37.6 billion, because the reporting of a profit, compared with the reporting of a loss for the previous fiscal year, by Japan Brazil Paper and Pulp Resources Development Co., Ltd., compensated for the deterioration of a U.S. trading subsidiary due to losses on the disposal of three regional enterprises and business reconstruction costs on equipment material related businesses in North America. Further, the share of Group companies reporting profits (the number of Group companies reporting profits as a percentage of the number of companies included in consolidation) improved 6.2 percentage points, to 78.1%.



Companies Reporting Profits (left)
Companies Reporting Losses (left)
Net Income from Subsidiaries and Equity-Method Associated Companies (left)
Share of Group Companies Reporting Profits (right)
* For fiscal years

Major Group companies reporting profits or losses for the fiscal year and the previous fiscal year were as follows:

Major Group Companies Reporting Profits

Years ended March 31	Shares	Net Income (Loss) Attributable to ITOCHU*1 Billions of Yen 2011	2010	Reasons for Changes
Domestic Subsidiaries				
ITOCHU Techno-Solutions Corporation	54.0%	**¥ 6.3**	¥ 6.8	Due to effect of reduced domestic IT investments, despite progress in cost reductions
NIPPON ACCESS, INC.	93.8	**4.7**	4.5	Due to higher sales and to higher profit stemming from increase in ITOCHU's shares, despite the inventory-related losses and fixed-asset-related losses that resulted from the Great East Japan Earthquake
China Foods Investment Corp.*2	74.1	**4.0**	8.7	Due to decrease in equity in earnings of TING HSIN (CAYMAN ISLANDS) HOLDING CORP. resulting from the absence of gain on sales of investment and securities in the previous fiscal year
ITOCHU ENEX CO., LTD.	53.6	**2.2**	1.6	Due to cost reductions derived from improved operating efficiency and improved in profit in the car life business
ITOCHU PLASTICS INC.	100.0	**2.2**	1.9	Due to favorable transaction volume in synthetic resins and engineering plastics
ITOCHU CHEMICAL FRONTIER Corporation	100.0	**2.0**	1.9	Due to stable transaction volume in pharmaceutical-related, polymer raw materials, and specialty chemicals such as water treatment chemicals
ITOCHU Property Development, Ltd.	99.8	**1.7**	0.5	Due to higher sales in condominium sales operations
SANKEI CO., LTD.	90.5	**1.5**	(0.1)	Due to the absence of non-recurring expenses for the relocation of head office in the previous fiscal year, to increased garment-product transactions, to cost reductions, and to gain on sales of fixed assets in the fiscal year
ITC NETWORKS CORPORATION	60.3	**1.4**	1.6	Due to the effect of revised commissions for mobile communication carriers, despite favorable sales of smartphones and cost reductions
ITOCHU Metals Corporation	100.0	**1.2**	0.8	Due to recovery in demand for aluminum products for automobiles and home electronics, and to an increase in transactions for electrical/electronic parts and recycling-related business
C.I. Kasei Co., Ltd.*3	97.6	**1.1**	2.0	Due to the absence of net gain on bargain purchase in acquisition (Net income after tax effect attributable to ITOCHU was 1.5 billion yen) in the previous fiscal year, offset by favorable transactions in agricultural and decorative surfacing material-related sectors
IMECS CO., Ltd.	100.0	**1.1**	0.7	Due to higher transactions in chartered ships accompanying increase in own ships
Overseas Subsidiaries				
ITOCHU Minerals & Energy of Australia Pty Ltd *4	100.0	**80.1**	34.1	Due to higher prices for mineral resources and to higher unit sales of iron ore, despite impairment losses on oil & gas assets
ITOCHU Oil Exploration (Azerbaijan) Inc.	100.0	**11.8**	6.9	Due to higher oil prices
ITOCHU (China) Holding Co., Ltd.	100.0	**3.6**	2.3	Due to increase in transactions for synthetic resins, engineering plastics, and copper products
ITOCHU Australia Ltd.*4	100.0	**3.3**	1.5	Due to higher profit from ITOCHU Minerals & Energy of Australia Pty Ltd. (see above)
ITOCHU Hong Kong Ltd.	100.0	**2.7**	2.1	Due to higher profit from finance-related business
ITC Nuclear Fuel Service (Cayman) Ltd.	100.0	**2.0**	2.7	Due to the absence of a high profit margin deal, in addition to spot demand that was seen in the previous fiscal year, despite smooth operations
ITOCHU Singapore Pte., Ltd.	100.0	**1.5**	1.7	Due to lower profit from synthetic-resin-related operations business
ITOCHU Oil Exploration (BTC) Inc.	51.4	**1.4**	1.6	Due to lower profit accompanying appreciation of the yen, despite throughput that was almost the same as in the previous fiscal year and smooth operations
ITOCHU (Thailand) Ltd.	100.0	**1.2**	0.8	Due to higher transaction volume in metal products for automobiles and engineering plastics
CIECO Energy (UK) Limited	100.0	**1.2**	0.6	Due to higher oil prices
Domestic Equity-Method Associated Companies				
Brazil Japan Iron Ore Corporation	47.7	**12.9**	4.0	Due to higher sales volume as well as higher prices
Marubeni-Itochu Steel Inc.	50.0	**6.8**	2.7	Due to recovery in demand for steel products in Japan and overseas
FamilyMart Co., Ltd.	31.6	**4.0**	4.7	Due to costs related to asset retirement obligation, despite steady increase in trading profit
Japan Brazil Paper and Pulp Resources Development Co., Ltd.	25.9	**3.4**	(0.7)	Due to higher pulp price

Major Group Companies Reporting Loss

Years ended March 31	Shares	Net Income (Loss) Attributable to ITOCHU*1 Billions of Yen 2011	2010	Reasons for Changes
Domestic Subsidiaries				
ITOCHU Finance Corporation	99.1%	¥(4.3)	¥(1.7)	Due to losses accompanying operational restructuring
Overseas Subsidiaries				
ITOCHU International Inc.	100.0	(5.6)	(1.7)	Due to losses on disposal of three regional enterprises and business reconstruction costs on equipment-material-related businesses in North America, despite recovery of construction machinery-related business
CIECO Energy (US) Limited	100.0	(3.5)	(2.2)	Due to impairment losses on oil & gas assets accompanying withdrawal
Domestic Equity-Method Associated Companies				
Orient Corporation*5	23.6	(3.4)	(6.2)	Due to gain on changes in equity interests resulting from conversion of its preferred stocks into common stocks, despite impairment loss on its common stocks resulting from the revaluation of its fair value
Prima Meat Packers, Ltd.*6	39.5	(1.4)	1.8	Due to impairment loss on its common stocks resulting from the revaluation of its fair value

*1 Net income (loss) attributable to ITOCHU are the figures after adjusting to U.S. GAAP, which may be different from the figures each company announces.

*2 In the fiscal year, ITOCHU has established China Foods Investment Corp. jointly with Asahi Breweries, Ltd. for the purpose of managing business of TING HSIN (CAYMAN ISLANDS) HOLDING CORP. (hereinafter "Ting Hsin"), which ITOCHU and Asahi Breweries, Ltd. own, and its group companies. From now on, as net income of Ting Hsin attributable to ITOCHU is included in China Foods Investment Corp., actual net income of Ting Hsin to present is included above figure of China Foods Investment Corp. Besides, in the fiscal year, gain on changes in equity interests due to not to underwrite a third-party allocation of new shares from Ting Hsin was recognized (¥1.9 billion after tax effect).

*3 Net income attributable to ITOCHU of C.I. Kasei Co., Ltd. for the previous fiscal year includes the profit resulting from the net gain on bargain purchase in acquisition (¥1.5 billion after tax effect).

*4 The above figure of ITOCHU Australia Ltd. includes 3.7% of net income from ITOCHU Minerals & Energy of Australia Pty Ltd.

*5 The above figure of Orient Corporation includes the related tax effect. Net income attributable to ITOCHU of this company includes impairment losses on its common stocks (¥6.6 billion after tax effect) and gain on changes in equity interests resulting from conversion of its preferred stocks into common stocks (¥2.3 billion after tax effect) in this fiscal year. Besides, impairment losses on the preferred stocks held by ITOCHU (¥9.6 billion after tax effect) was recognized as Loss on investments–net and excludes above figure of this company.

*6 The above figure of Prima Meat Packers, Ltd. includes the related tax effect.

Outlook for Fiscal 2012

Regarding business conditions in Fiscal 2012, ending March 31, 2012, there is cause for concern about how the global economy will be affected by the situation in the Middle East and by the Great East Japan Earthquake. Nonetheless, continued growth is expected, with support from expansion in the economies of emerging countries and the U.S. On the other hand, the fiscal and monetary policies that supported strong growth in the previous year are being reversed, and in addition the rising price of crude oil is restraining growth in resource-poor countries. Accordingly, the pace of growth is expected to decelerate. Due to the remaining weakness in the fiscal situation of many countries, centered on industrialized countries, there could be rapid fluctuations in foreign exchange and commodity markets and declines in asset prices. This could have an adverse effect on the attitudes of companies and households toward spending, with a negative impact on the world economy. This point requires continued attention. The Great East Japan Earthquake weakened the global supply chain, and another issue requiring attention is the risk that this weakness will extend over the long term.

Under those business conditions, in Fiscal 2012, the starting year of the Medium-Term Management Plan–Brand-new Deal 2012, the ITOCHU Group expects to post an increase in earnings year on year due to higher natural resources prices and to growth in the basic earning power of each segment.

Management Policy for the Future

Start of Medium-Term Management Plan—Brand-new Deal 2012

The Group has started the Medium-Term Management Plan—Brand-new Deal 2012, a two-year plan covering the period from FY2012 to FY2013. Under "Brand-new Deal 2012," the basic policies are as follows: "Strengthen Our Front-line Capabilities," "Proactively Seek New Opportunities," and "Expand Our Scale of Operations." With an entirely new spirit, officers and employees will take assertive and forward-looking action and exercise "Earn, Cut, Prevent."

Three major measures by key sector are as follows:

1. Aggressively Expand Business in China

In opportunity-rich markets where ITOCHU has competitive advantage ITOCHU will work to strengthen its earnings capacity in China by enhancing existing operations and stepping up new initiatives.

2. Increase and Accumulate Assets in Machinery-related Sector

The machinery-related sector will become increasingly important for ITOCHU, and through the tightly focused allocation of management resources in this sector, ITOCHU will accumulate assets with stable earnings and bolster activities in growth fields that will be sources of revenues in the future.

3. Expand and Upgrade Business in Natural Resource-related Field

Firm demand is expected to provide support in the natural resources business, where ITOCHU will work to aggressively expand its natural resource interests while maintaining a strict focus on profitability.

As ITOCHU aggressively accumulates superior assets, it plans to invest a total of ¥800 billion over two years. ITOCHU will maintain a policy of emphasizing a balance among sectors to avoid excessive concentration of investments in specific fields. Investment amounts by sector are as follows: consumer-related sector: ¥100–200 billion; natural resource / energy-related sector: ¥350–450 billion; machinery-related sector: ¥100-200 billion; chemicals, real estate, and others sector: ¥50–150 billion.

Our overseas policy calls for operations to be centered on the division companies, which will lead further advances while making steady preparations in the major consumer markets of the future. Our strategies for affiliates call for expanding their contribution to earnings, strengthening Group cohesiveness, and leveraging the Group's comprehensive capabilities. In addition, ITOCHU will continue to implement liquidation and consolidation of low-efficiency businesses.

ITOCHU will also strengthen its management foundation to support a commitment to taking assertive and forward-looking action. In corporate governance, ITOCHU will advance qualitative strengthening initiatives, and in internal control and risk management, ITOCHU will focus on optimization while maintaining effectiveness. In human resources, ITOCHU will take steps on a global basis to strengthen and cultivate the "industry professionals" and "strong human resources" that will support the next growth stage.

Dividend Policy and Distribution of the Current Fiscal Year's Profit

Under this medium-term management plan, Brand-new Deal 2012, our annual dividend targets will be: dividend payout ratio of 20% on Net income attributable to ITOCHU up to ¥200 billion, and dividend payout ratio of 30% on portion of Net income attributable to ITOCHU exceeding ¥200 billion. For the fiscal year ending March 31, 2012, ITOCHU plans to pay full-year dividends of 33.0 yen per share, comprising an interim dividend of 16.5 yen per share and a year-end dividend of 16.5 yen per share.

Liquidity and Capital Resources

Basic Funding Policy

The Company aims to ensure flexibility in funding in response to changes in financial conditions and take advantage of opportunities to lower its overall financing costs. Also, the Company seeks to diversify its funding sources and methods while endeavoring to find the optimum balance in its funding structure with enhancing the stability of its financing mainly by means of long-term funding. Further, the Company works to improve consolidated capital efficiency and funding structure by concentrating funding for domestic subsidiaries on Group Finance from the parent Company. Moreover, the Company established Group Finance scheme in Asia and Europe for the funding of overseas subsidiaries. As a result, as of the end of the fiscal year under review, funding by the parent Company or overseas Group Finance accounted for approximately 90% of consolidated interest-bearing debt.

Regarding funding methods, the Company uses such indirect financing as bank loans and such direct financing as bond issuance. As to indirect financing, the Company maintains favorable and wide-ranging relationships with various financial institutions which enable it to raise funds required. As to direct financing, the Company registered a new issuance of bonds up to ¥300.0 billion, covering the two-year period from August 2009 to July 2011 in accordance with the bond-issuance registration system in Japan. Also, the Company undertakes funding through commercial paper to heighten capital efficiency and lower capital costs. ITOCHU Corporation, ITOCHU International Inc. in the United States, and treasury companies in Singapore and the United Kingdom have registered a total of US$5.0 billion in a Euro Medium Term Note Programme (Euro MTN).

Ratings of the Company's long-term debt and short-term debt as of the end of the fiscal year are as follows. Aiming to secure even higher ratings, the Company will strengthen profitability, improve financial position, and implement thorough risk management.

Credit Rating Agency	Long-term Debt	Short-term Debt
Japan Credit Rating Agency (JCR)	A+ / Stable	J-1*
Rating & Investment Information (R&I)	A / Stable	a-1
Moody's Investors Service	Baa1 / Stable	P-2
Standard & Poor's (S&P)	A– / Stable	A-2

*As of April 27, 2011, the Company's ratings have been raised to AA–/stable for long-term debt and J-1+ for short-term debt.

Interest-Bearing Debt

Interest-bearing debt as of March 31, 2011, increased by 2.7%, or ¥59.1 billion compared with March 31, 2010, to ¥2,268.4 billion (US$27,280 million). Net interest-bearing debt (interest-bearing debt after deducting Cash and cash equivalents and Time deposits) decreased by 5.4%, or ¥92.9 billion, to ¥1,633.2 billion (US$19,642 million). Net DER (debt-to-equity ratio) improved 0.2 points from 1.6 times to 1.4 times. Furthermore, thanks to efforts to ensure a stable funding structure by seeking long-term funding, the ratio of long-term interest-bearing debt to total interest-bearing debt was 87%, almost same as March 31, 2010.

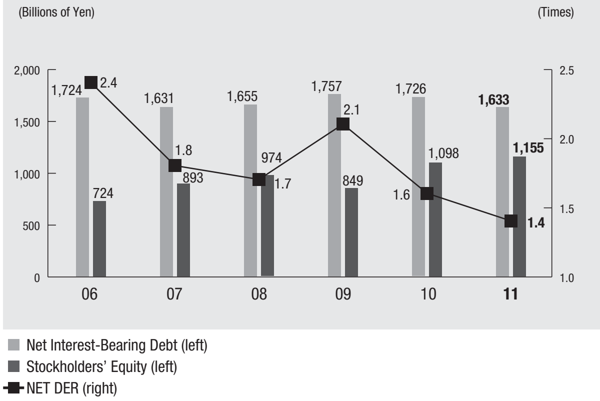
Details of interest-bearing debt as of March 31, 2010, and as of March 31, 2011, are as follows.

Details of interest-bearing debt as of March 31, 2010, and as of March 31, 2011, are as follows:

	Billions of Yen		Millions of U.S. Dollars
March 31	2011	2010	2011
Short-term debt:			
Short-term loans mainly from banks	¥ 191.9	¥ 229.2	$ 2,308
Commercial paper	50.0	—	601
Current maturities of long-term debt:			
Current maturities of long-term loans mainly from banks	46.7	57.5	561
Current maturities of debentures	0.4	3.3	5
Short-term total	289.0	290.0	3,475
Long-term debt (Note):			
Long-term loans mainly from banks, less current maturities	1,735.2	1,736.2	20,868
Debentures	244.2	183.1	2,937
Long-term total	1,979.4	1,919.3	23,805
Total interest-bearing debt	2,268.4	2,209.3	27,280
Cash and cash equivalents and time deposits	635.1	483.2	7,638
Net interest-bearing debt	¥1,633.2	¥1,726.1	$19,642

(Note) Because "Long-term debt" in the Consolidated Balance Sheets includes elements of non-interest-bearing debt, this "Long-term debt" presents the figures excluding such elements.

Net Interest-Bearing Debt, Stockholders' Equity and Net DER (Debt-to-Equity Ratio)



* For fiscal years

Financial Position

(Unless otherwise stated, comparisons in the following section are between the end of the previous fiscal year and the end of the fiscal year under review.)

Total assets as of March 31, 2011, were up by 3.6%, or ¥196.8 billion compared with March 31, 2010, to ¥5,673.7 billion (US$68,234 million). Property and equipment declined due to impairment of fixed assets in energy and other fields. However, there was an increase in Cash and cash equivalents. In the Chemicals, Forest Products & General Merchandise Company and the Food Company, Inventories and Trade receivables increased due to improved market conditions. Also, Investments increased due to new investments in resource companies with interests in uranium in the Energy, Metals & Minerals Company, in automobile companies, and in power generation operations in North America, as well as to investments in Chinese food business through a joint holding company, which was established as the Company's subsidiary with Asahi Breweries, Ltd.

ITOCHU stockholders' equity increased by 5.1%, or ¥56.4 billion to ¥1,154.8 billion (US$13,888 million). On one hand, Net income attributable to ITOCHU increased by ¥161.0 billion and there was an increase in net unrealized holding gains on securities. On the other hand, there were decreases from dividends payment, deterioration in Foreign currency translation adjustments because of the yen's appreciation, and decrease in Capital surplus of ¥19.4 billion due to the purchase of additional shares of the common stock of NIPPON ACCESS, INC., a subsidiary, which was accounted for as an equity transaction. As a result, the Ratio of stockholders' equity to total assets increased by 0.3 points from March 31, 2010, to 20.4%.

Total equity, or the total of ITOCHU stockholders' equity and Noncontrolling interest, which means the total equity of the entire Group, increased by 6.6%, or ¥86.2 billion, compared with March 31, 2010, to ¥1,397.5 billion (US$16,807 million).

The main increases and decreases in respective items of the consolidated balance sheet compared with those of the previous fiscal year-end are as follows:

Cash and cash equivalents, **Time deposits** increased by ¥151.9 billion, to ¥635.1 billion (US$7,638 million).

Trade receivables (less allowance for doubtful receivables) increased by ¥7.7 billion, to ¥1,434.4 billion (US$17,250 million), due to a decrease in Energy; and Aerospace, and an increase in Chemicals, Forest Products & General Merchandise resulting from higher prices.

Due from associated companies increased by ¥17.4 billion, to ¥113.7 billion (US$1,367 million), due to a rise in transactions, and in loan receivables in Marine.

Inventories increased by ¥28.3 billion, to ¥504.3 billion (US$6,065 million), due to a rise in prices in Chemicals, Forest Products & General Merchandise and Food.

Deferred tax assets increased by ¥5.3 billion, to ¥51.0 billion (US$614 million).

Other current assets decreased by ¥23.6 billion, to ¥233.5 billion (US$2,809 million), due to the collection of loans and an decrease in derivative asset.

Investments in and advances to associated companies increased by ¥46.6 billion, to ¥985.3 billion (US$11,850 million), due to an increase in investments in Chinese food business through a joint holding company, which was established as the Company's subsidiary with Asahi Breweries, Ltd.; and in power generation operations in North America despite impairment losses on investments in the common and preferred stocks which were issued by Orient Corporation.

Other investments increased by ¥42.4 billion, to ¥492.7 billion (US$5,926 million), due to new investments in resource companies with interests in uranium in Energy, Metals & Minerals and in automobile.

Other non-current receivables (less allowance for doubtful receivables) decreased by ¥15.2 billion, to ¥88.5 billion (US$1,064 million).

Property and equipment, at cost (less accumulated depreciation) decreased by ¥22.7 billion, to ¥643.6 billion (US$7,741 million), due to the impairment of oil & gas assets in Energy, Metals & Minerals; and other long-lived assets; and the sale of aircrafts in Aerospace although additional capital expenditures in the overseas natural resource development sector.

Deferred tax assets, non-current, increased by ¥3.1 billion, to ¥111.4 billion (US$1,340 million). Furthermore, net deferred tax assets increased by ¥9.6 billion, to ¥140.8 billion (US$1,693 million).

Total trade payables increased by ¥22.0 billion, to ¥1,239.6 billion (US$14,908 million), due to an increase in Food; and Chemicals, Forest Products & General Merchandise, despite a decrease in Energy; and Automobile.

Reserves for Liquidity

The basic policy is to maintain and secure an adequate amount of reserves required for liquidity covering short-term interest-bearing debt and contingent liabilities due within three months. This policy is based on the scenario whereby new funding may be unavailable for about three months because of market turmoil. In such a case, ITOCHU must maintain adequate reserves to repay liabilities during such a period in order to cope with unpredictable events.

Primary liquidity resources at the end of Fiscal 2011, the sum of cash, cash equivalents, time deposits (¥635.1 billion), and commitment line agreements (yen short-term: ¥100.0 billion, yen long-term: ¥300.0 billion, multiple currency short-term: US$500 million) was ¥1,076.7 billion (US$12,949 million), increased ¥147.0 billion from the previous fiscal year-end. ITOCHU believes that this amount constitutes adequate reserves for liquidity since it is 5.1 times the necessary liquidity amount (short-term interest-bearing debt and contingent liabilities due within three months), which amounted to ¥210.0 billion (US$2,525 million) as of March 31, 2011.

Secondary liquidity reserves (other assets that can be converted to cash in a short period of time) stood at ¥596.2 billion (US$7,170 million). When added to primary liquidity reserves, the total amount of liquidity reserves stood at ¥1,672.9 billion (US$20,119 million).

ITOCHU Corporation has long-term commitment line agreements with financial institutions totaling ¥300.0 billion (US$3,608 million). As a result of the availability of this long-term commitment line, ITOCHU Corporation has the intention and ability to undertake a long-term rollover of current maturities of long-term debt from financial institutions. ITOCHU thus classified ¥212.8 billion (US$2,559 million) of current maturities of long-term debt as non-current liabilities on the consolidated balance sheet, which was part of ¥259.9 billion (US$3,126 million) in non-current liabilities with a maturity of one year or less based on loan contracts at the end of Fiscal 2011. However, the above calculation of the necessary liquidity amount was based on the repayment figure for loan contracts with a maturity of one year or less, not on the consolidated balance sheet figures.

Capital Resources

The fundamental policy is to finance new expenditures for investment activities from operating cash flows and the disposal / collection of existing assets. This includes sale and recovery of assets as well as accumulation of profits. Any shortfall in financial resources when new investments are made is covered by cash flows from financing activities through loans and the issuance of bonds.

Cash and cash equivalents as of March 31, 2011, decreased 32.6%, or ¥155.0 billion, to ¥630.7 billion (US$7,585 million), compared with the previous fiscal year-end. This was mainly due to efficient control of cash and cash equivalents and repayment of interest-bearing debt.

Necessary Liquidity

	Billions of Yen		Millions of U.S. Dollars
March 31	2011	Necessary Liquidity	2011
Short-term interest-bearing debt	**¥241.9**	**¥121.0** (241.9/6 months x 3 months)	**$1,455**
Current maturities of long-term interest-bearing debt	**259.9***	**65.0** (259.9/12 months x 3 months)	**781**
Contingent liabilities (Guarantees [substantial risk] for monetary indebtedness of equity-method associated companies and customers)	**96.3**	**24.1** (96.3/12 months x 3 months)	**289**
Total		**¥210.0**	**$2,525**

* The figure is the total of current maturities of long-term debt (¥47.1 billion) in the Consolidated Balance Sheets and long-term commitment line with financial institutions (¥212.8 billion).

Primary Liquidity Reserves

March 31	Billions of Yen 2011 Liquidity Reserves	Millions of U.S. Dollars 2011 Liquidity Reserves
1. Cash, cash equivalents and time deposits	**¥ 635.1**	**$ 7,638**
2. Commitment line agreements	**441.6**	**5,311**
Total primary liquidity reserves	**¥1,076.7**	**$12,949**

Secondary Liquidity Reserves

March 31	Billions of Yen 2011 Liquidity Reserves	Millions of U.S. Dollars 2011 Liquidity Reserves
3. Available portion of over draft for ITOCHU parent	**¥ 144.8**	**$ 1,741**
4. Available-for-sale securities (Fair value on a consolidated basis)	**295.9**	**3,559**
5. Notes receivable	**155.5**	**1,870**
Total secondary liquidity reserves	**¥ 596.2**	**$ 7,170**
Total liquidity reserves	**¥1,672.9**	**$20,119**

Cash flows from operating activities for the year ended March 31, 2011, recorded a net cash-inflow of ¥336.9 billion (US$4,051 million), which was attributable to strong operating revenue related to overseas natural resources and food.

Cash flows from investing activities recorded a net cash-outflow of ¥230.4 billion (US$2,771 million) mainly due to additional capital expenditures and purchase of interests in the overseas natural resource development sector, investments in resource companies with interests in uranium, as well as purchase of investment assets in relation to an establishment of a joint holding company with Asahi Breweries, Ltd. for Chinese food business.

Cash flows from financing activities recorded a net cash-inflow of ¥52.9 billion (US$636 million) mainly due to a cash-inflow of an equity transaction in relation to the establishment of the joint holding company mentioned above and increasing funding for new investments despite the purchase of shares of the common stock of NIPPON ACCESS, INC., a subsidiary, and dividends payment.

A summary of cash flows for the fiscal years ended March 31, 2011 and 2010 were as follows:

March 31	Billions of Yen 2011	Billions of Yen 2010	Millions of U.S. Dollars 2011
Cash flows from operating activities	**¥ 336.9**	¥ 295.4	**$ 4,051**
Cash flows from investing activities	**(230.4)**	(196.3)	**(2,771)**
Cash flows from financing activities	**52.9**	(259.0)	**636**
Effect of exchange rate changes on cash and cash equivalents	**(4.3)**	6.8	**(52)**
Net increase (decrease) in cash and cash equivalents	**155.0**	(153.1)	**1,864**
Cash and cash equivalents at beginning of year	**475.7**	628.8	**5,721**
Cash and cash equivalents at end of year	**¥ 630.7**	¥ 475.7	**$ 7,585**

Off-balance-sheet Arrangements and Aggregate Contractual Obligations

The Company and its subsidiaries issue various guarantees for indebtedness including bank loans to subsidiaries, equity- method associated companies and customers. Because the guaranteed borrowings of subsidiaries are included in the Company's consolidated financial statements, off-balance sheet guarantees are solely the total guarantees to equity-method associated companies and customers. The breakdown of guarantees as of March 31, 2011 and 2010 were as follows:

	Billions of Yen		Millions of U.S. Dollars
March 31	2011	2010	2011
Guarantees for equity-method associated companies:			
Maximum potential amount of future payments	**¥ 95.1**	¥ 83.6	**$1,144**
Amount of substantial risk	**70.9**	50.6	**852**
Guarantees for customers:			
Maximum potential amount of future payments	**¥ 64.8**	¥ 69.4	**$ 780**
Amount of substantial risk	**40.9**	36.5	**492**
Total:			
Maximum potential amount of future payments	**¥159.9**	¥153.0	**$1,924**
Amount of substantial risk	**111.7**	87.1	**1,344**

The maximum potential amount of future payments of the Company under the guarantee contracts is presented above. The amount of substantial risk represents the total amount of the substantial risk taken, based on the actual amount of liability incurred by the guaranteed parties as of the end of the respective term within the pre-determined guaranteed limit established under the guarantee contracts. The amount that can be recovered from third parties under the back-to-back guarantees submitted by the Company or its subsidiaries concerned have been excluded in determining the amount of substantial risk. The disclosures related to guarantees are shown in Note 24 "Commitments and Contingent Liabilities" to the consolidated financial statements.

The disclosures related to variable interest entities are show in Note 22 "Variable Interest Entities" to the consolidated financial statements.

The following table shows the breakdown by maturity of repayment of short-term debt (Bank Loan, Commercial Paper) and long-term debt (Bank Loan, Debentures, Capital Leases) as well as payments under operating leases.

	Billions of Yen				
	2011				
March 31	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Short-term loans payable	**¥ 241.9**	**¥241.9**	**¥ —**	**¥ —**	**¥ —**
Long-term debt	**2,207.0**	**47.1**	**661.1**	**597.4**	**901.5**
Operating leases	**182.4**	**31.0**	**54.0**	**40.5**	**56.9**

	Millions of U.S. Dollars				
	2011				
March 31	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Short-term loans payable	**$ 2,909**	**$2,909**	**$ —**	**$ —**	**$ —**
Long-term debt	**26,542**	**566**	**7,951**	**7,185**	**10,840**
Operating leases	**2,194**	**373**	**650**	**488**	**684**

Risk Information

ITOCHU Group is exposed to various risks such as market risks, credit risks and investment risks, due to the nature of a wide range of its businesses. These risks include unpredictable uncertainties and may have significant effects on its future business and financial performance.

ITOCHU Group has enhanced its risk management policy and risk management methodology to monitor and manage these risks, but it is impossible to completely avoid all these risks.

With respect to descriptions about future events, ITOCHU appropriately has determined its assumptions and estimates based on information currently available as of March 31, 2011.

(1) Corporate Result Risks Due to Macroeconomic Factors

ITOCHU Group involves a wide variety of business ranging from supply of raw materials to manufacturing and sale in each of its businesses areas. It conducts diverse types of commercial transactions such as purchase and sale of products in the domestic market, import/export trade between overseas affiliates as well as development of energy, metal resources and mineral resources. To give an overview of Group's main areas of business, trade in machinery such as plants, automobiles and construction machinery, trade in mineral resources, energy and chemical products, and investments in development are all largely dependent on economic trends in the world while the domestic economy has a relatively strong influence on the consumer and retail-related segments such as textiles and food. However, economic trends in the world have been more and more influential even on these consumer and retail-related segments as economic globalization proceeds.

