NEW GROWTH STAGE

2012

FINANCIAL SECTION 2012

For the Year ended March 31, 2012

ITOCHU Corporation

CONTENTS

Forward-Looking Statements

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

Six-year Summary

ITOCHU Corporation and Subsidiaries
Years ended March 31

	Millions of Yen						Millions of U.S. Dollars (Note 5)
Years ended March 31	2012	2011	2010	2009	2008	2007	2012
P/L (For the year):							
Revenue	¥4,271,052	¥3,651,586	¥3,418,220	¥3,419,061	¥2,859,853	¥2,646,037	$51,965
Gross trading profit	1,030,447	976,378	860,187	1,060,521	994,547	907,511	12,537
Net income attributable to ITOCHU	300,505	161,114	128,905	165,390	217,301	175,856	3,656
Comprehensive income (loss) attributable to ITOCHU	249,983	106,041	270,570	(92,334)	108,990	223,307	3,041
Per share (Yen and U.S. Dollars):							
Basic net income attributable to ITOCHU (Note 1)	190.13	101.93	81.56	104.64	137.46	111.19	2.31
Cash dividends	44.0	18.0	15.0	18.5	18.0	14.0	0.5
Stockholders' equity (Note 1)	862.88	731.57	695.75	537.43	615.89	564.48	10.50
Total trading transactions (Note 2)	¥11,978,276	¥11,393,584	¥10,308,629	¥12,065,109	¥11,729,082	¥11,556,787	$145,739
Adjusted profit (Note 3)	395,477	333,098	195,552	339,292	333,673	240,766	4,811
B/S (At year-end):							
Total assets	¥6,507,273	¥5,676,709	¥5,478,873	¥5,192,092	¥5,274,199	¥5,288,647	79,174
Short-term interest-bearing debt	450,968	288,973	289,963	628,792	383,463	518,040	5,487
Long-term interest-bearing debt	2,082,592	1,979,967	1,919,588	1,760,530	1,720,939	1,647,589	25,339
Interest-bearing debt	2,533,560	2,268,940	2,209,551	2,389,322	2,104,402	2,165,629	30,826
Net interest-bearing debt	2,014,898	1,630,764	1,721,464	1,756,764	1,654,532	1,630,928	24,515
Long-term debt, excluding current maturities (including long-term interest-bearing debt)	2,259,717	2,160,772	2,108,081	1,934,421	1,895,088	1,795,333	27,494
Stockholders' equity	1,363,797	1,156,270	1,099,639	849,411	973,545	892,553	16,593
Cash flows (For the year):							
Cash flows from operating activities	¥ 212,830	¥ 335,361	¥ 293,597	¥ 276,854	¥ 65,552	¥ 235,917	$ 2,589
Cash flows from investing activities	(416,315)	(230,866)	(195,698)	(326,033)	(65,774)	(83,394)	(5,065)
Cash flows from financing activities	84,704	53,202	(256,568)	258,322	(81,294)	(100,920)	1,031
Cash and cash equivalents at end of year	513,489	633,756	480,564	628,820	446,311	532,856	6,248
Ratios:							
Gross trading profit ratio (%) (Note 4)	8.6	8.6	8.3	8.8	8.5	7.9	
ROA (%)	4.9	2.9	2.4	3.2	4.1	3.5	
ROE (%)	23.8	14.3	13.2	18.1	23.3	21.8	
Ratio of stockholders' equity to total assets (%)	21.0	20.4	20.1	16.4	18.5	16.9	
Net debt-to-equity ratio (times)	1.5	1.4	1.6	2.1	1.7	1.8	
Interest coverage (times)	13.5	10.7	5.3	7.2	6.1	6.7	
Common stock information (For the year):							
Stock price (Yen and U.S. Dollars):							
Opening price	¥870	¥829	¥487	¥ 994	¥1,174	¥1,014	$10.59
High	966	930	821	1,337	1,591	1,223	11.75
Low	676	659	486	380	804	837	8.22
Closing price	903	871	819	478	984	1,168	10.99
Market capitalization (Yen and U.S. Dollars in billions)	1,431	1,380	1,298	758	1,560	1,851	17.41
Trading volume (yearly, million shares)	1,882	2,287	2,616	2,913	2,928	1,969	
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	¥82.41	¥82.76	¥ 93.40	¥ 99.15	¥ 99.85	¥117.56	
Average for the year	78.86	85.00	92.49	100.85	113.61	116.55	
Range:							
Low	85.26	94.68	100.71	110.48	124.09	121.81	
High	75.72	78.74	86.12	87.80	96.88	110.07	
Number of employees (At year-end, consolidated)	70,639	62,635	62,379	55,431	48,657	45,690	

Note:
1. "Basic net income attributable to ITOCHU per share" and "Stockholders' equity per share" are calculated by using the weighted average number of shares 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, 2012, have been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥82.19=U.S.$1 (the official rate dated March 31, 2012, announced by The Bank of Tokyo-Mitsubishi UFJ, Ltd.).
6. Certain subsidiaries changed their fiscal periods in the fiscal year ended March 31, 2012. The effect of these changes has been reflected in figures of certain items for the years ended March 31, 2011 and 2010 (See "Notes to Consolidated Financial Statements" 2. (4) Change of Subsidiaries' Fiscal Year-End).
7. As a result of the ITOCHU Group's integration of food distribution and marketing business, the items in which distribution cost related to these operations has been included were changed from the beginning of fiscal year ended March 31, 2012. The relevant amounts in the same period of the previous fiscal years ended March 31, 2011 and 2010, were reclassified based on this new classification (See "Notes to Consolidated Financial Statements" 2. (5) Reclassification).

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, 2012, ("Fiscal 2012" or "the fiscal year") have been translated into U.S. dollars solely for the convenience of the reader based on the exchange rate of ¥82.19 = US$1, announced by The Bank of Tokyo-Mitsubishi UFJ, Ltd., on March 31, 2012.

Overview

In fiscal year 2012, although the global economy continued to expand, supported by economic growth in emerging countries, compared with the previous fiscal year it decelerated markedly, centered on the economies of industrialized countries. Reflecting the slowdown of the global economy, WTI crude oil price trended downward, falling from over US$100 at the beginning of April to less than US$80 for a time in October. However, geopolitical risk increased as the situation in Iran worsened, and the price of crude oil conversely rose to above US$100 by the end of March. Japan's economy experienced unavoidable sluggishness due to tremendous human and physical damage that resulted from the Great East Japan Earthquake in March 2011. However, Japan's economy began trending toward moderate recovery thanks to a pickup in corporate activity accompanying the restoration of supply chains and a recovery in consumer spending as the mood of self-restraint lessened. Nonetheless, recovery activities were sluggish in the second half of the fiscal year due to the slowdown of the global economy, yen appreciation, and exports declined. Stock prices, which had been tracking downward as risk aversion strengthened in financial markets, began a turnaround from the start of 2012 as concerns eased over the European sovereign debt crisis. Although the Nikkei Stock Average, which was approximately ¥9,700 at the beginning of April, declined below ¥8,200 in November, by the end of the fiscal year it had recovered to the ¥10,000 level. The yen-dollar rate, which was approximately ¥84 at the beginning of April, briefly dipped below ¥76 in October, but as a result of heightened expectations of a U.S. economic recovery and additional monetary easing measures by the Bank of Japan the yen began depreciating from February, reaching below the ¥83 level at the end of March. Backed by the continuation of the Bank of Japan's monetary easing measures, long-term interest rates trended downward, with the yield on 10-year Japanese government bonds declining from below the 1.3% level at the beginning of April to approximately 1% at the end of March.

The ITOCHU Group's medium-term management plan "Brand-new Deal 2012" covers the two-year period from FY2012 to FY2013. Under this plan, the basic policies are as follows: "strengthen our front-line capabilities," "proactively seek new opportunities," and "expand our scale of operations."

The following shows specific results in the fiscal year ended March 31, 2012, the first year of "Brand-new Deal 2012."

Consumer-Related Sector

ITOCHU acquired all the shares of the Kwik-Fit Group, an independent tire retailer in the UK, from a group company of PAI Partners, a European private equity firm. In the UK, Stapleton's (Tyre Services) Ltd., which is wholly owned by the ITOCHU Group, is a leading tire wholesaler. Through the acquisition, ITOCHU will strive to enhance its tire business by generating synergies through leveraging the logistics and retail know-how of Stapleton's (Tyre Services) Ltd., with the network and brand strength of the Kwik-Fit Group. In addition, ITOCHU acquired shares of a major enterprise group related to textiles in China, Shandong Ruyi Science & Technology Group. Going forward, ITOCHU will exploit the manufacturing foundation of the Shandong Ruyi Science & Technology Group to develop the global operations of upstream business, improve and exploit technological capabilities of textile manufacturing business, and strengthen sales in China's market by developing brand business. Furthermore, ITOCHU agreed with adhesive tape major Teraoka Seisakusho Co., Ltd., to sign a capital/business partnership agreement and acquire all shares that the company will issue additionally through private placement (After underwriting third-party allocation of new shares in April 2012, ITOCHU has 25.0% of shares.).

Natural Resource / Energy-Related Sector

ITOCHU with Kohlberg Kravis Roberts & Co. L.P. jointly acquired a 100% share of Samson Investment Company, which is one of the largest private oil and gas exploration and production companies in the United States (ITOCHU has 25% of shares.). ITOCHU will endeavor to increase its equity share in oil and gas operations while diversifying its oil and gas investment activities to unconventional projects, and will grow its natural gas / LNG trading activities using Samson Investment Company as a core company with operator capabilities in the natural gas business in North America. Also, ITOCHU concluded an agreement with Drummond Company, Inc., and Drummond affiliated companies to enter into a partnership where ITOCHU owns 20% and Drummond owns 80% of the Colombian coal mining operations and related infrastructure assets, which were previously 100% owned by Drummond. ITOCHU aims to increase its equity share in coal mining operations while growing its trading activities and continuing its efforts to strengthen its natural resources portfolio.

Furthermore, ITOCHU acquired a direct interest of 8% to participate in the exploration and development of Platinum Group Metals (PGMs) and Nickel of the Platreef Project from Ivanhoe Nickel & Platinum Ltd. (Ivanplats). Also, with a view to advancing and expanding its iron ore interests, ITOCHU additionally acquired 19.2% of the shares of Brazil Japan Iron Ore Corporation, giving ITOCHU as of March 31, 2012, a 67.5% equity stake in the company, which owns stock of Brazil's Nacional Minerios S.A. In addition, ITOCHU approved the pre-commitment funding for the outer harbor facility associated with the Western Australia iron ore operations, which are run as joint ventures with leading mining company, BHP Billiton (Australia & UK).

Machinery-Related Sector

PT Bhimasena Power Indonesia, a company established by the three-company consortium comprising ITOCHU, Electric Power Development Co., Ltd., and PT Adaro Power, concluded a long-term Power Purchase Agreement with Indonesia's state-owned electricity company that includes the construction of a coal-fired power plant with a total capacity of 2,000 MW in the province of Central Java and a 25-year supply of electricity to Indonesia's state-owned electricity company. Furthermore, ITOCHU reached an agreement with International Power, a leading independent electricity generating company of the United Kingdom, to acquire 33.3% of shares of Belgium's T-Power combined cycle gas turbine power plant from International Power. Also, ITOCHU purchased additional shares of Century Tokyo Leasing Corporation in order to boost its cooperation with Century Tokyo Leasing through the expansion of transactions with ITOCHU Group companies and the promotion of collaborative business that makes use of domestic and overseas networks. In addition, ITOCHU jointly with IHI Infrastructure Systems Co., Ltd., signed an EPC contract for İzmit Bay Bridge construction work. The bridge will become one of the world's largest suspension bridges with a total length of about 3,000 meters, connecting the northern and southern coasts of the İzmit Bay located in western Turkey, as a part of a highway project between Istanbul, Turkey's largest city, and İzmir, the third largest city.

Chemicals, Real Estate, and Others Sector

ITOCHU concluded a Memorandum of Agreement on a Comprehensive Strategic Alliance with major Chinese government-run conglomerate CITIC Group, with the aim of exploring alliances across a wide range of business fields. Based on the strategic alliance, the two companies will seek to further expand their existing businesses and create new businesses by combining CITIC's extensive group of subsidiaries, diverse customer networks and brand power in China with the business expertise and networks that ITOCHU has cultivated in China to date. As the first project in ITOCHU's comprehensive strategic alliance with the CITIC Group, ITOCHU invested in CIAM, a Hong Kong-based financial business firm under the CITIC Group. Furthermore, ITOCHU together with KUREHA Corporation established Kureha Battery Materials Japan Co., Ltd. as a joint-venture company tasked with selling anode material for lithium-ion batteries, exercising overall control of related manufacturing subsidiaries, and selling binders for lithium-ion batteries. Also, in construction-related initiatives, the grand opening of the first outlet mall in Ningbo City, SHANJING OUTLET PLAZA NINGBO, took place. The development of the outlet mall was undertaken by Shanjing Real Estate Development (Ningbo) Co., Ltd., which was established as a joint venture by ITOCHU, Shanshan Group Co., Ltd., Mitsui Fudosan Co., Ltd., Daito Woolen Spinning & Weaving Co., Ltd., and Lanway Investment Co., Ltd. Ningbo City is a leading city of Zhejiang Province, an area that is enjoying remarkable economic development and which is adjacent to Shanghai, China's largest economic hub, and Jiangsu Province. In addition, ITOCHU jointly established I P Integrated Services Private Limited with ITOCHU LOGISTICS CORP. and Parekh Integrated Services Pvt. Ltd. The new company will enable the roll-out of high-quality, comprehensive logistic services over the entire country, mainly in the fields related to daily consumer goods, consumer electronics, and machinery parts. The company started its operation in February 2012.

Business Results For Fiscal 2012—Comparison between Fiscal 2012 and Fiscal 2011

Revenue (the total of sales revenue, trading margins, and commissions on trading transactions) increased by 17.0%, or ¥619.5 billion, compared with the previous fiscal year, to ¥4,271.1 billion (US$51,965 million). It was attributable to higher revenue in several division companies. The Energy, Metals & Minerals Company achieved an increase due to the acquisition of energy-related companies, a rise in prices for iron ore and oil & gas, and an increase in iron ore sales volume counteracted by a decrease due to lower coal production and sales volume. In the Chemicals, Forest Products & General Merchandise Company, revenue increased mainly due to the acquisition of Kwik-Fit Group. In addition, the Food Company rose due to higher market prices for food materials, such as feed grains and others, and an increase in transaction volume in food-distribution-related companies.

Gross trading profit was up by 5.5%, or ¥54.1 billion, compared with the previous fiscal year, to ¥1,030.4 billion (US$12,537 million). It was attributable to increases in several division companies. The Chemicals, Forest Products & General Merchandise Company achieved an increase due to the acquisition of Kwik-Fit Group and higher market prices for plywood in the domestic market. The ICT & Machinery Company achieved an increase due to higher transaction volume in domestic ICT-related companies and construction-machinery-related companies. In the Food Company, although some companies posted declines in earnings due to the Great East Japan Earthquake, food-distribution-related companies saw an increase in transaction volume.

Selling, general and administrative expenses were up by 5.9%, or ¥42.2 billion, compared with the previous fiscal year, to ¥752.9 billion (US$9,161 million). The increase was attributable to an increase accompanying a rise in revenue among existing consolidated companies and the acquisition of Kwik-Fit Group, which offset decreases in the effect of cost reductions and deconsolidation of certain subsidiaries.

Provision for doubtful receivables improved by ¥4.5 billion, compared with the previous fiscal year, to a loss of ¥4.9 billion (US$60 million), due to the absence of write-off of loans accompanying disposal of enterprises in North America in the previous fiscal year.

Net interest expenses improved by 23.3%, or ¥3.9 billion, compared with the previous fiscal year, to a loss of ¥12.8 billion (US$156 million), due to a decline in yen interest rates. Dividends received increased by 19.2%, or ¥4.5 billion, compared with the previous fiscal year, to ¥28.0 billion (US$341 million), due primarily to an increase in dividends from oil & gas-related investments. Consequently, Net financial income, which is the total of Net interest expenses and Dividends received, improved by ¥8.4 billion, compared with the previous fiscal year, to a gain of ¥15.2 billion (US$185 million).

Gain on investments–net improved by ¥59.1 billion, compared with the previous fiscal year, to ¥20.9 billion (US$255 million). It was attributable to the absence of impairment losses on Orient Corporation preferred stocks and on other listed securities and loss on disposal of low-efficiency businesses in the previous fiscal year and to an increase in gain on sales of investments, as well as gain recognized in a business combination of Brazil Japan Iron Ore Corporation by remeasuring its previously held equity interest at its acquisition-date fair value.

Loss on property and equipment–net improved by ¥27.0 billion, compared with the previous fiscal year, to ¥6.7 billion (US$82 million). It was attributable to a substantial decrease in impairment losses on property and equipment and oil & gas assets and losses arising as a result of the Great East Japan Earthquake in the previous fiscal year, which offset the effect of a decline in gain on sales of property and equipment that resulted from the absence of gain on sales of coal interests in the previous fiscal year.

Gain on bargain purchase in acquisition was ¥15.9 billion (US$194 million). It was recognized in the acquisition of Brazil Japan Iron Ore Corporation.

Other–net improved by ¥32.2 billion, compared with the previous fiscal year, to a gain of ¥23.3 billion (US$283 million), due to the receipt of insurance related to the Great East Japan Earthquake and to the absence of losses on disposal of three enterprises and business reconstruction costs on equipment-material-related business in North America and ship-related losses in the previous fiscal year.

As a result, Income before **Income taxes and equity in earnings of associated companies** increased by 87.1%, or ¥158.8 billion, compared with the previous fiscal year, to ¥341.2 billion (US$4,151 million).

Income taxes increased (worsened) by 77.9%, or ¥53.4 billion, compared with the previous fiscal year, to expenses of ¥122.0 billion (US$1,485 million), due to the reversal of deferred tax assets accompanying the change in the effective income tax rate under Japanese taxation reform.

Equity in earnings of associated companies increased by 69.5%, or ¥42.1 billion, compared with the previous fiscal year, to gain of ¥102.7 billion (US$1,250 million). There was an increase in earnings of iron-ore-related companies accompanying higher prices and sales volume as well as an increase in earnings of mobile-networks-related companies and steel-products-related companies. In addition, there was a gain due to an additional investment in a leasing company in the current fiscal year and the absence of impairment losses on Orient Corporation common stocks and other listed equity-method affiliates that existed in the previous fiscal year.

As a result, **Net income** increased by 84.6% or ¥147.5 billion, compared with the previous fiscal year, to ¥321.9 billion (US$3,916 million).

Consequently, **Net income attributable to ITOCHU**, which is calculated as **Net income** minus **Net income attributable to the noncontrolling interest** of ¥21.4 billion (US$260 million), increased by 86.5%, or ¥139.4 billion, compared with the previous fiscal year, to ¥300.5 billion (US$3,656 million).

The effect on **Net income attributable to ITOCHU** of the change in the effective income tax rate was a loss of ¥11.2 billion (US$136 million), including losses recognized by the equity-method associated companies.

Consolidated Statements of Income

	Billions of Yen			Millions of U.S. Dollars
Years ended March 31	2012	2011	Increase (Decrease)	2012
Revenue	¥ 4,271.1	¥ 3,651.6	¥ 619.5	$ 51,965
Cost of sales	(3,240.6)	(2,675.2)	(565.4)	(39,428)
Gross trading profit	1,030.4	976.4	54.1	12,537
Selling, general and administrative expenses	(752.9)	(710.7)	(42.2)	(9,161)
Provision for doubtful receivables	(4.9)	(9.4)	4.5	(60)
Interest income	10.2	10.3	(0.1)	124
Interest expense	(23.0)	(27.0)	4.0	(280)
Dividends received	28.0	23.5	4.5	341
Gain (loss) on investments–net	20.9	(38.1)	59.1	255
Loss on property and equipment–net	(6.7)	(33.7)	27.0	(82)
Gain on bargain purchase in acquisition	15.9	—	15.9	194
Other–net	23.3	(8.9)	32.2	283
Income before income taxes and equity in earnings of associated companies	341.2	182.3	158.8	4,151
Income taxes	(122.0)	(68.6)	(53.4)	(1,485)
Income before equity in earnings of associated companies	219.1	113.7	105.4	2,666
Equity in earnings of associated companies	102.7	60.6	42.1	1,250
Net income	321.9	174.4	147.5	3,916
Less: Net income attributable to the noncontrolling interest	(21.4)	(13.2)	(8.1)	(260)
Net income attributable to ITOCHU	¥ 300.5	¥ 161.1	¥ 139.4	$ 3,656

(Supplemental information)
In accordance with Japanese accounting practices, **Total trading transactions** for the fiscal year ended March 31, 2012, increased by ¥584.7 billion, compared with the previous fiscal year, to ¥11,978.3 billion (US$145,739 million). This increase was attributable to higher trading transactions in several division companies. The Chemicals, Forest Products & General Merchandise Company increased due to the acquisition of Kwik-Fit Group, higher prices for organic chemicals compared with the previous fiscal year, and higher market prices for plywood in the domestic market. The Energy, Metals & Minerals Company achieved an increase due to the acquisition of energy-related companies and a rise in prices for iron ore, oil & gas and an increase in iron ore sales volume counteracted a decrease due to lower coal production and sales volume. The Food Company increased due to higher market prices for food materials, such as feed grains and others, and an increase in transactions volume in food-distribution-related companies.

Operating Segment Information

	Billions of Yen		Millions of U.S. Dollars
Years ended March 31	2012	2011	2012
Trading transactions (Note):			
Textile	¥ 600.3	¥ 587.7	$ 7,304
ICT & Machinery	1,451.6	1,426.9	17,661
Energy, Metals & Minerals	4,108.1	3,885.7	49,983
Chemicals, Forest Products & General Merchandise	2,296.4	2,060.2	27,940
Food	3,267.7	3,097.4	39,758
Construction & Realty	141.9	105.7	1,727
Financial & Insurance Services, Logistics Services	54.0	65.2	657
Adjustments & Eliminations and Others	58.2	164.8	709
Total	¥11,978.3	¥11,393.6	$145,739
Gross trading profit:			
Textile	¥ 127.6	¥ 128.3	$ 1,553
ICT & Machinery	205.4	185.1	2,499
Energy, Metals & Minerals	214.8	212.1	2,613
Chemicals, Forest Products & General Merchandise	150.1	118.3	1,826
Food	274.7	270.8	3,342
Construction & Realty	22.7	18.7	276
Financial & Insurance Services, Logistics Services	15.7	19.2	191
Adjustments & Eliminations and Others	19.5	23.8	237
Total	¥ 1,030.4	¥ 976.4	$ 12,537
Net income (loss) attributable to ITOCHU:			
Textile	¥ 24.4	¥ 15.3	$ 296
ICT & Machinery	37.4	18.0	455
Energy, Metals & Minerals	162.2	109.2	1,973
Chemicals, Forest Products & General Merchandise	34.5	26.0	420
Food	43.8	22.4	533
Construction & Realty	4.5	2.7	55
Financial & Insurance Services, Logistics Services	2.1	(15.9)	25
Adjustments & Eliminations and Others	(8.3)	(16.5)	(101)
Total	¥ 300.5	¥ 161.1	$ 3,656
Total assets at March 31:			
Textile	¥ 433.4	¥ 406.4	$ 5,273
ICT & Machinery	1,178.6	1,026.1	14,341
Energy, Metals & Minerals	1,835.9	1,278.2	22,337
Chemicals, Forest Products & General Merchandise	978.1	774.2	11,900
Food	1,298.4	1,208.7	15,797
Construction & Realty	150.7	163.7	1,833
Financial & Insurance Services, Logistics Services	148.3	190.6	1,804
Adjustments & Eliminations and Others	484.0	629.0	5,889
Total	¥ 6,507.3	¥ 5,676.7	$ 79,174

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

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. Business results by operating segment are as follows:

Textile

Trading transactions for unaffiliated customers and associated companies increased by 2.1%, or ¥12.6 billion, to ¥600.3 billion (US$7,304 million), due to a rise in uniform products and textile materials transactions, as well as strong sales on domestic demand in China, despite a decrease in revenues because of the liquidation of apparel-related company at the previous fiscal year-end. Gross trading profit decreased by 0.6%, or ¥0.7 billion, to ¥127.6 billion (US$1,553 million), due to the liquidation of an apparel-related company at the previous fiscal year-end, despite a rise in uniform products and textile materials transactions, as well as strong sales on domestic demand in China. Net income attributable to ITOCHU was up by 59.3%, or ¥9.1 billion, to ¥24.4 billion (US$296 million), due to a rise in uniform products and textile materials transactions, strong sales on domestic demand in China, and the absence of losses on the liquidation of subsidiary in apparel-related business recognized in the previous fiscal year-end. Total assets rose by 6.6%, or ¥27.0 billion, to ¥433.4 billion (US$5,273 million), compared with the previous fiscal year-end, reflecting a rise in new investment and increase in trade receivables because of the special factor that the end of this fiscal year was a holiday.

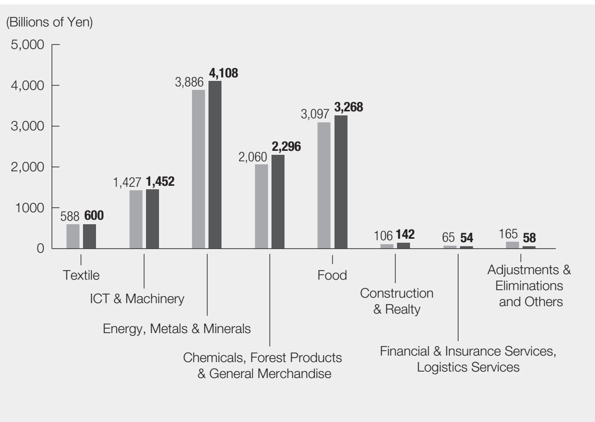
ICT & Machinery

Trading transactions for unaffiliated customers and associated companies were up by 1.7%, or ¥24.7 billion, to ¥1,451.6 billion (US$17,661 million), due to strong transactions in domestic ICT-related companies and acceptance in healthcare-related business as a result of the reorganization, despite less transaction in automobiles as a result of the aftermath of the Great East Japan Earthquake. Gross trading profit rose by 10.9%, or ¥20.3 billion, to ¥205.4 billion (US$2,499 million), due to higher transaction volume in domestic ICT-related companies and construction-machinery-related companies and acceptance in healthcare-related business as a result of the reorganization. Net income attributable to ITOCHU increased by 108.0%, or ¥19.4 billion, to ¥37.4 billion (US$455 million), due to higher transaction volume in domestic ICT-related companies and construction-machinery-related companies, as well as increase in equity in earnings of associated companies because of generally higher earnings. In addition, there was gain on sale of businesses, gain resulting from additional investments for leasing company in automobile business and acceptance in healthcare-related business as a result of the reorganization. Total assets rose by 14.9%, or ¥152.6 billion, to ¥1,178.6 billion (US$14,341 million), compared with the previous fiscal year-end, due to increases in investments related to IPP in North America and leasing company, rise in stock market prices, increase in property and equipment such as ships, additionally attributable to inclusion of assets of healthcare-related business as a result of the reorganization.

Energy, Metals & Minerals

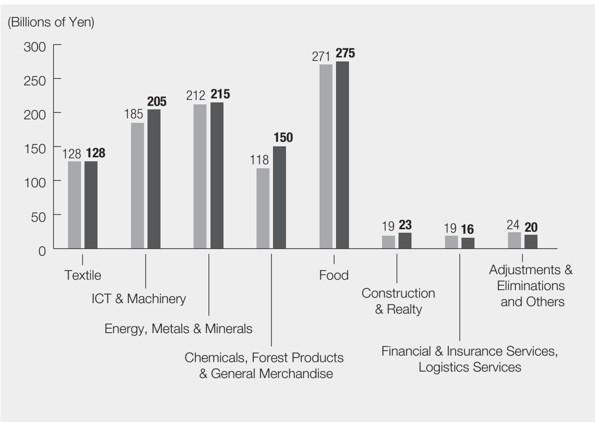
Trading transactions for unaffiliated customers and associated companies rose by 5.7%, or ¥222.4 billion, to ¥4,108.1 billion (US$49,983 million), due to the acquisition of energy-related companies, a rise in prices for iron ore and oil & gas, and an increase in iron ore sales volume counteracted a decrease in revenue due to lower coal production and sales volume. Gross trading profit rose by 1.2%, or ¥2.6 billion, to ¥214.8 billion (US$2,613 million), due to a rise in price for oil & gas and improvement of operations in energy transactions, as well as higher prices and sales volume for iron ore, despite a decrease in revenue due to lower coal production and sales volume. Net income attributable to ITOCHU was up by 48.5%, or ¥52.9 billion, to ¥162.2 billion (US$1,973 million), due to an increase in iron ore sales volume and prices, gain on bargain purchase recognized in the acquisition of Brazil Japan Iron Ore Corporation and remeasuring its previously held

Total Trading Transactions by Operating Segment



■ 2011
■ 2012
* For fiscal years

Gross Trading Profit by Operating Segment



■ 2011
■ 2012
* For fiscal years

equity interest at its acquisition-date fair value and an increase in equity in earnings of associated companies, despite a decrease in earnings due to lower coal production and sales volume. In addition, there were increases due to gain on sale of investment securities in this fiscal year and due to a substantial decrease in impairment losses on oil & gas assets. Total assets increased by 43.6%, or ¥557.7 billion, to ¥1,835.9 billion (US$22,337 million), compared with the previous fiscal year-end, due to a rise in trade receivables and inventory assets, new investments in Colombian coal company and U.S. oil & gas development company and the acquisition of Brazil Japan Iron Ore Corporation.