Furthermore, in regions worldwide, the Group conducts business and trade. Consequently, economic trends, not only overall worldwide economic trends but also specific regional trends, could significantly affect the Group.

(2) Market Risk

ITOCHU Group is exposed to market risks such as foreign exchange rate risks, interest rate risks, commodity price risks and stock price risks. The Group attempts to minimize risks related to market fluctuations such as changes in foreign exchange rates and interest rates by establishing risk management policies such as setting and controlling limits and by utilizing a variety of derivative instruments for hedging purposes.

Foreign Exchange Rate Risk

ITOCHU Group is exposed to foreign exchange rate risk related to transactions in foreign currencies due to its significant involvement in import/export trading. Therefore, ITOCHU works to minimize foreign exchange rate risk through hedge transactions that utilize such derivatives as forward exchange contracts. However, ITOCHU cannot guarantee a complete avoidance of such foreign exchange rate risk by utilizing these hedging techniques.

Further, ITOCHU's investments in overseas businesses expose ITOCHU Group to the risk that fluctuations in foreign exchange rates could affect stockholders' equity through the accounting for foreign currency translation adjustments and the risk that fluctuations in foreign exchange rates could affect the amount of periodic income when converted to yen. These foreign exchange rate risks could seriously affect the financial position and results of operations of ITOCHU Group.

Interest Rate Risk

ITOCHU Group is exposed to interest rate risk in both raising and using money for financing, investing, and operating activities. Among the interest insensitive assets such as investment securities or fixed assets, the part acquired using floating interest loans is considered to be the interest mismatch amount exposed to interest rate risk. ITOCHU is working to quantify the interest rate risk to control the fluctuation of gains and losses due to interest rate change properly.

To be specific, using the management method Earnings at Risk (EaR), ITOCHU has set a certain limit (Loss Cut Limit) as the highest acceptable interest expense and has executed hedging transactions primarily in the form of interest rate swaps to minimize interest rate risk.

However, ITOCHU still cannot guarantee a complete avoidance of interest rate risk, even after having adopted these management methods.

Commodity Price Risk

As a trading company handling a diverse array of commodities, ITOCHU Group is exposed to commodity price risk due to such factors as market fluctuations. The Group has established a risk management policy on a Division Company basis, assessing purchase contracts, inventories, and sales contracts, etc. and sets and manages a balance limit and loss cut limit for each individual product with conducting periodic reviews.

In addition, ITOCHU Group works to minimize commodity price risk by utilizing derivatives such as futures or forward contracts as means of hedging. Despite these measures, ITOCHU Group cannot guarantee a complete avoidance of commodity price risk.

ITOCHU Group also participates in resource development businesses such as the energy, metals and minerals sector and other manufacturing businesses. Production in these businesses is also exposed to the same commodity price risk noted above, and it is possible for the value of the businesses to deteriorate.

If this were to occur, it could seriously affect the financial position and results of operations of ITOCHU Group.

Stock Price Risk

ITOCHU Group holds available-for-sale securities which are vulnerable to price fluctuation. There is a risk that stockholders' equity may change in our consolidated financial statements along with the price fluctuations of these investments. Assuming that the fair value of these available-for-sale marketable securities decreased, the necessity of recognizing holding loss on securities may arise, and it could seriously affect the financial position and results of operations of ITOCHU Group.

(3) Credit Risks

ITOCHU Group conducts a vast array of commercial transactions with its trading partners, both domestically and overseas. ITOCHU therefore bears credit risk from uncollectible trading receivables, loans, or credits for guaranty held by the Group due to the deteriorating credit status or insolvency of ITOCHU's partners, from assuming a responsibility to fulfill the contracts as an involved party is unable to continue its business and fulfill its obligations under the contracts.

In ITOCHU, the credit department, which is independent of the business departments, manages credit risk on both quantitative and qualitative bases. Each proposal submitted by a business division undergoes careful screening by the credit department, which then sets an appropriate credit limit upon the completion of review. Specific expiration dates are set for credit limits. These limits and the status of trade receivables are monitored on a periodic basis along with periodic reviews of the status of debt collections and delinquencies. The necessary reserves are determined and booked on this basis. With all these measures, however, the occurrence of credit risks cannot be completely avoided, and such occurrences could seriously affect the financial position and results of operations of ITOCHU Group.

(4) Country Risk

ITOCHU Group has trading relationships with many foreign countries. These include handling foreign goods and investments in foreign trading partners. ITOCHU Group therefore is exposed to country risk resulting from regulations imposed by foreign governments, political instability, or restrictions on the transfers of funds. In response to the country risk, in addition to taking appropriate countermeasures for each transaction, with the aim of avoiding a concentration of exposure, ITOCHU Group is endeavoring to manage risk by setting total limit guidelines and limits for each country and setting credit policies appropriate to each country.

ITOCHU Group does, however, have debts in countries and regions where there is a relatively high probability of country risk emerging, and those in which business activities are implemented through loans, investment and guarantees for monetary indebtedness. When those debts and business activities face events caused by political, economic, or social instability, ITOCHU Group cannot entirely deny the possibility that those events may have a significant impact on the debt collection and sustainability of ITOCHU Group's business activities in such countries and regions. Such occurrences could have a serious, adverse effect on the financial position and results of operations of ITOCHU Group.

(5) Investment Risk

Investing in a variety of businesses is one of the major business activities of ITOCHU Group. In managing the Group's portfolio of investments strategically, ITOCHU Group faces serious decisions regarding the initiation of new investments that will produce profit commensurate with the attendant risk, or the withdrawal from investments that do not produce profits consistent with attendant risks.

However, in ITOCHU Group's engagement in investing activities, there may arise such cases that the Group is unable to achieve the Group's forecasted results from the invested businesses due to a deteriorating management environment for the businesses in which the Group has invested or the deteriorating corporate results and financial standing of ITOCHU's partners, ITOCHU Group is unable to withdraw from a business or restructure the business under a timeframe or method that the Group desires due to the difference of business policy from the partners' or low liquidity of investments etc., the likelihood of investment recovery are lowered due to poor corporate results of investees, or stock prices are expected to drop below a specified level for a considerable period of time. In such cases, serious adverse influences on the future corporate results and financial standing of ITOCHU Group are possible including the necessities that the whole or partial investment is recognized as loss, and that the infusion of additional funds is required.

(6) Risks Due to Impairment Loss on Fixed Assets

ITOCHU Group is exposed to impairment loss risks on fixed assets held, such as real estate, aircraft, and ships. ITOCHU does not foresee at present any necessity for booking additional impairment losses.

However, ITOCHU Group might be required to recognize impairment losses should the economic value of fixed assets deteriorate due to decreased demand or deterioration in market conditions for each of the assets. Such an occurrence could seriously affect the financial position and results of operations of ITOCHU Group.

(7) Risks Due to Fund Raising

ITOCHU Group uses ALM (Asset Liability Management) to ensure the necessary funding for its businesses and to ensure liquidity through debt from domestic and international financial institutions, as well as the issuance of commercial papers and debentures. However, should ITOCHU's credit worthiness in the capital market deteriorate due to a significant lowering of the Company's credit rating, or should there be an upheaval in the financial systems in major financial markets, the Group could experience an inability to raise funds from financial institutions or investors when necessary or under desirable conditions and could consequently experience an increase in funding costs. This could exert a serious, adverse influence on the financial position and results of operations of ITOCHU Group.

(8) Risks Due to Pension Cost and Projected Benefit Obligations

The benefit expenses and benefit obligations of ITOCHU are calculated based on actuarial calculations that utilize a variety of assumptions such as the discount rate for benefit obligations and the expected rate of return on pension assets. However, should it become necessary to change the assumptions on which the actuarial calculations are based or should pension assets be affected by deterioration in the stock market, it is possible that pension cost and projected benefit obligations could increase and that additional contributions to pension assets might be necessary. The financial position and results of operations of ITOCHU Group could be seriously affected by such occurrences.

(9) Risks Due to Deferred Taxes

Deferred tax assets are an important factor in ITOCHU's consolidated balance sheets. Therefore, accounting judgment on evaluation of deferred tax assets has a substantial impact on ITOCHU's consolidated financial statements.

Considering the necessity of an allowance for deferred tax assets, ITOCHU Group reports the realizable amount of deferred tax assets, taking into consideration future taxable income and feasible tax planning strategies.

The management of ITOCHU Group believes these estimations of realizable amount of deferred tax assets are rational. However, allowance for deferred taxes may increase or decrease depending on changes in estimated taxable income during the tax planning period, changes in the tax system including changes in tax rates, and changes in tax planning strategies. In that case it could seriously affect the financial position and results of operations of ITOCHU Group.

(10) Risks Due to Competition

Due to ITOCHU Group's involvement in many different industries and the fact that the Group handles a vast array of products and services, the Group is open to competition from many different companies, both domestic and foreign, including competition from other general trading companies. ITOCHU Group cannot deny the existence of other companies with superior experience, technology, and funding capacity, that are in a position to provide products and services that meet customer needs. Moreover, ever-greater competition from companies in newly developing countries like China is gradually emerging in addition to ongoing competition from companies in European and North American industrialized countries due to economic globalization. ITOCHU Group could also find its competitiveness unsustainable due to future events such as deregulation, changes in the business environment such as entering into other industries, and technological innovation. The advent of such risks could cause a corresponding loss in competitiveness for ITOCHU Group, giving major adverse impact on the financial position and results of operations of ITOCHU Group.

(11) Risks Associated with Significant Lawsuits

There is no significant, currently pending lawsuit, arbitration, or other legal proceeding that may materially affect the financial position or results of the operations of ITOCHU Group.

However, there is no assurance that domestic or overseas business activities of ITOCHU Group may not become subject to any of such lawsuits, arbitrations or other legal proceedings.

(12) Risks Associated with Compliance

Risks Related to Laws and Regulations

ITOCHU Group is subject to a number of diverse laws and regulations both domestically and overseas due to the vast array of products and services the Group provides.

To be specific, ITOCHU Group is required to adhere to laws and regulations such as the laws for each industry, including the companies act, financial instruments and exchange laws, and tax laws, as well as all laws pertaining to trade such as foreign exchange control laws, antitrust laws, intellectual property laws, waste disposal laws and the laws of each country in which ITOCHU Group conducts business overseas. ITOCHU Group is aware that the observance of laws and regulations is a serious obligation of the Company and the Group has made every effort for the observance of these laws and regulations by reinforcing the compliance system. With all these measures, however, there is a possibility of the situation where, including personal misconduct by directors and employees, risks associated with compliance or suffering social disgrace cannot be removed.

Also, ITOCHU cannot deny that unexpected, additional enactment or change in laws and regulations by legislative, judicial, and regulatory bodies are a possibility both domestically and overseas, and there are possibilities of major change in laws and regulations by political/economical changes. This could exert a serious, adverse influence on the financial position and results of operations of ITOCHU Group.

Risks Related to the Environment

ITOCHU Group has designated global environmental issues as one of the most important elements of its management policy. The Group is actively working on environmental issues designated by ITOCHU's environmental policy and is building an environmental management system in order to minimize environmental risk, including the risk of infringement of laws and regulations, in natural resource development, real estate development and other investments, the handling of goods, and the provision of services. Despite these efforts, ITOCHU Group cannot guarantee that the Group's business activities will not affect the world environment, and ITOCHU cannot completely avoid the possibility that the opposition of environmental protection groups will impede the business growth. Should such events occur, the ITOCHU Group could suffer the loss of public trust and could suffer serious adverse effects on the financial position and results of operations of ITOCHU Group.

(13) Risks Associated with Information Systems and Information Security

In ITOCHU Group, a code of conduct concerning the handling of information is enforced on all directors and employees and high priority is placed on maintaining a high information security level. ITOCHU Group has established information systems to facilitate the sharing of information and to improve the efficiency of operations. In order to maintain a secure operation of its information systems, ITOCHU Group has established security guidelines and has developed crisis control measures.

Despite these measures, ITOCHU Group cannot completely avoid the possibility of unauthorized access from the outside, the leakage of sensitive company information due to computer viruses, or operational failure of the system due to damage to information system equipment arising from natural disasters or accidents or from trouble with telecommunications circuitry. If such events occur, this could cause a deterioration of operational efficiency, and depending on the seriousness of the damage, could result in a serious adverse effect on the financial position and results of operations of ITOCHU Group.

(14) Natural Disasters and Other Risks

Natural disasters such as earthquake or infectious diseases such as the new influenza may adversely affect the operations of ITOCHU Group. ITOCHU has implemented measures such as developing Business Continuity Plan (BCP) for large-scale disasters, developing a BCP for the occurrence of new influenza viruses, introducing a safety confirmation system, creating a disaster manual, reinforcing earthquake resistance, and conducting emergency drills. Also, various measures have been implemented individually in each Group company. However, since ITOCHU Group operates business activities in a vast range of regions, damage from disasters or infectious diseases such as new influenza viruses cannot be completely avoided. Therefore, damage inflicted from natural disaster or infectious diseases such as new influenza viruses could significantly affect the financial position and results of operations of ITOCHU Group.

Critical Accounting Policies

The Company's consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). In preparing the consolidated financial statements, the management of the Company is required to make a number of estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, contingent assets and liabilities as of each balance sheet date, and revenues and expenses in each reporting period. Management periodically verifies and makes a review of its estimates, judgments and assumptions based on the available information that is considered to be reasonable, judging from historical experiences and circumstances. These estimates, judgments and assumptions, however, which are often accompanied by uncertainties, may differ from actual results. These differences may have an effect on the Company's consolidated financial statements and the performance of every operating segment. The following accounting policies relate to estimates, judgments and assumptions that management believes may materially affect consolidated financial statements.

Evaluation of Investments

Investment balance and profit from investments are important factors in the Company's consolidated financial statements and, therefore, accounting judgment on the evaluation of investments has a substantial impact on the Company's consolidated financial statements. The Company and its subsidiaries evaluate marketable securities based on their fair values. The difference between carrying amount and fair value is reported in the consolidated statements of income for trading securities, while differences net of tax are reported in stockholders' equity as "unrealized holding gains on securities," for available-for-sale securities. When the Company and its subsidiaries judge that the price decrease of marketable securities is other than temporary, considering severity and duration of decline in the fair value against carrying amount, impairment losses are recognized for the devaluation of this value.

For the impairment of non-marketable securities, judgment of an other-than-temporary decline is conducted after a comprehensive consideration of the magnitude of the decrease in terms of net asset value, the financial conditions of the invested companies, and the outlook for their future performance. For the impairment of marketable investments in equity-method investees and as is the case for impairment of long-lived assets, the Company and its subsidiaries judge whether or not a price decrease is other than temporary not only by measuring the magnitude of the decrease in market value but also by comprehensively considering the possibility of collection based on the estimated future cash flows generated from the investment. The management of the Company believes that these investment evaluations are rational. However, differences in estimates such as estimated future cash flows due to unforeseen changes in business conditions may impair the value of investments and have a material impact on the Company's consolidated financial statements.

Provision for Doubtful Receivables

Trade receivables including notes and accounts, in addition to loans, represent a large amount in the Company's consolidated balance sheets, and the provision for doubtful receivables is an important factor in the Company's consolidated statements of income. Therefore, accounting judgment on the evaluation of receivables has a substantial impact on the Company's consolidated financial statements. In the Company, the credit department, which is independent of business departments, manages and evaluates credit risk from both quantitative and qualitative perspectives, regularly monitoring the credit limit and the current condition of trade receivables, and regularly reviewing the current condition of debt collection and delinquency to discuss and record the required provision for doubtful receivables. The Company and its subsidiaries estimate the recoverable amount and records the required provision for doubtful receivables, after comprehensively considering the status of collection, past insolvency record, financial conditions of debtors, and the value of collateral. The management of the Company believes that these estimations of provisions for doubtful receivables are rational. However, deterioration of the debtors' financial conditions and decreases in estimated collateral value due to unpredictable changes in business conditions may reduce the recoverable amounts from the latest estimation, and an increase in provision for doubtful receivables may have a material impact on the Company's consolidated financial statements.

Deferred Income Taxes

Deferred income tax assets are an important factor in the Company's consolidated balance sheets. Therefore, accounting judgment on the evaluation of deferred income tax assets has a substantial impact on the Company's consolidated financial statements. To consider recording valuation allowances for deferred income tax assets, the Company and its subsidiaries report the realizable amount of deferred income tax assets, taking into consideration future taxable income and feasible tax planning strategies. To evaluate the realizable amount, it considers information such as historical records and any available information related to the future.

The management of the Company believes that these estimations of the realizable amount of deferred income tax assets are rational. However, valuation allowances for deferred income tax assets may increase or decrease depending on changes in taxable income during the tax planning period and changes in tax planning strategies, which may have a material impact on the Company's consolidated financial statements.

Impairment of Long-Lived Assets

If a part of the carrying amount is determined to be unrecoverable due to changes in the situation for long-lived assets used for business and intangible assets whose useful lives are finite, the Company and its subsidiaries recognize the impairment of such long-lived assets based on fair value when the sum of the outcome of the use of the long-lived asset and future cash flows (undiscounted) resulting from its sale, are below the carrying amount. The management of the Company believes that the estimated future cash flows and the determination of the fair value have been made in a rational manner. However, fluctuations in estimated future cash flows and fair value due to unpredictable changes in business conditions may reduce the evaluation of long-lived assets, which may have a material impact on the Company's consolidated financial statements.

Goodwill and Other Intangible Assets

Goodwill and non-amortizable intangible assets with indefinite useful lives are tested for impairment at least annually or at any time when an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

Fair value, which is indispensable for the impairment test, is estimated according to discounted future cash flows based on the business plan. The management of the Company believes that the estimated future cash flows and the determination of the fair values have been made in a rational manner. However, fluctuations in estimated future cash flows and fair value due to unpredictable changes in business conditions may reduce the evaluation of goodwill and other intangible assets, which may have a material impact on the Company's consolidated financial statements.

Cost of Retirement and Severance Benefits

The Company and its subsidiaries calculate the cost of its employees' retirement and severance benefits and pension obligations based on the same types of assumptions used in actuarial calculations, which include such important estimations as discount rates, retirement rates, death rates, increase rates of salary and long-term expected rates of return on plan assets. To determine each of these assumptions, the Company and its subsidiaries comprehensively judge all available information including market trends such as interest rate changes. The management of the Company believes that the determination of these assumptions has been done in a rational manner. However, any difference between the assumptions and the actual conditions may influence the future retirement benefit costs and pension liabilities, which may have a material impact on the Company's consolidated financial statements.

Consolidated Balance Sheets

ITOCHU Corporation and Subsidiaries
As of March 31, 2011 and 2010

Assets	Millions of Yen 2011	Millions of Yen 2010	Millions of U.S. Dollars (Note 2) 2011
Current assets:			
Cash and cash equivalents (Notes 4 and 8)	**¥ 630,722**	¥ 475,674	**$ 7,585**
Time deposits (Note 8)	**4,420**	7,523	**53**
Short-term investments (Notes 4 and 8)	**3,560**	7,140	**43**
Trade receivables (Notes 6 and 8):			
Notes	**155,496**	153,694	**1,870**
Accounts (Note 12)	**1,290,277**	1,287,821	**15,517**
Allowance for doubtful receivables	**(11,410)**	(14,833)	**(137)**
Net trade receivables	**1,434,363**	1,426,682	**17,250**
Due from associated companies	**113,669**	96,279	**1,367**
Inventories (Note 8)	**504,342**	476,066	**6,065**
Advances to suppliers	**71,698**	72,870	**862**
Prepaid expenses	**28,492**	28,361	**343**
Deferred tax assets (Note 15)	**51,030**	45,759	**614**
Other current assets (Notes 6 and 20)	**233,535**	257,127	**2,809**
Total current assets	**3,075,831**	2,893,481	**36,991**
Investments and non-current receivables:			
Investments in and advances to associated companies (Notes 5, 6, 8 and 13)	**985,316**	938,689	**11,850**
Other investments (Notes 4 and 8)	**492,746**	450,341	**5,926**
Other non-current receivables (Notes 6, 8 and 12)	**139,311**	163,515	**1,675**
Allowance for doubtful receivables (Note 6)	**(50,851)**	(59,876)	**(611)**
Total investments and net non-current receivables	**1,566,522**	1,492,669	**18,840**
Property and equipment, at cost (Notes 7, 8, 12 and 17)**:**			
Land	**158,767**	164,522	**1,909**
Buildings	**411,811**	412,468	**4,953**
Machinery and equipment	**435,076**	420,640	**5,232**
Furniture and fixtures	**83,256**	82,871	**1,001**
Mineral rights	**52,714**	64,152	**634**
Construction in progress	**28,416**	30,838	**342**
Total property and equipment, at cost	**1,170,040**	1,175,491	**14,071**
Less accumulated depreciation	**526,411**	509,140	**6,330**
Net property and equipment	**643,629**	666,351	**7,741**
Goodwill and other intangible assets (Note 9)**:**			
Goodwill	**94,673**	100,057	**1,139**
Other intangible assets, less accumulated amortization	**96,393**	101,849	**1,159**
Total goodwill and other intangible assets	**191,066**	201,906	**2,298**
Prepaid pension cost (Note 13)	**365**	7,603	**4**
Deferred tax assets, non-current (Note 15)	**111,411**	108,316	**1,340**
Other assets (Note 20)	**84,859**	106,521	**1,020**
Total	**¥5,673,683**	¥5,476,847	**$68,234**

Refer to Notes to consolidated financial statements.

Liabilities and Equity	Millions of Yen 2011	Millions of Yen 2010	Millions of U.S. Dollars (Note 2) 2011
Current liabilities:			
Short-term debt (Notes 8 and 10)	**¥ 241,915**	¥ 229,236	**$ 2,909**
Current maturities of long-term debt (Notes 8 and 10)	**47,058**	60,728	**566**
Trade payables (Note 8):			
Notes and acceptances	**160,047**	125,278	**1,925**
Accounts	**1,079,562**	1,092,321	**12,983**
Total trade payables	**1,239,609**	1,217,599	**14,908**
Due to associated companies	**28,719**	25,431	**346**
Accrued expenses	**130,628**	124,877	**1,571**
Income taxes payable (Note 15)	**53,825**	38,763	**647**
Advances from customers	**84,709**	80,030	**1,019**
Deferred tax liabilities (Note 15)	**887**	868	**11**
Other current liabilities (Notes 11, 12 and 20)	**215,529**	215,026	**2,592**
Total current liabilities	**2,042,879**	1,992,558	**24,569**
Long-term debt, excluding current maturities (Notes 8, 10, 11, 12 and 20)	**2,159,929**	2,107,589	**25,976**
Accrued retirement and severance benefits (Note 13)	**52,564**	43,314	**632**
Deferred tax liabilities, non-current (Note 15)	**20,801**	22,033	**250**
Commitments and contingent liabilities (Note 24)			
Total liabilities	**4,276,173**	4,165,494	**51,427**
Equity:			
Common stock (Note 18):			
Authorized: 3,000,000,000 shares; issued: 1,584,889,504 shares 2011 and 2010	**202,241**	202,241	**2,432**
Capital surplus (Notes 15 and 18)	**114,291**	137,506	**1,375**
Retained earnings (Note 18):			
Legal reserve	**18,257**	16,117	**220**
Other retained earnings	**1,016,965**	884,280	**12,230**
Accumulated other comprehensive income (loss) (Notes 15 and 19):			
Foreign currency translation adjustments	**(152,407)**	(90,088)	**(1,833)**
Pension liability adjustments (Note 13)	**(93,423)**	(86,479)	**(1,124)**
Unrealized holding gains on securities (Note 4)	**53,048**	40,544	**638**
Unrealized holding losses on derivative instruments (Note 20)	**(1,472)**	(3,015)	**(18)**
Total accumulated other comprehensive income (loss)	**(194,254)**	(139,038)	**(2,337)**
Treasury stock, at cost (Note 18):			
4,353,606 shares 2011			
4,379,005 shares 2010	**(2,674)**	(2,687)	**(32)**
Total ITOCHU stockholders' equity	**1,154,826**	1,098,419	**13,888**
Noncontrolling interest (Note 18)	**242,684**	212,934	**2,919**
Total equity	**1,397,510**	1,311,353	**16,807**
Total	**¥5,673,683**	¥5,476,847	**$68,234**

Consolidated Statements of Income

ITOCHU Corporation and Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of Yen			Millions of U.S. Dollars (Note 2)
	2011	2010	2009	**2011**
Revenue (Notes 12, 17 and 20):				
Sales revenue	**¥ 3,120,883**	¥ 2,885,598	¥ 2,821,553	**$ 37,533**
Trading margins and commissions on trading transactions	**528,788**	531,039	597,508	**6,360**
Total revenue	**3,649,671**	3,416,637	3,419,061	**43,893**
Cost of sales	**(2,608,380)**	(2,492,271)	(2,358,540)	**(31,370)**
Gross trading profit (Note 17)	**1,041,291**	924,366	1,060,521	**12,523**
Selling, general and administrative expenses (Notes 3, 9, 12 and 13)	**(775,811)**	(769,907)	(768,115)	**(9,330)**
Provision for doubtful receivables (Note 6)	**(9,398)**	(7,045)	(16,742)	**(113)**
Interest income	**10,278**	9,911	16,253	**124**
Interest expense (Note 20)	**(27,010)**	(35,249)	(45,710)	**(325)**
Dividends received	**23,502**	28,900	35,039	**283**
Loss on investments–net (Notes 3 and 4)	**(38,125)**	(4,456)	(23,066)	**(459)**
Loss on property and equipment–net (Notes 7, 9 and 23)	**(33,739)**	(8,548)	(45,407)	**(406)**
Gain on bargain purchase in acquisition (Note 3)	**—**	14,015	—	**—**
Other–net (Notes 9, 14, 20 and 23)	**(8,891)**	2,999	(4,515)	**(107)**
Income before income taxes and equity in earnings of associated companies (Note 15)	**182,097**	154,986	208,258	**2,190**
Income taxes (Note 15):				
Current	**81,051**	55,126	95,573	**975**
Deferred (Note 3)	**(12,555)**	(3,555)	(22,816)	**(151)**
Total income taxes	**68,496**	51,571	72,757	**824**
Income before equity in earnings of associated companies	**113,601**	103,415	135,501	**1,366**
Equity in earnings of associated companies (Notes 5 and 17)	**60,617**	36,269	41,304	**729**
Net income	**174,218**	139,684	176,805	**2,095**
Less: Net income attributable to the noncontrolling interest	**(13,243)**	(11,531)	(11,415)	**(159)**
Net income attributable to ITOCHU (Note 17)	**¥ 160,975**	¥ 128,153	¥ 165,390	**$ 1,936**

	Yen			U.S. Dollars (Note 2)
	2011	2010	2009	**2011**
Net income attributable to ITOCHU per common share (Note 16)	**¥101.84**	¥81.09	¥104.64	**$1.22**
Diluted net income attributable to ITOCHU per common share (Note 16)	**¥101.69**	¥80.91	¥103.94	**$1.22**

Refer to Notes to consolidated financial statements.

Consolidated Statements of Equity

ITOCHU Corporation and Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of Yen			Millions of U.S. Dollars (Note 2)
	2011	2010	2009	2011
Common stock (Note 18):				
Balance at beginning of year issued: 1,584,889,504 shares 2011, 2010 and 2009	¥ 202,241	¥ 202,241	¥ 202,241	$ 2,432
Balance at end of year issued: 1,584,889,504 shares 2011, 2010 and 2009	¥ 202,241	¥ 202,241	¥ 202,241	$ 2,432
Capital surplus (Note 18):				
Balance at beginning of year	¥ 137,506	¥ 137,171	¥ 137,211	$ 1,654
Deficit arising from retirement of treasury stock	—	—	(40)	
Sale (purchase) of subsidiary shares to (from) noncontrolling interest	(19,322)	335	—	(232)
Sale (purchase) by associated companies of their subsidiary shares to (from) their noncontrolling interests	(3,893)	—	—	(47)
Balance at end of year	¥ 114,291	¥137,506	¥ 137,171	$ 1,375
Retained earnings (Note 18):				
Legal reserve:				
Balance at beginning of year	¥ 16,117	¥ 13,183	¥ 10,373	$194
Transfer from other retained earnings	2,236	3,007	2,642	27
Redistribution arising from sale by parent company of common stock of subsidiaries and associated companies	(96)	(73)	168	(1)
Balance at end of year	¥ 18,257	¥ 16,117	¥ 13,183	$ 220
Other retained earnings:				
Balance at beginning of year	¥ 884,280	¥ 783,699	¥ 652,757	$10,635
Net income attributable to ITOCHU	160,975	128,153	165,390	1,936
Cash dividends	(26,102)	(24,516)	(31,636)	(314)
Transfer to legal reserve	(2,236)	(3,007)	(2,642)	(27)
Redistribution arising from sale by parent company of common stock of subsidiaries and associated companies	96	73	(168)	1
Deficit arising from retirement of treasury stock	(48)	(122)	(2)	(1)
Balance at end of year	¥1,016,965	¥ 884,280	¥ 783,699	$12,230
Accumulated other comprehensive income (loss) (Notes 4, 13, 15, 19 and 20):				
Balance at beginning of year	¥ (139,038)	¥ (284,172)	¥ (26,448)	$ (1,672)
Other comprehensive income (loss)	(55,158)	145,125	(257,724)	(664)
Sale (purchase) of subsidiary shares to (from) noncontrolling interest	(58)	9	—	(1)
Balance at end of year	¥ (194,254)	¥ (139,038)	¥ (284,172)	$ (2,337)
Treasury stock (Note 18):				
Balance at beginning of year	¥(2,687)	¥ (2,711)	¥ (2,589)	$ (32)
Net change in treasury stock	13	24	(122)	0
Balance at end of year	(2,674)	¥ (2,687)	¥ (2,711)	$ (32)
Total ITOCHU stockholders' equity	¥1,154,826	¥1,098,419	¥ 849,411	$13,888
Noncontrolling interest:				
Balance at beginning of year	¥ 212,934	¥ 187,944	¥ 145,618	$ 2,561
Net income attributable to the noncontrolling interest	13,243	11,531	11,415	159
Other comprehensive income (loss) attributable to the noncontrolling interest (Notes 15 and 19)	(3,013)	2,391	(4,781)	(36)
Cash dividends to noncontrolling interest	(8,503)	(7,177)	(7,067)	(102)
Contribution from noncontrolling interest	1,059	2,411	3,786	12
Distribution to noncontrolling interest	(5,993)	(1,448)	—	(72)
Sale (purchase) of subsidiary shares to (from) noncontrolling interest	(6,429)	(2,977)	(5,330)	(77)
Acquisitions of subsidiaries (Note 3)	44,734	21,907	45,434	538
Deconsolidation of subsidiaries	(5,348)	(1,648)	(1,131)	(64)
Balance at end of year	¥ 242,684	¥ 212,934	¥ 187,944	$ 2,919
Total equity	¥1,397,510	¥1,311,353	¥1,037,355	$16,807
Comprehensive income (loss) (Notes 15 and 19):				
Net income	¥ 174,218	¥ 139,684	¥ 176,805	$ 2,095
Other comprehensive income (loss) (net of tax):				
Foreign currency translation adjustments	(64,199)	96,446	(162,751)	(772)
Pension liability adjustments (Note 13)	(7,630)	19,700	(33,759)	(92)
Unrealized holding gains (losses) on securities (Note 4)	12,128	27,868	(61,990)	146
Unrealized holding gains (losses) on derivative instruments (Note 20)	1,530	3,502	(4,005)	18
Total other comprehensive income (loss) (net of tax)	(58,171)	147,516	(262,505)	(700)
Comprehensive income (loss)	116,047	287,200	(85,700)	1,395
Comprehensive income (loss) attributable to the noncontrolling interest	(10,230)	(13,922)	(6,634)	(123)
Comprehensive income (loss) attributable to ITOCHU	¥ 105,817	¥ 273,278	¥ (92,334)	$ 1,272

Refer to Notes to consolidated financial statements.