Chemicals, Forest Products & General Merchandise

Trading transactions for unaffiliated customers and associated companies increased by 11.5%, or ¥236.2 billion, to ¥2,296.4 billion (US$27,940 million), due to the acquisition of Kwik-Fit Group, higher prices for organic chemicals compared with the previous fiscal year, as well as higher market prices for plywood in the domestic market. Gross trading profit rose by 26.8%, or ¥31.8 billion, to ¥150.1 billion (US$1,826 million), as a result of the acquisition of Kwik-Fit Group and higher market prices for plywood in domestic market. Net income attributable to ITOCHU rose by 32.8%, or ¥8.5 billion, to ¥34.5 billion (US$420 million), due to higher prices for organic chemicals throughout this fiscal year compared with the previous fiscal year and higher market prices for plywood in the domestic market, as well as gain on sale of tire wholesale business used to consolidated subsidiary. Total assets were up by 26.3%, or ¥203.9billion, to ¥978.1 billion (US$11,900 million), compared with the previous fiscal year-end, due to an increase in inventories, property and equipment and other assets resulting from the acquisition of Kwik-Fit Group as well as an increase in trade receivables mainly due to higher prices in transactions for chemicals.

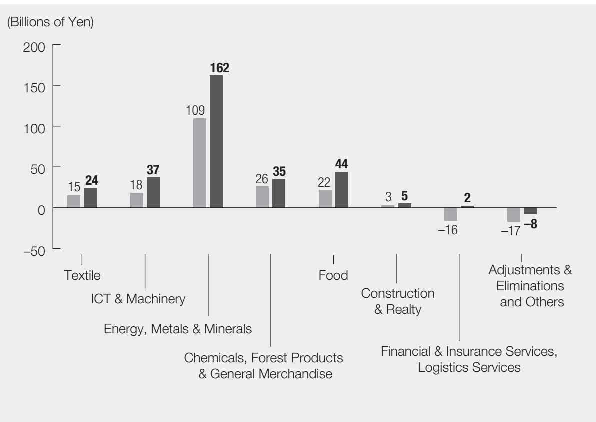
Food

Trading transactions for unaffiliated customers and associated companies increased by 5.5%, or ¥170.4 billion, to ¥3,267.7 billion (US$39,758 million), due to higher market prices for food materials, such as feed grains and others, as well as increase in transaction volume in food-distribution-related companies. Gross trading profit was up by 1.4%, or ¥3.9 billion, to ¥274.7 billion (US$3,342 million), due to a rise in transaction volume at food-distribution-related companies, despite a decrease in some businesses as a result of aftermath of the Great East Japan Earthquake. Net income attributable to ITOCHU increased by 95.8%, or ¥21.4 billion, to ¥43.8 billion (US$533 million), due to an increase in transaction volume in food-distribution-related companies as well as favorable performance by convenience store companies, the absence of impairment losses on investment securities in the same period of the previous fiscal year, as well as the absence of losses as a result of the Great East Japan Earthquake, although it continued to affect certain companies-and income on insurance claims. Total assets, compared with the previous fiscal year-end, increased by 7.4%, or ¥89.7 billion, to ¥1,298.4 billion (US$15,797 million), which resulted from a rise in trade receivables of food-distribution-related companies because of the special factor that the end of this fiscal year was a holiday.

Construction & Reality

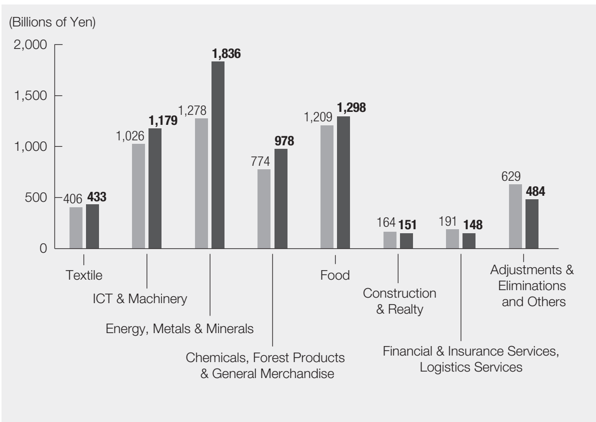
Trading transactions for unaffiliated customers and associated companies were up by 34.3%, or ¥36.3 billion, to ¥141.9 billion (US$1,727 million), due to higher sales of newly completed condominiums in favorable locations and sales to investors of real estate for leasing. Gross trading profit rose by 21.6%, or ¥4.0 billion, to ¥22.7 billion (US$276 million), as a decrease in losses on lower-of-cost-or-market of real-estate for sale as well as higher sales of newly completed condominiums in favorable locations and sales to investors of real estate for leasing. Net income attributable to ITOCHU was up by 63.5%, or ¥1.7 billion, to ¥4.5 billion (US$55 million), due to higher sales to investors of real estate for leasing and higher sales of newly completed condominiums in favorable locations. Total assets, compared with the previous fiscal year-end, were down by 8.0%, or ¥13.0 billion, to ¥150.7 billion (US$1,833 million), reflecting a decrease in inventories accompanying sale of real-estate for sale.

Net Income (Loss) by Operating Segment



■ 2011
■ 2012
* For fiscal years

Identifiable Assets by Operating Segment



■ 2011
■ 2012
* As of March 31

Financial & Insurance Services, Logistics Service

Trading transactions for unaffiliated customers and associated companies were down by 17.2%, or ¥11.2 billion, to ¥54.0 billion (US$657 million), due to the sale of travel-related domestic company, despite an increase in transaction volume for logistics-related business. Gross trading profit decreased by 18.1%, or ¥3.5 billion, to ¥15.7 billion (US$191 million), due to the sale of travel-related domestic company and the transfer as a result of the reorganization. Net income attributable to ITOCHU increased by 112.9%, or ¥18.0 billion, to ¥2.1 billion (US$25 million), due to the absence of impairment losses on common and preferred stocks of Orient Corporation, as well as the absence of losses accompanying restructuring of certain subsidiaries in the previous fiscal year. Total assets decreased by 22.2 %, or ¥42.3 billion, to ¥148.3 billion (US$1,804 million), compared with the previous fiscal year-end, due to the transferring parts of the financial market business to Adjustments & Eliminations and others.

Adjustments & Eliminations and Others

Trading transactions for unaffiliated customers and associated companies decreased by 64.7%, or ¥106.5 billion, to ¥58.2 billion (US$709 million), due to the transferring solar-related business and healthcare-related business to other Division Companies as a result of the reorganization. Gross trading profit was down by 18.2%, or ¥4.3 billion, to ¥19.5 billion (US$237 million), due to a decrease attributable to the transfer as a result of the reorganization, despite an upturn in equipment-material-related business currently undergoing restructuring in North America. Net loss attributable to ITOCHU decreased by 50.1%, or ¥8.3 billion, to ¥8.3 billion (US$101 million), due to the absence of impairment losses on property and equipment-net, losses on disposal of three enterprises in North America and business reconstruction costs on equipment-material-related business in the same period of the previous fiscal year as well as the improvement of its business operations, despite the reversal of deferred tax assets. Total assets were down by 23.0 %, or ¥145.0 billion, to ¥484.0 billion (US$5,889 million), compared with the previous fiscal year-end, as a result of the reorganization and a decrease in cash and cash equivalents.

As of April 1, 2012, ITOCHU reorganized its five Division Companies into six Division Companies. As a result of this reorganization, ICT & Machinery Company, Energy, Metals & Minerals Company and Chemicals, Forest Products & General Merchandise Company have been reorganized into Machinery Company, Metals & Minerals Company, Energy & Chemicals Company and ICT, General Products & Realty Company. Further, the Construction & Realty Division, the Financial & Insurance Services Department and the Logistics Services Department, which did not belong to a Division Company, have been reorganized into ICT, General Products & Realty Company.

Discussion and Analysis of Results of Operations

A discussion and analysis of financial position and results of operations for Fiscal 2012 is as follows:

Descriptions of the outlook for Fiscal 2013 and later are forward-looking statements that are based on management's assumptions and beliefs, considering information currently available at the end of Fiscal 2012. 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 2012 and Outlook for Fiscal 2013

Revenue

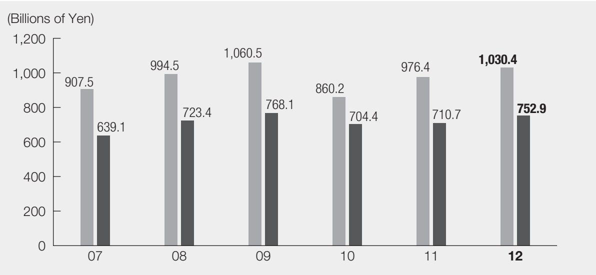
In accordance with the stipulations of Accounting Standards Codification Topic 605, the Company and its subsidiaries present certain revenue transactions with corresponding cost of revenues on a gross basis in consolidated statements of operations as "sales revenue" for transactions traded as a primary 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, 2012, "sales revenue" on a gross basis was ¥3,800.2 billion (US$46,237 million), and "trading margins and commissions on trading transactions" on a net basis was ¥470.8 billion (US$5,728 million). Total revenue increased by 17.0 %, or ¥619.5 billion compared with the previous fiscal year, to ¥4,271.1 billion (US$51,965 million). It was attributable to higher revenue in several division companies. The Energy, Metals & Minerals Company achieved an increase due to the acquisition of energy-related companies, a rise in prices for iron ore, oil & gas and an increase in iron ore sales volume counteracted a decrease due to lower coal production and sales volume. In the Chemicals, Forest Products & General Merchandise Company, revenue increased mainly due to the acquisition of Kwik-Fit Group. In addition, the Food Company rose due to higher market prices for food materials, such as feed grains and others, and an increase in transaction volume in food-distribution-related companies.

Gross Trading Profit

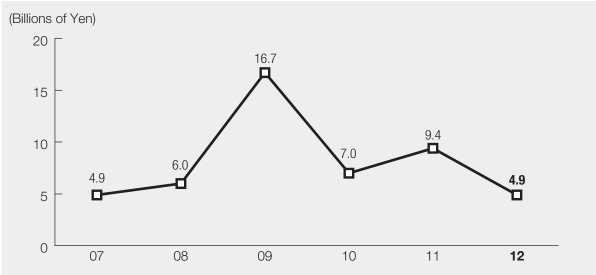
Gross trading profit increased by 5.5%, or ¥54.1 billion, to ¥1,030.4 billion (US$12,537 million). It was attributable to increases in several division companies. The Chemicals, Forest Products & General Merchandise Company achieved an increase due to the acquisition of Kwik-Fit Group and higher market prices for plywood in the domestic market. The ICT & Machinery Company achieved an increase due to higher transaction volume in domestic ICT-related companies and construction-machinery-related companies. In the Food Company, although some companies

Gross Trading Profit; Selling, General and Administrative Expenses



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

Provision for Doubtful Receivables



* For fiscal years

posted declines in earnings due to the Great East Japan Earthquake, food-distribution-related companies saw an increase in transaction volume.

Furthermore, the deconsolidation of consolidated subsidiaries resulted in a ¥11.8 billion decrease. The translation of overseas subsidiaries resulted in a ¥12.4 billion decrease due to foreign exchange fluctuations (mainly due to U.S. dollar) during Fiscal 2012; and the above-mentioned acquisitions of Kwik-Fit Group and other companies, as newly consolidated subsidiaries contributed ¥32.6 billion. Excluding those positive and negative factors, the actual increase in the gross trading profit of existing subsidiaries was ¥45.7 billion.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 5.9 %, or ¥42.2 billion, to ¥752.9 billion (US$9,161 million). It was attributable to an increase accompanying a rise in revenue among existing consolidated companies and the acquisition of Kwik-Fit Group, which offset decreases in the effect of cost reductions and de-consolidation of certain subsidiaries.

Furthermore, the decrease in expenses due to the deconsolidation of consolidated subsidiaries was ¥12.7 billion, and the translation of overseas subsidiaries resulted in a ¥8.1 billion decrease due to foreign exchange fluctuations during the fiscal year. Also, the increase in expenses due to the above-mentioned acquisitions of Kwik-Fit Group, and other companies as newly consolidated subsidiaries was ¥34.1 billion. Excluding those positive and negative factors, the actual increase in the expenses of existing subsidiaries was ¥28.9 billion.

Provision for Doubtful Receivables

Provision for doubtful receivables decreased by ¥4.5 billion, to a loss of ¥4.9 billion (US$60 million), due to the absence of write-off of loans accompanying disposal of enterprises in North America in the previous fiscal year.

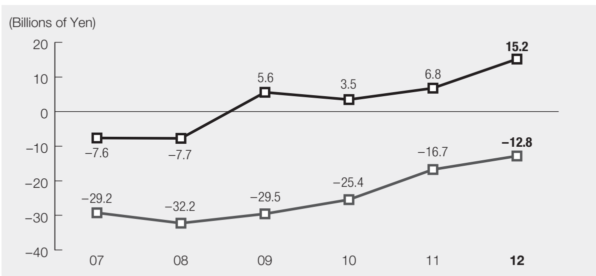
Net Financial Income (Net of Interest Income, Interest Expense and Dividends Received)

Net financial income improved by ¥8.4 billion, to a gain of ¥15.2 billion (US$185 million).

Net interest expenses, consisting of interest expense and interest income, improved by 23.3%, or ¥3.9 billion, to a loss of ¥12.8 billion (US$156 million). Interest income was almost at the same level compared with the same period of the previous fiscal year, at ¥10.2 billion. Interest expense decreased by 14.9%, or ¥4.0 billion, to ¥23.0 billion (US$280 million). It was due to lower interest rates for the U.S. dollar.

Furthermore, dividends received increased by 19.2%, or ¥4.5 billion, to ¥28.0 billion (US$341 million), due primarily to an increase in dividends from oil & gas-related investments.

Net Financial Expenses



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

Other Profit (Loss)

Gain on investments-net improved by ¥59.1 billion, to a gain of ¥20.9 billion (US$255 million). It was attributable to the absence of impairment losses on Orient Corporation preferred stocks and on other listed securities and loss on disposal of low-efficiency businesses in the previous fiscal year and to an increase in gain on sales of investments as well as gain recognized in a business combination of Brazil Japan Iron Ore Corporation by remeasuring its previously held equity interest at its acquisition-date fair value.

Furthermore, Net of investment gain and remeasuring gain on investments (including impairment losses on Orient Corporation preferred stocks and on other listed securities in the previous fiscal year) improved by ¥39.1 billion, to ¥1.4 billion. Net gain on sales of investments increased by ¥15.4 billion, to ¥22.6 billion. Losses on business disposal and others improved by ¥4.6 billion, to ¥3.1 billion.

Loss on property and equipment–net improved by ¥27.0 billion, to ¥6.7 billion (US$82 million). It was attributable to a substantial decrease in impairment losses on property and equipment and oil & gas assets and losses arising as a result of the Great East Japan Earthquake in the previous fiscal year, which offset the effect of a decline in gain on sales of property and equipment that resulted from the absence of gain on sales of coal interests in the previous fiscal year.

Furthermore, impairment losses decreased by ¥30.5 billion, to a loss of ¥6.8 billion due to impairment losses on property and equipment and oil & gas assets in the previous fiscal year. And, net gain on sales of property and equipment and others decreased by ¥3.5 billion, to ¥0.0 billion.