Consolidated Statements of Cash Flows

ITOCHU Corporation and Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of Yen			Millions of U.S. Dollars (Note 2)
	2011	2010	2009	2011
Cash flows from operating activities:				
Net income	¥ 174,218	¥ 139,684	¥ 176,805	$ 2,095
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	75,438	76,377	64,988	907
Provision for doubtful receivables	9,398	7,045	16,742	113
Loss on investments–net (Note 3)	38,125	4,456	23,066	459
Loss on property and equipment–net	33,739	8,548	45,407	406
Gain on bargain purchase in acquisition (Note 3)	—	(14,015)	—	—
Equity in earnings of associated companies, less dividends received	(35,237)	(16,794)	(22,298)	(424)
Deferred income taxes	(12,555)	(3,555)	(22,816)	(151)
Change in assets and liabilities:				
Trade receivables	(33,591)	(121,964)	334,168	(404)
Due from associated companies	(9,544)	(2,506)	7,110	(115)
Inventories	(47,441)	49,255	(7,188)	(571)
Other current assets	22,078	(8,573)	(13,471)	266
Trade payables	52,964	148,607	(306,860)	637
Due to associated companies	3,991	9,756	(2,636)	48
Other current liabilities	8,637	17,227	(8,011)	104
Other–net	56,648	1,828	(8,152)	681
Net cash provided by operating activities	336,868	295,376	276,854	4,051
Cash flows from investing activities:				
Payments for purchases of property, equipment and other assets	(108,230)	(95,123)	(131,189)	(1,301)
Proceeds from sales of property, equipment and other assets	26,799	13,078	13,538	322
Increase in investments in and advances to associated companies	(104,093)	(116,226)	(191,239)	(1,252)
Decrease in investments in and advances to associated companies	27,534	27,554	16,874	331
Acquisitions of available-for-sale securities	(60,103)	(18,128)	(12,751)	(723)
Proceeds from sales of available-for-sale securities	9,066	14,966	15,108	109
Proceeds from maturities of available-for-sale securities	618	1,472	194	7
Acquisitions of held-to-maturities securities	(170)	—	—	(2)
Proceeds from maturities of held-to-maturities securities	332	30	—	4
Acquisitions of other investments	(30,225)	(35,462)	(56,516)	(364)
Proceeds from sales of other investments	20,181	11,068	25,964	243
Acquisitions of subsidiaries, net of cash acquired	—	(3,999)	5,722	—
Sales of subsidiaries, net of cash held by subsidiaries	(2,945)	1,572	4,564	(35)
Origination of other non-current loan receivables	(40,674)	(31,372)	(50,349)	(489)
Collections of other non-current loan receivables	30,685	35,563	34,799	369
Net (increase) decrease in time deposits	805	(1,311)	(752)	10
Net cash used in investing activities	(230,420)	(196,318)	(326,033)	(2,771)
Cash flows from financing activities:				
Proceeds from long-term debt	304,481	461,718	384,515	3,662
Repayments of long-term debt	(260,624)	(360,254)	(345,590)	(3,135)
Net increase (decrease) in short-term debt	31,458	(325,677)	256,101	378
Proceeds from equity transactions with noncontrolling interest	44,836	986	2,118	539
Payments for equity transactions with noncontrolling interest	(32,820)	(3,956)	—	(394)
Cash dividends	(26,102)	(24,516)	(31,636)	(314)
Cash dividends to noncontrolling interest	(8,503)	(7,177)	(7,067)	(102)
Net (increase) decrease in treasury stock	179	(111)	(119)	2
Net cash provided by (used in) financing activities	52,905	(258,987)	258,322	636
Effect of exchange rate changes on cash and cash equivalents	(4,305)	6,783	(26,634)	(52)
Net increase (decrease) in cash and cash equivalents	155,048	(153,146)	182,509	1,864
Cash and cash equivalents at beginning of year	475,674	628,820	446,311	5,721
Cash and cash equivalents at end of year	¥ 630,722	¥ 475,674	¥ 628,820	$ 7,585
Supplemental disclosures of cash flow information:				
Cash paid during the year for:				
Interest	¥ 28,104	¥ 36,931	¥ 47,547	$ 338
Income taxes	60,681	70,173	101,250	730
Information regarding non-cash investing and financing activities:				
Contribution of securities to pension trust	—	9,109	—	—
Non-monetary exchange of shares (Note 4):				
Fair market value of shares received	45	62	206	1
Costs of shares surrendered	19	108	208	—
Acquisitions of subsidiaries (Note 3):				
Fair value of assets acquired	—	182,581	345,678	—
Fair value of liabilities assumed	—	110,638	269,985	—
Acquisition costs of subsidiaries	—	71,943	75,693	—
Non-cash acquisition costs	—	49,026	42,330	—
Cash acquired	—	18,918	39,085	—
Acquisitions of subsidiaries, net of cash acquired	—	3,999	(5,722)	—

Refer to Notes to consolidated financial statements.

Notes to Consolidated Financial Statements

ITOCHU Corporation and Subsidiaries

1. Nature of Operations

ITOCHU Corporation (The "Company") and its subsidiaries conduct trading, finance and logistics involving a huge variety of products, as well as project planning and coordination. They also have cultivated a diverse range of functions and expertise through investments in resource development and other projects. By leveraging these comprehensive capabilities, the Company and its subsidiaries operate in a wide range of industries and via global networks spanning seven division companies. In the Consumer-Related Sector, these cover textiles, food and forest products and general merchandise; in the Natural Resource/Energy-Related Sector, they include metal resources and energy; and in Other Sectors, they involve chemicals, machinery, IT, financial services and real estate. In addition, the companies engage in the development of diverse new business areas, such as Life & Healthcare and the Environment and New Energy.

2. Basis of Financial Statements and Summary of Significant Accounting Policies

(1) Basis of Financial Statements

The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates. The translation of Japanese yen amounts into U.S. dollar amounts for the year ended March 31, 2011 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥83.15= U.S.$1 (the official rate as of March 31, 2011 announced by The Bank of Tokyo-Mitsubishi UFJ, Ltd.). The translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Because the Company and its subsidiaries maintain their records and prepare their financial statements in accordance with accounting principles prevailing in their countries of incorporation, certain adjustments have been made to conform to U.S. GAAP. The major adjustments include those relating to the valuation of certain investment securities, non-monetary exchange of investments, deferred gains on sales of property, pension costs, the cost of issuance of new shares, recognition of installment sales on the accrual basis of accounting, recognition and measurement of noncontrolling interest upon acquisition, change in a parent's ownership interest in a subsidiary, re-measurement of gain or loss on retained investment in the former subsidiary to its fair value, amortization of goodwill and other intangible assets and derivative instruments and hedging activities.

(2) Summary of Significant Accounting Policies

1) Basis of Consolidation

In accordance with Accounting Standard Codification (hereinafter referred to as "ASC") Topic 810, "Consolidation," the consolidated financial statements include the accounts of the Company and its directly or indirectly majority owned domestic and foreign subsidiaries and the variable interest entities for which the Company and its subsidiaries is the primary beneficiary. The accounts of the subsidiaries are included on the basis of their respective fiscal periods which end primarily on March 31 or within the three months prior to March 31.

The determination of whether an entity is recognized as a consolidated subsidiary is based on the Company's ownership of voting shares, including consideration of any shares contributed to the pension trusts. Although the Company retains the rights to vote the contributed shares, the rights to dispose of such shares are executed by the trustee. The equity in contributed shares to the pension trust, if any, is included in noncontrolling interests in the consolidated financial statements.

2) Foreign Currency Translation

Foreign currency financial statements have been translated in accordance with ASC Topic 830, "Foreign Currency Matters." Pursuant to this statement, the assets and liabilities of foreign subsidiaries and associated companies are translated into Japanese yen at the respective year-end exchange rates. All income and expense accounts are translated at average rates of exchange. The resulting foreign currency translation adjustments, net of tax, are included in "Accumulated other comprehensive income (loss)." Foreign currency receivables and payables are translated into Japanese yen at year-end exchange rates and the resulting foreign exchange gains and losses are recognized and included in "Other–net" in the consolidated statements of income.

3) Cash Equivalents

In accordance with ASC Topic 230, "Statement of Cash Flows," the Company and its subsidiaries define cash equivalents as short-term (original maturities of three months or less), highly liquid investments which are readily convertible to cash and have insignificant risk of changes in value, including short-term time deposits.

4) Inventories

In accordance with ASC Topic 330, "Inventory," inventories are stated at the lower of cost, determined principally by the specific identification method, or market.

5) Marketable Securities and Other Investments

In accordance with ASC Topic 320, "Investments-Debt and Equity Securities," the Company and its subsidiaries classify certain investments included in "Short-term investments" and "Other investments" based upon their ability and intent as held-to-maturity, trading or available-for-sale securities. Held-to-maturity securities are reported at amortized cost, trading securities are reported at fair value with unrealized holding gains and losses included in earnings and available-for-sale securities are reported at fair value with unrealized holding gains and losses included in "Accumulated other comprehensive income (loss)" in stockholders' equity on a net-of-tax basis. The cost of certain investments sold is determined using the moving-average cost method. The Company and its subsidiaries periodically review their investments for impairment to determine whether the fair value of held-to-maturity and available-for-sale securities has declined below cost and if such decline is believed to be other than temporary. If the decline in fair value is judged to be other than temporary, the cost basis of those securities is written down to fair value as a new cost basis. Whether the decline in value is other than temporary is determined by considering the severity (the extent to which fair value is below cost) and the duration (the period of time that a security has been impaired).

In accordance with ASC Topic 325, "Investments–Others," on-marketable securities included in "Other investments" are reported at cost or the fair value if it is lower.

6) Investments in Associated Companies

The Company and its subsidiaries initially record investments in associated companies (generally, those in which the Company and its subsidiaries own 20% to 50% of the outstanding voting stocks) at cost and adjust the carrying amount of the investment to recognize their share of the undistributed earnings or losses of the associated companies after the date of acquisition. Under the equity-method, the Company and its subsidiaries make adjustments to eliminate significant unrealized intercompany profits and to reduce the carrying amount of the investment by dividends received. An impairment loss is recognized where a decline in value of an investment in an associated company is other than temporary, which includes but is not limited to the absence of an ability to recover the carrying amount of the investment or the inability of the investee to sustain an earning capacity which would justify the carrying amount of the investment.

7) Impaired Loans and Allowance for Doubtful Receivables

In accordance with ASC Topic 310, "Receivables," the Company and its subsidiaries measure impairment for certain loans based on the present value of expected future cash flows discounted at the loan's original effective interest rate, the loan's observable market price or the fair value of the underlying collateral if the loan is collateral dependent, and recognize an impairment by creating and adjusting a valuation allowance if the fair value of the loan is less than the recorded amount.

The Company and its subsidiaries primarily recognize, interest income on the recorded investment in an impaired loan on the cash basis.

8) Long-lived Assets

In accordance with ASC Topic 360, "Property, Plant and Equipment," the Company and its subsidiaries perform an impairment test for a long-lived asset (asset group) to be held and used or to be disposed of other than by sale, using undiscounted expected future cash flows, whenever events or changes in circumstances indicate that some portion of the carrying amount of the asset (asset group) may not be recoverable. If the sum of the undiscounted expected future cash flows is less than the carrying amount of the asset (asset group), an impairment loss is recognized as determined by the amount by which the carrying amount of a long-lived asset (asset group) exceeds its fair value. A long-lived asset (asset group) to be disposed of by sale is reported at the lower of its carrying amount or fair value less cost to sell.

9) Depreciation

Depreciation of property and equipment (including property leased to others) is computed principally by the unit-of-production method for mineral rights, and by the straight line method or the declining-balance method for property and equipment other than land, construction in progress and mineral rights, using rates based upon the estimated useful lives of the related property and equipment (6 to 65 years for Buildings, 2 to 33 years for Machinery and equipment, 2 to 20 years for Furniture and fixtures).

10) Business Combinations

In accordance with ASC Topic 805, "Business Combinations," the Company and its subsidiaries account for all business combinations using the acquisition method. The Company and its subsidiaries classify or designate the identifiable assets acquired and liabilities assumed as necessary to subsequently apply other GAAP and measure the noncontrolling interest in the acquiree at its fair value at the acquisition date, then, re-measure its previously held equity interest in the acquiree at acquisition-date fair value (recognizing the resulting gain or loss, if any, in earnings as "Gain (loss) on Investment–net" in the Consolidated Statements of Income) and recognize goodwill as of the acquisition date, measured as the excess of the aggregate of the consideration transferred, the fair value of any noncontrolling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. In addition, for business combinations resulting in a bargain purchase, that is, for transactions where the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the aggregate of the consideration transferred, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree and the fair value of any noncontrolling interest in the acquiree, the excess amount is recognized as "Gain on bargain purchase in acquisition" on the Consolidated Statements of Income.

11) Goodwill and Other Intangible Assets

In accordance with ASC Topic 350, "Intangibles-Goodwill and Others," the Company and its subsidiaries do not amortize goodwill but perform an impairment test at the reporting unit level at least on an annual basis and between annual tests if an event occurs or circumstances change that would indicate that it is more likely than not that the fair value of a reporting unit is below its carrying amount. An intangible asset with a definite useful life is amortized over its estimated useful life and is reviewed for impairment in accordance with ASC Topic 350,"Intangibles-Goodwill and others." An intangible asset determined to have an indefinite useful life is not amortized but is instead periodically tested for impairment in the same manner as goodwill.

12) Noncontrolling Interests

In accordance with ASC Topic 810, "Consolidation," the noncontrolling interest is the portion of equity (net assets) in a subsidiary not attributable, directly or indirectly, to a parent and is represented as "Noncontrolling Interest" on the Consolidated Financial Statements.

"Minority interests" which was represented between Liabilities and Stockholders' Equity on the Consolidated Balance Sheets before this presentation guidance of ASC Topic 810, "Consolidation," was applied is classified to "Noncontrolling interest" in Equity on the Consolidated Balance Sheets, since the presentation guidance of ASC Topic 810, "Consolidation" is retroactively applied to the Consolidated Financial Statements. Likewise, "Minority interests" which was represented on Consolidated Statements of Income before is classified to "Net income attributable to the noncontrolling Interest" in the Consolidated Statements of Income.

13) Change in a Parent's Ownership Interest in a Subsidiary
In accordance with ASC Topic 810, "Consolidation," changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary are accounted for as equity transactions. Therefore, no gain or loss is recognized in consolidated net income or comprehensive income.

14) Deconsolidation of a Subsidiary
In accordance with ASC Topic 810, "Consolidation," in the case where the parent deconsolidates a subsidiary, the parent recognizes a gain or loss in net income attributable to the parent, measured as the aggregate of the fair value of any consideration received, fair value of any retained noncontrolling investment and carrying amount of any noncontrolling investment in the former subsidiary at the deconsolidation date less the carrying amount of the former subsidiary's assets and liabilities.

15) Oil and Gas Exploration and Development
In accordance with ASC Topic 932, "Extractive Activities–Oil and Gas," Oil and gas exploration and development costs are accounted for by the successful efforts method of accounting. The costs of acquiring properties, drilling and equipping exploratory wells, and development wells and related plants and equipment are capitalized and amortized using the unit-of-production method. Should the efforts to produce commercial reserves be determined unsuccessful, the costs are expensed. In January 2010, Accounting Standards Update ("ASU") No. 2010-03 "Oil and Gas Reserve Estimation and Disclosures," was issued. ASU 2010-03 updated parts of ASC Topic 932. The Company and its subsidiaries have adopted ASU No. 2010-03 from previous fiscal year.

16) Mining Operation
Mining exploration costs are expensed as incurred until the mining project has been established as commercially viable by a final feasibility study. Once a project is established as commercially viable, costs are capitalized as development costs and are amortized using the unit-of-production method based on the proven and probable reserves. In accordance with ASC Topic 930, "Extractive Activities-Mining," the stripping costs incurred during the production phases of the mine are accounted for as variable production costs that should be included in the costs of the inventory produced during the period that the stripping costs are incurred.

17) Asset Retirement Obligations
In accordance with ASC Topic 410, "Asset Retirement and Environmental Obligations," the Company and its subsidiaries recognize the fair value of a tangible long-lived asset retirement obligation as a liability in the period in which it is incurred if a reasonable estimate of fair value can be made and capitalize the same amount in the cost of the related asset. Subsequently, the Company and its subsidiaries accrete the liability to its present value each period, and depreciate the capitalized cost over the useful life of the related asset.

18) Leases
The Company and its subsidiaries lease fixed assets under direct financing leases and operating leases as a lessor. Income from direct financing leases is recognized by amortizing unearned income over the lease term at a constant periodic rate of return on the net investment. Operating lease income is recognized over the lease term on a straight-line basis.

The Company and its subsidiaries lease fixed assets under capital leases and operating leases as a lessee. For capital lease obligations, interest expense is recognized over the lease term at a constant periodic rate on the lease obligation. Depreciation of the leased assets is recognized over the lease term on a straight-line basis. Rental expense on operating leases is recognized over the lease term on a straight-line basis.

19) Retirement and Severance Benefits
The Company and certain subsidiaries have defined benefit pension plans covering substantially all of their employees. The costs of the defined benefit pension plans are accrued based on amounts determined using actuarial methods, in accordance with ASC Topic 715, "Compensation-Retirement Benefits." In addition, the Company and its subsidiaries recognize the funded status of a defined benefit pension plan—measured as the difference between plan assets at fair value and the projected benefit obligation—as an asset or a liability in its consolidated balance sheet. The net actuarial loss balance and prior service credit balance are required to be recognized as a component of "Accumulated other comprehensive income (loss)," net of tax in accordance with ASC Topic 715, "Compensation-Related Benefits."

20) Guarantees
In accordance with ASC Topic 460, "Guarantees," the Company and its subsidiaries recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken for those guarantees newly issued or modified after December 31, 2002.

21) Revenue Recognition
The Company and its subsidiaries act as either principal or agent in their trading transactions for earning revenues. The Company and its subsidiaries recognize revenues from sales of products, the development of natural resources and the development and sale of real estate. In addition to these revenue transactions, the Company and its subsidiaries recognize Revenues from supporting services, such as supporting customers' trading activities, leasing and software services activities. The Company and its subsidiaries recognize revenues at the time when revenues are realized or realizable and earned. In other words, revenues are realized or realizable and earned when all of the following criteria are met: (1) persuasive evidence of an arrangement exists, (2) the goods have been delivered or the services have been rendered to customers, (3) the sales price is fixed or determinable and (4) collectability is reasonably assured.

The Company and its subsidiaries recognize revenues from product sales, including wholesale, retail sales, manufactured product sales, processed product sales, the development of natural resources and the development and sale of real estate, at the time the delivery conditions agreed with customers are met. These conditions are usually considered to have been met when goods are received by the customer, the warehouse receipts are transferred or the acceptance from the customer is received. Depending on the nature of the contract, revenues from long-term construction are accounted for by the completed contract method unless the estimates of costs to complete and the extent of progress toward completion of long-term contracts are reasonably dependable, conditions that the contracts executed by the parties normally include provisions that clearly specify the enforceable rights regarding goods or services to be provided, the consideration to be exchanged, and the manner and terms of settlement; and the buyers and contractors can be expected to satisfy and perform all obligations under the contracts are met, in which case the Company and its subsidiaries use the percentage-of-completion method.

Transactions which derive revenues from service-related activities are originated in various fields, such as financial and logistics services, information, communications and technical support. The revenues are recognized when the contracted services have been rendered to the third-party customers pursuant to the arrangements. Transactions from other activities of the Company and its subsidiaries include software development and maintenance services and leasing of aircraft, real estate, industrial machinery and other assets. Revenues from other activities are recognized upon customer acceptance for software development, over the contractual period for software maintenance services and over the terms of the underlying leases on a straight-line basis for aircraft, real estate, industrial machinery and other assets.

Reporting Revenue Gross versus Net

In accordance with ASC Topic 605, "Revenue Recognition," the Company and its subsidiaries present certain revenue transactions with corresponding cost of revenues on a gross basis as "Sales revenue" in the Consolidated Statements of Income, for transactions traded as a primary obligor in manufacturing, processing and service rendering and for sales with general inventory risk before customer orders. The revenues that are recognized on a net basis are presented as "Trading margins and commissions on trading transactions" in the Consolidated Statements of Income.

Trading Transactions

"Total trading transactions" is a measure commonly used by similar Japanese trading companies and represents gross transaction volume of the sales contracts in which the Company and its subsidiaries act as principal or agent. Total trading transactions is presented in accordance with Japanese accounting practice and is not meant as a substitute for sales or revenues in accordance with U.S. GAAP. In addition, Trading Transactions are referred to within Operating Segment Information.

22) Advertising Costs

In accordance with ASC Topic 720, "Other Expenses," advertising costs are charged to expense when incurred.

23) Research and Development Costs

In accordance with ASC Topic 730, "Research and Development," research and development costs are charged to expense when incurred.

24) Costs Associated with Exit or Disposal Activities

In accordance with ASC Topic 420, "Exit or Disposal Cost Obligations," the Company and its subsidiaries recognize and measure a liability for the cost associated with exit or disposal activities at its fair value in the period when the liability is incurred rather than when an exit or disposal plan is committed.

25) Income Taxes

The Company and its subsidiaries utilize an asset and liability approach to accounting for income taxes in accordance with ASC Topic 740, "Income Taxes." Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to temporary differences between the tax basis of assets or liabilities and reported amounts in the Company's financial statements, and net operating loss carry-forwards. Deferred tax assets or liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in earnings for the period that includes the enactment date. A valuation allowance is provided for the portion of a deferred tax asset for which it is more likely than not that a tax benefit will not be realized.

According to ASC Topic 740, "Income Taxes," the Company and its subsidiaries recognize the financial statement effects of tax positions when it is more likely than not, based on the technical merits, that the tax positions will be sustained upon examination by the tax authorities. Benefits from tax positions that meet the more-likely-than-not recognition threshold are measured at the largest amount of benefit that has a greater than 50 percent likelihood of being realized upon settlement. Interest and penalties accrued related to unrecognized tax benefits are included in Income taxes in the Consolidated Statements of Income.

26) Net Income (Loss) Attributable to ITOCHU Per Share

Basic net income (loss) attributable to ITOCHU per share is computed by dividing net income attributable to ITOCHU by the weighted-average number of common shares outstanding (excluding treasury stock) for the period. Diluted net income attributable to ITOCHU per share is computed giving effect to all dilutive potential common shares that were outstanding during the period.

27) Comprehensive Income (Loss)

In accordance with ASC Topic 220, "Comprehensive Income," the Company and its subsidiaries report and present comprehensive income and loss and its components (revenues, expenses, gains and losses) in a full set of general purpose financial statements. Comprehensive income and loss consists of not only net income or loss but also changes in foreign currency translation adjustments, pension liability adjustments, net unrealized holding gains and losses on certain investments in "Short-term investments" and "Other investments" and net unrealized holding gains and losses on derivative instruments, on a net-of-tax basis. In addition, "Comprehensive income attributable to the noncontrolling interest" and "Comprehensive income (loss) attributable to ITOCHU" are distinctively represented on the Consolidated Statements of Equity.

28) Derivative Instruments and Hedging Activities

In accordance with ASC Topic 815, "Derivatives and Hedging," the Company and its subsidiaries recognize all derivative instruments, such as foreign exchange contracts, interest rate swap contracts and futures contracts, in the Consolidated Balance Sheets at fair value, regardless of the purpose or intent for holding them, as either assets or liabilities. The accounting for changes in fair value depends on the intended use of the derivative instruments and resulting hedge effectiveness. All derivative instruments are recognized on the balance sheet at their fair value. The Company and its subsidiaries designate and account for derivative instruments as follows:

- "Fair value hedge": a hedge of the fair value of a recognized asset or liability, or of an unrecognized firm commitment. The changes in fair value of recognized assets or liabilities, or unrecognized firm commitments and related derivative instruments that are designated and qualify as fair value hedges are recorded in earnings if the hedges are considered highly effective.
- "Cash flow hedge": a hedge of the variability of cash flow to be received or paid related to a forecasted transaction, or a recognized asset or liability. The changes in fair value of derivative instruments that are designated and qualify as cash flow hedges are recorded in "Accumulated other comprehensive income (loss)" if the hedges are considered highly effective. This treatment is continued until earnings are affected by the variability in cash flows to be received or paid in relation to the forecasted transactions or the recognized assets or liabilities designated as the hedged items. The ineffective portion of the hedge is currently reported in earnings.
- "Foreign currency hedge": a hedge of foreign-currency fair value or cash flow. The changes in fair value of derivatives that are designated and qualify as foreign currency fair value or cash flow hedges of recognized assets or liabilities, unrecognized firm commitments or forecasted transactions are recorded in either earnings or "Accumulated other comprehensive income (loss)" if the hedges are considered highly effective. Recognition in earnings or "Accumulated other comprehensive income (loss)" is dependent on the treatment of foreign currency hedges as fair value hedges or cash flow hedges.

The Company and its subsidiaries meet the documentation requirements as prescribed by ASC Topic 815, which include a statement of its risk management objective and the strategy for undertaking various hedge transactions.

In addition, a formal assessment is made at the hedge's inception and periodically thereafter at every quarter on an ongoing basis, as to whether the derivatives used in hedging activities are highly effective in offsetting changes in the fair values or cash flows of hedged items.

Hedge accounting is discontinued for ineffective hedges, if any. The changes in fair value of derivative instruments related to discontinued hedges are recognized in earnings currently.

The changes in fair value of derivative instruments for trading purposes are recorded in earnings.

29) Fair Value Option

ASC Topic 825, "Financial Instruments," provides companies with an option to report selected financial assets and financial liabilities at fair value. The Company and its subsidiaries have not elected to measure any financial assets and financial liabilities at fair value which were not previously required to be measured at fair value.

30) Classification of Mineral Rights

In accordance with ASC Topic 932, "Extractive Activities–Oil and Gas," all mineral rights held by mining and oil- and gas- producing entities have been presented as tangible assets on the consolidated balance sheets.

31) Use of Estimates

The Company and its subsidiaries make estimates and assumptions to prepare these financial statements. Such estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities, and actual results could differ from those estimates.

32) Subsequent Events

In accordance with ASC Topic 855, "Subsequent Events," the Company and its subsidiaries recognize subsequent events (which are defined as events or transactions that occur after the balance sheet date but before financial statements are issued or available to be issued) and disclose them in the Consolidated Financial Statements.

(3) New Accounting Pronouncements

1) Accounting for Transfers of Financial Assets

In June 2009, Statement of Financial Accounting Standards (hereinafter regarded as to "SFAS,") 166 "Accounting for Transfers of Financial Assets–an amendment of FASB Statement No. 140" was issued and ASU No.2009-16, "Transfers and Servicing (ASC Topic 860)–Accounting for Transfers of Financial Assets," was issued.

SFAS 166 removes the concept of a qualifying special-purpose entity from Statement 140 and requires that a transferor recognize and initially measure at fair value all assets obtained (including a transferor's beneficial interest) and liabilities incurred as a result of a transfer of financial assets accounted for as a sale.

ASU No. 2009-16, "Transfer and Servicing (ASC Topic 860)" indicated SFAS 166 was codified into ASC Topic 860 "Transfer and Servicing." The Company and subsidiaries have adopted ASU No.2009-16 "Transfer and Servicing (ASC Topic 860)" from this fiscal year. Adoption of ASU No. 2009-16 does not significantly affect the financial position and results of operations of the Company and its subsidiaries.

2) Variable Interest Entities
In June 2009, SFAS 167, "Amendments to FASB Interpretation No. 46 (R)" was issued and ASU No.2009-17, "Consolidation (ASC Topic 810)–Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities," was issued.

SFAS 167 requires an enterprise to continuously perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity.

ASU No.2009-17 indicated SFAS 167 was codified into ASC Topic 810, "Consolidations." The Company and its subsidiaries have adopted ASU No. 2009-17 from this fiscal year. Adoption of ASU No. 2009-17 does not significantly affect the financial position an results of operations of the Company and its subsidiaries.

3) Disclosure of Financing Receivable
In July 2010, ASU No. 2010-20, "Receivables (ASC Topic 310)–Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses," was issued.

ASU No. 2010-20 requires an enterprise to modify and expand the existing disclosures for financing receivables, except for trade accounts receivable that have a contractual maturity of one year or less and arose from the sale of goods or services, or receivables measured at the lower of cost or fair value.

The Company and subsidiaries have adopted ASU No. 2010-20 from this fiscal year. However, in accordance with the issuance of ASU No. 2011-01, "Receivable (ASC Topic 310)–Deferral of Effective Date of Disclosure about Trouble Debt Restructuring in Update No. 2010-20," the Company and its subsidiaries have deferred the provision from ASU No. 2011-01 was effective upon its disclosures regarding troubled debt restructurings. The deferral amendment from ASU No. 2011-01 was effective upon its issuance in January 2011.

The detail of disclosure on ASU No. 2010-20, adopted from this fiscal year, is presented in note "6. Financing Receivables."

4) Trouble Debt Restructuring
In April 2011, ASU No. 2011-02, "Receivables (ASC Topic 310)–A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring," was issued.

ASU No. 2011-02 indicates the provisions about evaluating whether a restructuring constitutes a troubled debt restructuring and clarifies the guidance in this Update for more consistent application of U.S.GAAP for debt restructurings. ASU No. 2011-02 is effective for the first interim or annual period beginning on or after June 15, 2011. However, this guidance also is required to be applied retrospectively to the beginning of the annual period of adoption.