Gain on bargain purchase in acquisition was ¥15.9 billion (US$194 million). It was recognized in the acquisition of Brazil Japan Iron Ore Corporation.

Other–net improved by ¥32.2 billion, to gain of ¥23.3 billion (US$283 million), due to the receipt of insurance related to the Great East Japan Earthquake and to the absence of losses on disposal of three enterprises and business reconstruction costs on equipment-material-related business in North America and ship-related losses in the previous fiscal year.

Income Taxes

Income taxes increased by 77.9 %, or ¥53.4 billion, to expenses of ¥122.0 billion (US$1,485 million), due to the reversal of deferred tax assets accompanying the change in the effective income tax rate under Japanese taxation reform.

Equity in Earnings of Associated Companies

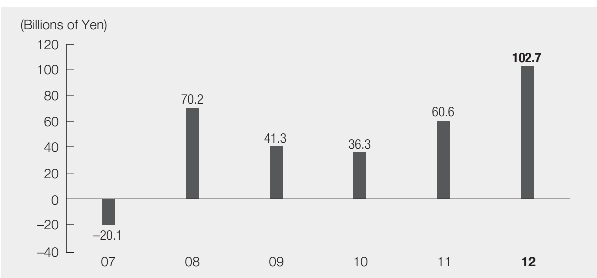
Equity in earnings of associated companies increased by 69.5 %, or ¥42.1 billion, to a gain of ¥102.7 billion (US$1,250 million). There was an increase in earnings of iron-ore-related companies accompanying higher prices and sales volume as well as an increase in earnings of mobile-networks-related companies and steel-products-related companies. In addition, there was a gain due to an additional investment in a leasing company and the absence of impairment losses on Orient Corporation common stocks and other listed equity-method affiliates in the previous fiscal year.

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

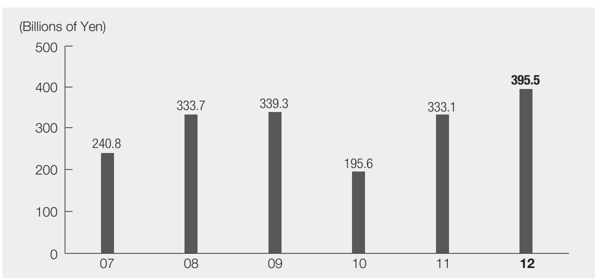
Adjusted profit (net of gross trading profit, selling, general and administrative expenses, net interest expenses, dividends received, and equity in earnings of associated companies) increased by 18.7%, or ¥62.4 billion, to ¥395.5 billion (US$4,811 million), due to increase in Gross Trading Profit, improvement in Net Financial Income, and increase in Equity in Earnings of Associated Companies, despite 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 366 companies, comprising 226 consolidated subsidiaries (86 domestic and 140 overseas) and 140 equity-method associated companies (58 domestic and 82 overseas).

Profits / Losses of Group Companies Reporting Profits / Losses

Billions of Yen

Years ended March 31	2012 Profitable	2012 Unprofitable	2012 Total	2011 Profitable	2011 Unprofitable	2011 Total	Changes Profitable	Changes Unprofitable	Changes Total
Group companies excluding overseas trading subsidiaries	**¥289.2**	**¥(17.9)**	**¥271.3**	¥212.0	¥(31.9)	¥180.2	¥77.2	¥14.0	¥ 91.2
Overseas trading subsidiaries	**24.0**	**(0.3)**	**23.7**	14.7	(5.7)	8.9	9.3	5.4	14.7
Total	**¥313.2**	**¥(18.2)**	**¥295.0**	¥226.7	¥(37.6)	¥189.1	¥86.5	¥19.4	¥105.9

Share of Group Companies Reporting Profits

Years ended March 31	2012 Domestic	2012 Overseas	2012 Total	2011 Domestic	2011 Overseas	2011 Total	Changes Domestic	Changes Overseas	Changes Total
No. of companies reporting profits	**124**	**175**	**299**	128	179	307	(4)	(4)	(8)
No. of group companies	**144**	**222**	**366**	159	234	393	(15)	(12)	(27)
Share	**86.1%**	**78.8%**	**81.7%**	80.5%	76.5%	78.1%	5.6 pts.	2.3 pts.	3.6 pts.

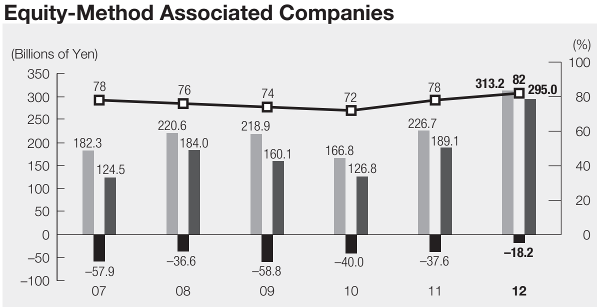
(Note) Investment companies which are considered as part of parent (as of March 31, 2012, 148 entities; as of March 31, 2011, 144 entities) and companies indirectly invested by ITOCHU or its Overseas trading subsidiaries (as of March 31, 2012, 408 entities; as of March 31, 2011, 311 entities) are not 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 by ¥91.2 billion, to ¥271.3 billion, because of increases in profit from Brazil Japan Iron Ore Corporation and ITOCHU Minerals & Energy of Australia Pty Ltd. The significant increase in profit from Brazil Japan Iron Ore Corporation was due to higher earnings resulting from increases in iron ore sales volume and prices and gain on acquisition.

The increase in profit from ITOCHU Minerals & Energy of Australia Pty Ltd was due to increases in iron ore sales volume and prices, which counteracted a decrease in earnings resulting from lower coal production and sales volume. Profits from overseas trading subsidiaries were up ¥14.7 billion, to ¥23.7 billion, due to a turnaround in the performance of a U.S. trading subsidiary, reflecting good performances in machinery, food, and forest products & general merchandise and others, as well as the absence of losses on disposal of three enterprises and business reconstruction costs on equipment-material-related business in North America; and a rise in earnings from a Chinese trading subsidiary due to higher transaction volume in chemicals and increase in equity in earnings of textile companies.

The aggregate income from Group companies (subsidiaries, equity-method associated companies, and overseas trading subsidiaries) reporting profits was up ¥86.5 billion, to ¥313.2 billion, because of the above-mentioned increases in profits from Brazil Japan Iron Ore Corporation and ITOCHU Minerals & Energy of Australia Pty Ltd. Meanwhile, the aggregate loss from Group companies reporting losses improved by ¥19.4 billion, to ¥18.2 billion, because the above-mentioned U.S. trading subsidiary's change from reporting losses for the previous fiscal year to reporting profits which offset losses from OVERSEAS PROPERTY SALES CO., LTD., due to a reversal in deferred tax assets accompanying a change in the effective income tax rate, and from Solar Investment USA Inc., mainly due to impairment losses on goodwill recognized by solar-related companies 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 by 3.6 percentage points, to 81.7%.

Net Income from Subsidiaries and Equity-Method Associated Companies



■ 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 end 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 2012	2011	Reasons for Changes
Domestic Subsidiaries				
Brazil Japan Iron Ore Corporation *2	67.5%	**¥36.8**	¥12.9	Due to gain accompanying the acquisition as well as higher sales volume and prices
NIPPON ACCESS, INC. *3	93.8	**8.6**	6.5	Due to the absence of losses due to earthquake and impairment losses on investment securities recorded in the previous fiscal year, as well as gain on sales of property and equipment, despite certain effect of the Great East Japan Earthquake was remained
ITOCHU Techno-Solutions Corporation	55.4	**7.5**	6.3	Due to gain accompanying result of vigorous capital investment in communications area as well as cost reduction through rigorous project management
SANKEI CO., LTD.	100.0	**4.0**	1.5	Due to it becoming possible to recognize deferred tax assets accompanying participation in consolidated taxation group as well as reduction in expenses compared with the same period of the previous fiscal year, despite the absence of gain on sales of property and equipment for the same period of the previous fiscal year
ITOCHU CHEMICAL FRONTIER Corporation	100.0	**2.9**	2.0	Due to favorable sales of polymer raw materials and specialty chemicals as well as gain on sales of investments
ITOCHU Property Development, Ltd.	99.8	**2.6**	1.7	Due to higher sales of newly completed condominiums in favorable locations
China Foods Investment Corp. *4	74.1	**2.4**	4.0	Due to the absence of dilution gain from changes in equity interests in the same period of the previous fiscal year, despite increase in profit from TING HSIN (CAYMAN ISLANDS) HOLDING CORP.
ITOCHU ENEX CO., LTD.	54.0	**2.4**	2.2	Due to good performance in the electricity and steam supply business and Car-Life Division
ITOCHU PLASTICS INC.	100.0	**1.9**	2.2	Due to lower sales volume of plastics and electronic materials used as raw materials for OA equipment and consumer electronics/home appliances as a result of lower production by makers of consumer electronics/home appliances
Overseas Subsidiaries				
ITOCHU Minerals & Energy of Australia Pty Ltd *5	100.0	**89.3**	80.1	Due to rise in iron ore prices and sales volume and the absence of impairment losses on oil & gas assets in the previous fiscal year, despite lower earnings stemming from decline in coal production and sales volume
ITOCHU Oil Exploration (Azerbaijan) Inc.	100.0	**13.0**	10.7	Due to higher oil prices, despite lower sales volume
ITOCHU International Inc.	100.0	**7.5**	(5.6)	Due to good performance in Machinery, Food, General Merchandise and others, as well as the absence of losses on disposal of three enterprises in North America and business reconstruction costs on equipment-material-related business in the same period of the previous fiscal year and the improvement of its business operations
ITOCHU (China) Holding Co., Ltd. *6	100.0	**4.2**	3.6	Due to higher transaction volume in chemicals and increase in profit from textile companies
ITOCHU Australia Ltd. *5	100.0	**3.6**	3.3	Due to increase in profit from ITOCHU Minerals & Energy of Australia Pty Ltd
ITOCHU Hong Kong Ltd.	100.0	**2.5**	2.7	Due to impairment losses on investment securities, despite higher profit from textile-related companies and equity pick-up from new finance-related companies
ITOCHU Europe PLC	100.0	**2.3**	0.9	Due to gain on sale of machinery-related companies as well as the absence of impairment losses on investment securities recorded in the previous fiscal year
ITOCHU Coal Americas Inc.	100.0	**2.0**	—	Newly established in FY2012 (Investment and management company for projects of coal in Colombia)
ITOCHU Singapore Pte., Ltd.	100.0	**1.4**	1.5	Due to lower profit from synthetic-resin-related business, despite increase in aircraft-interior-related transactions
Domestic Equity-Method Associated Companies				
Marubeni-Itochu Steel Inc.	50.0	**12.9**	6.8	Due to recovery in domestic and overseas demand for steel products and the absence of impairment losses on investment securities and losses on reorganization of U.S. businesses recorded in the previous fiscal year
FamilyMart Co., Ltd.	31.5	**6.7**	4.0	Due to steady increase in gross trading profit and to the absence of cost related to asset retirement obligations in the same period of the previous fiscal year
Century Tokyo Leasing Corporation *7	25.1	**6.2**	4.0	Due to favorable business results, as well as higher profit from this business and gain on negative goodwill accompanying purchase of additional shares
Japan Brazil Paper and Pulp Resources Development Co., Ltd.	25.9	**2.1**	3.4	Due to lower pulp prices, to higher costs accompanying the strength of foreign exchange rate for the Brazilian real against US dollar, and to the appreciation of the yen
Overseas Equity-Method Associated Companies				
ASAHI BREWERIES ITOCHU (HOLDINGS) LTD.	40.0	**1.2**	(0.4)	Due to sale of two subsidiaries: Hangzhou Beer and Zhejiang Beer
Chemoil Energy Limited	37.5	**1.2**	0.1	Due to favorable bunker oil transactions
Unicharm Consumer Products (China) Co., Ltd. *6	20.0	**1.0**	0.3	Due to equity pick-up since the fourth quarter of the previous fiscal year

Major Group Companies Reporting Loss

Years ended March 31	Shares	Net Income (Loss) Attributable to ITOCHU*1 Billions of Yen 2012	2011	Reasons for Changes
Domestic Subsidiaries				
OVERSEAS PROPERTY SALES CO., LTD	100.0%	**¥(2.3)**	¥(0.0)	Due to the reversal of deferred tax assets accompanying the change in the effective income tax rate
Overseas Subsidiaries				
Solar Investment USA Inc.	100.0	**(0.9)**	0.1	Mainly due to impairment losses on goodwill recognized by solar-related companies in North America
ITOCHU FINANCE (EUROPE) PLC	100.0	**(0.6)**	(0.1)	Due to losses on sales of bonds incurred as a result of growing insecurity of credit risk accompanying the euro area debt crisis
Domestic Equity-Method Associated Companies				
Orient Corporation *8	23.6	**(3.7)**	(3.4)	Due to absence of previous fiscal year's gain on changes in equity interests resulting from conversion of its preferred stocks into common stocks, reversal of deferred tax assets accompanying change in effective income tax rate, and increase in allowance for losses on interest repayments, despite absence of previous fiscal year's impairment loss on its common stocks

*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 The above figure of Brazil Japan Iron Ore Corporation includes gain on bargain purchase and gain resulting from remeasuring its previously held equity interests at its acquisition-date fair value accompanying the acquisition by ITOCHU (¥19.7 billion after tax effect) in Fiscal Year 2012.

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

*4 Net income attributable to ITOCHU of China Foods Investment Corp. for the same period of the previous fiscal year includes the net income of TING HSIN (CAYMAN ISLANDS) HOLDING CORP. (hereinafter "Ting Hsin") attributable to ITOCHU. The figure includes a dilution gain from changes in equity interests due to Ting Hsin's issuance of shares through third party allocation which ITOCHU did not underwrite offer (¥1.9 billion after tax effect) in the same period of the previous fiscal year.

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

*6 The above figure of ITOCHU (China) Holding Co., Ltd. includes 3.8% of net income from Unicharm Consumer Products (China) Co., Ltd.

*7 Net income attributable to ITOCHU from Century Tokyo Leasing Corporation for the fiscal year includes gain on negative goodwill (¥0.9 billion after tax effect) accompanying purchase of additional shares.

*8 The above figure of Orient Corporation includes the related tax effect.

Outlook for Fiscal 2013

Looking ahead to economic conditions in fiscal year 2013, ending March 31, 2013, driven by the economies of emerging countries, growth rates are expected to increase steadily leading up to and during the second half of the fiscal year. Meanwhile, there is a strong sense of uncertainty about the future course of business conditions, and as a result the European sovereign debt crisis, geopolitical problems, and other factors have triggered a further strengthening of risk aversion in financial markets. Adequate caution remains necessary in relation to the risk of sudden changes in exchange rates, stock prices or commodities markets and the risk of these factors affecting the global economy through falls in asset value. In addition, it is necessary to bear in mind that, there is a risk that financial constraints resulting from marked confusion among international financial markets could affect the growth adversely, although the economies of emerging countries are performing more solidly than those of industrialized countries, in certain emerging countries. As for Japan's economy, it is likely to remain on a recovery track as internal demand increases thanks to the contribution of restoration investment and as exports pick up on the back of accelerating global economic growth in second half of the fiscal year. However, careful attention should be paid to falls in financial markets and to electricity supply trends.

Under those business conditions, in Fiscal 2013, which represents the second half of the Medium-Term Management Plan—Brand-new Deal 2012, the ITOCHU Group expects earnings to decline year on year as falling prices for mineral resources counteract a rise in earning power accompanying steady increases in earnings from sectors other than the natural resource sector, contributions from new investments, and continuing cost reduction.

Management Policy for the Future

Furthermore Advancing Medium-Term Management Plan “Brand-new Deal 2012”

In FY2013, the second half of the medium-term management plan “Brand-new Deal 2012” (two-year plan from FY2012 to FY2013), the ITOCHU Group will continue to “strengthen our front-line capabilities,” “proactively seek new opportunities,” and “expand our scale of operations” as basic policies. Accordingly, the Group will actively discover projects to increase earnings, regarding changes in economic conditions as opportunities to acquire new businesses. However, when investing the Group will scrutinize candidates more rigorously than ever, narrowing them down to highly profitable projects. At the same time, the Group will pay extremely careful attention to economic conditions and work to implement low-center-of-gravity lean business management (low-center-of-gravity business management) based on foundations that slight changes in conditions do not shake.

Three key measures by 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 strengthening initiatives with major blue-chip companies and increasing new initiatives.

2. Strengthening Foundations in Machinery-Related Sector

Through the tightly focused allocation of management resources in the machinery-related sector, ITOCHU will accumulate assets with stable earnings and, working in collaboration with Group companies, bolster activities in growing markets that will be sources of revenues in the future.

3. Strengthen Earnings Capacity in the Natural Resource-Related Sector

Firm demand is expected to provide support in the natural-resources-related sector, where ITOCHU will continue undertaking strictly selected highly profitable new investments. At the same time, ITOCHU will steadily increase earnings from projects for which it has completed investment.

As for investment policy, ITOCHU will increase the amount initially earmarked for investment over the two years from FY2012 to FY2013 from ¥800 billion to ¥1,000 billion and continue to aggressively accumulate superior assets. 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: ¥150–250 billion; natural resources / energy-related sector: ¥500–600 billion; machinery-related sector: ¥100–200 billion; chemicals, real estate, and others sector: ¥50–150 billion.

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 approximately 20% on Net income attributable to ITOCHU up to ¥200 billion, and dividend payout ratio of approximately 30% on portion of Net income attributable to ITOCHU exceeding ¥200 billion.

For the fiscal year ending March 31, 2013, ITOCHU plans to pay full-year dividends of 40 yen per share, comprising an interim dividend of 20 yen per share and a year-end dividend of 20 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 83% 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 2011 to August 2013, 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)	AA- / 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

Interest-Bearing Debt

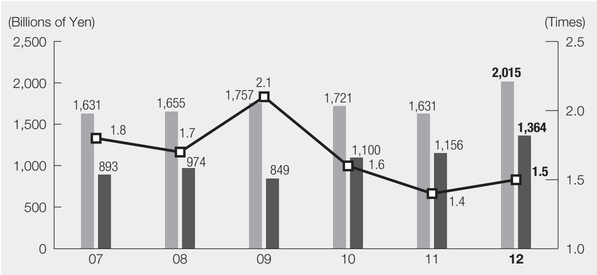
Interest-bearing debt as of March 31, 2012, increased by 11.7%, or ¥264.6 billion compared with March 31, 2011, to ¥2,533.6 billion (US$30,826 million). Net interest-bearing debt (interest-bearing debt after deducting Cash and cash equivalents and Time deposits) increased by 23.6%, or 384.1 billion yen, to ¥2,014.9 billion (US$24,515 million). Net DER (debt-to-equity ratio) increased from 1.4 times to 1.5 times. Furthermore, the ratio of long-term interest-bearing debt to total interest-bearing debt was 82%, down 5 points from 87% at March 31, 2012.

Details of interest-bearing debt as of March 31, 2012, and as of March 31, 2011, are as follows:

	Billions of Yen		Millions of U.S. Dollars
Years ended March 31	2012	2011	2012
Short-term debt:			
Short-term loans, mainly from banks	¥ 358.2	¥ 191.9	$ 4,359
Commercial paper	57.1	50.0	694
Current maturities of long-term debt:			
Current maturities of long-term loans, mainly from banks	33.7	46.7	410
Current maturities of debentures	2.0	0.4	24
Short-term total	451.0	289.0	5,487
Long-term debt (Note):			
Long-term loans, mainly from banks, less current maturities	1,716.5	1,735.7	20,884
Debentures	366.1	244.2	4,454
Long-term total	2,082.6	1,980.0	25,338
Total interest-bearing debt	2,533.6	2,268.9	30,826
Cash and cash equivalents and time deposits	518.7	638.2	6,311
Net interest-bearing debt	¥2,014.9	¥1,630.8	$24,515

(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)



■ Net Interest-Bearing Debt (Left)
■ Stockholders' Equity (Left)
-□- Net DER (Right)
* 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, 2012, increased by 14.6%, or ¥830.6 billion, compared with March 31, 2011, to ¥6,507.3 billion (US$79,174 million). There was a decrease in Cash and cash equivalents and Time deposits. However, in the Textile Company, there was an investment in Shandong Ruyi Science & Technology Group, in the ICT & Machinery Company, there were investments in IPP (Independent Power Producer) in North America and in the Energy, Metals & Minerals Company, there were investments in Colombian coal company and U.S. oil & gas development company as well as an increase due to the acquisition of Brazil Japan Iron Ore Corporation in Investment to associated companies. In addition, in the Energy, Metals & Minerals Company, the Chemicals, Forest Products & General Merchandise Company, and the Food Company, there were increases in Net trade receivables and Inventories. Also, in the Chemicals, Forest Products & General Merchandise Company there were increases in Inventories, Net property and equipment, and Other assets due to the acquisition of Kwik-Fit Group.

ITOCHU stockholders' equity increased by 17.9%, or ¥207.5 billion, compared with March 31, 2011, to ¥1,363.8 billion (US$16,593 million), due to an increase in Net income attributable to ITOCHU, despite a decrease in dividend payment and deterioration in Foreign currency translation adjustments. As a result, the Ratio of stockholders' equity to total assets improved by 0.6 points to 21.0% from March 31, 2011.

Total equity, or the total of ITOCHU stockholders' equity and Noncontrolling interest, which means the total equity of the entire Group, increased by 21.2%, or ¥297.2 billion, compared with March 31, 2011, to ¥1,696.1 billion (US$20,637 million), mainly due to an increase in Total ITOCHU stockholders' equity and the acquisition of Brazil Japan Iron Ore Corporation.

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 decreased by ¥119.5 billion, to ¥518.7 billion (US$6,311 million).

Trade receivables (less allowance for doubtful receivables) increased by ¥226.7 billion, to ¥1,653.4 billion (US$20,117 million), due to higher prices in Energy; and in food distribution business due to higher transaction volumes and the special factor that the end of this fiscal year was a holiday.

Inventories increased by ¥70.0 billion, to ¥574.3 billion (US$6,988 million), due to increase in petroleum products in Energy; in building materials due to higher transaction volumes; and due to the acquisition of Kwik-Fit Group in Forest Products & General Merchandise.

Deferred tax assets increased by ¥2.7 billion, to ¥48.8 billion (US$593 million).

Other current assets decreased by ¥61.3 billion, to ¥298.8 billion (US$3,636 million), due to increase in other accounts receivable.

Investments in and advances to associated companies increased by ¥410.0 billion, to ¥1,395.4 billion (US$16,977 million), due to an investment in Shandong Ruyi Science & Technology Group in the Textile company; in IPP in North America in the ICT & Machinery company; and in Colombian coal company and U.S. oil & gas development company as well as an increase due to the acquisition of Brazil Japan Iron Ore Corporation in the Energy, Metals & Minerals company.

Property and equipment (less accumulated depreciation) increased by ¥64.0 billion, to ¥707.9 billion (US$8,613 million), due to purchase of coal interests in Metals & Minerals; and the acquisition of Kwik-Fit Group in Forest Products & General Merchandise.

Goodwill and other intangible assets increased by ¥93.0 billion, to ¥284.1 billion (US$3,457 million), due to the acquisition of Kwik-Fit Group in Forest Products & General Merchandise.

Deferred tax assets, non-current, decreased by ¥32.5 billion, to ¥80.7 billion (US$983 million). Furthermore, net deferred tax assets decreased by ¥50.3 billion, to ¥92.8 billion (US$1,129 million).

Total trade payables increased by ¥197.7 billion, to ¥1,434.2 billion (US$17,450 million), due to increase in food distribution business due to higher transaction volumes and the special factor that the end of this fiscal year was a holiday; in Energy due to higher prices; and due to the acquisition of Kwik-Fit Group in Forest Products & General Merchandise.

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 2012, the sum of cash, cash equivalents, time deposits (¥518.7 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 ¥959.8 billion (US$11,677 million), increased ¥117.0 billion from the previous fiscal year-end. ITOCHU believes that this amount constitutes adequate reserves for liquidity since it is 3.1 times the necessary liquidity amount (short-term interest-bearing debt and contingent liabilities due within three months), which amounted to ¥309.2 billion (US$3,762 million) as of March 31, 2012.

Secondary liquidity reserves (other assets that can be converted to cash in a short period of time) stood at ¥606.3 billion (US$7,376 million). When added to primary liquidity reserves, the total amount of liquidity reserves stood at ¥1,566.0 billion (US$19,054 million).

ITOCHU Corporation has long-term commitment line agreements with financial institutions totaling ¥300.0 billion (US$3,650 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 ¥280.5 billion (US$3,413 million) of current maturities of long-term debt as non-current liabilities on the consolidated balance sheet, which was part of ¥244.8 billion (US$2,979 million) in non-current liabilities with a maturity of one year or less based on loan contracts at the end of Fiscal 2012. 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 revenue, disposal / collection of existing assets, and loans and the issuance of bonds while maintaining financial soundness.

Cash and cash equivalents as of March 31, 2012, decreased by 19.0%, or ¥120.3 billion, to ¥513.5 billion (US$6,248 million), compared with the previous fiscal year-end. This was due to the appropriation to investment activities of cash and cash equivalents, including net cash provided by operating activities and disposal / collection of existing assets.

Necessary Liquidity

		Billions of Yen	Millions of U.S. Dollars
Years ended March 31	2012	Necessary Liquidity	2012
Short-term interest-bearing debt	¥415.3	¥207.6 (415.3/6 months x 3 months)	$2,526
Current maturities of long-term interest-bearing debt	280.5*	70.1 (280.5/12 months x 3 months)	853
Contingent liabilities (Guarantees [substantial risk] for monetary indebtedness of equity-method associated companies and customers)	125.7	31.4 (125.7/12 months x 3 months)	383
Total	—	¥309.2	$3,762

* The figure is the total of current maturities of long-term debt (¥35.7 billion) in the Consolidated Balance Sheets and long-term commitment line with financial institutions (¥244.8 billion).

Primary Liquidity Reserves

Years ended March 31	Billions of Yen 2012 Liquidity Reserves	Millions of U.S. Dollars 2012 Liquidity Reserves
1. Cash, cash equivalents and time deposits	¥518.7	$ 6,311
2. Commitment line agreements	441.1	5,367
Total primary liquidity reserves	¥959.8	$11,678

Secondary Liquidity Reserves

Years ended March 31	Billions of Yen 2012 Liquidity Reserves	Millions of U.S. Dollars 2012 Liquidity Reserves
3. Available portion of over draft for ITOCHU parent	¥ 166.4	$ 2,025
4. Available-for-sale securities (Fair value on a consolidated basis)	272.3	3,313
5. Notes receivable	167.5	2,038
Total secondary liquidity reserves	¥ 606.3	$ 7,376
Total liquidity reserves	¥1,566.0	$19,054

Cash flows from operating activities for the year ended March 31, 2012, recorded a net cash-inflow of ¥212.8 billion (US$2,589 million), resulting from steady performance in operating revenue in overseas natural resources, despite an increase in inventories in the Energy, Metals & Minerals and the Chemicals, Forest Products & General Merchandise.

Cash flows from investing activities recorded a net cash-outflow of ¥416.3 billion (US$5,065 million) mainly due to new investments in Colombian coal company and U.S. oil & gas development company, an additional investment in Brazil Japan Iron Ore Corporation and investments in IPP in North America, as well as additional capital expenditures and purchase of interests in natural resource development sector.

Cash flows from financing activities recorded a net cash-inflow of ¥ 84.7 billion (US$1,031 million) due to dividend payment and large-scale investments, which was partly covered by cash and deposits, and by over ¥200 billion cash flows from operating activities.

A summary of cash flows for the fiscal years ended March 31, 2012 and 2011, were as follows:

Years ended March 31	Billions of Yen 2012	2011	Millions of U.S. Dollars 2012
Cash flows from operating activities	¥ 212.8	¥ 335.4	$ 2,589
Cash flows from investing activities	(416.3)	(230.9)	(5,065)
Cash flows from financing activities	84.7	53.2	1,031
Effect of exchange rate changes on cash and cash equivalents	(1.5)	(4.5)	(18)
Net increase (decrease) in cash and cash equivalents	(120.3)	153.2	(1,463)
Cash and cash equivalents at beginning of year	633.8	480.6	7,711
Cash and cash equivalents at end of year	¥ 513.5	¥ 633.8	$ 6,248

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, 2012 and 2011, were as follows:

	Billions of Yen		Millions of U.S. Dollars
Years ended March 31	2012	2011	2012
Guarantees for equity-method associated companies:			
Maximum potential amount of future payments	¥106.4	¥ 95.1	$1,295
Amount of substantial risk	85.5	70.9	1,040
Guarantees for customers:			
Maximum potential amount of future payments	¥ 78.2	¥ 64.8	$ 952
Amount of substantial risk	59.5	40.9	724
Total:			
Maximum potential amount of future payments	¥184.6	¥159.9	$2,247
Amount of substantial risk	144.9	111.7	1,764

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 23 "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				
	2012				
Years ended March 31	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Short-term loans payable	¥ 415.3	¥415.3	¥ —	¥ —	¥ —
Long-term debt	2,295.4	35.7	775.8	577.3	906.6
Operating leases	298.2	41.9	66.3	51.2	138.8

	Millions of U.S. Dollars				
	2012				
Years ended March 31	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Short-term loans payable	$ 5,053	$5,053	$ —	$ —	$ —
Long-term debt	27,928	434	9,439	7,024	11,031
Operating leases	3,628	510	806	623	1,689

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, 2012.

(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 the 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.

Further, in countries and regions, including developed countries, in which the ITOCHU Group conducts business activities, changes in tax law and various other types of laws and statutory regulations could significantly change the profitability of the said businesses.