The effect of adopting ASU No. 2011-02 on the financial statements of the Company and its subsidiaries is currently under examination. However, it is believed that ASU No. 2011-02 will not significantly affect the financial position or results of operations of the Company and its subsidiaries.

5) Reconsideration of Effective Control for Repurchase Agreements
In April 2011, ASU No. 2011-03, "Transfers and Servicing (ASC Topic 860)–Reconsideration of Effective Control for Repurchase Agreements," was issued.

ASU No. 2011-03 indicates the amendments in this Update remove from the assessment of effective control (1) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (2) the collateral maintenance implementation guidance related to that criterion, which were both previously required under U.S. GAAP for repo transactions. ASU No. 2011-03 is effective for the first interim or annual period beginning on or after December 15, 2011. The effect of adopting ASU No. 2011-03 on the financial statements of the Company and its subsidiaries is currently under examination. However, it is believed that ASU No. 2011-03 will not significantly affect the financial position or results of operations of the Company and its subsidiaries.

6) Amendments of Fair Value Measurement and Disclosure
In May 2011, ASU No. 2011-04, "Fair Value Measurement (ASC Topic 820)–Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs," was issued.

ASU No. 2011-04 indicates the amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements, and others. ASU No. 2011-04 is effective for the first interim or annual period beginning on or after December 15, 2011. The effect of adopting ASU No. 2011-04 on the financial statements of the Company and its subsidiaries is currently under examination. However, it is believed that ASU No. 2011-04 will not significantly affect the financial position or results of operations of the Company and its subsidiaries.

(4) Reclassification
Certain reclassification and changes have been made to prior year amounts to conform to the current year's presentation.

3. Business Combinations

There were no significant business combinations for the year ended March 31, 2011.

Major business combinations for the year ended March 31, 2010 were as follows:

Acquisition of C.I. KASEI Co., Ltd.

On February 20, 2009, the Company issued a tender offer for C.I. KASEI Co., Ltd. ("C.I. KASEI"), an equity-method associated company (holding 35.9% of voting rights) whose primary business involves the manufacture and sale of decorative materials, agricultural materials, specialty films and packaging materials, and civil engineering and industrial materials. The acquisition of C.I. KASEI was intended to raise the Company's competitiveness in the synthetic resins processing business by expanding its scope of business and strengthening its functions. The Company also intends to expand its overseas business in combination with C.I. KASEI to bolster its overseas earning power and further improve efficiency by sharing resources in the processing of synthetic resins.

The tender offer closed on April 7, 2009, and the Company acquired an additional 57.3% of voting rights in C.I. KASEI. These rights, added to its previously held equity interest, raised the Company's ownership of C.I. KASEI to 93.2% of voting rights, and C.I. KASEI became a subsidiary of the Company.

The following table summarizes the estimated fair values of consideration paid, previously held equity interest and noncontrolling interest, as well as the assets acquired and liabilities assumed at the date of acquisition.

	Millions of Yen
	2010
Fair value of consideration paid (Note 1) (Note 2)	¥ 8,061
Fair value of previously held equity interest	4,992
Fair value of noncontrolling interest	2,814
Total	¥ 15,867
Fair value of assets acquired and liabilities assumed	
Current assets	¥ 39,071
Property and equipment, at cost	31,669
Other intangible assets	1,167
Other assets	8,576
Current liabilities	(40,901)
Non-current liabilities	(19,567)
Net assets	¥ 20,015

(Note 1) All consideration was paid in cash.
(Note 2) No contingent consideration was recognized.

The Company recorded the acquisition cost of ¥279 million in "selling, general and administrative expenses" related to this business combination. The fair values of the previously held equity interest and noncontrolling interest were calculated on the basis of C.I. KASEI's closing share price on the date of acquisition.

Upon remeasuring the fair value of its previously held equity interest, the Company recorded a loss of ¥1,552 million in "loss on investments–net." With regard to this loss, the Company recorded "income taxes–deferred" of ¥636 million.

As a result of the above, the fair value of assets acquired and liabilities assumed exceeded the total of the fair value of consideration paid, the fair value of previously held equity interest, and the fair value of noncontrolling interest by ¥4,148 million. The fair value of assets acquired and liabilities assumed is the result of due diligence, based on the best information available to the Company at the time of the due diligence. The Company recognizes this business combination as falling within the category of a bargain purchase transaction, as defined by ASC Topic 805. Accordingly, the Company has recognized this difference as a lump-sum profit for the year ended March 31, 2010 and recorded the amount in "gain on bargain purchase in acquisition." With regard to this profit, the Company also recorded ¥1,700 million in "income taxes–deferred."

Acquisition of ITOCHU LOGISTICS CORP.

On February 24, 2009, the Company issued a tender offer for ITOCHU LOGISTICS CORP. ("ITOCHU LOGISTICS"), (Corporate name was changed from i-LOGISTICS CORP. on January 1, 2010), an equity-method associated company (holding 47.8% of voting rights) whose primary business is international and domestic logistic services. The acquisition of ITOCHU LOGISTICS was intended to improve the Company's efficiency of management resources and heighten the competitiveness and functionality of its logistics business.

The tender offer closed on April 9, 2009, and the Company acquired an additional 47.1% of voting rights in ITOCHU LOGISTICS. These rights, added to its previously held equity interest, raised the Company's ownership of ITOCHU LOGISTICS to 94.9% of voting rights, and ITOCHU LOGISTICS became to a subsidiary of the Company.

The following table summarizes the estimated fair values of consideration paid, previously held equity interest and noncontrolling interest as well as the assets acquired and liabilities assumed at the date of acquisition.

	Millions of Yen
	2010
Fair value of consideration paid (Note 1) (Note 2)	¥ 5,055
Fair value of previously held equity interest	4,936
Fair value of noncontrolling interest	819
Total	¥10,810
Fair value of assets acquired and liabilities assumed	
Current assets	¥10,264
Property and equipment, at cost	12,019
Other intangible assets	1,268
Other assets	3,802
Current liabilities	(4,975)
Non-current liabilities	(6,587)
Net assets	¥15,791

(Note 1) All consideration was paid in cash.
(Note 2) No contingent consideration was recognized.

The Company recorded the acquisition cost of ¥151 million in "selling, general and administrative expenses" related to this business combination.

The fair values of the previously held equity interest and noncontrolling interest were calculated on the basis of ITOCHU LOGISTICS' closing share price on the date of acquisition.

Upon remeasuring the fair value of its previously held equity interest, the Company recorded a loss of ¥1,912 million in "loss on investments–net." With regard to this loss, the Company recorded "income taxes–deferred" of ¥784 million.

As a result of the above, the fair value of assets acquired and liabilities assumed exceeded the total for the fair value of consideration paid, the fair value of previously held equity interest, and the fair value of noncontrolling interest by ¥4,981 million. The fair value of assets acquired and liabilities assumed was the result of due diligence, based on the best information available to the Company at the time of the due diligence. The Company recognizes this business combination as falling within the category of a bargain purchase transaction, as defined by ASC Topic 805. Accordingly, the Company has recognized this difference as a lump-sum profit for the year ended March 31, 2010 and recorded the amount in "gain on bargain purchase in acquisition." With regard to this profit, the Company also recorded ¥2,042 million in "income taxes–deferred."

Acquisition of JAVA HOLDINGS CO., LTD.

The Company has previously held 35.0% of voting rights in JAVA HOLDINGS CO., LTD. ("JAVA HOLDINGS"), accounted for as an equity-method associated company whose primary business involves the design, manufacture and sale of women's and children's clothing. On November 13, 2009, the Company's percentage of voting rights increased to 65.0% as the result of JAVA HOLDINGS' reduction in the number of its shares outstanding, and JAVA HOLDINGS became a subsidiary of the Company.

Going forward, the Company and JAVA HOLDINGS plan to cooperate, expanding the business to provide even more attractive products and services on a stable and ongoing basis.

The following table summarizes the estimated fair values of the previously held equity interest following the increase in voting rights ("fair value of previously held equity interest following the acquisition"), noncontrolling interest, and the assets acquired and liabilities assumed at the date of acquisition.

	Millions of Yen
	2010
Fair value of previously held equity interest following the acquisition	¥ 15,400
Fair value of noncontrolling interest	9,207
Total	¥ 24,607
Fair value of assets acquired and liabilities assumed	
Current assets	¥ 11,520
Property and equipment, at cost	3,364
Other intangible assets	15,692
Other assets	5,626
Current liabilities	(9,210)
Non-current liabilities	(14,898)
Net assets	12,094
Goodwill	12,513
Total	¥ 24,607

(Note) No contingent consideration was recognized.

The goodwill was recognized as a result of consideration of the synergies that might be achieved with OEM apparel products. It is not deductible for tax purposes and has been assigned to the Textile operating segment.

The Company recorded the acquisition cost of ¥51 million in "selling, general and administrative expenses" related to this business combination.

The fair value of the previously held equity interest following the acquisition and the fair value of the noncontrolling interest were determined on a comprehensive basis, taking into account the status of financial and asset conditions, conducted through due diligence by a third party and a corporate valuation conducted using the discounted cash flow method and the share price multiple method by a financial advisor. The difference between the fair value of the previously held equity interest following the acquisition and the carrying value of previously held equity interest on the date of the acquisition of control was ¥1,975 million. This amount was recognized as a lump-sum profit and recorded in "loss on investments–net" for the year ended March 31, 2010. With regard to this profit, the Company also recorded ¥810 million in "income taxes–deferred."

Acquisition of Leilian Co., Ltd.

On January 26, 2010, the Company acquired shares in Leilian Co., Ltd. ("Leilian"), whose primary business is the sale of women's apparel. With regard to this acquisition, which resulted in the Company's ownership of 61.1% of Leilian's voting rights, Leilian became a subsidiary of the Company.

Going forward, the ITOCHU Group plans to enhance its product procurement capabilities and distribution efficiency on a global basis to offer high-value-added garment materials, thereby enhancing Leilian's corporate value. At the same time, ITOCHU plans to leverage Leilian's substantial client management expertise to invigorate its own apparel OEM business, increase its involvement in Japanese regions and markets and extend its business into overseas markets, centering on China.

The following table summarizes the estimated fair values of consideration paid, noncontrolling interest, and the assets acquired and liabilities assumed at the date of acquisition.

	Millions of Yen
	2010
Fair value of consideration paid (Note 1) (Note 2)	¥ 9,801
Fair value of noncontrolling interest	9,356
Total	¥19,157

Fair value of assets acquired and liabilities assumed	
Current assets	¥22,421
Property and equipment, at cost	6,892
Other intangible assets	1,134
Other assets	8,096
Current liabilities	(8,924)
Non-current liabilities	(5,576)
Net assets	¥24,043

(Note 1) All consideration was paid in cash.
(Note 2) No contingent consideration was recognized.

The Company recorded the acquisition cost of ¥99 million in "selling, general and administrative expenses" related to this business combination.

The consideration paid and the fair value of the noncontrolling interest were determined on a comprehensive basis, taking into account the status of financial and asset conditions conducted through due diligence by a third party and a corporate valuation conducted using the discounted cash flow method and the share price multiple method by a financial advisor.

As the above table indicates, the fair value of assets acquired and liabilities assumed exceeded the total of the fair value of consideration paid and the fair value of noncontrolling interest by ¥4,886 million. The Company recognizes this business combination as falling within the category of a bargain purchase transaction, as defined by ASC Topic 805. Accordingly, the Company has recognized this difference as a lump-sum profit for the year ended March 31, 2010 and recorded the amount in "gain on bargain purchase in acquisition." With regard to this profit, the Company also recorded ¥2,004 million in "income taxes–deferred."

Major business combinations for the year ended March 31, 2009 were as follows:

Acquisition of ITOCHU ENEX CO., LTD.

On October 1, 2008, the Company acquired ITOCHU ENEX CO., LTD. ("ITOCHU ENEX") by a reverse acquisition through a reorganization of petroleum trading and logistics businesses among the Company, ITOCHU Petroleum Japan Ltd. and ITOCHU ENEX. ITOCHU ENEX is mainly engaged in the wholesale of petroleum products and high-pressure gas and was previously accounted for as an equity-method associated company (holding 39.1% of the voting shares), and subsequent to the transaction is now a consolidated subsidiary As a result of the reorganization, ITOCHU ENEX succeeded the domestic, Japan-based import and export, sale of petroleum products (kerosene, gas oil and others) which had been previously conducted by the Company's Energy Trade Division ("the Petroleum Products Trade Business") and the petroleum products logistics businesses (such as chartering and operating tankers, supplying marine fuels, operating petroleum storage tanks and trading lubricating oil), which had been conducted by the Company's subsidiary, ITOCHU Petroleum Japan Ltd ("the IPCJ Business").

As consideration for the transfer of the Petroleum Products Trade Business and the IPCJ Business, the Company acquired an additional 13.1% of the voting shares of ITOCHU ENEX, by receiving an allotment and issuance of shares of common stock from ITOCHU ENEX. The transaction constituted a reverse acquisition, and as a result, the Company owned 52.2% of the voting shares of ITOCHU ENEX on October 1, 2008.

This business reorganization has centralized the petroleum product related businesses in ITOCHU ENEX, where as it was previously dispersed across Group companies. By this reorganization, the Company aims to establish and strengthen the Group's medium and long-term earnings platforms by increasing the efficiency and strength of those businesses while undertaking overseas trading transactions and investment even more aggressively.

The number of allotted shares was determined based on various factors including financial and asset profiles of ITOCHU ENEX, the Petroleum Products Trade Business and the IPCJ Business which were researched through due diligence processes conducted by independent professionals and multifaceted analyses using various valuation techniques (such as the multiple method, discounted cash flow method and market average share price method) conducted by financial advisors. As a result, the Company received an allotment and issuance of 25,148,809 shares of common stock of ITOCHU ENEX, with a fair value of ¥14,385 million.

The consolidated statement of income for the year ended March 31, 2009 includes the results of operations of ITOCHU ENEX from the date of acquisition. The financial results also include the difference between (i) the decrease in the net assets of the Petroleum Products Trade Business and the IPCJ Business to which ITOCHU ENEX succeeded and (ii) the fair value of the allotted shares, which resulted in a gain of ¥5,154 million included in "loss on investments–net," and the income taxes–deferred of ¥2,113 million.

In connection with the acquisition, ¥10,528 million was assigned to intangible assets subject to amortization. The intangible assets subject to amortization consist primarily of customer relationships of ¥7,895 million with an amortization period of five years.

The following table summarizes the estimated fair values of assets acquired and liabilities assumed at the date of acquisition.

	Millions of Yen
	2009
Current assets	¥ 164,611
Property and equipment, at cost	61,809
Goodwill and other intangible assets, less accumulated amortization	10,528
Investments and other non-current assets	28,679
Fair value of assets acquired	¥ 265,627
Current liabilities	¥(144,623)
Non-current liabilities	(38,017)
Fair value of liabilities assumed	(182,640)
Net assets	¥ 82,987

Note) Net assets include noncontrolling interest of ¥40,657 million in accordance with ASC Topic 805.

Acquisition of SANKEI Co., Ltd.

On October 2, 2008, the Company acquired 90.5% of the voting shares of SANKEI Co., Ltd. ("SANKEI"), which is mainly engaged in sales of garment accessories. The purchase price was ¥10,556 million. The Company aims to invigorate OEM apparel businesses and dramatically grow businesses related to both domestic production areas and overseas markets centered on China.

The purchase price was determined based on various factors, including SANKEI's financial and asset profile researched through due diligence processes conducted by independent professionals and a thorough valuation analysis (using mainly the discounted cash flow method) conducted by a financial advisor.

The consolidated financial statements for the year ended March 31, 2009 include the results of operations of SANKEI from the date of acquisition. In connection with the acquisition, ¥8,915 million was assigned to goodwill. The goodwill is not deductible for tax purposes and has been assigned to the Textile operating segment.

The following table summarizes the estimated fair values of assets acquired and liabilities assumed at the date of acquisition.

	Millions of Yen
	2009
Current assets	¥ 26,150
Property and equipment, at cost	11,352
Goodwill and other intangible assets, less accumulated amortization	9,112
Investments and other non-current assets	7,484
Fair value of assets acquired	¥ 54,098
Current liabilities	¥(41,647)
Non-current liabilities	(1,291)
Fair value of liabilities assumed	(42,938)
Net assets	¥ 11,160

(Note) Net assets include noncontrolling interest of ¥604 million in accordance with ASC Topic 805.

Acquisition of Commonwealth Chesapeake Power Station

The Company engages in IPP businesses, mainly in North America, Asia, and the Near Middle east, and establishes its asset portfolio through new investments, acquisitions and replacements of assets.

On February 13, 2008, the Company acquired, through its subsidiary Tyr Energy, Inc. (Fiscal year end: December), the entire interests of Commonwealth Chesapeake Power Station, New Church, State of Virginia, the United States ("Chesapeake"), and established a new subsidiary, Tyr Chesapeake, LLC, of which the Company owns 100% of the voting shares of Chesapeake. This acquisition is one part of the Company's asset portfolio in North America, which is expected to exhibit steady growth in the demand for electric power in the IPP business. The purchase price was ¥22,807 million. By acquiring its interest, the Company aims to maximize the value of the invested assets through utilizing the expertise of the Group.

The purchase price was determined based on various factors, including Chesapeake's financial and asset profile, as researched through due diligence processes conducted by independent professionals and a thorough valuation analysis (mainly using the discounted cash flow method) conducted by a financial advisor.

The consolidated financial statements for the year ended March 31, 2009 include the results of operations of Chesapeake from the date of acquisition. In connection with the acquisition, ¥1,489 million was assigned to goodwill. The goodwill is not deductible for tax purposes and has been assigned to the Machinery operating segment.

The following table summarizes the estimated fair values of assets acquired and liabilities assumed at the date of acquisition.

	Millions of Yen
	2009
Current assets	¥ 361
Property and equipment, at cost	23,133
Goodwill and other intangible assets, less accumulated amortization	1,489
Investments and other non-current assets	970
Fair value of assets acquired	¥25,953
Current liabilities	¥ (9)
Non-current liabilities	(3,137)
Fair value of liabilities assumed	(3,146)
Net assets	¥22,807

4. Marketable Securities and Investments

Debt and Marketable Equity Securities

The Company and its subsidiaries classify debt and marketable equity securities with readily determinable fair value as "trading securities" and, "available-for-sale securities" and "held-to-maturity securities." The cost, gross unrealized holding gains, gross unrealized holding losses and fair value of available-for-sale and held-to-maturity securities by major security type as of March 31, 2011 and 2010 were as follows:

	Millions of Yen			
	2011			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available-for-sale:				
Equity securities	**¥198,592**	**¥87,925**	**¥5,456**	**¥281,061**
Debt securities	**31,175**	**174**	**907**	**30,442**
Subtotal	**229,767**	**88,099**	**6,363**	**311,503**
Held-to-maturity:				
Debt securities	**172**	**—**	**—**	**172**
Total	**¥229,939**	**¥88,099**	**¥6,363**	**¥311,675**

	Millions of Yen			
	2010			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available-for-sale:				
Equity securities	¥169,333	¥64,955	¥7,024	¥227,264
Debt securities	22,179	54	397	21,836
Subtotal	191,512	65,009	7,421	249,100
Held-to-maturity:				
Debt securities	45	—	—	45
Total	¥191,557	¥65,009	¥7,421	¥249,145

	Millions of U.S. Dollars			
	2011			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available-for-sale:				
Equity securities	**$2,388**	**$1,058**	**$66**	**$3,380**
Debt securities	**375**	**2**	**11**	**366**
Subtotal	**2,763**	**1,060**	**77**	**3,746**
Held-to-maturity:				
Debt securities	**2**	**—**	**—**	**2**
Total	**$2,765**	**$1,060**	**$77**	**$3,748**

The carrying amounts of available-for-sale debt securities included in cash and cash equivalents in the consolidated balance sheets were ¥15,599 million ($188 million) and ¥13,598 million as of March 31, 2011 and 2010, respectively. In addition to the securities listed above, the Company and its subsidiaries held trading securities carried at fair value of ¥798 million ($10 million) and ¥6,701 million as of March 31, 2011 and 2010, respectively. The portion of net trading gains and losses for the years ended March 31, 2011 and 2010 that relates to trading securities still held at March 31, 2011 and 2010 were gains of ¥9 million ($0 million) and losses of ¥175 million, respectively. The impairment losses of the available-for-sale marketable securities in which declines in fair value below the amortized cost basis are other than temporary for the years ended March 31, 2011, 2010 and 2009 were ¥14,757 million ($177 million), ¥7,051million and ¥41,661 million, respectively. In accordance with ASC Topic 325, "Investments–Other," the Company and its subsidiaries recognized gains and losses on the exchange of its investment securities in connection with certain business combinations resulting in gains of ¥26 million ($0 million), losses of ¥46 million and ¥2 million for the years ended March 31, 2011, 2010 and 2009, respectively, which are included in "Loss on investments–net" in the consolidated statements of income.

Securities with gross unrealized holding losses and the length of time that such individual securities have been in a continuous unrealized loss position as of March 31, 2011 and 2010 were as follows:

	Millions of Yen					
	2011					
	Less than twelve months		Twelve months or longer		Total	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
Available-for-sale:						
Equity securities	**¥63,217**	**¥5,456**	**—**	**—**	**¥63,217**	**¥5,456**
Debt securities	**7,285**	**907**	**—**	**—**	**7,285**	**907**
Total	**¥70,502**	**¥6,363**	**—**	**—**	**¥70,502**	**¥6,363**

	Millions of Yen					
	2010					
	Less than twelve months		Twelve months or longer		Total	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
Available-for-sale:						
Equity securities	¥58,286	¥7,024	—	—	¥58,286	¥7,024
Debt securities	3,402	397	—	—	3,402	397
Total	¥61,688	¥7,421	—	—	¥61,688	¥7,421

	Millions of U.S. Dollars					
	2011					
	Less than twelve months		Twelve months or longer		Total	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
Available-for-sale:						
Equity securities	**$760**	**$66**	**—**	**—**	**$760**	**$66**
Debt securities	**88**	**11**	**—**	**—**	**88**	**11**
Total	**$848**	**$77**	**—**	**—**	**$848**	**$77**

At March 31, 2011 and 2010, the Company and its subsidiaries held the securities of 120 and 94 issuers, respectively, with an unrealized holding loss in its available-for-sale portfolio. The unrealized losses on these securities, which consist primarily of customers of various industries, were due principally to the general decline in the securities markets. The severity of decline in fair value below cost ranged from 0.4% to 29.9% and from 0.3% to 29.9%, respectively, and the duration of the impairment was less than 9 months. As a result of evaluation of the individual severity and duration of the impairment of these securities and the prospects of the issuer, the Company and its subsidiaries concluded the fair value of these securities would recover in the near term. Based on that evaluation and the Company and its subsidiaries' intent and ability to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Company and its subsidiaries did not consider these investments to be other-than-temporarily impaired at March 31, 2011 and 2010.

The contractual maturities of debt securities classified as available-for-sale and held-to-maturity as of March 31, 2011 were as follows:

	Millions of Yen		Millions of U.S. Dollars	
	Cost	Fair Value	Cost	Fair Value
Available-for-sale:				
Due within one year	**¥18,482**	**¥18,341**	**$222**	**$221**
Due after one year through five years	**7,088**	**6,402**	**85**	**77**
Due after five years through ten years	**2,785**	**2,850**	**33**	**34**
Due after ten years	**2,820**	**2,849**	**34**	**34**
Total	**¥31,175**	**¥30,442**	**$374**	**$366**
Held-to-maturity:				
Due within one year	**¥ 20**	**¥ 20**	**$ 0**	**$ 0**
Due after one year through five years	**152**	**152**	**2**	**2**
Due after five years through ten years	**—**	**—**	**—**	**—**
Due after ten years	**—**	**—**	**—**	**—**
Total	**¥ 172**	**¥ 172**	**$ 2**	**$ 2**

The gross realized gains and losses on sales of available-for-sale securities for the years ended March 31, 2011, 2010 and 2009 were gains of ¥1,248 million ($15 million), ¥12,302 million and ¥6,513 million and losses of ¥590 million ($7 million), ¥391 million and ¥362 million, respectively. The proceeds from sales of available-for-sale securities were ¥9,066 million ($109 million), ¥14,966 million and ¥15,108 million for the years ended March 31, 2011, 2010 and 2009, respectively.

Investments Other Than Debt and Marketable Equity Securities
Other investments include investments in non-traded and unaffiliated customers and suppliers and long-term deposits amounting to ¥199,432 million ($2,399 million) and ¥215,233 million as of March 31, 2011 and 2010, respectively.

The estimation of the corresponding fair values at those dates was not practicable, as the fair value of cost-method investments held by the Company and its subsidiaries are not readily determinable at each balance sheet date.

In case of the identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment, the Company would estimate the fair value of investments and recognize losses, if any, to reflect the other-than-temporary decline in the value of the investments. The carrying amounts of cost method investments were ¥99,018 million ($1,191 million) and ¥103,741 million as of March 31, 2011 and 2010, respectively.

Additionally, investments with an aggregate carrying amount of ¥95,665 million ($1,151 million) and ¥101,431 million were not estimated at fair value in order to reflect the other-than-temporary decline in the value of the investments as of March 31, 2011 and 2010, respectively.

5. Investments in and Advances to Associated Companies

The Company and its subsidiaries account for investments in associated companies (generally companies owned 20% to 50%) by the equity-method. Significant equity-method investees include Century Tokyo Leasing Corporation (20.2%), Orient Corporation (23.7%), Marubeni-Itochu Steel Inc. (50.0%), FamilyMart Co., Ltd. (31.7%), Brazil Japan Iron Ore Corporation (47.7%) and TING HSIN (CAYMAN ISLANDS) HOLDING CORP. (25.2%). The percentages shown parenthetically are voting shares held by the Company and its subsidiaries at March 31, 2011.

Investments in and advances to associated companies as of March 31, 2011 and 2010 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	**2011**
Investments in associated companies	**¥970,579**	¥915,731	**$11,673**
Advances to associated companies.	**14,737**	22,958	**177**
Total	**¥985,316**	¥938,689	**$11,850**

Summarized financial information in respect of associated companies for the years ended March 31, 2011, 2010 and 2009 was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	**2011**
Current assets	**¥4,916,581**	¥4,726,820	**$ 59,129**
Non-current assets, principally property and equipment	**4,316,494**	4,341,770	**51,912**
Total assets	**¥9,233,075**	¥9,068,590	**$111,041**
Current liabilities	**¥4,373,255**	¥4,058,924	**$ 52,595**
Long-term debt and others	**2,644,381**	2,881,365	**31,802**
Stockholders' equity	**2,155,473**	2,039,835	**25,923**
Noncontrolling interest	**59,966**	88,466	**721**
Total liabilities and stockholders' equity	**¥9,233,075**	¥9,068,590	**$111,041**

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	**2011**
Total trading transactions	**¥7,727,169**	¥6,786,973	¥7,478,281	**$92,930**
Gross trading profit	**1,405,453**	1,330,031	1,356,840	**16,903**
Net income	**218,328**	193,817	156,651	**2,626**
Net income attributable to shareholders of associated companies	**211,239**	193,366	156,367	**2,540**

Total trading transactions and purchases by the Company and its subsidiaries with associated companies for the years ended March 31, 2011, 2010 and 2009 were summarized as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	**2011**
Total trading transactions	**¥766,225**	¥719,937	¥652,515	**$9,215**
Purchases	**¥202,374**	¥159,038	¥296,652	**$2,434**

Dividends received from associated companies for the years ended March 31, 2011, 2010 and 2009 were ¥25,380 million ($305 million), ¥19,475 million and ¥19,006 million, respectively.

The Company and its subsidiaries invest in associated companies which issue convertible preference stocks. The Company and its subsidiaries' shares of reported profits and losses might be diluted by possible conversions of those preference stocks, and accordingly this may have a material effect on the results of operations of the Company and its subsidiaries.

Investments in the common stock of equity-method associated companies include marketable equity securities with carrying amounts of ¥277,431 million ($3,337 million) and ¥289,295 million at March 31, 2011 and 2010, respectively. Corresponding aggregate quoted market values were ¥247,312 million ($2,974 million) and ¥255,177million at March 31, 2011 and 2010, respectively.

The differences between the carrying amounts of the investments in equity-method associated companies and the Company and its subsidiaries' equity in the underlying net assets of such equity-method associated companies were ¥225,794 million ($2,716 million) and ¥229,833 million at March 31, 2011 and 2010, respectively. The differences consist of certain fair value adjustments (net of taxes) at the time of the investments in equity-method associated companies and equity-method goodwill. The fair value adjustments are primarily attributed to land and intangible assets.

The Company recognized impairment losses of ¥11,118 million ($133 million), ¥5,638 million ($68 million) and ¥2,395 million ($29 million) on equity-method investments in Orient Corporation, Prima Meat Packers, Ltd. and GOODMAN Co., LTD., respectively, during the year ended March 31, 2011. The Company recognized impairment losses of ¥11,928 million and ¥4,020 million on equity-method investments in Orient Corporation and Yoshinoya Holdings Co., Ltd., respectively, during the year ended March 31, 2010. The Company recognized impairment losses of ¥10,752 million and ¥2,628 million on equity-method investments in Orient Corporation and Yoshinoya Holdings Co., Ltd., respectively, during the year ended March 31, 2009. Considering the discounted cash flow analysis prepared by third party appraisers and the quoted market prices of the equity-method investments, the Company recognized the difference between the carrying amount and estimated fair value as an impairment loss, as the result of the judgment of an other-than-temporary decline. The above-mentioned impairment losses were included in "Equity in earnings of associated companies" in the accompanying consolidated statements of income.

6. Financing Receivables

ASC Topic 310, "Receivables," requires information regarding financing receivables to be disclosed at disaggregated levels known as classes and portfolio segments of financing receivables. In regards to this disaggregation, the Company and its subsidiaries disclose this information in the categories of commercial receivables and consumer receivables. Financing receivables include loan receivables, note receivables, lease receivables (other than operating lease), and trade account receivables (except one year or less).

In the majority of the transactions conducted by the Company and its subsidiaries, the counterparties are corporations. For these transactions, the Company and its subsidiaries bear the risk from uncollectible trading receivables and loans held by the Group, due to the deteriorating credit status or insolvency of the counterparties. This risk is managed on the basis of such information as individual counterparty credit ratings and financial information. Certain subsidiaries conduct transactions with consumers, such as car finance and motorbike loans. The risk of consumer transactions cannot be measured by credit ratings or financial reports, and accordingly this risk is managed on the basis of such information as the number of days past due or the number of late payments.

(1) Information regarding credit risks

The Company and its subsidiaries evaluate credit risk considering the financial condition and the payment status of debtors. For receivables that are considered to have a high degree of credit risk based on financial statement information or on whether or not legal procedures have commenced, the Company and its subsidiaries estimate the uncollectible amount individually and record the required provision for doubtful receivables, which accordingly are classified as receivables for individual allowance. Other financing receivables are classified as general receivables, and for these receivables, the allowance for doubtful receivables is recorded in accordance with credit risk, which is based on historical trends in collection and write-off history. On a quarterly basis, the Company and its subsidiaries reevaluate the classification of receivables into the categories of general receivables and receivables for individual allowance.

The following table provides information by class regarding general receivables and receivables for individual allowance as of March 31, 2011.

	Millions of Yen		
	2011		
	Commercial Receivables	Consumer Receivables	Total
General receivables	**¥275,179**	**¥43,709**	**¥318,888**
Receivables for individual allowance	**58,209**	**755**	**58,964**
Total	**¥333,388**	**¥44,464**	**¥377,852**

	Millions of U.S.Dollars		
	2011		
	Commercial Receivables	Consumer Receivables	Total
General receivables	**$3,309**	**$526**	**$3,835**
Receivables for individual allowance	**700**	**9**	**709**
Total	**$4,009**	**$535**	**$4,544**

(2) Nonaccrual and past due financing receivables

The Company and its subsidiaries consider a receivable to be past due if payment has not been received by the contracted payment date. A receivable is placed on nonaccrual status if interest payments have not been received from the debtor despite the passage of a considerable period of time after the contracted interest payment date, or if the debtor is considered to be insolvent or effectively bankrupt. In general, interest income on nonaccrual receivables is recognized on a cash basis.

The following table provides information by class regarding past due financing receivables as of March 31, 2011.

	Millions of Yen		
	2011		
	Commercial Receivables	Consumer Receivables	Total
Current (not yet due) or 1–180 Days Past Due	**¥277,787**	**¥43,106**	**¥320,893**
181–359 Days Past Due	**512**	**1,006**	**1,518**
360 Days or more Past Due	**55,089**	**352**	**55,441**
Total	**¥333,388**	**¥44,464**	**¥377,852**

	Millions of U.S.Dollars		
	2011		
	Commercial Receivables	Consumer Receivables	Total
Current (not yet due) or 1–180 Days Past Due	**$3,340**	**$519**	**$3,859**
181–359 Days Past Due	**6**	**12**	**18**
360 Days or more Past Due	**663**	**4**	**667**
Total	**$4,009**	**$535**	**$4,544**

The following table provides information by class regarding nonaccrual financing receivables and financing receivables that were past due 90 days or more but had not been placed on nonaccrual status by class as of March 31, 2011.

	Millions of Yen		
	2011		
	Commercial Receivables	Consumer Receivables	Total
Nonaccrual Financing receivables	**¥46,581**	**¥ 743**	**¥47,324**
Financing receivables past due 90 days or more and still accruing	**1,116**	**1,803**	**2,919**

	Millions of U.S.Dollars		
	2011		
	Commercial Receivables	Consumer Receivables	Total
Nonaccrual Financing receivables	**$560**	**$ 9**	**$569**
Financing receivables past due 90 days or more and still accruing	**13**	**22**	**35**

(3) Allowance for doubtful receivables

If it is probable that a loss has occurred at the date of the financial statements and the amount of the loss can be reasonably estimated, the Company and its subsidiaries record the estimated amount of the loss as an allowance for doubtful receivables. The Company and the majority of its subsidiaries conduct transactions with corporations, but certain subsidiaries conduct transactions with consumers. For commercial receivables, the Company and its subsidiaries estimate the uncollectible amount individually based on financial statement information and whether or not legal procedures have commenced, and record the required provision as an allowance for doubtful receivables. For commercial receivables for which it is determined that an allowance for doubtful receivables does not need to be recorded individually, an allowance for doubtful receivables is recorded based on historical trends in collection and write-off history. For consumer receivables, the allowance for doubtful receivables is recorded based on the number of days past due or the number of late payments.

The Company and its subsidiaries charge off uncollectible receivables when they are determined to be written off by legal procedures or it becomes apparent that they are uncollectible based on the financial condition and the payment status of debtors.

An analysis of the changes in the allowance for doubtful receivables for the years ended March 31, 2011, 2010 and 2009 was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	**2011**
Balance at beginning of year	**¥ 74,709**	¥74,573	¥ 68,948	**$ 898**
Provision for doubtful receivables	**9,398**	7,045	16,742	**113**
Charge-offs	**(18,746)**	(8,062)	(14,858)	**(225)**
Other	**(3,100)**	1,153	3,741	**(38)**
Balance at end of year	**¥ 62,261**	¥74,709	¥ 74,573	**$ 748**

Note: "Other" consisted primarily of the effects due to changes in the number of consolidated subsidiaries and translation adjustments.

ASC Topic 310, "Receivables," requires information to be disclosed regarding the changes in the allowance for doubtful receivables related to financing receivables by portfolio segment for the three months ended March 31, 2011.

The information for the three months ended March 31, 2011 was as follows:

	Millions of Yen		
	2011		
	Commercial Receivables	Consumer Receivables	Total
Balance at beginning of the 4th quarter	**¥ 58,028**	**¥1,655**	**¥ 59,683**
Provision for doubtful receivables	**3,829**	**1,040**	**4,869**
Charge-offs	**(11,923)**	**(838)**	**(12,761)**
Other	**(907)**	**(23)**	**(930)**
Balance at end of year	**¥ 49,027**	**¥1,834**	**¥ 50,861**

	Millions of U.S.Dollars		
	2011		
	Commercial Receivables	Consumer Receivables	Total
Balance at beginning of the 4th quarter	**$ 698**	**$ 20**	**$ 718**
Provision for doubtful receivables	**46**	**12**	**58**
Charge-offs	**(143)**	**(10)**	**(153)**
Other	**(11)**	**0**	**(11)**
Balance at end of year	**$ 590**	**$ 22**	**$ 612**

Note: "Other" consisted primarily of the effects due to changes in the number of consolidated subsidiaries and translation adjustments.

The following table provides information by portfolio segment regarding the allowance for doubtful receivables, as of March 31, 2011.

	Millions of Yen		
	2011		
	Commercial Receivables	Consumer Receivables	Total
Allowance for doubtful receivables recorded based on historical trends in collection of past due amounts and write-off history	**¥ 2,851**	**¥1,722**	**¥ 4,623**
Individual allowance	**46,176**	**62**	**46,238**
Total	**¥49,027**	**¥1,834**	**¥50,861**

	Millions of U.S.Dollars		
	2011		
	Commercial Receivables	Consumer Receivables	Total
Allowance for doubtful receivables recorded based on historical trends in collection of past due amounts and write-off history	**$ 35**	**$21**	**$ 56**
Individual allowance	**555**	**1**	**556**
Total	**$590**	**$22**	**$612**

As of March 31, 2011, the balance of the allowance for doubtful receivables related to "financing receivables acquired with deteriorated credit quality," under ASC Topic 310, "Receivables," was not significant.

The following table provides information regarding the financing receivables related to the allowance for doubtful receivables above, as of March 31, 2011.

	Millions of Yen		
	2011		
	Commercial Receivables	Consumer Receivables	Total
Financing Receivables for allowance for doubtful receivables recorded based on historical trends in collection of past due amounts and write-off history	**¥232,320**	**¥43,696**	**¥276,016**
Financing Receivables for Individual allowance	**58,209**	**755**	**58,964**
Total	**¥290,529**	**¥44,451**	**¥334,980**

	Millions of U.S.Dollars		
	2011		
	Commercial Receivables	Consumer Receivables	Total
Financing Receivables for allowance for doubtful receivables recorded based on historical trends in collection of past due amounts and write-off history	**$2,794**	**$526**	**$3,320**
Financing Receivables for Individual allowance	**700**	**9**	**709**
Total	**$3,494**	**$535**	**$4,029**

As of March 31, 2011, the carrying amount of "financing receivables acquired with deteriorated credit quality" under ASC Topic 310, "Receivables," was not significant.

The amounts of significant purchase and sales of financing receivables for the three months ended March 31, 2011 were ¥5,148 million ($62million) and ¥2,034 million ($24 million), respectively, which were all classified as commercial receivables.

(4) Impaired loans

The Company and its subsidiaries measure impairment for certain loans based on the present value of expected future cash flows discounted at the loan's original effective interest rate, the loan's observable market price, or the fair value of the underlying collateral if the loan is collateral dependent. An impairment is recognized if the fair value of the loan is less than the recorded amount.

The carrying amounts of impaired loans and the allowance for doubtful receivables related to those impaired loans as of March 31, 2011 and 2010 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Impaired loans	**¥58,964**	¥69,800	**$709**
Allowance for doubtful receivables related to those impaired loans	**46,238**	59,876	**556**

The recorded investment in the impaired loans, net of the allowance for doubtful receivables, is either secured by collateral or believed to be collectible.

The average amounts of impaired loans during the years ended March 31, 2011, 2010 and 2009 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Average amounts of impaired loans	**¥64,832**	¥72,629	¥71,861	**$774**

The amounts of interest income recognized on the impaired loans for the years ended March 31, 2011, 2010 and 2009 were not significant.

The following table provides information by class regarding impaired loans and the allowance for doubtful receivables related to those impaired loans as of March 31, 2011.

	Millions of Yen		
	2011		
	Commercial Receivables	Consumer Receivables	Total
Impaired loans	¥58,209	¥755	¥58,964
Allowance for doubtful receivables related to those impaired loans	46,176	62	46,238

	Millions of U.S.Dollars		
	2011		
	Commercial Receivables	Consumer Receivables	Total
Impaired loans	$700	$9	$709
Allowance for doubtful receivables related to those impaired loans	555	1	556

7. Impairment of Long-lived Assets

The Company and its subsidiaries recognized impairment losses on long-lived assets of ¥36,574 million ($440 million), ¥8,835 million and ¥43,242 million for the years ended March 31, 2011, 2010 and 2009, respectively, which were included in "Loss on property and equipment–net" in the consolidated statements of income.

The impaired assets were primarily Mineral rights, Machinery and equipment in the Energy, Metals & Minerals operating segment for the year ended March 31, 2011. The impairments were generally due to the deterioration of earnings and expected cash flows. In addition, in the Other, Adjustments & Eliminations operating segment, the planned disposal of company condominiums were measured at fair value and recognized impairment losses. Also, primarily Food operating segment recognized the impairment losses on Buildings, Machinery and equipment as a result of the Great East Japan Earthquake. The impaired assets were primarily Mineral rights in the Energy, Metals & Minerals operating segment for the year ended March 31, 2010. The impairments were generally due to the deterioration of earnings and expected cash flows. The impaired assets for the year ended March 31, 2009 were primarily Mineral rights, Machinery and equipment in the Energy, Metals & Minerals operating segment and golf courses in the Finance, Realty, Insurance & Logistics Services operating segment. The impairments were generally due to the deterioration of earnings and expected cash flows. For a discussion regarding the impairment losses on the Entrada Oil and Natural Gas Project in the U.S. Gulf of Mexico of ¥29,207 million, refer to Note 23 "Regarding Loss Relating to the Entrada Oil and Natural Gas Project in the U.S. Gulf of Mexico."

The fair values of long-lived assets were primarily determined based on discounted cash flows or independent appraisals.

Impairment losses recognized for the years ended March 31, 2011, 2010 and 2009 by operating segment were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Textile	¥ 135	¥ 38	¥ 105	$ 2
Machinery	205	—	936	2
ICT, Aerospace & Electronics	46	172	684	0
Energy, Metals & Minerals	23,923	7,443	36,222	288
Chemicals, Forest Products & General Merchandise	1,093	557	1,337	13
Food	5,554	625	1,245	67
Finance, Realty, Insurance & Logistics Services	1,396	—	2,706	17
Other, Adjustments & Eliminations	4,222	—	7	51
Total	¥36,574	¥8,835	¥43,242	$440

8. Pledged Assets

The following assets were pledged as collateral at March 31, 2011 and 2010:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Cash and cash equivalents and time deposits	¥ 1,114	¥ 947	$ 13
Trade receivables	26,010	26,752	313
Inventories	8,884	11,719	107
Investments and non-current receivables	17,939	20,042	216
Property and equipment, at cost, less accumulated depreciation	27,688	34,412	333
Total	¥81,635	¥93,872	$982

Collateral was pledged to secure the following obligations at March 31, 2011 and 2010:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Trade payables and others	¥ 2,935	¥ 4,170	$ 35
Short-term debt	6,056	11,238	73
Long-term debt	14,124	17,508	170
Total	¥23,115	¥32,916	$278

In addition, acceptances payable were secured by trust receipts on merchandise and the proceeds from the sales thereof. Because of the large volume of import transactions, the amount of such pledged assets is not determinable.

Both short-term and long-term loans are generally made pursuant to agreements which customarily provide that, upon the request of the lender, collateral or guarantors (or additional collateral or guarantors) will be furnished with respect to the loans under certain circumstances and that the lender may treat any collateral, whether furnished for specific loans or otherwise, as collateral for present and future indebtedness to such lender. Several of the bank loan agreements also provide that the lending bank has the right to offset cash deposited with it against any debt (including debt arising out of contingent obligations) to the bank that has become due at stated maturity or earlier.

9. Goodwill and Other Intangible Assets

Intangible assets subject to amortization at March 31, 2011 and 2010 comprised the following:

	Millions of Yen				Millions of U.S. Dollars	
	2011		2010		2011	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Trademarks	¥ 43,800	¥ (6,909)	¥ 52,846	¥(12,575)	$ 527	$ (83)
Software	73,547	(38,080)	69,753	(38,742)	885	(458)
Other	38,532	(17,529)	43,419	(16,400)	463	(211)
Total	¥155,879	¥(62,518)	¥166,018	¥(67,717)	$1,875	$(752)

Intangible assets subject to amortization acquired during the year ended March 31, 2011 totaled ¥19,164 million ($230 million), and consisted primarily of software of ¥15,840 million ($190 million). The weighted average amortization period for software that was acquired during the year ended March 31, 2011 was 5 years.

Impairment losses of intangible assets subject to amortization during the years ended March 31, 2011, 2010 and 2009 were ¥2,047 million ($25 million), ¥1,515 million and ¥1,750 million, respectively.

The impairment losses during the year ended March 31, 2011 mainly consisted of customer contracts of ¥617 million ($7 million), marketing relationships of ¥563 million ($7 million) and customer relationships of ¥359 million ($4 million). The impairment losses during the year ended March 31, 2010 mainly consisted of customer relationships of ¥391 million, trademarks of ¥308 million and software of ¥276 million. The impairment losses during the year ended March 31, 2009 mainly consisted of trademarks of ¥794 million and software of ¥575 million. The impairment losses of intangible assets subject to amortization were included in "Loss on property and equipment–net" in the consolidated statements of income.

The aggregate amortization expenses for intangible assets during the years ended March 31, 2011, 2010 and 2009 were ¥17,183 million ($207 million), ¥16,782 million and ¥13,258 million, respectively.

The estimated aggregate amortization expense for intangible assets for the next five years is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2012	¥15,835	$190
2013	14,323	172
2014	10,407	125
2015	6,768	81
2016	4,640	56

The carrying amount of intangible assets with indefinite useful lives which are therefore not subject to amortization comprised the following at March 31, 2011 and 2010:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	**2011**
Trademarks	**¥ 392**	¥ 694	**$ 4**
Unlimited land lease	**1,327**	1,424	**16**
Other	**1,313**	1,430	**16**
Total	**¥3,032**	¥3,548	**$36**

Intangible assets with indefinite useful lives which were not subject to amortization acquired during the year ended March 31, 2011, totaled ¥26 million ($0 million), and mainly consisted of an unlimited land lease of ¥13 million ($0 million).

Impairment losses of intangible assets with indefinite useful lives which are not subject to amortization during the years ended March 31, 2011, 2010 and 2009 were ¥263 million ($3 million), ¥359 million and ¥853 million, respectively.

The impairment losses which mainly consisted of trademarks during the years ended March 31, 2011, 2010 and 2009 were ¥241 million ($3 million), ¥309 million and ¥455 million, respectively. The impairment losses for all years were included in "Loss on property and equipment–net" in the consolidated statements of income.

The changes in the carrying amounts of goodwill by operating segment during the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen								
	Textile	Machinery	ICT, Aerospace & Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other	Total
Balance at March 31, 2009	¥ 8,966	¥ 4,991	¥36,609	¥ 1,119	¥8,416	¥20,434	¥1,783	¥ 5,242	¥ 87,560
Acquired	12,513	—	—	—	—	—	—	1,171	13,684
Impairment losses	—	(1,233)	—	—	—	—	—	(696)	(1,929)
Other changes (Note)	1,733	(550)	—	13	85	490	2	(1,031)	742
Balance at March 31, 2010	¥23,212	¥ 3,208	¥36,609	¥ 1,132	¥8,501	¥20,924	¥1,785	¥ 4,686	¥100,057
Acquired	**—**	**71**	**—**	**108**	**404**	**—**	**—**	**161**	**744**
Impairment losses	**—**	**—**	**—**	**(1,193)**	**—**	**—**	**(133)**	**(2,387)**	**(3,713)**
Other changes (Note)	**(670)**	**(376)**	**—**	**(47)**	**(562)**	**—**	**(13)**	**(747)**	**(2,415)**
Balance at March 31, 2011	**¥22,542**	**¥ 2,903**	**¥36,609**	**¥ —**	**¥8,343**	**¥20,924**	**¥1,639**	**¥ 1,713**	**¥ 94,673**

Note: "Other changes" primarily consists of translation adjustments, disposals and certain fair value adjustments resulting from business combinations.

	Millions of U.S. Dollars								
	Textile	Machinery	ICT, Aerospace & Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other	Total
Balance at March 31, 2010	$279	$ 39	$440	$ 14	$102	$252	$ 21	$ 56	$1,203
Acquired	**—**	**1**	**—**	**1**	**5**	**—**	**—**	**2**	**9**
Impairment losses	**—**	**—**	**—**	**(14)**	**—**	**—**	**(1)**	**(29)**	**(44)**
Other changes (Note)	**(8)**	**(5)**	**—**	**(1)**	**(7)**	**—**	**(0)**	**(8)**	**(29)**
Balance at March 31, 2011	**$271**	**$ 35**	**$440**	**$ —**	**$100**	**$252**	**$ 20**	**$ 21**	**$1,139**

Note: "Other changes" primarily consists of translation adjustments, disposals and certain fair value adjustments resulting from business combinations.

As a result of testing for impairment of goodwill, impairment losses amounting to ¥3,713 million ($44 million), ¥1,929 million and ¥340million, were recognized during the years ended March 31, 2011, 2010 and 2009, respectively. The impairment losses were included in "Other–net" in the consolidated statements of income. For the year ended March 31, 2011, an impairment loss in the Energy, Metals & Minerals segment was recognized by mainly Kansas Energy LLC, which operates wholesale of natural gas in the U.S.A and impairment losses in the Other segment were recognized by an equipment-material-related business and regional business (mainly engines and parts, medical equipments) in ITOCHU International Inc. (U.S.A.), an overseas trading subsidiary. For the year ended March 31, 2010, an impairment loss in the Machinery segment was recognized by a construction equipment-related business in ITOCHU International Inc.

Gross amount of goodwill and accumulated impairment losses by operating segment at March 31, 2011, 2010 and 2009 were as follows:

	Millions of Yen								
	2011								
Balance at March 31,	Textile	Machinery	ICT, Aerospace& Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other	Total
Gross amount	**¥22,542**	**¥ 5,883**	**¥36,609**	**¥ 1,193**	**¥8,343**	**¥20,924**	**¥1,772**	**¥ 7,257**	**¥104,523**
Accumulated impairment losses	**—**	**(2,980)**	**—**	**(1,193)**	**—**	**—**	**(133)**	**(5,544)**	**(9,850)**

	Millions of Yen								
	2010								
Balance at March 31,	Textile	Machinery	ICT, Aerospace& Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other	Total
Gross amount	¥23,212	¥ 6,188	¥36,609	¥1,132	¥8,501	¥20,924	¥1,785	¥ 7,843	¥106,194
Accumulated impairment losses	—	(2,980)	—	—	—	—	—	(3,157)	(6,137)

	Millions of Yen								
	2009								
Balance at March 31,	Textile	Machinery	ICT, Aerospace& Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other	Total
Gross amount	¥8,966	¥6,738	¥36,609	¥1,119	¥8,416	¥20,434	¥1,783	¥ 7,703	¥91,768
Accumulated impairment losses	—	(1,747)	—	—	—	—	—	(2,461)	(4,208)

	Millions of U.S. Dollars								
	2011								
Balance at March 31,	Textile	Machinery	ICT, Aerospace& Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other	Total
Gross amount	**$271**	**$ 71**	**$440**	**$ 14**	**$100**	**$252**	**$22**	**$ 88**	**$1,258**
Accumulated impairment losses	**—**	**(36)**	**—**	**(14)**	**—**	**—**	**(2)**	**(67)**	**(119)**

10. Short-term and Long-term Debt

"Short-term debt" at March 31, 2011 and 2010 was as follows:

	Millions of Yen	Interest Rate	Millions of Yen	Interest Rate	Millions of U.S. Dollars
	2011		2010		2011
Short-term loans, mainly from banks	**¥191,939**	**1.4%**	¥229,236	1.9%	**$2,308**
Commercial paper	**49,976**	**0.2**	—	—	**601**
Total	**¥241,915**	**—**	¥229,236	—	**$2,909**

Note: The interest rates represent weighted average rates on outstanding balances at March 31, 2011 and 2010.

"Long-term debt" at March 31, 2011 and 2010 was summarized below:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Banks and financial institutions:			
Secured			
Due 2010–2027, interest mainly 0.5%–16.5%	**¥ 13,411**	¥ 17,508	**$ 161**
Unsecured			
Due 2010–2025, interest mainly 0.2%–14.7%	**1,759,804**	1,767,898	**21,164**
Debentures:			
Unsecured bonds and notes:			
Issued in 2003, 0.87% Yen Bonds due 2010	**—**	10,000	**—**
Issued in 2005, 1.46% Yen Bonds due 2012	**10,000**	10,000	**120**
Issued in 2006, 2.17% Yen Bonds due 2016	**15,000**	15,000	**180**
Issued in 2006, 2.09% Yen Bonds due 2016	**10,000**	10,000	**120**
Issued in 2007, 2.11% Yen Bonds due 2017	**10,000**	10,000	**120**
Issued in 2007, 2.02% Yen Bonds due 2017	**10,000**	10,000	**120**
Issued in 2007, 1.99% Yen Bonds due 2017	**10,000**	10,000	**120**
Issued in 2007, 1.90% Yen Bonds due 2017	**10,000**	10,000	**120**
Issued in 2008, 2.28% Yen Bonds due 2018	**20,000**	20,000	**241**
Issued in 2009, 1.49% Yen Bonds due 2014	**25,000**	25,000	**301**
Issued in 2009, 1.91% Yen Bonds due 2019	**15,000**	15,000	**180**
Issued in 2009, 1.65% Yen Bonds due 2019	**10,000**	10,000	**120**
Issued in 2010, 1.65% Yen Bonds due 2020	**20,000**	20,000	**241**
Issued in 2010, 0.653% Yen Bonds due 2015	**20,000**	—	**241**
Issued in 2010, 1.53% Yen Bonds due 2020	**10,000**	—	**120**
Issued in 2010, 0.558% Yen Bonds due 2015	**20,000**	—	**241**
Issued in 2010, 1.412% Yen Bonds due 2020	**10,000**	—	**120**
Issued in and after 2005, Medium-Term Notes, etc., maturing through 2015	**12,266**	6,049	**148**
Others	**180,541**	188,283	**2,172**
Total	**2,191,022**	2,154,738	**26,350**
ASC Topic 815, "Derivatives and Hedging," fair value adjustment (Note)	**15,965**	13,579	**192**
Total	**2,206,987**	2,168,317	**26,542**
Less current maturities	**(47,058)**	(60,728)	**(566)**
Long-term debt, less current maturities	**¥2,159,929**	¥2,107,589	**$25,976**

Note: ASC Topic 815, "Derivatives and Hedging," fair value adjustment: The amount of adjustment to record the fair value as of the balance sheet date for long-term debt which is hedged with derivatives.

Certain agreements with the Japan Bank for International Cooperation ("JBIC") , the international wing of the Japan Finance Corporation, included in long term debt from banks and financial institutions, require the following:

(1) The Company applies all or a portion of its operating income or the proceeds from the sale of any debentures or common stock to the reduction of outstanding loans when JBIC believes that the Company is able to reduce such loans through increased earnings.

(2) JBIC may request that any proposed distribution of earnings be submitted to JBIC for review before presentation to the stockholders.

The Company has never received such a request and does not expect that any such request will be made.

The Company and certain subsidiaries have entered into interest rate swap agreements for certain long-term debt as a means of managing their interest rate exposure.

Reference is made to Note 8 "Pledged Assets" for a description of collateral and certain customary provisions of long-term and short-term bank loan agreements relating to collateral and other rights of such lenders.

The aggregate annual maturities of long-term debt after March 31, 2011 are as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2012	¥ 47,058	$ 566
2013	342,139	4,115
2014	318,936	3,836
2015	340,572	4,096
2016	256,824	3,089
2017 and thereafter	901,458	10,840
Total	¥2,206,987	$26,542

The Company has borrowing arrangements with many financial institutions and has entered into commitment line agreements with certain banks for working capital needs and stable funding. The aggregate amounts of the Japanese Yen facility available under such agreements totaled ¥400,000 million, consisting of ¥100,000 million for short-term debt and ¥300,000 million for long-term debt, as of March 31, 2011 and 2010. The $500 million U.S. dollar facility was held for short-term debt at March 31, 2011 and 2010. The Company intends to use the long-term commitment line agreements solely in support of refinancing the current maturities of long-term debt. Because the agreements demonstrate the Company's ability to refinance and the Company has expressed an intention to do so, the Company has changed the classification of ¥212,758 million ($2,559 million) and ¥147,798 million of the current maturities of long-term debt from current liabilities to non-current liabilities as of March 31, 2011 and 2010, respectively. The ¥212,758 million ($2,559 million) is included in "2017 and thereafter." The Company has consistently refinanced the current maturities of long-term debt reclassified into non-current liabilities for more than five years. The short-term commitment agreements were unused as of March 31, 2011 and 2010.

11. Asset Retirement Obligations

The Company and its subsidiaries account for asset retirement obligations, consisting of the costs related to dismantlement of facilities and mine reclamation, based on ASC Topic 410, "Asset Retirement and Environmental Obligations." The asset retirement obligations are principally related to the costs of dismantlement of coal mining, iron-ore mining and crude oil drilling facilities. These liabilities are included in "Other current liabilities" and "Long-term debt, excluding current maturities" on the consolidated balance sheets.

The changes in asset retirement obligations for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	**2011**
Balance at beginning of year	**¥22,925**	¥16,593	**$276**
Liabilities incurred	**2,983**	371	**36**
Liabilities settled	**(500)**	(1,581)	**(6)**
Accretion expense	**1,152**	924	**14**
Revisions to cost estimate	**6,873**	4,316	**83**
Other	**(4,776)**	2,302	**(58)**
Balance at end of year	**¥28,657**	¥22,925	**$345**

Note: "Other" principally includes foreign currency translation adjustments and the effect of deconsolidation of a certain subsidiary.

12. Leases

Lessor

The Company and its subsidiaries lease furniture and equipment for medical institutions, construction machinery and certain other assets, which are classified as direct financing leases under ASC Topic 840, "Leases."

The components of the net investment in direct financing leases as of March 31, 2011 and 2010 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Total minimum lease payments to be received	**¥27,128**	¥24,016	**$326**
Less unearned income	**(3,753)**	(3,501)	**(45)**
Estimated unguaranteed residual value	**—**	—	**—**
Less allowance for doubtful receivables	**(321)**	(436)	**(4)**
Net investment in direct financing leases	**¥23,054**	¥20,079	**$277**

The schedule of future minimum lease payments to be received from direct financing leases for each of the five succeeding years and thereafter as of March 31, 2011 is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2012	¥ 7,439	$ 89
2013	6,215	75
2014	4,727	57
2015	3,378	40
2016	2,474	30
2017 and thereafter	2,895	35
Total	¥27,128	$326

The Company and its subsidiaries lease aircraft, real estate and certain other assets under operating leases. The cost and accumulated depreciation of the property held for lease by classes as of March 31, 2011 were as follows:

	Millions of Yen			Millions of U.S. Dollars		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Real estate	¥19,430	¥4,398	¥15,032	$234	$53	$181
Machinery and equipment.	6,890	1,597	5,293	83	19	64
Others	214	83	131	3	1	2
Total	¥26,534	¥6,078	¥20,456	$320	$73	$247

The schedule of minimum future rentals on noncancelable operating leases for each of the five succeeding years and thereafter as of March 31, 2011 is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2012	¥ 5,760	$ 69
2013	3,256	39
2014	2,595	31
2015	2,043	25
2016	1,383	17
2017 and thereafter	759	9
Total	¥15,796	$190

Lessee

The Company and its subsidiaries lease buildings, machinery and equipment and certain other assets under capital leases. The cost and accumulated depreciation of such leased assets by classes as of March 31, 2011 and 2010 were as follows:

	Millions of Yen			Millions of U.S. Dollars		
	2011					
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Buildings	**¥ 49,838**	**¥22,022**	**¥27,816**	**$ 600**	**$265**	**$335**
Machinery and equipment	**31,333**	**10,282**	**21,051**	**377**	**124**	**253**
Others	**23,562**	**10,512**	**13,050**	**283**	**126**	**157**
Total	**¥104,733**	**¥42,816**	**¥61,917**	**$1,260**	**$515**	**$745**

	Millions of Yen		
	2010		
	Cost	Accumulated depreciation	Net
Buildings	¥ 50,998	¥20,532	¥30,466
Machinery and equipment	31,688	9,008	22,680
Others	20,809	7,518	13,291
Total	¥103,495	¥37,058	¥66,437

The components of the capital lease obligations as of March 31, 2011 and 2010 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	**2011**
Total minimum lease payments	**¥106,201**	¥105,239	**$1,277**
Less amount representing interest	**(24,021)**	(23,540)	**(289)**
Capital lease obligations	**¥ 82,180**	¥ 81,699	**$ 988**

The schedule of future minimum lease payments for each of the five succeeding years and thereafter as of March 31, 2011 is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2012	¥ 19,509	$ 235
2013	15,318	184
2014	13,561	163
2015	11,365	137
2016	11,106	133
2017 and thereafter	35,342	425
Total	¥106,201	$1,277

The total of minimum sublease rentals to be received in the future under noncancelable subleases is ¥12,299 million ($148 million).