(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 a valuation 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 the realizable amount of deferred tax assets are rational. However, the valuation 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 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 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, 2012 and 2011

Assets	Millions of Yen 2012	Millions of Yen 2011	Millions of U.S. Dollars (Note 2) 2012
Current assets:			
Cash and cash equivalents (Notes 4 and 8)	¥ 513,489	¥ 633,756	$ 6,248
Time deposits (Note 8)	5,173	4,420	63
Short-term investments (Note 4)	2,770	3,560	33
Trade receivables (Notes 6 and 8):			
Notes	167,521	155,496	2,038
Accounts (Note 12)	1,496,861	1,282,591	18,212
Allowance for doubtful receivables	(10,970)	(11,410)	(133)
Net trade receivables	1,653,412	1,426,677	20,117
Due from associated companies (Note 6)	159,348	113,669	1,939
Inventories (Note 8)	574,345	504,342	6,988
Advances to suppliers	91,965	71,698	1,119
Prepaid expenses	31,981	28,544	389
Deferred tax assets (Notes 15 and 16)	48,755	51,435	593
Other current assets (Notes 6 and 21)	298,848	237,555	3,636
Total current assets	3,380,086	3,075,656	41,125
Investments and non-current receivables:			
Investments in and advances to associated companies (Notes 5, 6, 8 and 13)	1,395,351	985,316	16,977
Other investments (Notes 4 and 8)	484,014	493,755	5,889
Other non-current receivables (Notes 6, 8 and 12)	137,199	139,311	1,669
Allowance for doubtful receivables (Note 6)	(42,087)	(50,851)	(512)
Total investments and net non-current receivables	1,974,477	1,567,531	24,023
Property and equipment, at cost (Notes 7, 8, 12 and 18)**:**			
Land	153,441	158,767	1,867
Buildings	429,314	411,811	5,223
Machinery and equipment	475,103	435,076	5,781
Furniture and fixtures	81,019	83,256	986
Mineral rights	83,500	53,137	1,016
Construction in progress	32,833	28,416	399
Total property and equipment, at cost	1,255,210	1,170,463	15,272
Less: Accumulated depreciation	547,277	526,489	6,659
Net property and equipment	707,933	643,974	8,613
Goodwill and other intangible assets (Note 9)**:**			
Goodwill	149,506	94,673	1,819
Other intangible assets, less accumulated amortization	134,603	96,392	1,638
Total goodwill and other intangible assets	284,109	191,065	3,457
Prepaid pension cost (Note 13)	67	365	1
Deferred tax assets, non-current (Notes 15 and 16)	80,729	113,259	983
Other assets (Note 21)	79,872	84,859	972
Total (Note 18)	¥6,507,273	¥5,676,709	$79,174

Refer to Notes to consolidated financial statements.

Liabilities and Equity	Millions of Yen 2012	Millions of Yen 2011	Millions of U.S. Dollars (Note 2) 2012
Current liabilities:			
Short-term debt (Notes 8 and 10)	¥ 415,268	¥ 241,915	$ 5,053
Current maturities of long-term debt (Notes 8 and 10)	35,700	47,058	434
Trade payables (Note 8):			
Notes and acceptances	174,118	160,047	2,118
Accounts	1,260,123	1,076,514	15,332
Total trade payables	1,434,241	1,236,561	17,450
Due to associated companies	38,368	28,719	467
Accrued expenses	156,787	130,585	1,908
Income taxes payable (Note 16)	48,548	56,613	591
Advances from customers	95,575	84,709	1,163
Deferred tax liabilities (Notes 15 and 16)	691	872	8
Other current liabilities (Notes 11, 12 and 21)	225,896	216,610	2,748
Total current liabilities	2,451,074	2,043,642	29,822
Long-term debt, excluding current maturities (Notes 8, 10, 11, 12 and 21)	2,259,717	2,160,772	27,494
Accrued retirement and severance benefits (Note 13)	64,304	52,564	782
Deferred tax liabilities, non-current (Notes 15 and 16)	36,037	20,777	439
Commitments and contingent liabilities (Note 24)			
Total liabilities	4,811,132	4,277,755	58,537
Equity:			
Common stock (Note 19):			
Authorized: 3,000,000,000 shares; issued: 1,584,889,504 shares 2012 and 2011	202,241	202,241	2,461
Capital surplus (Notes 16 and 19)	112,370	114,291	1,367
Retained earnings (Note 19):			
Legal reserve	22,134	18,257	270
Other retained earnings	1,274,131	1,017,838	15,502
Accumulated other comprehensive income (loss) (Notes 16 and 20):			
Foreign currency translation adjustments	(208,781)	(151,836)	(2,540)
Pension liability adjustments (Note 13)	(97,861)	(93,423)	(1,191)
Unrealized holding gains on securities (Note 4)	65,674	53,048	799
Unrealized holding losses on derivative instruments (Note 21)	(3,426)	(1,472)	(42)
Total accumulated other comprehensive income (loss)	(244,394)	(193,683)	(2,974)
Treasury stock, at cost (Note 19):			
4,366,546 shares 2012			
4,353,606 shares 2011	(2,685)	(2,674)	(33)
Total ITOCHU stockholders' equity	1,363,797	1,156,270	16,593
Noncontrolling interest (Note 19)	332,344	242,684	4,044
Total equity	1,696,141	1,398,954	20,637
Total	¥6,507,273	¥5,676,709	$79,174

Consolidated Statements of Income

ITOCHU Corporation and Subsidiaries
Years ended March 31, 2012, 2011 and 2010

	Millions of Yen			Millions of U.S. Dollars (Note 2)
	2012	2011	2010	2012
Revenue (Notes 12, 18 and 21):				
Sales revenue	¥ 3,800,242	¥ 3,192,949	¥ 2,958,710	$ 46,237
Trading margins and commissions on trading transactions	470,810	458,637	459,510	5,728
Total revenue	4,271,052	3,651,586	3,418,220	51,965
Cost of sales	(3,240,605)	(2,675,208)	(2,558,033)	(39,428)
Gross trading profit (Note 18)	1,030,447	976,378	860,187	12,537
Selling, general and administrative expenses (Notes 3, 9, 12 and 13)	(752,902)	(710,677)	(704,439)	(9,161)
Provision for doubtful receivables (Note 6)	(4,925)	(9,398)	(7,045)	(60)
Interest income	10,166	10,280	9,901	124
Interest expense (Note 21)	(22,985)	(27,002)	(35,266)	(280)
Dividends received	28,003	23,502	28,900	341
Gain (loss) on investments–net (Notes 3 and 4)	20,942	(38,125)	(4,456)	255
Loss on property and equipment–net (Notes 7 and 9)	(6,747)	(33,739)	(8,548)	(82)
Gain on bargain purchase in acquisition (Note 3)	15,910	—	14,015	194
Other–net (Notes 9, 14 and 21)	23,265	(8,887)	3,012	283
Income before income taxes and equity in earnings of associated companies (Note 16)	341,174	182,332	156,261	4,151
Income taxes (Note 16):				
Current	89,314	82,894	55,530	1,087
Deferred (Note 3)	32,715	(14,302)	(3,436)	398
Total income taxes	122,029	68,592	52,094	1,485
Income before equity in earnings of associated companies	219,145	113,740	104,167	2,666
Equity in earnings of associated companies (Notes 5 and 18)	102,748	60,617	36,269	1,250
Net income	321,893	174,357	140,436	3,916
Less: Net income attributable to the noncontrolling interest	(21,388)	(13,243)	(11,531)	(260)
Net income attributable to ITOCHU (Notes 15 and 18)	¥ 300,505	¥ 161,114	¥ 128,905	$ 3,656

	Yen			U.S. Dollars (Note 2)
Earnings per common share (Note 17)	2012	2011	2010	2012
Basic net income attributable to ITOCHU per common share	¥190.13	¥101.93	¥81.56	$2.31
Diluted net income attributable to ITOCHU per common share	¥190.13	¥101.78	¥81.38	$2.31

Refer to Notes to consolidated financial statements.

Consolidated Statements of Equity

ITOCHU Corporation and Subsidiaries
Years ended March 31, 2012, 2011 and 2010

	Millions of Yen			Millions of U.S. Dollars (Note 2)
	2012	2011	2010	2012
Common stock (Note 19):				
Balance at beginning of year issued: 1,584,889,504 shares 2012, 2011 and 2010	¥ 202,241	¥ 202,241	¥ 202,241	$ 2,461
Balance at end of year issued: 1,584,889,504 shares 2012, 2011 and 2010	¥ 202,241	¥ 202,241	¥ 202,241	$ 2,461
Capital surplus (Note 19):				
Balance at beginning of year	¥ 114,291	¥ 137,506	¥ 137,171	$ 1,391
Sale (purchase) of subsidiary shares to (from) noncontrolling interest	(2,029)	(19,322)	335	(25)
Sale (purchase) by associated companies of their subsidiary shares to (from) their noncontrolling interests	108	(3,893)	—	1
Balance at end of year	¥ 112,370	¥ 114,291	¥ 137,506	$ 1,367
Retained earnings (Note 19):				
Legal reserve:				
Balance at beginning of year	¥ 18,257	¥ 16,117	¥ 13,183	$ 222
Transfer from other retained earnings	4,086	2,236	3,007	50
Redistribution arising from sale by parent company of common stock of subsidiaries and associated companies	(209)	(96)	(73)	(2)
Balance at end of year	¥ 22,134	¥ 18,257	¥ 16,117	$ 270
Other retained earnings:				
Balance at beginning of year	¥1,017,838	¥ 885,014	¥ 783,681	$12,384
Net income attributable to ITOCHU	300,505	161,114	128,905	3,656
Cash dividends	(40,335)	(26,102)	(24,516)	(491)
Transfer to legal reserve	(4,086)	(2,236)	(3,007)	(50)
Redistribution arising from sale by parent company of common stock of subsidiaries and associated companies	209	96	73	3
Deficit arising from retirement of treasury stock	—	(48)	(122)	—
Balance at end of year	¥1,274,131	¥1,017,838	¥ 885,014	$15,502
Accumulated other comprehensive income (loss) (Notes 4, 13, 16, 20 and 21):				
Balance at beginning of year	¥ (193,683)	¥ (138,552)	¥ (280,226)	$ (2,357)
Other comprehensive income (loss)	(50,522)	(55,073)	141,665	(615)
Sale (purchase) of subsidiary shares to (from) noncontrolling interest	(189)	(58)	9	(2)
Balance at end of year	¥ (244,394)	¥ (193,683)	¥ (138,552)	$ (2,974)
Treasury stock (Note 19):				
Balance at beginning of year	(2,674)	(2,687)	(2,711)	(33)
Net change in treasury stock	(11)	13	24	(0)
Balance at end of year	(2,685)	(2,674)	(2,687)	(33)
Total ITOCHU stockholders' equity	¥1,363,797	¥1,156,270	¥1,099,639	$16,593
Noncontrolling interest:				
Balance at beginning of year	¥ 242,684	¥ 212,934	¥ 187,944	$ 2,953
Net income attributable to the noncontrolling interest	21,388	13,243	11,531	260
Other comprehensive income (loss) attributable to the noncontrolling interest (Notes 16 and 20)	(14,420)	(3,013)	2,391	(175)
Cash dividends to noncontrolling interest	(9,515)	(8,503)	(7,177)	(116)
Sale (purchase) of subsidiary shares to (from) noncontrolling interest	4,158	(6,429)	(2,977)	51
Other changes	88,049	34,452	21,222	1,071
Balance at end of year	¥ 332,344	¥ 242,684	¥ 212,934	$ 4,044
Total equity	¥1,696,141	¥1,398,954	¥1,312,573	$20,637
Comprehensive income (loss) (Notes 16 and 20):				
Net income	¥ 321,893	¥ 174,357	¥ 140,436	$ 3,916
Other comprehensive income (loss) (net of tax):				
Foreign currency translation adjustments	(72,138)	(64,114)	92,986	(878)
Pension liability adjustments (Note 13)	(4,631)	(7,630)	19,700	(56)
Unrealized holding gains on securities (Note 4)	13,521	12,128	27,868	165
Unrealized holding gains (losses) on derivative instruments (Note 21)	(1,694)	1,530	3,502	(21)
Total other comprehensive income (loss) (net of tax)	(64,942)	(58,086)	144,056	(790)
Comprehensive income (loss)	256,951	116,271	284,492	3,126
Comprehensive income (loss) attributable to the noncontrolling interest	(6,968)	(10,230)	(13,922)	(85)
Comprehensive income (loss) attributable to ITOCHU	¥ 249,983	¥ 106,041	¥ 270,570	$ 3,041

Refer to Notes to consolidated financial statements.

Consolidated Statements of Cash Flows

ITOCHU Corporation and Subsidiaries
Years ended March 31, 2012, 2011 and 2010

	Millions of Yen			Millions of U.S. Dollars (Note 2)
	2012	2011	2010	2012
Cash flows from operating activities:				
Net income	¥ 321,893	¥ 174,357	¥ 140,436	$ 3,916
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	77,171	75,960	76,682	939
Provision for doubtful receivables	4,925	9,398	7,045	60
(Gain) loss on investments–net (Note 3)	(20,942)	38,125	4,456	(255)
Loss on property and equipment–net	6,747	33,739	8,548	82
Gain on bargain purchase in acquisition (Note 3)	(15,910)	—	(14,015)	(194)
Equity in earnings of associated companies, less dividends received	(59,001)	(35,237)	(16,794)	(718)
Deferred income taxes	32,715	(14,302)	(3,436)	398
Change in assets and liabilities:				
Trade receivables	(211,389)	(29,616)	(121,016)	(2,572)
Due from associated companies	(50,799)	(9,544)	(2,506)	(618)
Inventories	(57,158)	(47,441)	49,255	(695)
Other current assets	(10,713)	18,265	(10,960)	(130)
Trade payables	173,649	49,681	148,096	2,113
Due to associated companies	7,673	3,991	9,756	93
Other current liabilities	6,281	9,892	16,977	76
Other–net	7,688	58,093	1,073	94
Net cash provided by operating activities	212,830	335,361	293,597	2,589
Cash flows from investing activities:				
Payments for purchases of property, equipment and other assets	(148,100)	(108,230)	(95,123)	(1,802)
Proceeds from sales of property, equipment and other assets	15,279	26,799	13,078	186
Increase in investments in and advances to associated companies	(299,376)	(104,093)	(116,226)	(3,642)
Decrease in investments in and advances to associated companies	35,317	27,534	27,554	430
Acquisitions of available-for-sale securities	(12,948)	(60,103)	(18,128)	(158)
Proceeds from sales of available-for-sale securities	40,466	9,066	14,966	492
Proceeds from maturities of available-for-sale securities	4,682	618	1,472	57
Acquisitions of held-to-maturities securities	—	(170)	—	—
Proceeds from maturities of held-to-maturities securities	20	332	30	0
Acquisitions of other investments	(54,649)	(30,671)	(34,842)	(665)
Proceeds from sales of other investments	18,275	20,181	11,068	222
Acquisitions of subsidiaries, net of cash acquired	(37,478)	—	(3,999)	(456)
Sales of subsidiaries, net of cash held by subsidiaries	14,359	(2,945)	1,572	175
Origination of other non-current loan receivables	(37,102)	(40,674)	(31,372)	(452)
Collections of other non-current loan receivables	43,868	30,685	35,563	534
Net (increase) decrease in time deposits	1,072	805	(1,311)	14
Net cash used in investing activities	(416,315)	(230,866)	(195,698)	(5,065)
Cash flows from financing activities:				
Proceeds from long-term debt	408,631	304,778	462,036	4,972
Repayments of long-term debt	(425,618)	(260,624)	(358,153)	(5,178)
Net increase (decrease) in short-term debt	165,160	31,458	(325,677)	2,009
Proceeds from equity transactions with noncontrolling interest	7,097	44,836	986	86
Payments for equity transactions with noncontrolling interest	(14,558)	(32,820)	(3,956)	(177)
Cash dividends	(40,335)	(26,102)	(24,516)	(491)
Cash dividends to noncontrolling interest	(15,660)	(8,503)	(7,177)	(190)
Net (increase) decrease in treasury stock	(13)	179	(111)	0
Net cash provided by (used in) financing activities	84,704	53,202	(256,568)	1,031
Effect of exchange rate changes on cash and cash equivalents	(1,486)	(4,505)	5,885	(18)
Net increase (decrease) in cash and cash equivalents	(120,267)	153,192	(152,784)	(1,463)
Cash and cash equivalents at beginning of year	633,756	480,564	633,348	7,711
Cash and cash equivalents at end of year	¥ 513,489	¥ 633,756	¥ 480,564	$ 6,248
Supplemental disclosures of cash flow information:				
Cash paid during the year for:				
Interest	¥ 23,109	¥ 28,177	¥ 36,866	$ 281
Income taxes	90,041	64,969	70,922	1,096
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	127	45	62	2
Costs of shares surrendered	102	19	108	1
Acquisitions of subsidiaries (Note 3):				
Fair value of assets acquired	389,152	—	182,581	4,735
Fair value of liabilities assumed	147,501	—	110,638	1,795
Acquisition costs of subsidiaries	241,651	—	71,943	2,940
Non-cash acquisition costs	200,820	—	49,026	2,443
Cash acquired	3,353	—	18,918	41
Acquisitions of subsidiaries, net of cash acquired	37,478	—	3,999	456