The Company and its subsidiaries lease machinery and equipment, real estate and certain other assets under operating leases. The schedule of future minimum lease payments under noncancelable operating leases for each of the five succeeding years and thereafter as of March 31, 2011 is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2012	¥ 30,993	$ 373
2013	28,991	349
2014	25,050	301
2015	21,745	261
2016	18,792	226
2017 and thereafter	56,878	684
Total	¥182,449	$2,194

The total of minimum sublease rentals to be received in the future under noncancelable subleases is ¥8,355 million ($100 million). Total rental expenses under operating leases for the years ended March 31, 2011, 2010 and 2009 were ¥48,361 million ($582 million), ¥47,255 million and ¥26,473 million, respectively. Sublease rental income for the years ended March 31, 2011, 2010 and 2009 were ¥4,926 million ($59 million), ¥4,399 million and ¥3,084 million, respectively.

13. Retirement and Severance Benefits

The Company and certain subsidiaries have defined benefit pension plans (e.g., the Corporate Pension Fund (“CPF”)) covering substantially all of their employees. Benefits under these pension plans are based on years of service and certain other factors, and plan assets are comprised primarily of marketable securities, debt securities and other interest bearing securities. In addition, the Company and certain subsidiaries have both unfunded retirement and severance plans, which provide lump-sum payment benefits to their employees and defined contribution plans.

Certain subsidiaries and associated companies participate in a multiemployer plan (ITOCHU Union Pension Fund).

The changes in the benefit obligations and fair value of the plan assets and the funded status of the plans were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Change in projected benefit obligations:			
Projected benefit obligations at beginning of year	**¥308,207**	¥ 294,694	**$3,707**
Service cost	**8,641**	7,699	**104**
Interest cost	**6,278**	5,624	**76**
Plan participants' contributions	**619**	620	**7**
Net actuarial loss (gain)	**2,448**	(5,933)	**29**
Benefits paid from plan assets	**(16,449)**	(15,852)	**(198)**
Benefits paid by employer	**(1,450)**	(924)	**(17)**
Foreign currency translation adjustments	**(673)**	8,208	**(8)**
Acquisitions and divestitures	**(669)**	14,214	**(8)**
Settlement	**—**	(280)	**—**
Other	**(260)**	137	**(3)**
Projected benefit obligations at end of year	**306,692**	308,207	**3,689**
Change in plan assets:			
Fair value of plan assets at beginning of year	**272,496**	241,076	**3,277**
Actual (loss) return on plan assets	**(6,554)**	21,338	**(78)**
Employer contributions	**5,955**	13,416	**72**
Plan participants' contributions	**619**	620	**7**
Benefits paid from plan assets	**(16,449)**	(15,852)	**(198)**
Foreign currency translation adjustments	**(1,426)**	5,326	**(17)**
Acquisitions and divestitures	**(148)**	6,691	**(2)**
Settlement	**—**	(119)	**—**
Fair value of plan assets at end of year	**254,493**	272,496	**3,061**
Funded status at end of year	**¥ (52,199)**	¥ (35,711)	**$ (628)**

Amounts recognized in the consolidated balance sheets at March 31, 2011 and 2010 consisted of:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Prepaid pension cost	**¥ 365**	¥ 7,603	**$ 4**
Accrued retirement and severance benefits	**(52,564)**	(43,314)	**(632)**
	¥(52,199)	¥(35,711)	**$(628)**

Amounts recognized in accumulated other comprehensive income (loss), pre-tax, at March 31, 2011 and 2010 consisted of:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Net actuarial loss	**¥177,326**	¥170,169	**$2,133**
Prior service credit	**(18,532)**	(23,715)	**(223)**
	¥158,794	¥ 146,454	**$1,910**

The estimated amounts of net actuarial loss and prior service credit for the defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic pension cost for the year ending March 31, 2012 are approximately ¥10,000 million ($120 million) (loss) and ¥5,000 million ($60 million) (gain), respectively.

The accumulated benefit obligations for all defined benefit plans as of March 31, 2011 and 2010 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Accumulated benefit obligation	**¥305,680**	¥307,242	**$3,676**

Assumptions of projected benefit obligations and net periodic pension costs as of March 31, 2011 and 2010 were as follows:

	2011	2010
Weighted-average assumptions used to determine benefit obligations at the end of year:		
Discount rate	**2.1%**	2.1%
Rate of compensation increase	**3.4%**	3.4%
Weighted-average assumptions used to determine net periodic pension cost for the year:		
Discount rate	**2.1%**	2.2%
Expected long-term rate of return on plan assets	**2.8%**	2.8%
Rate of compensation increase	**3.4%**	1.1–7.6%

The prior service cost is amortized by the straight-line method over the average remaining service period of employees expected to receive related benefits. The net actuarial gain and loss is amortized over the average remaining service periods.

The fair value of equity securities of associated companies included in plan assets was ¥249 million ($3 million) and ¥242 million at March 31, 2011 and 2010, respectively.

The net periodic pension costs for retirement and severance benefits for the years ended March 31, 2011, 2010 and 2009 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Service cost	**¥ 8,641**	¥ 7,699	¥ 8,896	**$104**
Interest cost	**6,278**	5,624	6,080	**76**
Expected return on plan assets	**(7,296)**	(6,880)	(7,992)	**(88)**
Amortization of unrecognized prior service cost	**(5,468)**	(5,549)	(5,490)	**(66)**
Amortization of unrecognized net actuarial loss	**10,951**	16,242	11,318	**132**
Settlement loss (gain)	**—**	—	(1,230)	**—**
Net periodic pension cost	**¥13,106**	¥17,136	¥11,582	**$158**

Total expenses related to pension plans for the years ended March 31, 2011, 2010 and 2009 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Net periodic pension cost for defined benefit pension plans	**¥13,106**	¥17,136	¥11,582	**$158**
The amount of cost recognized for defined contribution pension plans	**2,950**	2,546	2,241	**35**
Total expenses for pension plans	**¥16,056**	¥19,682	¥13,823	**$193**

The prior service cost and the net actuarial gain and loss recognized in other comprehensive income (loss) for the years ended March 31, 2011, 2010 and 2009 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Prior service cost arising during period	**¥ (285)**	¥ (133)	¥ (611)	**$ (3)**
Amortization of unrecognized prior service cost	**5,468**	5,549	5,490	**66**
Net actuarial (gain) loss arising during period	**18,108**	(17,715)	58,939	**218**
Amortization of unrecognized net actuarial loss	**(10,951)**	(16,242)	(11,318)	**(132)**
Total	**¥ 12,340**	¥(28,541)	¥ 52,500	**$ 149**

The amount of contribution to the multi employer plan (ITOCHU Union Pension Fund) was ¥5,749 million ($69 million) and ¥5,564 million for the years ended March 31, 2011 and 2010, respectively.

As of March 31, 2011, plan assets held by the Company and its subsidiaries were as follows, by category.

For information used to measure fair value, please refer to Note 21 to the consolidated financial statements, "Fair Value Measurements."

	Millions of Yen			
	2011			
	Level 1	Level 2	Level 3	Total
Equity securities:				
Domestic	**¥ 39,393**	**¥ 21,307**	**—**	**¥ 60,700**
Overseas	**5,467**	**42,160**	**—**	**47,627**
Debt securities:				
Domestic	**10,088**	**49,430**	**—**	**59,518**
Overseas	**11,133**	**193**	**—**	**11,326**
Other assets:				
Cash and cash equivalents	**35,855**	**48**	**—**	**35,903**
Life insurance company general accounts	**—**	**33,691**	**—**	**33,691**
Others	**—**	**5,728**	**—**	**5,728**
Total	**¥101,936**	**¥152,557**	**—**	**¥254,493**

	Millions of Yen			
	2010			
	Level 1	Level 2	Level 3	Total
Equity securities:				
Domestic	¥41,609	¥ 50,411	—	¥ 92,020
Overseas	5,983	12,675	—	18,658
Debt securities:				
Domestic	5,598	68,707	—	74,305
Overseas	14,190	9,249	—	23,439
Other assets:				
Cash and cash equivalents	27,946	212	—	28,158
Life insurance company general accounts	—	30,633	—	30,633
Others	—	5,283	—	5,283
Total	¥95,326	¥177,170	—	¥272,496

	Millions of U.S. Dollars			
	2011			
	Level 1	Level 2	Level 3	Total
Equity securities:				
Domestic	**$ 474**	**$ 256**	**—**	**$ 730**
Overseas	**66**	**507**	**—**	**573**
Debt securities:			**—**	
Domestic	**121**	**595**	**—**	**716**
Overseas	**134**	**2**	**—**	**136**
Other assets:				
Cash and cash equivalents	**431**	**1**	**—**	**432**
Life insurance company general accounts	**—**	**405**	**—**	**405**
Others	**—**	**69**	**—**	**69**
Total	**$1,226**	**$1,835**	**—**	**$3,061**

In setting its portfolio investment policy for plan assets, the Company, on a long-term basis, focuses on securing investment returns that are sufficient to provide for the future benefit payments for employees in the context of a tolerable level of risk control. In order to achieve the objectives of the investment policy, the Company establishes the most appropriate portfolio considering the past return results as well as the estimated returns on invested assets and manages the portfolio.

The Company's standard for its portfolio of plan assets is to invest 65% in domestic and overseas debt securities and 35% in domestic and overseas equity securities. The Company's allocation of assets may also include cash, corporate pension plans and alternative investments, as appropriate. The Company's basic policy is to emphasize asset liquidity and a thorough diversification of its investments. In addition, the Company establishes an employee pension trust mainly comprised of domestic equity securities as a part of plan assets. The Company's holdings of marketable securities consist primarily of shares in listed companies. Debt securities principally comprise highly-rated government bonds. The Insurance Business Law Enforcement Regulations stipulate that the investment of assets in corporate pension plans (general account) be conducted in a manner that provides a specific assumed interest rate and a principal guarantee.

In addition, the Company determines its expected long-term rate of return considering the above investment policy, the expectations of future returns and historical returns on plan assets.

Assets classified as Level 1 consist of those owned securities and debt securities for which trading is frequent and for which quoted prices are available in active markets. Assets classified as Level 2 primarily consist of jointly managed trusts and corporate pension plans (general account) that invest in owned securities and debt securities. These assets are measured at fair value using valuations provided by trust banks and life insurance companies.

Cash Flow of the Company and Certain Subsidiaries:

The Company and certain subsidiaries expect to contribute about ¥4,100 million ($49 million) to defined benefit pension plans in the year ending March 31, 2012.

The following benefit payments, which reflect expected future service, are expected to be paid:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2012	¥16,351	$197
2013	15,396	185
2014	15,118	182
2015	15,089	181
2016	14,947	180
2017–2021	¥68,697	$826

14. Foreign Exchange Gains and Losses

Net foreign exchange gains of ¥1,447 million ($17 million), gains of ¥144 million, and losses of ¥3,290 million for the years ended March 31, 2011, 2010 and 2009, respectively, were included in "Other–net" in the consolidated statements of income.

15. Income Taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which in the aggregate result in a normal income tax rate of approximately 41%.

Foreign subsidiaries are subject to income taxes of the countries where they operate.

Effective commencing the year ended March 31, 2003, the Company adopted a consolidated taxation system.

A reconciliation between the normal income tax rate and the effective income tax rate for the years ended March 31, 2011, 2010 and 2009 is as follows:

	2011	2010	2009
Normal income tax rate	**41.0%**	41.0%	41.0%
Expenses not deductible for tax purposes	**2.9**	3.6	2.3
Difference of tax rates for foreign subsidiaries	**(6.7)**	(4.2)	(8.6)
Tax effect on dividends received	**(0.1)**	(8.5)	2.9
Valuation allowance	**2.4**	3.4	(0.9)
Tax effect on investments in equity-method associated companies	**(2.2)**	(4.3)	(2.4)
Other	**0.3**	2.3	0.6
Effective income tax rate	**37.6%**	33.3%	34.9%

Amounts provided for income taxes for the years ended March 31, 2011, 2010 and 2009 were allocated as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Income taxes	**¥68,496**	¥51,571	¥ 72,757	**$824**
Other comprehensive income (loss)	**3,448**	28,929	(59,847)	**42**
Capital surplus	**(2,704)**	—	—	**(33)**
Total income tax (benefit) expense	**¥69,240**	¥80,500	¥ 12,910	**$833**

Significant components of deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Deferred tax assets:			
Inventories, property and equipment	**¥ 78,401**	¥ 73,864	**$ 943**
Allowance for doubtful receivables	**20,843**	20,858	**251**
Net operating loss carryforwards	**45,612**	64,979	**548**
Accrued retirement and severance benefits	**68,132**	63,792	**819**
Marketable securities and investments	**125,632**	85,742	**1,511**
Other	**60,434**	64,013	**727**
Total deferred tax assets	**399,054**	373,248	**4,799**
Less valuation allowance	**(86,411)**	(82,353)	**(1,039)**
Deferred tax assets–net	**312,643**	290,895	**3,760**
Deferred tax liabilities:			
Accrued retirement and severance benefits	**(51,798)**	(51,813)	**(623)**
Marketable securities and investments	**(44,530)**	(37,866)	**(536)**
Undistributed earnings	**(31,627)**	(26,402)	**(380)**
Property, equipment and other intangible assets	**(30,585)**	(32,666)	**(368)**
Other	**(13,350)**	(10,974)	**(160)**
Total deferred tax liabilities	**(171,890)**	(159,721)	**(2,067)**
Net deferred tax assets	**¥ 140,753**	¥ 131,174	**$ 1,693**

Net changes in the valuation allowance for the years ended March 31, 2011, 2010 and 2009 were an increase of ¥4,058 million ($49 million), an increase of ¥13,101 million and an increase of ¥8,114 million, respectively.

The amount of undistributed earnings of foreign subsidiaries for which no deferred tax liability has been provided totaled ¥285,852 million ($3,438 million) and ¥249,145 million at March 31, 2011 and 2010, respectively. Most of the undistributed earnings of domestic subsidiaries are not considered to be a taxable temporary difference under present Japanese tax laws. It is not practicable to determine the deferred tax liability for undistributed earnings of foreign subsidiaries.

Net operating loss carryforwards are available to reduce future income taxes. If not utilized, such operating loss carryforwards expire as follows:

	Millions of Yen	Millions of U.S. Dollars
Within 1 year	¥ 14,480	$ 174
Within 2 years	1,011	12
Within 3 years	11,613	140
Within 4 years	10,233	123
Within 5 years	9,273	111
After 5 to 10 years	55,943	673
After 10 to 15 years	1,088	13
After 15 years	10,265	123
Total	¥113,906	$1,369

Unused foreign tax credit carryforwards for the year ended March 31, 2011 were ¥4,116 million ($50 million), which do not expire until March 31, 2013.

"Income before income taxes and equity in earnings of associated companies" for the years ended March 31, 2011, 2010 and 2009 comprised the following:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	**2011**
The Company and its domestic subsidiaries	**¥ 52,083**	¥ 92,410	¥ 68,236	**$ 626**
Foreign subsidiaries	**130,014**	62,576	140,022	**1,564**
Total	**¥182,097**	¥154,986	¥208,258	**$2,190**

"Income taxes" for the years ended March 31, 2011, 2010 and 2009 comprised the following:

	Millions of Yen									Millions of U.S. Dollars		
	2011			2010			2009			**2011**		
	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total
The Company and its domestic subsidiaries	**¥33,613**	**¥ (4,535)**	**¥29,078**	¥33,562	¥ (16)	¥33,546	¥41,010	¥(16,656)	¥24,354	**$404**	**$ (54)**	**$350**
Foreign subsidiaries	**47,438**	**(8,020)**	**39,418**	21,564	(3,539)	18,025	54,563	(6,160)	48,403	**571**	**(97)**	**474**
Total	**¥81,051**	**¥(12,555)**	**¥68,496**	¥55,126	¥(3,555)	¥51,571	¥95,573	¥(22,816)	¥72,757	**$975**	**$(151)**	**$824**

A reconciliation of the beginning and ending total gross unrecognized tax benefits for the years ended March 31, 2011 and 2010, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	**2011**
Balance at beginning of year	**¥ 638**	¥1,126	**$ 8**
Additions based on tax positions related to the current year	**7**	55	**0**
Additions for tax positions of prior years	**4**	45	**0**
Reductions for tax positions of prior years	**(143)**	—	**(2)**
Settlements	**—**	(621)	**—**
Effects on foreign currency translation	**(107)**	33	**(1)**
Balance at ending of year	**¥ 399**	¥ 638	**$ 5**

Of the ending balances of ¥399 million ($5 million) in 2011 and ¥638 million in 2010, ¥379 million ($5 million) and ¥597 million, respectively, represent the amount of benefits that, if recognized would favorably affect the effective tax rate.

Although the Company and its subsidiaries believe its estimates and assumptions of unrecognized tax benefits are reasonable, uncertainty regarding the final determination of tax audit settlements and any related litigation could affect the effective tax rate in future periods.

Based on each of the items of which the Company and its subsidiaries are aware as of March 31, 2011, no significant changes to the unrecognized tax benefits are expected within the next twelve months.

The Company and its subsidiaries recognize interest and penalties accrued related to unrecognized tax benefits in Income taxes in the consolidated statements of income.

Both interest and penalties accrued as of March 31, 2011 and 2010, and interest and penalties included in income taxes for the year ended March 31, 2011 and 2010 are not material.

The Company and its subsidiaries file income tax returns in Japan and various foreign tax jurisdictions. In Japan, the Company and its subsidiaries understand that regular income tax examinations by tax authorities through the year ended March 31, 2010 have been substantially completed. However according to the income tax regulation in Japan, Japanese tax authorities still retain the right to execute income tax examinations for the years ended March 31, 2006 and later. Moreover, the Company and its subsidiaries might be subject to income tax examinations by each jurisdiction's tax authority for certain years based on their respective tax regulation.

16. Net Income Attributable to ITOCHU Per Share

The reconciliation of the numerators and denominators of the basic net income attributable to ITOCHU per share computations for the years ended March 31, 2011, 2010 and 2009 was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	**2011**
Numerator:				
Net income attributable to ITOCHU	**¥160,975**	¥128,153	¥165,390	**$1,936**
Effect of dilutive securities:				
Convertible preferred stock	**(239)**	(284)	(1,106)	**(3)**
Diluted net income attributable to ITOCHU	**¥160,736**	¥127,869	¥164,284	**$1,933**

	Number of Shares		
	2011	2010	2009
Denominator:			
Weighted-average number of common shares outstanding	**1,580,596,737**	1,580,448,671	1,580,579,472

	Yen			U.S. Dollars
	2011	2010	2009	**2011**
Basic net income attributable to ITOCHU per common share	**¥101.84**	¥81.09	¥104.64	**$1.22**
Diluted net income attributable to ITOCHU per common share	**¥101.69**	¥80.91	¥103.94	**$1.22**

17. Segment Information

ITOCHU Corporation and its subsidiaries, have a diverse palette of functions and expertise through investments in resources development operations and also as a strategic partner, as well as a wide range of business activities such as trading, finance, logistics and coordinating projects. By using this diverse palette and global network, 7 division companies have been promoting and developing many kinds of business in the Consumer-related sector for textile, food and general merchandise, in the Natural resource / energy-related sector for metal resources, oil and gas and in some sectors for chemical, machinery, information technology, finance and real-estate, as well as in the New Business sector for life care, ecology and new energy.

The Company and its subsidiaries have introduced a division company system and information on operating segments is prepared and presented according to this system. This system is regularly used for decisions in operations, including resource allocations, and evaluations by the management.

The operating segments of the Company and its subsidiaries are as follows:

Textile

The Textile segment is engaged in all stages of the textile business from rough material, thread and textile to the final products for garments, home furnishings and industrial materials. This segment performs production and sales on a worldwide scale. In addition, the segment promotes brand businesses, development of high technology, and retail operations of TV and Internet shopping.

Machinery
The Machinery segment is engaged in diverse business activities ranging from projects in plants, bridges, railways and other infrastructures to automobiles, ships, construction machinery and other items. This segment also conducts business in water resources and environment-related equipment as well as activities related to renewable and alternative energy.

ICT, Aerospace & Electronics
The ICT, Aerospace & Electronics segment is engaged in business activities involving IT-related systems/ provider business, Internet service business, investment in venture business, mobile phone sales/ content distribution, video distribution/service business (broadcast-related, etc.), industrial machinery, environmental equipment, electronic equipment transactions and aircraft and related equipment.

Energy, Metals & Minerals
The Energy, Metals & Minerals segment is engaged in metal and mineral resource development, processing of steel products, environmental business including trading in greenhouse gas emissions, and trading in iron ore, coal, pig iron and ferrous raw materials, non-ferrous and light metal and steel products in Japan and overseas. Also the segment is engaged in energy resource development and trading in crude oil, oil products, gas and nuclear fuels both domestically and abroad.

Chemicals, Forest Products & General Merchandise
The Chemicals, Forest Products & General Merchandise segment is engaged in business activities involving various consumer products such as lumber, pulp, paper, rubber, tire, cement and ceramic, and in basic chemicals, fine chemicals, plastics and inorganic chemicals.

Food
The Food segment pursues efficiency-oriented operations from production and distribution to retail in all areas of food from raw materials to finished products both domestically and abroad.

Finance, Realty, Insurance & Logistics Services
The Finance, Realty, Insurance & Logistics Services segment is engaged in structuring and sales of financial products and agency, broker and consulting services of insurance and reinsurance. In addition, this segment is engaged in third-party logistics, warehousing, trucking, international intermodal transport and the development and operation of real estate.

Management evaluates segment performance based on several factors such as net income (loss), determined in accordance with U.S. GAAP.

In addition, management utilizes internally developed management control methods for the purpose of internal operating decisions.

Intersegment transactions are priced with reference to prices applicable to transactions with unaffiliated parties.

There have been no trading transactions with any single major external customer (10% or more of total) for the years ended March 31, 2011, 2010 and 2009.

As of April 1, 2011, ITOCHU's seven division companies have been reorganized into five division companies. Accompanying this revision, the Machinery Company and the ICT, Aerospace & Electronics Company will be merged into the ICT & Machinery Company. Also, the Finance, Realty, Insurance & Logistics Services Company has been reorganized as a division not belonging to a Division Company.

Information concerning operations in different operating segments for the years ended March 31, 2011, 2010 and 2009 was as follows:

	Millions of Yen								
	2011								
	Textile	Machinery	ICT, Aerospace & Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other, Adjustments & Eliminations	Consolidated
Trading transactions:									
Unaffiliated customers and associated companies	**¥587,725**	**¥848,499**	**¥578,413**	**¥3,885,703**	**¥2,060,190**	**¥3,097,391**	**¥170,891**	**¥163,777**	**¥11,392,589**
Transfers between operating segments ...	**536**	**350**	**9,354**	**481**	**24,885**	**2,571**	**13,987**	**(52,164)**	**—**
Total trading transactions...............	**¥588,261**	**¥848,849**	**¥587,767**	**¥3,886,184**	**¥2,085,075**	**¥3,099,962**	**¥184,878**	**¥111,613**	**¥11,392,589**
Gross trading profit	**¥128,345**	**¥ 51,084**	**¥134,033**	**¥ 212,134**	**¥ 118,328**	**¥ 335,911**	**¥ 37,860**	**¥ 23,596**	**¥ 1,041,291**
Equity in earnings (losses) of associated companies....	**¥ 5,925**	**¥ 8,216**	**¥ 3,914**	**¥ 28,450**	**¥ 6,351**	**¥ 11,700**	**¥ (2,045)**	**¥ (1,894)**	**¥ 60,617**
Net income attributable to ITOCHU	**¥ 15,292**	**¥ 8,116**	**¥ 9,845**	**¥ 109,224**	**¥ 25,997**	**¥ 22,377**	**¥ (13,194)**	**¥ (16,682)**	**¥ 160,975**
Total assets at March 31	**¥406,394**	**¥554,843**	**¥471,208**	**¥1,278,175**	**¥ 774,160**	**¥1,208,663**	**¥354,315**	**¥625,925**	**¥ 5,673,683**
Depreciation and amortization	**¥ 5,632**	**¥ 5,574**	**¥ 6,373**	**¥ 29,096**	**¥ 7,432**	**¥ 11,720**	**¥ 2,615**	**¥ 6,996**	**¥ 75,438**

	Millions of Yen								
	2010								
	Textile	Machinery	ICT, Aerospace & Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other, Adjustments & Eliminations	Consolidated
Trading transactions:									
Unaffiliated customers and associated companies	¥516,808	¥751,896	¥607,839	¥3,272,623	¥1,795,544	¥3,032,399	¥166,921	¥ 162,769	¥10,306,799
Transfers between operating segments	567	1,332	6,353	437	21,055	1,782	15,950	(47,476)	—
Total trading transactions	¥517,375	¥753,228	¥614,192	¥3,273,060	¥1,816,599	¥3,034,181	¥182,871	¥115,293	¥10,306,799
Gross trading profit	¥102,733	¥ 43,257	¥136,432	¥ 141,591	¥ 110,073	¥ 335,487	¥ 35,642	¥ 19,151	¥ 924,366
Equity in earnings (losses) of associated companies	¥ 8,019	¥ 10,489	¥ 2,063	¥ 9,186	¥ 1,629	¥ 13,015	¥ (7,114)	¥ (1,018)	¥ 36,269
Net income attributable to ITOCHU	¥ 22,401	¥ 3,692	¥ 6,017	¥ 65,661	¥ 19,270	¥ 27,808	¥ (4,247)	¥ (12,449)	¥ 128,153
Total assets at March 31	¥417,380	¥544,958	¥513,249	¥1,249,048	¥ 727,994	¥1,130,719	¥382,135	¥511,364	¥ 5,476,847
Depreciation and amortization	¥ 4,147	¥ 5,311	¥ 7,288	¥ 31,213	¥ 7,652	¥ 11,555	¥ 2,537	¥ 6,674	¥ 76,377

	Millions of Yen								
	2009								
	Textile	Machinery	ICT, Aerospace & Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other, Adjustments & Eliminations	Consolidated
Trading transactions:									
Unaffiliated customers and associated companies	¥589,596	¥1,370,207	¥633,766	¥3,916,776	¥2,024,015	¥3,188,363	¥167,254	¥175,132	¥12,065,109
Transfers between operating segments	618	1,541	3,793	557	19,927	460	9	(26,905)	—
Total trading transactions	¥590,214	¥1,371,748	¥637,559	¥3,917,333	¥2,043,942	¥3,188,823	¥167,263	¥148,227	¥12,065,109
Gross trading profit	¥102,626	¥ 71,854	¥138,859	¥ 222,263	¥ 114,277	¥ 335,606	¥ 42,042	¥ 32,994	¥ 1,060,521
Equity in earnings (losses) of associated companies	¥ 3,602	¥ 1,759	¥ 307	¥ 24,710	¥ 2,949	¥ 10,073	¥ (2,880)	¥ 784	¥ 41,304
Net income attributable to ITOCHU	¥ 22,898	¥ (15,457)	¥ 8,026	¥ 114,695	¥ 19,025	¥ 20,185	¥ (1,212)	¥ (2,770)	¥ 165,390
Total assets at March 31	¥360,431	¥ 639,939	¥490,159	¥1,016,596	¥ 611,375	¥1,054,127	¥381,800	¥637,665	¥ 5,192,092
Depreciation and amortization	¥ 3,341	¥ 6,341	¥ 7,340	¥ 25,405	¥ 4,514	¥ 10,297	¥ 1,119	¥ 6,631	¥ 64,988

	Millions of U.S. Dollars								
	2011								
	Textile	Machinery	ICT, Aerospace & Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other, Adjustments & Eliminations	Consolidated
Trading transactions:									
Unaffiliated customers and associated companies	**$7,068**	**$10,204**	**$6,956**	**$46,731**	**$24,777**	**$37,251**	**$2,055**	**$1,970**	**$137,012**
Transfers between operating segments ...	**7**	**4**	**113**	**6**	**299**	**31**	**168**	**(628)**	**—**
Total trading transactions...............	**$7,075**	**$10,208**	**$7,069**	**$46,737**	**$25,076**	**$37,282**	**$2,223**	**$1,342**	**$137,012**
Gross trading profit	**$1,544**	**$ 614**	**$1,612**	**$ 2,551**	**$ 1,423**	**$ 4,040**	**$ 455**	**$ 284**	**$ 12,523**
Equity in earnings (losses) of associated companies....	**$ 71**	**$ 99**	**$ 47**	**$ 342**	**$ 76**	**$ 141**	**$ (24)**	**$ (23)**	**$ 729**
Net income attributable to ITOCHU	**$ 184**	**$ 98**	**$ 118**	**$ 1,314**	**$ 313**	**$ 269**	**$ (159)**	**$ (201)**	**$ 1,936**
Total assets at March 31	**$4,887**	**$ 6,673**	**$5,667**	**$15,372**	**$ 9,310**	**$14,536**	**$4,261**	**$7,528**	**$ 68,234**
Depreciation and amortization	**$ 68**	**$ 67**	**$ 77**	**$ 350**	**$ 89**	**$ 141**	**$ 31**	**$ 84**	**$ 907**

Note: 1. Total trading transactions are presented in accordance with Japanese accounting practice.
2. "Other, Adjustments & Eliminations" includes trading transactions, gross trading profit, equity in earnings (losses) of associated companies, net income (loss), total assets not allocated to the specified operating segments in domestic and foreign areas, eliminations and adjustments, etc.

Geographic Information

Information concerning operations in different countries for the years ended March 31, 2011, 2010 and 2009 was as follows:

	Millions of Yen				
	2011				
	Japan	United States	Australia	Other	Consolidated
Revenue..	**¥2,694,306**	**¥375,121**	**¥212,875**	**¥367,369**	**¥3,649,671**

	Millions of Yen				
	2011				
	Japan	Australia	United States	Other	Consolidated
Long-lived assets...	**¥405,889**	**¥149,200**	**¥37,009**	**¥51,531**	**¥643,629**

	Millions of Yen				
	2010				
	Japan	United States	Australia	Other	Consolidated
Revenue..	¥2,563,123	¥366,440	¥129,088	¥357,986	¥3,416,637

	Millions of Yen				
	2010				
	Japan	Australia	United States	Other	Consolidated
Long-lived assets...	¥417,158	¥146,173	¥46,974	¥56,046	¥666,351

	Millions of Yen				
	2009				
	Japan	United States	Australia	Other	Consolidated
Revenue..	¥2,158,827	¥558,512	¥200,592	¥501,130	¥3,419,061

	Millions of U.S. Dollars				
	2011				
	Japan	United States	Australia	Other	Consolidated
Revenue..	**$32,403**	**$4,512**	**$2,560**	**$4,418**	**$43,893**

	Millions of U.S. Dollars				
	2011				
	Japan	Australia	United States	Other	Consolidated
Long-lived assets...	**$4,882**	**$1,794**	**$445**	**$620**	**$7,741**

Note: "Revenue" is attributed to countries based on the location of the assets producing such revenue.

18. Common Stock, Capital Surplus and Retained Earnings

The Companies Act states that upon issuance of new shares, at least 50% of the amount raised will be credited to the common stock account, unless otherwise specified in the Law.

The Companies Act in Japan provides that upon payment of dividends, an amount equal to 10% of the paid dividends must be appropriated as additional paid-in capital (a component of capital surplus) or as legal reserve (a component of retained earnings) depending on the equity account charged upon the payment of such dividends until the total aggregate amount of additional paid-in capital and legal reserve equals 25% of the common stock.

The Companies Act provides that there is a limit to the amount that can be distributed as dividends and the amount available for the purchase of treasury stocks. This amount is based on the amount recorded in the Company's statutory standalone financial statements in accordance with the financial accounting standards of Japan. The adjustments included in the accompanying consolidated financial statements to conform with U.S. GAAP, but not recorded in the statutory standalone financial statements, have no effect on the determination of the available balance as dividends or the purchase of treasury stocks under the Companies Act. The amount available as dividends or the purchase of treasury stocks under the Companies Act was ¥297,189 million as of March 31, 2011. This amount available as dividends or the purchase of treasury stocks might change by certain actions, such as the purchase of treasury stocks thereafter.

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as (1) having a Board of Directors, (2) having a Board of Corporate Auditors, (3) appointing independent auditors, and (4) the term of service of the directors is prescribed as one year, the Board of Directors may decide dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation. Companies under the Board of Directors' system may declare dividends once during the fiscal year by resolution of the Board of Directors (cash dividends only) if the company has prescribed so in its articles of incorporation.

The Companies Act also provides for companies, provided so resolved by the Board of Directors, to dispose of treasury stock, or to purchase it as prescribed in their articles of incorporation. The amount of treasury stock so purchased must be within the limits previously described as determined by the Companies Act.

The Companies Act permits reclassification among common stock, capital surplus and retained earnings by resolution of the shareholders' meeting, such as the transfer of a portion or all of retained earnings to the common stock account.

The effects of changes in the Parent's ownership interest in its subsidiary on the Parent's equity for the years ended March 31, 2011, 2010 and 2009 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	**2011**
Net income attributable to ITOCHU	**¥160,975**	¥128,153	¥165,390	**$1,936**
Increase (Decrease) in capital surplus for sale (purchase) of certain subsidiaries' common stock (Note 1)	**(19,322)**	335	—	**(232)**
Decrease in capital surplus for sale (purchase) by associated companies of certain of their subsidiaries' common stock (Note 2)	**(3,893)**	—	—	**(47)**
Change from net income attributable to ITOCHU and transfer to (from) noncontrolling interest	**¥137,760**	¥128,488	¥165,390	**$1,657**

Note 1: The changes are due primarily to the purchase of shares of the common stock of NIPPON ACCESS, INC., a subsidiary, in Fiscal 2011.

Note 2: The effects of changes in the associated companies' ownership interest in their subsidiaries on the associated companies' equity attributable to ITOCHU are recorded in Fiscal 2011.

19. Other Comprehensive Income (Loss)

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments were as follows:

	Millions of Yen		
	2011		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities	**¥(63,694)**	**¥ (67)**	**¥(63,761)**
Reclassification adjustments for gains and losses realized upon sale or liquidation of investments in foreign entities	**1,868**	**(396)**	**1,472**
Net change in foreign currency translation adjustments attributable to ITOCHU during the year	**(61,826)**	**(463)**	**(62,289)**
Net change in foreign currency translation adjustments attributable to the noncontrolling interest during the year	**(1,910)**	**—**	**(1,910)**
Net change in foreign currency translation adjustments during the year	**(63,736)**	**(463)**	**(64,199)**
Pension liability adjustments:			
Amount arising during the year on pension liability adjustments	**(17,397)**	**7,219**	**(10,178)**
Reclassification adjustments for gains and losses realized in net income	**5,458**	**(2,205)**	**3,253**
Net change in pension liability adjustments attributable to ITOCHU during the year	**(11,939)**	**5,014**	**(6,925)**
Net change in pension liability adjustments attributable to the noncontrolling interest during the year	**(1,172)**	**467**	**(705)**
Net change in pension liability adjustments during the year	**(13,111)**	**5,481**	**(7,630)**
Unrealized holding gains and losses on securities:			
Amount arising during the year on available-for-sale securities	**6,293**	**(1,858)**	**4,435**
Reclassification adjustments for gains and losses realized in net income.	**13,672**	**(5,594)**	**8,078**
Net change in unrealized holding gains and losses on securities attributable to ITOCHU during the year	**19,965**	**(7,452)**	**12,513**
Net change in unrealized holding gains and losses on securities attributable to the noncontrolling interest during the year	**(713)**	**328**	**(385)**
Net change in unrealized holding gains and losses on securities during the year	**19,252**	**(7,124)**	**12,128**
Unrealized holding gains and losses on derivative instruments:			
Amount arising during the year on derivative instruments for cash flow hedges	**(1,051)**	**227**	**(824)**
Reclassification adjustments for gains and losses realized in net income	**3,942**	**(1,575)**	**2,367**
Net change in unrealized holding gains and losses on derivative instruments attributable to ITOCHU during the year	**2,891**	**(1,348)**	**1,543**
Net change in unrealized holding gains and losses on derivative instruments attributable to the noncontrolling interest during the year	**(19)**	**6**	**(13)**
Net change in unrealized holding gains and losses on derivative instruments during the year	**2,872**	**(1,342)**	**1,530**
Other comprehensive income (loss)	**¥(54,723)**	**¥(3,448)**	**¥(58,171)**

	Millions of Yen		
	2010		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities	¥ 94,225	¥ 32	¥ 94,257
Reclassification adjustments for gains and losses realized upon sale or liquidation of investments in foreign entities	1,011	—	1,011
Net change in foreign currency translation adjustments attributable to ITOCHU during the year	95,236	32	95,268
Net change in foreign currency translation adjustments attributable to the noncontrolling interest during the year	1,178	—	1,178
Net change in foreign currency translation adjustments during the year	96,414	32	96,446
Pension liability adjustments:			
Amount arising during the year on pension liability adjustments	41,770	(16,088)	25,682
Reclassification adjustments for gains and losses realized in net income	(10,361)	4,220	(6,141)
Net change in pension liability adjustments attributable to ITOCHU during the year	31,409	(11,868)	19,541
Net change in pension liability adjustments attributable to the noncontrolling interest during the year	267	(108)	159
Net change in pension liability adjustments during the year	31,676	(11,976)	19,700
Unrealized holding gains and losses on securities:			
Amount arising during the year on available-for-sale securities	47,168	(16,749)	30,419
Reclassification adjustments for gains and losses realized in net income.	(5,707)	2,134	(3,573)
Net change in unrealized holding gains and losses on securities attributable to ITOCHU during the year	41,461	(14,615)	26,846
Net change in unrealized holding gains and losses on securities attributable to the noncontrolling interest during the year	1,648	(626)	1,022
Net change in unrealized holding gains and losses on securities during the year	43,109	(15,241)	27,868
Unrealized holding gains and losses on derivative instruments:			
Amount arising during the year on derivative instruments for cash flow hedges	980	5	985
Reclassification adjustments for gains and losses realized in net income	4,209	(1,724)	2,485
Net change in unrealized holding gains and losses on derivative instruments attributable to ITOCHU during the year	5,189	(1,719)	3,470
Net change in unrealized holding gains and losses on derivative instruments attributable to the noncontrolling interest during the year	57	(25)	32
Net change in unrealized holding gains and losses on derivative instruments during the year	5,246	(1,744)	3,502
Other comprehensive income (loss)	¥176,445	¥(28,929)	¥147,516

	Millions of Yen		
	2009		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities	¥(160,412)	¥ 431	¥(159,981)
Reclassification adjustments for gains and losses realized upon sale or liquidation of investments in foreign entities	(434)	—	(434)
Net change in foreign currency translation adjustments attributable to ITOCHU during the year	(160,846)	431	(160,415)
Net change in foreign currency translation adjustments attributable to the noncontrolling interest during the year	(2,336)	—	(2,336)
Net change in foreign currency translation adjustments during the year	(163,182)	431	(162,751)
Pension liability adjustments:			
Amount arising during the year on pension liability adjustments	(48,456)	19,246	(29,210)
Reclassification adjustments for gains and losses realized in net income	(5,814)	2,390	(3,424)
Net change in pension liability adjustments attributable to ITOCHU during the year	(54,270)	21,636	(32,634)
Net change in pension liability adjustments attributable to the noncontrolling interest during the year	(1,907)	782	(1,125)
Net change in pension liability adjustments during the year	(56,177)	22,418	(33,759)
Unrealized holding gains and losses on securities:			
Amount arising during the year on available-for-sale securities	(129,235)	48,623	(80,612)
Reclassification adjustments for gains and losses realized in net income.	33,478	(13,569)	19,909
Net change in unrealized holding gains and losses on securities attributable to ITOCHU during the year	(95,757)	35,054	(60,703)
Net change in unrealized holding gains and losses on securities attributable to the noncontrolling interest during the year	(1,958)	671	(1,287)
Net change in unrealized holding gains and losses on securities during the year	(97,715)	35,725	(61,990)
Unrealized holding gains and losses on derivative instruments:			
Amount arising during the year on derivative instruments for cash flow hedges	(4,735)	1,384	(3,351)
Reclassification adjustments for gains and losses realized in net income	(464)	(157)	(621)
Net change in unrealized holding gains and losses on derivative instruments attributable to ITOCHU during the year	(5,199)	1,227	(3,972)
Net change in unrealized holding gains and losses on derivative instruments attributable to the noncontrolling interest during the year	(79)	46	(33)
Net change in unrealized holding gains and losses on derivative instruments during the year	(5,278)	1,273	(4,005)
Other comprehensive income (loss)	¥(322,352)	¥59,847	¥(262,505)

	Millions of U.S. Dollars		
	2011		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities	**$(766)**	**$ (1)**	**$(767)**
Reclassification adjustments for gains and losses realized upon sale or liquidation of investments in foreign entities	**23**	**(5)**	**18**
Net change in foreign currency translation adjustments attributable to ITOCHU during the year	**(743)**	**(6)**	**(749)**
Net change in foreign currency translation adjustments attributable to the noncontrolling interest during the year	**(23)**	**—**	**(23)**
Net change in foreign currency translation adjustments during the year	**(766)**	**(6)**	**(772)**
Pension liability adjustments:			
Amount arising during the year on pension liability adjustments	**(209)**	**87**	**(122)**
Reclassification adjustments for gains and losses realized in net income	**65**	**(26)**	**39**
Net change in pension liability adjustments attributable to ITOCHU during the year	**(144)**	**61**	**(83)**
Net change in pension liability adjustments attributable to the noncontrolling interest during the year	**(14)**	**5**	**(9)**
Net change in pension liability adjustments during the year	**(158)**	**66**	**(92)**
Unrealized holding gains and losses on securities:			
Amount arising during the year on available-for-sale securities	**76**	**(23)**	**53**
Reclassification adjustments for gains and losses realized in net income.	**164**	**(67)**	**97**
Net change in unrealized holding gains and losses on securities attributable to ITOCHU during the year	**240**	**(90)**	**150**
Net change in unrealized holding gains and losses on securities attributable to the noncontrolling interest during the year	**(8)**	**4**	**(4)**
Net change in unrealized holding gains and losses on securities during the year	**232**	**(86)**	**146**
Unrealized holding gains and losses on derivative instruments:			
Amount arising during the year on derivative instruments for cash flow hedges	**(13)**	**3**	**(10)**
Reclassification adjustments for gains and losses realized in net income	**47**	**(19)**	**28**
Net change in unrealized holding gains and losses on derivative instruments attributable to ITOCHU during the year	**34**	**(16)**	**18**
Net change in unrealized holding gains and losses on derivative instruments attributable to the noncontrolling interest during the year	**(0)**	**0**	**(0)**
Net change in unrealized holding gains and losses on derivative instruments during the year	**34**	**(16)**	**18**
Other comprehensive income (loss)	**$(658)**	**$(42)**	**$(700)**

20. Derivative Instruments and Hedging Activities

The Company and its subsidiaries are exposed to a variety of risks in relation to their ongoing business activities. The Company and its subsidiaries utilize certain derivative instruments principally to manage the following risks.

Foreign Exchange Rate Risk
The Company and its subsidiaries have assets and liabilities that are exposed to foreign exchange rate risks. In order to reduce the risks, mainly for exchange between U.S. dollar and Japanese yen, the Company and its subsidiaries use foreign exchange contracts, currency swap agreements, and currency option contracts (hereafter collectively referred to as “currency derivatives”).

Interest Rate Risk
The Company and its subsidiaries reduce risk related to fluctuations in the fair value of loan receivables/payables in which the Company and its subsidiaries agree to receive/pay interest on a fixed rate basis, and risk related to fluctuations in future cash flows due to future fluctuations in interest rates by using interest rate swap agreements and interest rate option agreements (hereafter collectively referred to as “interest rate derivatives”).

Commodity Price Risk
The Company and its subsidiaries reduce risk related to fluctuations in prices of marketable commodities by using futures, forward contracts, commodity swap agreements, and commodity option agreements (hereafter collectively referred to as “commodity derivatives”).

Moreover, the Company and its subsidiaries hold currency derivatives, interest rate derivatives, and commodity derivatives for trading purposes.

ASC Topic 815, “Derivatives and Hedging,” requires that all derivatives be recognized as assets or liabilities at fair value in balance sheets. Further, ASC Topic 815, “Derivatives and Hedging,” requires that changes in the fair value of derivative instruments that are designated and qualify as fair value hedges be recognized in earnings or losses together with changes in the fair value of the corresponding hedged items. In addition, ASC Topic 815, “Derivatives and Hedging,” requires that changes in the fair value of derivative instruments that are designated and qualified as cash flow hedges be recognized in accumulated other comprehensive income (loss) (“AOCI”). Also, ASC Topic 815, “Derivatives and Hedging,” requires that these amounts be reclassified into earnings or losses in the same period as the hedged items affect earnings or losses.

In accordance with ASC Topic 815, “Derivatives and Hedging,” the Company and its subsidiaries designate derivatives owned by them as hedging instruments in accordance with the following manner:

Currency Derivatives
Currency derivatives held to hedge foreign exchange rate risk regarding unrecognized firm commitments are designated as a fair value hedge, and currency derivatives held to minimize the fluctuation of cash flow of forecasted transactions caused by foreign exchange rate changes are designated as a cash flow hedge. As of March 31, 2011 and 2010, the total principal amounts of currency derivatives that were designated and qualified as fair value hedges were ¥50,287 million ($605 million) and ¥36,904 million, respectively; the total principal amounts of currency derivatives that were designated and qualified as cash flow hedges were ¥68,436 million ($823 million) and ¥73,101 million, respectively; and the total principal amounts of currency derivatives that were not designated or did not qualify as hedging instruments were ¥255,890 million ($3,077 million) and ¥240,644 million, respectively.

Interest Rate Derivatives
Interest rate derivatives that hedge risk related to fluctuations in the fair value of loan receivables/payables on a fixed interest rate basis are designated as a fair value hedge. Interest rate derivatives that hedge risk related to fluctuations in cash flows due to future fluctuations in interest rates are designated as a cash flow hedge. As of March 31, 2011 and 2010, the total notional amounts of interest rate derivatives that were designated and qualified as fair value hedges were ¥637,990 million ($7,673 million) and ¥592,990 million, respectively; the total notional amounts of interest rate derivatives that were designated and qualified as cash flow hedges were ¥372,498 million ($4,480 million) and ¥1,004,660 million, respectively; and the total notional amounts of interest rate derivatives that were not designated or did not qualify as hedging instruments were ¥17,235 million ($207 million) and ¥18,595 million, respectively.

Commodity Derivatives
Commodity derivatives held for the hedging of commodity price risk in unrecognized firm commitments and inventories are designated as a fair value hedge, and commodity derivatives held to minimize the fluctuation of cash flow of forecasted transactions due to commodity price changes are designated as a cash flow hedge. As of March 31, 2011 and 2010, the total principal amounts of commodity derivatives that were designated and qualified as fair value hedges were ¥91,501 million ($1,100 million) and ¥38,538 million, respectively; the total principal amounts of commodity derivatives that were designated and qualified as cash flow hedges were ¥134 million ($2 million) and ¥678 million, respectively; and the total principal amounts of commodity derivatives that were not designated or did not qualify as hedging instruments were ¥430,420 million ($5,176 million) and ¥641,162 million, respectively.

(1) Fair values of derivative instruments

The fair values of derivative instruments as of March 31, 2011 and 2010, were as follows.

(a) Derivatives Designated as Hedging Instruments under ASC Topic 815, "Derivatives and Hedging"

	Millions of Yen		Millions of Yen		Millions of U.S. Dollars	
	2011		2010		2011	
	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives
Currency derivatives	**¥ 1,692**	**¥3,804**	¥ 1,207	¥2,377	**$ 20**	**$ 46**
Interest rate derivatives	**15,965**	**1,442**	13,578	3,833	**192**	**17**
Commodity derivatives	**1,557**	**3,720**	2,136	749	**19**	**45**
Total	**¥19,214**	**¥8,966**	¥16,921	¥6,959	**$231**	**$108**

(b) Derivatives Not Designated as Hedging Instruments under ASC Topic 815, "Derivatives and Hedging"

	Millions of Yen		Millions of Yen		Millions of U.S. Dollars	
	2011		2010		2011	
	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives
Currency derivatives	**¥ 3,295**	**¥ 2,572**	¥ 3,980	¥ 3,142	**$ 39**	**$ 31**
Interest rate derivatives	**223**	**306**	266	421	**3**	**4**
Commodity derivatives	**13,808**	**12,336**	18,422	18,685	**166**	**148**
Other	**9**	**24**	4	6	**0**	**0**
Total	**¥17,335**	**¥15,238**	¥22,672	¥22,254	**$208**	**$183**

As for the balance sheet location for those items, asset derivatives were included in Other current assets and Other assets, and liability derivatives were included in Other current liabilities and Long-term debt, excluding current maturities.

(2) Gains and losses related to derivative instruments

Gains and losses related to derivative instruments for the year ended March 31, 2011, 2010 and the three months ended March 31, 2009 were as follows. The Company and its subsidiaries adopted ASC Topic 815, "Derivatives and Hedging," and disclose the information regarding gains and losses related to derivative instruments required by ASC Topic 815, "Derivatives and Hedging," for the three months ended March 31, 2009 only.

(a) Derivatives in ASC Topic 815, "Derivatives and Hedging," Fair Value Hedging Relationships

		Millions of Yen	Millions of U.S. Dollars
		2011	2011
	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative
Currency derivatives	Other–net	**¥(1,336)**	**$(16)**
Interest rate derivatives	Interest expense	**7,937**	**95**
Commodity derivatives	Trading margins and commissions on trading transactions	**(4,576)**	**(55)**
Total		**¥ 2,025**	**$ 24**

		Millions of Yen	
		2010	2009
	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative
Currency derivatives	Other–net	¥ (848)	¥ 3,070
Interest rate derivatives	Interest expense	6,866	(1,751)
Commodity derivatives	Trading margins and commissions on trading transactions	(817)	1,722
Total		¥5,201	¥ 3,041

The amount of hedge ineffectiveness and the net gain or loss excluded from the assessment of hedge effectiveness was not material for the year ended March 31, 2011, 2010 and the three months ended March 31, 2009.

The amount of firm commitments that no longer qualified as fair value hedges was not material for the year ended March 31, 2011, 2010 and the three months ended March 31, 2009.

(b) Derivatives in ASC Topic 815, "Derivatives and Hedging," Cash Flow Hedging Relationships

	Millions of Yen			Millions of U.S. Dollars	
	2011			2011	
	Amount of Gain or (Loss) Recognized In OCI on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from AOCI into income (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCI into income (Effective Portion)	Amount of Gain or (Loss) Recognized In OCI on Derivative (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCI into income (Effective Portion)
Currency derivatives	**¥ (25)**	Other–net	**¥ 575**	**$ (0)**	**$ 7**
Interest rate derivatives	**(852)**	Interest expense	**3,243**	**(10)**	**39**
Commodity derivatives	**35**	Trading margins and commissions on trading transactions	**53**	**(0)**	**1**
Total	**¥(842)**		**¥3,871**	**$(10)**	**$47**

	Millions of Yen		
	2010		
	Amount of Gain or (Loss) Recognized In OCI on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from AOCI into income (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCI into income (Effective Portion)
Currency derivatives	¥ 446	Other–net	¥ 461
Interest rate derivatives	(530)	Interest expense	4,162
Commodity derivatives	(258)	Trading margins and commissions on trading transactions	194
Total	¥(342)		¥4,817

	Millions of Yen		
	2009		
	Amount of Gain or (Loss) Recognized In OCI on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from AOCI into income (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCI into income (Effective Portion)
Currency derivatives	¥ 656	Other–net	¥3,881
Interest rate derivatives	195	Interest expense	606
Commodity derivatives	337	Trading margins and commissions on trading transactions	(21)
Total	¥1,188		¥4,466

The amount of hedge ineffectiveness and the net gain or loss excluded from the assessment of hedge effectiveness was not material for the year ended March 31, 2011, 2010 and the three months ended March 31, 2009.

A net loss (pre-tax) of ¥857 million ($10 million) in AOCI at March 31, 2011 is expected to be reclassified into earnings within the next 12 months.

As of March 31, 2011, the maximum length of time over which the Company and its subsidiaries hedged their exposure to variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was approximately 15 months.

The amount of net gain or loss reclassified from AOCI into earnings or losses because it was probable that forecasted transactions would not occur was not material for the year ended March 31, 2011, 2010 and the three months ended March 31, 2009.

(c) Derivatives Not Designated as Hedging Instruments under ASC Topic 815, “Derivatives and Hedging”

	Location of Gain or (Loss) Recognized in Income on Derivative	Millions of Yen 2011 Amount of Gain or (Loss) Recognized in Income on Derivative	Millions of U.S. Dollars 2011 Amount of Gain or (Loss) Recognized in Income on Derivative
Currency derivatives	Trading margins and commissions on trading transactions	**¥ 3,781**	**$ 45**
	Other–net	**(5,480)**	**(66)**
Interest rate derivatives	Other–net	**(6)**	**(0)**
Commodity derivatives	Trading margins and commissions on trading transactions	**(41)**	**(0)**
Other	Other–net	**3**	**0**
Total		**¥(1,743)**	**$(21)**

	Location of Gain or (Loss) Recognized in Income on Derivative	Millions of Yen 2010 Amount of Gain or (Loss) Recognized in Income on Derivative	Millions of Yen 2009 Amount of Gain or (Loss) Recognized in Income on Derivative
Currency derivatives	Trading margins and commissions on trading transactions	¥ 3,140	¥(290)
	Other–net	(1,227)	193
Interest rate derivatives	Other–net	(111)	57
Commodity derivatives	Trading margins and commissions on trading transactions	2,640	8,311
Other	Other–net	87	(12)
Total		¥ 4,529	¥8,259

The Company and its subsidiaries have various derivative instruments and as such are exposed to credit losses in the event of non-performance by counterparties. The Company and its subsidiaries seek to minimize credit risk by entering into contracts only with major counterparties and avoiding concentration on specific counterparties or groups of counterparties. The policies of the Company and its subsidiaries prescribe monitoring of creditworthiness and exposure on a counterparty-by-counterparty basis. Further, the Company and its subsidiaries do not have derivative agreements that require immediate settlement nor provision of collateral required by any downgrade of their credit ratings. In addition, there are no material items to be mentioned regarding disclosure of credit derivatives in which the Company and its subsidiaries are involved as the seller.

21. Fair Value Measurements

(1) Fair Value Measurements

The Company and its subsidiaries define, in accordance with ASC Topic 820, "Fair Value Measurements and Disclosures," fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820, "Fair Value Measurements and Disclosures," also establishes a hierarchy for inputs used in measuring fair value and requires that each fair value be categorized into one of the following three levels based on its observability of inputs.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for identical assets or liabilities.

(a) Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Company and its subsidiaries' assets and liabilities that are measured at fair value on a recurring basis consist primarily of trading securities, available-for-sale securities, derivative assets and derivative liabilities.

The following table provides information by level for assets and liabilities that were measured at fair value on a recurring basis at March 31, 2011 and 2010.

	Millions of Yen			
	2011			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	**¥ —**	**¥15,599**	**¥ —**	**¥ 15,599**
Trading securities	**—**	**—**	**798**	**798**
Available-for-sale securities				
Equity securities	**274,850**	**6,211**	**—**	**281,061**
Debt securities	**—**	**12,325**	**2,518**	**14,843**
Derivative assets	**10,008**	**26,541**	**—**	**36,549**
Liabilities:				
Derivative liabilities	**¥ 10,884**	**¥13,320**	**¥ —**	**¥ 24,204**

	Millions of Yen			
	2010			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	¥ —	¥13,598	¥ —	¥ 13,598
Trading securities	—	—	6,701	6,701
Available-for-sale securities				
Equity securities	222,757	4,507	—	227,264
Debt securities	67	5,723	2,448	8,238
Derivative assets	7,407	32,186	—	39,593
Liabilities:				
Derivative liabilities	¥ 5,032	¥24,181	¥ —	¥ 29,213

	Millions of U.S. Dollars			
	2011			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	**$ —**	**$188**	**$—**	**$ 188**
Trading securities	**—**	**—**	**10**	**10**
Available-for-sale securities				
Equity securities	**3,305**	**75**	**—**	**3,380**
Debt securities	**—**	**148**	**30**	**178**
Derivative assets	**121**	**319**	**—**	**440**
Liabilities:				
Derivative liabilities	**$ 131**	**$160**	**$—**	**$ 291**

The Available-for-sale securities above are mainly classified in "Other Investments" on the Consolidated Balance Sheets. Debt securities with a remaining maturity of one year or less are classified in "Short-term investments" on the Consolidated Balance Sheets.

The following table provides the changes in Level 3 items for the fiscal years ended March 31, 2011 and 2010.

	Millions of Yen	
	2011	
	Trading Securities	Available-for-sale Securities
Beginning balance	**¥ 6,701**	**¥2,448**
Total gains or losses (realized /unrealized)	**94**	**(729)**
Included in earnings	**94**	**(577)**
Included in other comprehensive income (loss)	**—**	**(152)**
Purchases	**199**	**2,238**
Sales	**(1,074)**	**(931)**
Settlements and others	**(4,648)**	**(508)**
Effect of exchange rate changes	**(474)**	**—**
Ending balance	**798**	**2,518**
The amount of total gains or losses (in Loss on investments–net) for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at March 31, 2011	**¥ 9**	**¥ —**

	Millions of Yen	
	2010	
	Trading Securities	Available-for-sale Securities
Beginning balance	¥ 9,121	¥3,264
Total gains or losses (realized /unrealized)	(50)	(32)
Included in earnings	(50)	—
Included in other comprehensive income (loss)	—	(32)
Purchases, issuances and settlements	(1,905)	(784)
Effect of exchange rate changes	(465)	—
Ending balance	6,701	2,448
The amount of total gains or losses (in Loss on investments–net) for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at March 31, 2010	¥ (175)	¥ —

	Millions of U.S. Dollars	
	2011	
	Trading Securities	Available-for-sale Securities
Beginning balance	**$ 81**	**$ 29**
Total gains or losses (realized /unrealized)	**1**	**(9)**
Included in earnings	**1**	**(7)**
Included in other comprehensive income (loss)	**—**	**(2)**
Purchases	**2**	**27**
Sales	**(13)**	**(11)**
Settlements and others	**(55)**	**(6)**
Effect of exchange rate changes	**(6)**	**—**
Ending balance	**10**	**30**
The amount of total gains or losses (in Loss on investments–net) for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at March 31, 2011	**$ 0**	**$ —**

The Company and its subsidiaries use the following valuation techniques for the assets and liabilities that are measured at fair value on a recurring basis.

The cash equivalents that are measured at fair value on a recurring basis consist primarily of commercial papers and cash reserve funds with original maturities of three months or less. The Company and its subsidiaries measure their fair value using the quoted market prices and classify them as Level 2.

The trading securities and available-for-sale securities primarily consist of marketable securities that are listed on exchanges and alternative investments. Marketable securities that are listed on exchanges are measured using quoted market prices. When quoted prices in active markets in which transactions occur with sufficient frequency are available, they are included in Level 1. On the other hand, instruments that are measured at quoted prices in markets in which there are relatively few transactions are included in Level 2. Level 3 items consist of other investments such as alternative investments (classified as trading securities or available-for-sale securities by holding purposes), which are measured at fair value using unobservable inputs of investees' specific fundamentals including estimated future cash flows, as well as referring to index data available in active markets as of the fiscal year end.

Derivative assets and derivative liabilities consist of currency derivatives, interest rate derivatives, and commodity derivatives that are traded in active markets are valued at quoted market prices and classified as Level 1. The other derivative instruments are measured using commonly-used fair value pricing models, such as the Black-Scholes model, based upon observable inputs only and classified as Level 2.

(b) Financial Assets Measured at Fair Value on a Nonrecurring Basis

The following table provides information by level for financial assets that were measured at fair value during the years ended March 31, 2011 and 2010 on a nonrecurring basis.

	Millions of Yen		
	2011		
	Level 3	Total	Impairment loss (pre-tax)
Assets:			
Non-marketable investments (Notes 1 and 5)	**¥17,067**	**¥17,067**	**¥22,923**
Investments in associated companies (Note 2)	**25,258**	**25,258**	**19,151**
Long-lived Assets (Note 3)	**5,803**	**5,803**	**36,574**
Goodwill and Other Intangible Assets (Note 4)	**20,934**	**20,934**	**6,023**

	Millions of Yen		
	2010		
	Level 3	Total	Impairment loss (pre-tax)
Assets:			
Non-marketable investments (Note 1)	¥ 2,310	¥ 2,310	¥ 11,255
Investments in associated companies (Note 2)	31,685	31,685	15,948
Long-lived Assets (Note 3)	29,556	29,556	8,835
Goodwill and Other Intangible Assets (Note 4)	11,658	11,658	3,803

	Millions of U.S. Dollars		
	2011		
	Level 3	Total	Impairment loss (pre-tax)
Assets:			
Non-marketable investments (Notes 1 and 5)	**$205**	**$205**	**$276**
Investments in associated companies (Note 2)	**304**	**304**	**230**
Long-lived Assets (Note 3)	**70**	**70**	**440**
Goodwill and Other Intangible Assets (Note 4)	**252**	**252**	**72**

Note 1: The Company and subsidiaries recognized impairment of non-marketable investments at their fair values as their fair values were below the carrying amounts and the decline in fair values was considered to be other-than-temporary. Their fair values were measured as a result of considering various unobservable inputs which were available to the Company and its subsidiaries, including expectation of future income of the investees, net asset value of the investees, and material unrealized losses to be considered in assets and liabilities held by the investees.