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 five division companies and a division not belonging to a division company. In the Consumer-Related Sector, these industries include textiles, food and forest products and general merchandise; in the Natural Resource/Energy-Related Sector, they include metal resources and energy; in the Machinery-Related Sector, they include machinery and ICT, and in Chemicals, Real Estate , and Other Sectors, they involve chemicals, financial services, construction and realty.

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, 2012 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥82.19= U.S.$1 (the official rate as of March 31, 2012 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 Company and its subsidiaries consider various factors and perform an analysis continuously to determine whether the variable interest entities are included in the consolidated financial statements based on the involvement of the Company and its subsidiaries in every quarter. 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 functional currency 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 basis, are included in "Accumulated other comprehensive income (loss)." Foreign currency receivables and payables are translated into functional currency 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," non-marketable securities included in "Other investments" are reported at cost or 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 shares) 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 any noncontrolling interest in the acquiree at its fair value at the acquisition date, then, remeasure any 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 360,"Property, Plant and Equipment." 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" in the Consolidated Financial Statements.

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.

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. The costs related to geological survey and other exploration of oil and gas are expensed in the period in which they are incurred. In January 2010, Accounting Standard Update (hereinafter referred as "ASU") No. 2010-03 "Oil and Gas Reserve Estimation and Disclosure," was issued. ASU No. 2010-03 updated parts of ASC topic 932. The Company and its subsidiaries have adopted ASU No. 2010-03 since the year ended March 31, 2010.

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)," on a net-of-tax basis 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 revenues 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 contracts 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 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, including transactions where the company and its subsidiaries serve as the 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 sheets 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 in 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 evaluate 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.

(3) New Accounting Pronouncements

1) 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. The Company and its subsidiaries have adopted ASU No. 2011-02 from this fiscal year.

However, this guidance also is required to be applied retrospectively to the beginning of the annual period of adoption. The adoption of ASU No. 2011-02 did not significantly affect the financial position or results of operations of the Company and its subsidiaries.

2) 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. The Company and its subsidiaries have adopted ASU No.2011-03 from this fiscal year. The adoption of ASU No. 2011-03 did not significantly affect the financial position and results of operations of the Company and its subsidiaries.

3) 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 is largely consistent with existing fair value measurement principles in U.S.GAAP. However, ASU No. 2011-04 expands ASC 820's existing disclosure requirements for fair value measurements and makes other amendments. The detail of disclosure on ASU No. 2011-04, adopted from this fiscal year, is presented in Note 22 "Fair Value Measurements."

4) Amendments to Testing Goodwill for impairment

In September 2011, ASU No. 2011-08, "Intangibles—Goodwill and Other (ASC Topic 350)—Testing Goodwill for Impairment," was issued. ASU No. 2011-08 permits an entity the option of assessing qualitative factors prior to the first step of the goodwill impairment test (comparing the fair value of a reporting unit with its carrying amount, including goodwill). If the said assessment of qualitative factors determines a likelihood of more than 50% that the fair value of a reporting unit is less than its carrying amount, the entity is required to perform a two-step impairment test. ASU No. 2011-08 is effective for goodwill impairment tests implemented annually or quarterly in fiscal years beginning on or after December 16, 2011. The Company and its subsidiaries, based on ASU No. 2011-08, do not intend to select the above-mentioned option.

5) Additional disclosure of Multiemployer Plans

In September 2011, ASU No. 2011-09, "Compensation—Retirement Benefits—Multiemployer Plans (Subtopic 715-80)—Disclosures about an Employer's Participation in a Multiemployer Plan," was issued. With regard to the disclosure of multiemployer plans that is required by ASC Topic 715 "Compensation—Retirement Benefits," ASU No. 2011-09 requires additional disclosure. The detail of disclosure on ASU No. 2011-09, adopted from this fiscal year, is presented in Note 13 "Retirement and Severance Benefits."

6) Additional Disclosure about Offsetting Financial Assets and Financial Liabilities

In December 2011, ASU No. 2011-11, "Balance Sheet (ASC Topic 210)—Disclosures about Offsetting Assets and Liabilities" was issued. In relation to the disclosure of financial instruments and derivative instruments that are either offset in accordance with either ASC Topic 210 "Balance Sheet—Offsetting (Section 210-20-45)" or ASC Topic 815 "Derivatives and Hedging (Section 815-10-45)," or in relation to financial instruments and derivative instruments subject to an enforceable master netting arrangement or similar agreement, ASU No. 2011-11 requires disclosure of the total amounts of the said transactions before offsetting, offsetting amounts, and amounts possibly subject to offsetting in the future due to enforceable master netting arrangements or similar agreements. ASU No. 2011-11 is effective for fiscal years beginning on or after January 1, 2013 and interim periods within those fiscal years. Further, the disclosure requirements of ASU No. 2011-11 are required to be applied retrospectively. The effect of adopting ASU No. 2011-11 on the financial statement of the Company and its subsidiaries is currently under examination. However, it is believed that ASU No. 2011-11 will not significantly affect the financial position or the results of operations of the Company and its subsidiaries.

(4) Change of Subsidiaries' Fiscal Year-End

In this fiscal year, certain subsidiaries changed their fiscal periods which previously ended prior to March 31, to the fiscal period of the Company, which ends on March 31. Because these changes in fiscal periods are subject to retrospective application under ASC Topic 250 "Accounting Changes and Error Corrections," the effect of these changes in fiscal periods has been reflected in figures for certain items of consolidated financial statements for the previous fiscal years.

(5) Reclassification

The ITOCHU Group positioned its recently integrated food distribution and marketing business that has comprehensive and unified distribution functions as a new core business. From this fiscal year, the revenue of this business is presented as "Sales revenue" and its cost is presented as "Cost of sales." As a result, income of prior periods arising from the integrated food distribution and marketing business that had been previously included in "Trading margins and commissions on trading transactions" is presented as "Sales revenue" and the distribution cost of prior periods that had been previously included in "Selling, general and administrative expenses" is presented as "Cost of sales."

3. Business Combinations

Major business combinations for the year ended March 31, 2012 were as follows:

Acquisition of Brazil Japan Iron Ore Corporation

On June 30, 2011, with a view to advancing and expanding its iron ore interests, the Company additionally acquired 19.2% of the shares of Brazil Japan Iron Ore Corporation, which was previously an equity-method associated company. Together with the previously held equity interest of 47.7%, this gives the Company an equity interest of 67.0%. As a result, Brazil Japan Iron Ore Corporation became a consolidated subsidiary. Brazil Japan Iron Ore Corporation manages the operations of Nacional Minerios S.A., a Brazilian iron ore production and sales company which is an equity-method associated company of Brazil Japan Iron Ore Corporation.

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

	Millions of Yen	Millions of U.S. Dollars
	2012	2012
Fair value of consideration paid (Note 1) (Note 2)	¥ 40,831	$ 497
Fair value of previously held equity interest	141,222	1,718
Fair value of noncontrolling interest	97,549	1,187
Total	¥279,602	$3,402
Fair value of assets acquired and liabilities assumed		
Current Assets	¥ 18,047	$ 220
Property and equipment, at cost	4	0
Other assets	294,355	3,581
Current liabilities	(16,400)	(200)
Non-current liabilities	(494)	(6)
Net assets	¥295,512	$3,595

(Note 1) All consideration was paid in cash.

(Note 2) No contingent consideration was recognized.

The Company recorded the acquisition cost of ¥13 million ($0 million) in "selling, general and administrative expenses" related to this business combination.

The fair values of consideration paid, previously held equity interest, and 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 by a financial advisor. Upon remeasuring its previously held equity interest at its acquisition-date fair value, the Company recorded a gain of ¥16,986 million ($207 million) in "gain (loss) on investments–net." With regard to this gain, the Company recorded "income taxes-deferred" of ¥6,964 million ($85 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 ¥15,910 million ($194 million). The fair value of assets acquired and liabilities assumed is the result of an elaborate assessment by the Company, based on the due diligence reflecting the best information available to the Company. 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 gain for the year ended March 31, 2012, and recorded the amount in "gain on bargain purchase in acquisition." With regard to this gain, the Company recorded ¥6,253 million ($76 million) in "income taxes-deferred."

Acquisition of the Kwik-Fit Group

On June 30, 2011, through European Tyre Enterprise Limited (its corporate name changed from Bidco Tyche Limited on August 23, 2011), which is a subsidiary, the Company acquired the shares of the Kwik-Fit Group, which operates a retail tire business in Europe mainly in the United Kingdom. As a result, the Kwik-Fit Group became a subsidiary in which the Company holds 100% of the voting rights. Further, on August 1, 2011, European Tyre Enterprise Limited was integrated with the Company's subsidiary Stapleton's (Tyre Services) Ltd., which wholesales and retails tires in the United Kingdom. The Company aims to exploit the Kwik-Fit Group's network and brand power together with the logistics and retail expertise of Stapleton's (Tyre Services) Ltd. and create synergies in order to further strengthen tire-related businesses.

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

	Millions of Yen	Millions of U.S. Dollars
	2012	2012
Fair value of consideration paid (Note 1) (Note 2)	¥ 0	$ 0
Fair value of assets acquired and liabilities assumed		
Current Assets	25,946	316
Property and equipment, at cost	11,645	142
Other intangible assets	39,155	476
Current liabilities	(28,513)	(347)
Non-current liabilities	(102,094)	(1,242)
Net liabilities	(53,861)	(655)
Goodwill	53,861	655
Total	¥ 0	$ 0

(Note 1) Consideration paid was £1, all of which was paid in cash.

(Note 2) No contingent consideration was recognized.

The fair values of assets acquired and liabilities assumed 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 by a financial advisor.

The goodwill consists largely of the synergies and economics of scale that may be achieved with the ITOCHU Group's tire-related businesses. It is not deductible for tax purposes and has been assigned to the Chemicals, Forest Products & General Merchandise operating segment.

For the year ended March 31, 2012, the Company recorded the acquisition cost of ¥82 million ($1 million) (cumulative total of acquisition cost is ¥1,148 million ($14 million)) in "selling, general and administrative expenses" related to this business combination.

After this business combination, the company funded ¥84,933 million ($1,033 million) which is the total of the bonds and loans assumed at the business combination, included in "Non-current liabilities" in the above table, to Kwik-Fit and Kwik-Fit repaid the bonds and the loans.

(Results of operations from the respective dates of acquisition)

The following table indicates operating performance for the year ended March 31, 2012, as included in the consolidated statements of income, of Brazil Japan Iron Ore Corporation and the Kwik-Fit Group from their respective dates of acquisition.

	Millions of Yen		
	Brazil Japan Iron Ore Corporation	Kwik-Fit Group	Total
Total revenue	¥ —	¥65,580	¥65,580
Net income	22,313	(334)	21,979
Net income attributable to ITOCHU	16,821	(334)	16,487

	Millions of U.S. Dollars		
	Brazil Japan Iron Ore Corporation	Kwik-Fit Group	Total
Total revenue	$ —	$798	$798
Net income	271	(4)	267
Net income attributable to ITOCHU	205	(4)	201

(Pro forma information)

The following table presents the unaudited pro forma results of operations, as if the business combinations involving Brazil Japan Iron Ore Corporation and the Kwik-Fit Group had occurred on April 1, 2010.

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	2012
Total revenue	¥4,297,829	¥3,771,261	$52,291
Net income	326,274	196,592	3,970
Net income attributable to ITOCHU	¥ 302,267	¥ 174,445	$ 3,678

Further, in preparing the above pro forma information, amendments have been made on the basis of assumed changes in the structure of investment and loans following the 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 is 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 its previously held equity interest at its acquisition-date fair value, the Company recorded a loss of ¥1,552 million in "gain (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 an elaborate assessment by the Company, based on the due diligence reflecting the best information available to the Company. 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 gain for the year ended March 31, 2010 and recorded the amount in "gain on bargain purchase in acquisition." With regard to this gain, 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 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 is 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 its previously held equity interest at its acquisition-date fair value, the Company recorded a loss of ¥1,912 million in "gain (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 an elaborate assessment by the Company, based on the due diligence reflecting the best information available to the Company. 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 gain for the year ended March 31, 2010 and recorded the amount in "gain on bargain purchase in acquisition." With regard to this gain, 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 is 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 gain and recorded in "gain (loss) on investments–net" for the year ended March 31, 2010. With regard to this gain, 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 is 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 fair value of assets acquired and liabilities assumed is the result of an elaborate assessment by the Company, based on the due diligence reflecting the best information available to the Company. 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 gain for the year ended March 31, 2010 and recorded the amount in "gain on bargain purchase in acquisition." With regard to this gain, the Company also recorded ¥2,004 million in "income taxes–deferred."