Note 2: The Company and subsidiaries recognized impairment of investments in associated companies at their fair values as their fair values were below the carrying amounts and the decline in fair values was considered to be other-than-temporary. Their fair values were measured primarily using future cash flow projection of the investees, with consideration of other factors such as the quoted market price of the investee, if available. Measurement using the future cash flow projection of the investee was based upon unobservable inputs which were available to the Company and its subsidiaries. The Company and its subsidiaries utilized these inputs confirming that such inputs were based upon the Company's best estimates as of the measurement date and also verified the rationale of the measured amounts through review by independent professional advisors.

Note 3: Their fair values are measured primarily using the sum of income from continuing operation of using the long-lived asset and future cash flow (before discounts) resulting from its sale, which are unobservable inputs.

Note 4: Their fair values were measured primarily using discounted future cash flow from the business plan which are unobservable inputs.

Note 5: Non-marketable investments include preferred stock in Orient Corporation.

(2) Fair Value of Financial Instruments

The Company and its subsidiaries have various financial instruments, which are exposed to credit losses in the event of non-performance by counterparties.

The Company and its subsidiaries are engaged in transactions with numerous counterparties to ensure that there are no significant concentrations of credit risk with any individual counterparty or group of counterparties.

The carrying amounts and estimated fair values for the purpose of the disclosure requirements of ASC Topic 825, "Financial Instruments," and valuation techniques for other non-current receivables, advances to associated companies and long-term debt as of March 31, 2011 and 2010 were as follows (for fair value of Short-term investments and Other investments, and for fair value of asset/liability derivatives, please refer to "4.Marketable Securities and Investments" and "20. Derivative Instruments and Hedging Activities" respectively):

	Millions of Yen				Millions of U.S. Dollars	
	2011		2010		2011	
	Carrying Amount	Estimated Far Value	Carrying Amount	Estimated Far Value	Carrying Amount	Estimated Far Value
Financial assets:						
Other non-current receivables and advances to associated companies (less allowance for doubtful receivables)	**¥ 103,197**	**¥ 104,046**	¥ 126,597	¥ 127,383	**$ 1,241**	**$ 1,251**
Financial liabilities:						
Long-term debt (including current maturities)	**¥2,206,987**	**¥2,210,446**	¥2,168,317	¥2,168,527	**$26,542**	**$26,584**

Valuation Techniques for Fair Values of Other Non-current Receivables and Advances to Associated Companies:

The fair values of Other non-current receivables and advances to associated companies are estimated based on the present value of future cash flows discounted using the current rates of loans or receivables with similar terms, conditions and maturities being offered to borrowers or customers with similar credit ratings.

Valuation Techniques for Fair Values of Long-term Debt:

The fair values of Long-term debt are based on the present value of future cash flows discounted using the current borrowing rates of similar debt instruments having comparable maturities.

The carrying amounts of current financial assets other than marketable securities and current financial liabilities are usually the same as their fair values because of the short maturity.

22. Variable Interest Entities

The Company and its subsidiaries are involved in certain businesses, such as ocean plying vessels, property development, and providing loans to third parties, which are conducted through special purpose entities. The Company and its subsidiaries retain variable interests through loans, guarantees, and equity investments in these special purpose entities, which are classified as variable interest entities under ASC Topic 810, "Consolidation."

In accordance with ASC Topic 810, "Consolidation," the Company and its subsidiaries determine whether those entities are variable interest entities, in which both of the following conditions are met: (i) The Company and its subsidiaries have exposure in the form of loans, investments or guarantees and the Company and its subsidiaries have rights or obligations to take benefits or losses that arise from changes in the assets or liabilities held by those entities; (ii) Those entities do not have sufficient capital to cover the risk associated with them or the holders of the equity investment at risk and lack control of them at the beginning of involvement.

In addition, the Company and its subsidiaries consider the contractual relationships with each variable interest entity, and decide that the Company and its subsidiaries are deemed to be the primary beneficiary of a variable interest entity if they have both of these characteristics: (i) The power to direct the activities that most significantly impact a variable interest entity's economic performance; (ii) The obligation to absorb losses of a variable interest entity that could potentially be significant to the variable interest entity or the right to receive benefits from the variable interest entity that could potentially be significant to the variable interest entity.

The Company and its subsidiaries believe that there are no variable interest entities where the Company and its subsidiaries currently undertake any support, or are likely to do so in the future, although contractually they have no obligation. In addition, as of March 31, 2011 a reconsideration of contractual relationships with existing variable interest entities resulted in no change in assessments of whether or not the Company and its subsidiaries was the primary beneficiary.

As of March 31, 2011, among variable interest entities, those in which the Company and its subsidiaries are the primary beneficiary were principally entities undertaking real estate development businesses. Quantitative information regarding those entities is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	**2011**
Cash and cash equivalents	**¥ 987**	¥1,094	**$ 12**
Inventories	**5,899**	5,805	**71**
Other	**1,918**	2,508	**23**
Total assets	**¥8,804**	¥9,407	**$106**
Total current liabilities	**¥ 67**	¥ 612	**$ 1**
Long-term debt, excluding current maturities	**2,579**	2,371	**31**
Total equity	**6,158**	6,424	**74**
Total liabilities and equity	**¥8,804**	¥9,407	**$106**

Note: "Other" mainly includes property and equipment, at cost. Further, most inventories were pledged as collateral, mainly to secure long-term debt.

In addition, the creditors or beneficial interest holders of those entities do not have recourse to the general credit of the Company and its subsidiaries.

The Company and its subsidiaries have variable interest entities for which the Company and its subsidiaries are not the primary beneficiary established for the ocean plying vessels and real estate development businesses. The aggregated amounts of the assets associated with entities in which the Company and its subsidiaries have significant variable interests which are recognized in the consolidated balance sheets are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	**2011**
Due from associated companies	**¥ 7,661**	¥ 1,142	**$ 92**
Other current assets	**260**	352	**3**
Total current assets	**¥ 7,921**	¥ 1,494	**$ 95**
Investments in and advances to associated companies	**¥10,163**	¥17,707	**$122**
Other non-current receivables	**11,142**	3,460	**134**
Total assets	**¥29,226**	¥22,661	**$351**

The total assets and the maximum exposure to loss to the Company and its subsidiaries as a result of their involvement in variable interest entities in which the Company and its subsidiaries are not the primary beneficiary but have significant variable interests were ¥527,596 million ($6,345 million) and ¥51,341 million ($617 million), respectively as of March 31, 2011 and ¥485,518 million and ¥45,319 million, respectively as of March 31, 2010. The major difference between the maximum exposure to loss and the recorded consolidated balance sheet amounts was due to guarantees.

The maximum exposure to loss includes investments, loans, and guarantees. The calculation of the maximum exposure to loss is based on assessments of the involvement of the Company and its subsidiaries considering various factors including the contractual relationships with such variable interest entities.

23. Regarding Loss Relating to the Entrada Oil and Natural Gas Project in the U.S. Gulf of Mexico

In March 2009 the Company decided to definitively withdraw from the Entrada oil and natural gas project in the Gulf of Mexico, which the Company participated through CIECO (Entrada) LLC, a wholly-owned subsidiary of CIECO Energy (US) Limited, a wholly-owned subsidiary of the Company, because the Company and its partner were unable to define an economically viable development plan nor a reasonable divestiture of the equity interest in the lease to third parties.

As a result, the Company recognized a loss for the project in the amount of ¥36,274 million for the year ended March 31, 2009.

The loss consisted of a ¥29,207 million impairment loss related to the amount held under mineral rights, machinery, and equipment by CIECO Energy (US) Limited, which is included in “Loss on property and equipment–net” and a ¥7,067 million impairment loss due to additional expenditures and unrecoverable costs included in “Other–net” in the consolidated statements of income.

24. Commitments and Contingent Liabilities

The Company and its subsidiaries enter into purchase contracts for certain items, principally energy, machinery and chemical materials, either at fixed or variable prices. In most cases, these contracts are matched with counterparty sales contracts. The outstanding purchase contracts amounted to ¥2,070,755 million ($24,904 million), and ¥1,734,273 million at March 31, 2011 and 2010, respectively. The deliveries are at various dates through 2026.

The Company and its subsidiaries also had long-term financing commitments aggregating ¥24,437 million ($294 million) and ¥76,750 million at March 31, 2011 and 2010, respectively, for loans and investments in equity capital.

The Company and its subsidiaries issue various guarantees for indebtedness of equity-method associated companies and customers. The guarantees are principally for monetary indebtedness by third parties to enhance their credit standings. If a guaranteed party fails to fulfill its obligation, the Company and its subsidiaries would be required to execute payments. The maximum potential amount of future payments and the amount of substantial risk at March 31, 2011 and 2010 are summarized below:

	Millions of Yen		
	2011		
	Guarantees for Monetary Indebtedness	Other guarantees	Total
Guarantees for equity-method associated companies:			
Maximum potential amount of future payments	**¥ 81,512**	**¥13,584**	**¥ 95,096**
Amount of substantial risk	**58,963**	**11,887**	**70,850**
Guarantees for customers:			
Maximum potential amount of future payments	**58,014**	**6,833**	**64,847**
Amount of substantial risk	**37,290**	**3,605**	**40,895**
Total:			
Maximum potential amount of future payments	**¥139,526**	**¥20,417**	**¥159,943**
Amount of substantial risk	**96,253**	**15,492**	**111,745**

	Millions of Yen		
	2010		
	Guarantees for Monetary Indebtedness	Other guarantees	Total
Guarantees for equity-method associated companies:			
Maximum potential amount of future payments	¥ 70,525	¥13,038	¥ 83,563
Amount of substantial risk	37,931	12,705	50,636
Guarantees for customers:			
Maximum potential amount of future payments	55,191	14,230	69,421
Amount of substantial risk	26,040	10,445	36,485
Total:			
Maximum potential amount of future payments	¥125,716	¥27,268	¥152,984
Amount of substantial risk	63,971	23,150	87,121

	Millions of U.S. Dollars		
	2011		
	Guarantees for Monetary Indebtedness	Other guarantees	Total
Guarantees for equity-method associated companies:			
Maximum potential amount of future payments	**$ 980**	**$164**	**$1,144**
Amount of substantial risk	**709**	**143**	**852**
Guarantees for customers:			
Maximum potential amount of future payments	**698**	**82**	**780**
Amount of substantial risk	**449**	**43**	**492**
Total:			
Maximum potential amount of future payments	**$1,678**	**$246**	**$1,924**
Amount of substantial risk	**1,158**	**186**	**1,344**

The amount of substantial risk at March 31, 2011 and 2010 represents the actual amount of liability incurred by the guaranteed parties within the pre-determined guaranteed limits established under the guarantee contracts. The amounts that might be recovered from third parties have been excluded in determining the amount of substantial risk.

The carrying amount of the liability recognized for guarantees was ¥2,707 million ($33 million) and ¥787 million at March 31, 2011 and 2010, respectively. The Company guarantees housing loans of its employees and those of certain subsidiaries as a part of the benefit program. These guarantees are included in the above guarantees. If the employees default on a payment, the Company would be required to make payments under the contracts. The maximum potential amounts of future payments under the contracts were ¥7,465 million ($90 million) and ¥8,069 million at March 31, 2011 and 2010, respectively. No provisions relating to the guarantees have been recorded in the consolidated financial statements.

Including those guarantees, the Company controls the credit exposure provided for equity-method associated companies and other customers considered a part of its group companies, by performing a credit assessment in advance and periodical monitoring of customer circumstances as follows.

For credit lines provided for equity-method associated companies, the Company recognizes them as having risk exposure to be controlled along with other risks related to investment in affiliates, and from time to time monitors the circumstances of their operations. Accordingly, for the undertaking of guarantees for equity-method associated companies, any guarantee is undertaken only after an assessment by the affiliate control departments which are independent of the business departments handling management of the said companies. Further, for any guarantee credit line, the Company sets an appropriate credit limit and an expiration date. Moreover, regular reviews are performed individually at least once a year in order to check the business circumstances and efficiency of the investment. For guarantees undertaken for equity-method associated companies as of March 31, 2011, the Company does not expect any significant contingencies which might lead to demands of performance on guarantees, nor does the Company expect an increase of guarantee amounts due to the deterioration of management conditions at equity-method associated companies.

For credit lines provided for customers other than the Company's group companies, the Company's credit control departments, which are independent of the business departments, sets an appropriate credit limit together with an expiration date on an item by item basis equivalent to the creditworthiness of each customer. Accordingly, the Company regularly monitors the condition of credit limits and the collection of receivables, and reviews from time to time the situation of overdue receivables. For guarantees undertaken for customers other than the Company's group companies as of March 31, 2011, there have been no significant contingencies which might lead to demands of performance on guarantees.

The amounts that might be recovered from third parties have been excluded from determining the maximum potential amount of future payments. The recoverable amounts were ¥32,940 million ($396 million) and ¥33,964 million at March 31, 2011 and 2010, respectively.

Guarantees issued by the Company and its subsidiaries with the longest term for indebtedness of equity-method associated companies and customers expire on June 30, 2036.

The major equity-method associated companies and customers and the substantial risk of the related guarantees for monetary indebtedness at March 31, 2011 and 2010 were as follows:

	Millions of Yen	Millions of U.S. Dollars		Millions of Yen
	2011			2010
Famima Credit Corporation	**¥26,487**	**$319**	Famima Credit Corporation	¥13,263
Sakhalin Oil and Gas Development Co., Ltd.	**12,763**	**153**	Sakhalin Oil and Gas Development Co., Ltd.	9,982
JAPAN ALUMINA ASSOCIATES (AUSTRALIA) PTY LTD	**9,184**	**110**	NEFERTITI LNG SHIPPING CO., LTD.	6,960
NEFERTITI LNG SHIPPING CO., LTD.	**6,286**	**76**	JAPAN ALUMINA ASSOCIATES (AUSTRALIA) PTY LTD	6,163
PANAVENFLOT CORP.	**5,600**	**67**	Ningbo Mitsubishi Chemical Co., Ltd.	5,046
Ningbo Mitsubishi Chemical Co., Ltd.	**3,783**	**45**	Consolidated Grain & Barge Co.	2,789
Consolidated Grain & Barge Co.	**2,495**	**30**	Japan Brazil Paper and Pulp Resources Development Co., Ltd.	2,227
ISUZU Finance of America, Inc.	**2,112**	**25**	MOON RISE SHIPPING CO., S.A.	1,501
TRINITY BULK S.A., PANAMA	**1,208**	**15**	BEIJING BEER ASAHI CO., LTD.	1,284
BEIJING BEER ASAHI CO., LTD.	**1,187**	**14**	ISUZU Finance of America, Inc.	991

The Company and its subsidiaries were contingently liable in the amounts of ¥1,252 million ($15 million) and ¥438 million for the trade notes receivable endorsed to suppliers in the settlement of accounts payable and discounted trade notes receivable on a recourse basis with banks at March 31, 2011 and 2010, respectively. The amounts of export bills of exchange discounted with banks in the ordinary course of business were ¥80,222 million ($965 million) and ¥69,115 million at March 31, 2011 and 2010, respectively.

There are currently no significant pending lawsuits, arbitration, or other legal proceedings that may materially affect the financial position or results of operations of the ITOCHU Group.

However, there is no assurance that domestic or overseas business activities of the ITOCHU Group may not become subject to any such lawsuits, arbitrations or other legal proceedings in the future.

25. Subsequent Events

The Company evaluated subsequent events through June 24, 2011, on which the financial statements were available to be issued. Subsequent events were as follows.

The Company issued both 0.613% Yen Bonds due 2016 in Japan in an aggregate amount of ¥10,000 million ($120 million) and 1.378% Yen Bonds due 2021 in Japan in an aggregate amount of ¥20,000 million ($241 million) on June 6, 2011, in accordance with an approved resolution of the Board of Directors held on May 18, 2010.

At the ordinary general meeting of shareholders held on June 24, 2011, the Company was authorized to pay a cash dividend of ¥9.0 ($0.11) per share, or a total ¥14,236 million ($171 million) to shareholders of record on March 31, 2011. The effective date of the dividend payment is June 27, 2011.

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
ITOCHU Corporation:

We have audited the accompanying consolidated balance sheets of ITOCHU Corporation and subsidiaries (the "Company") as of March 31, 2011 and 2010, and the related consolidated statements of income, equity, and cash flows for each of the three years in the period ended March 31, 2011 (all expressed in Japanese yen). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion in accordance with attestation standards established by the American Institute of Certified Public Accountants on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of ITOCHU Corporation and subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of oil and gas reserve estimation and related disclosures in the consolidated financial statements to conform to FASB Accounting Standards Codification Topic 932 "Extractive Activities—Oil and Gas" in the period ended March 31, 2010.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 24, 2011

NOTE TO READERS:
Notwithstanding the second paragraph of the Independent Auditors' Report, Deloitte Touche Tohmatsu LLC ("DTT") has performed an audit of management's report on internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act of Japan. A translated copy of management's report on ICFR along with a translated copy of DTT's report is included within this annual report as information for readers.

Member of
Deloitte Touche Tohmatsu Limited

Supplementary Explanation

Internal Controls Over Financial Reporting in Japan

The Financial Instruments and Exchange Act in Japan ("the Act") requires the management of Japanese public companies to annually evaluate whether internal controls over financial reporting ("ICFR") are effective as of each fiscal year-end and to disclose the assessment to investors in "Management Internal Control Report." The Act also requires that the independent auditors of the financial statements of these companies report on management's assessment of the effectiveness of ICFR in an Independent Auditors' Report ("indirect reporting"). Under the Act these reports are required for fiscal years beginning on or after April 1, 2008.

We have thus evaluated its internal controls over financial reporting as of March 31, 2011 in accordance with "The Standards and Practice Standards for Management Assessment and Audit of Internal Control Over Financial Reporting" published by the Business Accounting Council.

As a result of conducting an evaluation of internal controls over financial reporting in the fiscal year ended March 31, 2011, we concluded that its internal control system over financial reporting as of March 31, 2011 was effective and reported such in its Management Internal Control Report.

Our Independent Auditors, Deloitte Touche Tohmatsu LLC, performed an audit of the Management Internal Control Report under the Act.

An English translation of the Management Internal Control Report and the Independent Auditors' Report filed under the Act is attached on the following pages.

ITOCHU Corporation

Management Internal Control Report (Translation)

NOTE TO READERS:

Following is an English translation of management's report on internal control over financial reporting ("ICFR") filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

There are differences between management assessment of ICFR under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the attestation standards established by the American Institute of Certified Public Accountants ("AICPA").

In management assessment of ICFR under FIEA, there is detailed guidance on the scope of management assessment of ICFR such as quantitative guidance on business location selection and/or account selection. In management assessment of ICFR under the attestation standards established by the AICPA, there is no such detailed guidance. Accordingly, based on the quantitative guidance which provides an approximate measure for the scope of assessment of internal control over business processes, we used a measure of more than two thirds of revenue and gross trading profit for the selection of significant locations and business units. We included in the scope of assessment, at the selected significant locations and/or business units, business processes relating to revenue, gross trading profit, accounts receivable, inventories, and investments as significant accounts that may have a material impact on the business objectives of the Company.

(TRANSLATION)

1. [Matters relating to the basic framework for internal control over financial reporting]

Masahiro Okafuji, President & Chief Executive Officer and Tadayuki Seki, Chief Financial Officer are responsible for designing and operating effective internal control over financial reporting of our company (the "Company") and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "The Standards and Practice Standards for Management Assessment and Audit of Internal Control Over Financial Reporting" published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that material misstatements may not be completely prevented or detected by internal control over financial reporting.

2. [Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures]

The assessment of internal control over financial reporting was performed as of March 31, 2011, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting on a consolidation basis ("company-level controls") and based on the results of this assessment, we selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method associated companies, from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts on financial reporting based upon four key financial figures: "Revenue", "Gross trading profit", "Total assets" (for equity-method associated companies, carrying amount of investments in associated companies), and summation of "Income before income taxes and equity in earnings of associated companies" and "Equity in earnings of associated companies" before elimination of inter-company transactions for the year ended March 31, 2011. The Company and 152 consolidated subsidiaries and equity-method associated companies (the "152 entities", see Note) were in the scope of our assessment and represented approximately 95% on a consolidated basis of the four key financial figures. Based on the assessment of company-level controls conducted for the Company and the 152 entities, we reasonably determined the required scope of assessment of internal controls over business processes.

(Note) The 152 entities are directly owned by the Company. The assessment of these entities includes their own consolidated subsidiaries, if any. In addition, we did not include special purpose entities in the 152 entities, however we included major special purpose entities into the scope of assessment. Regarding entities other than the 152 entities and the major special purpose entities, we concluded that they do not have any material impact on the consolidated financial statements and, thus, we did not include them in the scope of assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, we selected locations and business units to be tested based upon revenue and gross trading profit (before elimination of inter-company transactions). In addition, we also added locations and business units by considering qualitative aspects such as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management's judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting. We selected the Company and 41 entities as "significant locations and/or business units". We verified that combined revenue and gross trading profit of in-scope entities exceeded two thirds of totals for the year ended March 31, 2011. We included in the scope of assessment, at the selected significant locations and/or business units, business processes relating to revenue, gross trading profit, accounts receivable, inventories, and investments as significant accounts that may have a material impact on the business objectives of the Company.

3. [Matters relating to the results of the assessment]

As a result of the assessment described above, as of the end of this fiscal year, we concluded that the Company's internal control over financial reporting was effectively maintained.

4. [Remarks]

We have nothing to be reported as remarks.

5. [Points to be noted]

We have nothing to be reported as points to be noted.

Independent Auditors' Report (filed under the Financial Instruments and Exchange Act of Japan)

NOTE TO READERS:

Following is an English translation of the Independent Auditors' Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

There are differences between an audit of internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the attestation standards established by the American Institute of Certified Public Accountants ("AICPA").

In an audit of ICFR under FIEA, the auditors express an opinion on management's report on ICFR, and do not express an opinion on the Company's ICFR directly. In an audit of ICFR under the attestation standards established by the AICPA, the auditors express an opinion on the Company's ICFR directly. Also in an audit of ICFR under FIEA, there is detailed guidance on the scope of an audit of ICFR, such as quantitative guidance on business location selection and/or account selection. In an audit of ICFR under the attestation standards established by the AICPA, there is no such detailed guidance. Accordingly, based on the quantitative guidance which provides an approximate measure for the scope of assessment of internal control over business processes, we used a measure of more than two thirds of revenue and gross trading profit for the selection of significant location and business units. The auditors included in the scope of assessment, at the selected significant locations and/or business units, business processes relating to revenue, gross trading profit, accounts receivable, inventories, and investments as significant accounts that may have a material impact on the business objectives of the Company.

(TRANSLATION)

INDEPENDENT AUDITORS' REPORT

(filed under the Financial Instruments and Exchange Act of Japan)

June 24, 2011

To the Board of Directors of ITOCHU Corporation:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Yoshitsugu Oba

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Shigeo Hasegawa

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Koichi Okubo

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Yasuhiro Katsushima

[Audit of Financial Statements]

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated balance sheet as of March 31, 2011 of ITOCHU Corporation and subsidiaries (the "Company") and the related consolidated statements of income, equity and cash flows, and consolidated supplementary schedules for the fiscal year from April 1, 2010 to March 31, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2011, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America (Refer to "Basis of Presenting Consolidated Financial Statements").

[Audit of Internal Control over Financial Reporting]

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of ITOCHU Corporation and subsidiaries as of March 31, 2011. The Company's management is responsible for designing and operating effective internal control over financial reporting and preparing its report on internal control over financial reporting. Our responsibility is to express an opinion on management's report on internal control over financial reporting based on our audit. There is a possibility that material misstatements will not completely be prevented or detected by internal control over financial reporting.

We conducted our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control over financial reporting is free of material misstatement. An audit includes examining, on a test basis, the scope, procedures and results of assessment of internal control made by management, as well as evaluating the overall presentation of management's report on internal control over financial reporting. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of ITOCHU Corporation and subsidiaries as of March 31, 2011 is effectively maintained, presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Our firm and the engagement partners do not have any financial interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

(The above represents a translation, for convenience only, of the original report issued in the Japanese language.)

Supplemental Oil and Gas Information (Unaudited)

The Companies' oil and gas exploration, development and production activities are conducted through subsidiaries and associated companies in offshore and onshore areas of the U.K. North sea, America, Africa, and the area of Caspian Sea and Pacific Rim. Supplementary information on the subsidiaries and associated companies presented below is prepared in accordance with FASB disclosure requirements as of March 31, 2011, 2010 and 2009.

Table 1: Capitalized Costs Relating to Oil and Gas Producing Activities

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	**2011**
Unproved oil and gas properties	**¥ 8,084**	¥ 16,869	¥ 18,884	**$ 97**
Proved oil and gas properties	**153,474**	168,259	152,189	**1,846**
Subtotal	**¥161,558**	¥185,128	¥171,073	**$ 1,943**
Accumulated depreciation, depletion, amortization and valuation allowance	**(97,919)**	(98,202)	(78,448)	**(1,178)**
Net capitalized costs	**¥ 63,639**	¥ 86,926	¥ 92,625	**$ 765**
The Companies' share of associated companies' net capitalized costs	**¥ 1**	¥ 2	¥ 5	**$ 0**

Table 2: Costs Incurred in Oil and Gas Property Acquisition, Exploration and Development Activities

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	**2011**
Acquisition of proved properties	**¥10,928**	¥ —	¥17,615	**$132**
Acquisition of unproved properties	**3,831**	—	—	**46**
Exploration costs	**527**	1,869	1,685	**6**
Development costs	**7,294**	8,157	32,658	**88**
Total costs incurred	**¥22,580**	¥10,026	¥51,958	**$272**
The Companies' share of associated companies' costs of property acquisition, exploration and development	**¥ 483**	¥ 12	¥ 30	**$ 6**

Table 3: Results of Operations for Producing Activities

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	**2011**
Revenues:				
Sales to unaffiliated companies	**¥10,150**	¥ 9,566	¥ 21,082	**$ 122**
Sales to affiliated companies	**30,571**	26,499	52,924	**368**
Total revenues	**¥40,721**	¥36,065	¥ 74,006	**$ 490**
Expenses:				
Production costs	**¥10,406**	¥10,886	¥ 13,185	**$ 125**
Exploration expenses	**63**	14	28	**1**
Depreciation, depletion, amortization and valuation allowances	**36,566**	21,725	52,415	**440**
Income tax expenses	**3,542**	2,066	19,285	**42**
Total expenses	**¥50,577**	¥34,691	¥ 84,913	**$ 608**
Results of operations from producing activities (excluding corporate overhead and interest costs)	**¥ (9,856)**	¥ 1,374	¥(10,907)	**$(119)**
The Companies' share of associated companies' results of operations from producing activities	**¥ (483)**	¥ (12)	¥ (30)	**$ (6)**

Table 4: Reserve Quantity Information

In accordance with U.S. GAAP, the following table describes proved oil reserves and changes for the years ended March 31, 2011, 2010 and 2009.

	Crude Oil (Millions of Barrels)			Natural Gas (Billions of Cubic Feet)		
	2011	2010	2009	**2011**	2010	2009
Proved developed and undeveloped reserves:						
Beginning of year	**63**	71	70	**18**	20	31
Revision of previous estimates	**(3)**	(10)	8	**(16)**	1	(8)
Extensions and discoveries	**—**	8	—	**—**	—	—
Purchases	**5**	—	—	**—**	—	—
Production	**(6)**	(6)	(7)	**(2)**	(3)	(3)
End of year	**59**	63	71	**—**	18	20
Proved developed reserves–end of year	**24**	27	20	**—**	15	17

Table 5: Standardized Measure of Discounted Future Net Cash Flows and Changes therein Relating to Proved Oil and Gas Reserves

In accordance with U.S. GAAP, a standardized measure of discounted future net cash flows relating to the proved reserve quantities is based on the prices and costs at the end of the year, currently enacted tax rates and a 10% annual discount factor for the year ended March 31, 2009. For the years ended March 31, 2010 and 2011, the standardized measure of discounted future net cash flows is based on first-day-of-the month average prices, year-end costs, currently enacted tax rates and a 10% annual discount factor. The oil activities' standardized measure of discounted future net cash flows includes the full committed costs of development and operation for the asset under the Production Sharing Agreement.

On the other hand, revenues are registered only in relation to the currently estimated proved reserves stated in Table 4 (Reserve Quantity Information). Estimates of proved reserve quantities may change over time as new information becomes available. Consequently, the information provided here does not represent management's estimate of the Companies' expected future cash flows or value of the proved reserves.

(1) Standardized Measure of Discounted Future Net Cash Flows

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	**2011**
Future cash inflows	**¥409,886**	¥ 360,713	¥ 257,718	**$ 4,929**
Future production costs	**(82,994)**	(130,521)	(127,055)	**(998)**
Future development costs	**(85,540)**	(88,957)	(68,566)	**(1,029)**
Future income tax expenses	**(73,413)**	(55,278)	(18,214)	**(883)**
Undiscounted future net cash flows	**167,939**	85,957	43,883	**2,019**
10% annual discount for estimated timing of cash flows	**(87,576)**	(34,813)	(17,177)	**(1,053)**
Standardized measure of discounted future net cash flows	**¥ 80,363**	¥ 51,144	¥ 26,706	**$ 966**

(2) Details of Changes for the Year

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	**2011**
Discounted future net cash flows at April 1	**¥ 51,144**	¥ 26,706	¥ 174,532	**$ 615**
Sales and transfer of oil and gas produced, net of production costs	**(47,458)**	(24,826)	(58,310)	**(571)**
Development costs incurred	**6,960**	7,936	13,352	**84**
Purchases of reserves	**13,381**	—	—	**161**
Net changes in prices, development and production costs	**75,989**	74,061	(187,112)	**914**
Extensions, discoveries and improved recovery, less related costs	**—**	4,086	(467)	**—**
Revisions of previous quantity estimates	**(4,740)**	(16,007)	(18,887)	**(57)**
Accretion of discount (10%)	**8,401**	3,675	29,215	**101**
Net changes in income taxes	**(14,451)**	(24,962)	95,293	**(174)**
Difference of foreign exchange rates	**(8,863)**	475	(20,910)	**(107)**
Discounted future net cash flows at March 31	**¥ 80,363**	¥ 51,144	¥ 26,706	**$ 966**