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," "available-for-sale securities" or "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, 2012 and 2011, were as follows:

	Millions of Yen			
	2012			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available-for-sale:				
Equity securities	¥162,883	¥102,660	¥1,334	¥264,209
Debt securities	30,059	158	493	29,724
Subtotal	192,942	102,818	1,827	293,933
Held-to-maturity:				
Debt securities	151	—	—	151
Total	¥193,093	¥102,818	¥1,827	¥294,084

	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 U.S. Dollars			
	2012			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available-for-sale:				
Equity securities	$1,982	$1,249	$16	$3,215
Debt securities	366	2	6	362
Subtotal	2,348	1,251	22	3,577
Held-to-maturity:				
Debt securities	2	—	—	2
Total	$2,350	$1,251	$22	$3,579

The carrying amounts of available-for-sale debt securities included in cash and cash equivalents in the consolidated balance sheets were ¥21,599 million ($263 million) and ¥15,599 million as of March 31, 2012 and 2011, respectively. In addition to the securities listed above, the Company and its subsidiaries held trading securities carried at fair value of ¥303 million ($3 million) and ¥798 million as of March 31, 2012 and 2011, respectively. The portion of net trading gains and losses for the years ended March 31, 2012 and 2011, that relates to trading securities still held at March 31, 2012 and 2011, were losses of ¥133 million ($2 million) and gains of ¥9 million, respectively. The impairment losses of the available-for-sale marketable securities, which the Company and its subsidiaries considered declines in fair value below the amortized cost basis were other-than-temporary were ¥11,868 million ($144 million), ¥14,757 million and ¥7,051 million, for the years ended March 31, 2012, 2011 and 2010, 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 ¥25 million ($0 million), ¥26 million and losses of ¥46 million for the years ended March 31, 2012, 2011 and 2010, respectively, which are included in "Gain (loss) on investments–net" in the consolidated statements of income.

Securities that have been in a continuous unrealized loss position as of March 31, 2012 and 2011, were as follows:

	Millions of Yen					
	2012					
	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	**¥19,720**	**¥1,334**	**—**	**—**	**¥19,720**	**¥1,334**
Debt securities	**2,468**	**493**	**—**	**—**	**2,468**	**493**
Total	**¥22,188**	**¥1,827**	**—**	**—**	**¥22,188**	**¥1,827**

	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 U.S. Dollars					
	2012					
	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	**$240**	**$16**	**—**	**—**	**$240**	**$16**
Debt securities	**30**	**6**	**—**	**—**	**30**	**6**
Total	**$270**	**$22**	**—**	**—**	**$270**	**$22**

At March 31, 2012 and 2011, the Company and its subsidiaries held the securities of 41 and 120 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 a general decline in the securities markets. The severity of decline in fair value below cost ranged from 0.2% to 29.9% and from 0.4% 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, 2012 and 2011.

The contractual maturities of debt securities classified as available-for-sale and held-to-maturity as of March 31, 2012, were as follows:

	Millions of Yen		Millions of U.S. Dollars	
	Cost	Fair Value	Cost	Fair Value
Available-for-sale:				
Due within one year	¥24,543	¥24,066	$299	$293
Due after one year through five years	2,518	2,667	31	33
Due after five years through ten years	159	157	2	2
Due after ten years	2,839	2,834	34	34
Total	¥30,059	¥29,724	$366	$362
Held-to-maturity:				
Due within one year	¥ —	¥ —	$ —	$ —
Due after one year through five years	151	151	2	2
Due after five years through ten years	—	—	—	—
Due after ten years	—	—	—	—
Total	¥ 151	¥ 151	$ 2	$ 2

The gross realized gains and losses on sales of available-for-sale securities for the years ended March 31, 2012, 2011 and 2010, were gains of ¥10,827 million ($132 million), ¥1,248 million and ¥12,302 million and losses of ¥1,146 million ($14 million), ¥590 million and ¥391 million, respectively. The proceeds from sales of available-for-sale securities (including receivables) were ¥49,943 million ($608 million), ¥9,066 million and ¥14,966 million for the years ended March 31, 2012, 2011 and 2010, 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 ¥213,996 million ($2,604 million) and ¥199,432 million as of March 31, 2012 and 2011, 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 ¥120,694 million ($1,468 million) and ¥99,018 million as of March 31, 2012 and 2011, respectively.

Additionally, investments with an aggregate carrying amount of ¥119,173 million ($1,450 million) and ¥95,665 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, 2012 and 2011, respectively.

5. Investments in and Advances to Associated Companies

The Company and its subsidiaries account for investments in associated companies (generally, those in which the Company and its subsidiaries own 20% to 50% of outstanding voting shares) by the equity-method. Significant equity-method investees include Century Tokyo Leasing Corporation (25.1%), Orient Corporation (23.6%), Nacional Minerios S.A. (32.5%), SAMSON RESOURCES CORPORATION (25.0%), Drummond International, LLC (20.0%), Marubeni-Itochu Steel Inc. (50.0%), FamilyMart Co., Ltd. (31.7%), and TING HSIN (CAYMAN ISLANDS) HOLDING CORP. (25.2%). The percentages shown parenthetically are interest in voting shares held by the Company and its subsidiaries as of March 31, 2012. The percentage of SAMSON RESOURCES CORPORATION is interest in voting shares held by the Company after a third-party allocation of new shares following the Company's investment.

Investments in and advances to associated companies as of March 31, 2012 and 2011, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	2012
Investments in associated companies	¥1,368,833	¥970,579	$16,654
Advances to associated companies	26,518	14,737	323
Total	¥1,395,351	¥985,316	$16,977

Summarized financial information in respect of associated companies for the years ended March 31, 2012, 2011 and 2010, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	2012
Current assets	¥ 5,522,769	¥4,916,581	$ 67,195
Non-current assets, principally property and equipment	6,946,691	4,316,494	84,520
Total assets	¥12,469,460	¥9,233,075	$151,715
Current liabilities	¥ 4,855,385	¥4,373,255	$ 59,075
Long-term debt and others	3,657,559	2,644,381	44,501
Stockholders' equity	3,899,280	2,155,473	47,442
Noncontrolling interest	57,236	59,966	697
Total liabilities and stockholders' equity	¥12,469,460	¥9,233,075	$151,715

	Millions of Yen			Millions of U.S. Dollars
	2012	2011	2010	2012
Total trading transactions	¥7,647,612	¥7,727,169	¥6,786,973	$93,048
Gross trading profit	1,553,532	1,405,453	1,330,031	18,902
Net income	352,068	218,328	193,817	4,284
Net income attributable to shareholders of associated companies	344,066	211,239	193,366	4,186

Total trading transactions and purchases by the Company and its subsidiaries with associated companies for the years ended March 31, 2012, 2011 and 2010, were summarized as follows:

	Millions of Yen			Millions of U.S. Dollars
	2012	2011	2010	2012
Total trading transactions	¥860,097	¥766,225	¥719,937	$10,465
Purchases	¥243,141	¥202,374	¥159,038	$ 2,958

The Company and its subsidiaries received ¥43,747 million ($532 million), ¥25,380 million and ¥19,475 million of dividends from these associated companies for the years ended March 31, 2012, 2011 and 2010, 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 ¥288,509 million ($3,510 million) and ¥277,431 million at March 31, 2012 and 2011, respectively. Corresponding aggregate quoted market values were ¥281,073 million ($3,420 million) and ¥247,312 million at March 31, 2012 and 2011, 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 ¥440,933 million ($5,365 million) and ¥225,794 million at March 31, 2012 and 2011, 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, mineral rights and intangible assets.

The Company recognized impairment losses of ¥1,945 million ($24 million) and ¥1,460 million ($18 million) on equity-method investments in JAMCO Corporation, and bioethanol-related business, respectively, during the year ended March 31, 2012. The Company recognized impairment losses of ¥11,118 million, ¥5,638 million and ¥2,395 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. Considering the discounted cash flow analysis prepared by third party appraisers and the quoted market prices of the equity-method investments, the Company recognized an impairment loss when the carrying amount exceeded the estimated fair value, 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 leases), 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, 2012 and 2011.

	Millions of Yen		
	2012		
	Commercial Receivables	Consumer Receivables	Total
General receivables	**¥293,565**	**¥48,672**	**¥342,237**
Receivables for individual allowance	**45,558**	**1,805**	**47,363**
Total	**¥339,123**	**¥50,477**	**¥389,600**

	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		
	2012		
	Commercial Receivables	Consumer Receivables	Total
General receivables	**$3,572**	**$592**	**$4,164**
Receivables for individual allowance	**554**	**22**	**576**
Total	**$4,126**	**$614**	**$4,740**

(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, 2012 and 2011.

	Millions of Yen		
	2012		
	Commercial Receivables	Consumer Receivables	Total
Current (not yet due) or 1–180 Days Past Due	**¥294,194**	**¥48,878**	**¥343,072**
181–359 Days Past Due	**282**	**1,288**	**1,570**
360 Days or more Past Due	**44,647**	**311**	**44,958**
Total	**¥339,123**	**¥50,477**	**¥389,600**

	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		
	2012		
	Commercial Receivables	Consumer Receivables	Total
Current (not yet due) or 1–180 Days Past Due	**$3,580**	**$594**	**$4,174**
181–359 Days Past Due	**3**	**16**	**19**
360 Days or more Past Due	**543**	**4**	**547**
Total	**$4,126**	**$614**	**$4,740**

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, 2012 and 2011.

	Millions of Yen		
	2012		
	Commercial Receivables	Consumer Receivables	Total
Nonaccrual financing receivables	**¥44,649**	**¥ 879**	**¥45,528**
Financing receivables past due 90 days or more and still accruing	**311**	**2,062**	**2,373**

	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		
	2012		
	Commercial Receivables	Consumer Receivables	Total
Nonaccrual financing receivables	**$543**	**$11**	**$554**
Financing receivables past due 90 days or more and still accruing	**4**	**25**	**29**

(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.

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

	Millions of Yen	
	2011	2010
Balance at beginning of year	¥ 74,714	¥74,573
Provision for doubtful receivables–net	9,398	7,045
Charge-offs	(18,746)	(8,062)
Other	(3,105)	1,158
Balance at end of year	¥ 62,261	¥74,714

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

Analysis of the changes in the allowance for doubtful receivables related to financing receivables by portfolio segment for the year ended March 31, 2012, was as follows:

	Millions of Yen		
	2012		
	Commercial Receivables	Consumer Receivables	Total
Balance at beginning of the year	¥ 49,027	¥ 1,834	¥ 50,861
Provision for doubtful receivables–net	3,236	4,120	7,356
Charge-offs	(12,426)	(4,196)	(16,622)
Other	774	10	784
Balance at end of year	¥ 40,611	¥ 1,768	¥ 42,379

	Millions of U.S.Dollars		
	2012		
	Commercial Receivables	Consumer Receivables	Total
Balance at beginning of the year	$ 597	$ 22	$ 619
Provision for doubtful receivables–net	39	50	89
Charge-offs	(151)	(51)	(202)
Other	9	0	9
Balance at end of year	$ 494	$ 21	$ 515

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

Analysis of the changes in the allowance for doubtful receivables related to financing receivables by portfolio segment 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	¥ 57,596	¥1,655	¥ 59,251
Provision for doubtful receivables–net	4,006	1,040	5,046
Charge-offs	(11,668)	(838)	(12,506)
Other	(907)	(23)	(930)
Balance at end of year	¥ 49,027	¥1,834	¥ 50,861

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, 2012 and 2011.

	Millions of Yen		
	2012		
	Commercial Receivables	Consumer Receivables	Total
Allowance for doubtful receivables recorded based on historical trends in collection of past due amounts and write-off history	¥ 1,877	¥1,766	¥ 3,643
Individual allowance	38,734	2	38,736
Total	¥40,611	¥1,768	¥42,379

	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	¥1,772	¥ 4,623
Individual allowance	46,176	62	46,238
Total	¥49,027	¥1,834	¥50,861

	Millions of U.S.Dollars		
	2012		
	Commercial Receivables	Consumer Receivables	Total
Allowance for doubtful receivables recorded based on historical trends in collection of past due amounts and write-off history	$ 23	$21	$ 44
Individual allowance	471	0	471
Total	$494	$21	$515

As of March 31, 2012 and 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, 2012 and 2011.

	Millions of Yen		
	2012		
	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	¥222,295	¥48,643	¥270,938
Financing receivables for Individual allowance	45,558	1,805	47,363
Total	¥267,853	¥50,448	¥318,301

	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		
	2012		
	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	$2,705	$592	$3,297
Financing receivables for Individual allowance	554	22	576
Total	$3,259	$614	$3,873

As of March 31, 2012 and 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 year ended March 31, 2012, were ¥7,043 million ($86million) and ¥10,804 million ($131 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 following table provides information by class regarding impaired loans and the allowance for doubtful receivables related to those impaired loans as of March 31, 2012 and 2011. The recorded investment in the impaired loans, net of the allowance for doubtful receivables, is either secured by collateral or believed to be collectible.

	Millions of Yen		
	2012		
	Commercial Receivables	Consumer Receivables	Total
Impaired loans	¥45,558	¥1,805	¥47,363
Allowance for doubtful receivables related to impaired loans	38,734	2	38,736

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

	Millions of U.S.Dollars		
	2012		
	Commercial Receivables	Consumer Receivables	Total
Impaired loans	$554	$22	$576
Allowance for doubtful receivables related to impaired loans	471	0	471

The average amounts of impaired loans during the years ended March 31, 2012, was as follows:

	Millions of Yen		
	2012		
	Commercial Receivables	Consumer Receivables	Total
Average amounts of impaired loans	¥51,883	¥1,280	¥53,163

	Millions of U.S.Dollars		
	2012		
	Commercial Receivables	Consumer Receivables	Total
Average amounts of impaired loans	$631	$16	$647

The amounts of interest income recognized on the impaired loans for the years ended March 31, 2012, 2011 and 2010 were not significant.

(5) Troubled Debt Restructuring

For the year ended March 31, 2012, the amount of troubled debt restructuring conducted by the Company and its subsidiaries and the amount of financing receivables modified as troubled debt restructuring within the previous 12 months and for which there was a payment default during the fiscal year were not significant.

7. Impairment of Long-lived Assets

The Company and its subsidiaries recognized impairment losses on long-lived assets of ¥5,347 million ($65 million), ¥36,574 million, and ¥8,835 million for the years ended March 31, 2012, 2011 and 2010, respectively, which were included in "Loss on property and equipment–net" in the consolidated statements of income. For the year ended March 31, 2012, the impaired assets were primarily mineral rights, machinery, and equipment in the Energy, Metals & Minerals operating segment. The impairments were generally due to the deterioration of earnings and expected cash flows. In addition, Adjustments & Eliminations and others includes the planned disposal of company condominiums that were measured at fair value and the recognized impairment losses. For the year ended March 31, 2011, the impaired assets were primarily mineral rights, machinery and equipment in the Energy, Metals & Minerals operating segment. The impairments were generally due to the deterioration of earnings and expected cash flows. In addition, Adjustments & Eliminations and others includes the planned disposal of company condominiums that were measured at fair value and the recognized impairment losses. Also, the impairment losses on Buildings, Machinery and equipment as a result of the Great East Japan Earthquake were recorded primarily in the Food operating segment. For the year ended March 31, 2010, the impaired assets were primarily mineral rights in the Energy, Metals & Minerals operating segment. The impairments were generally due to the deterioration of earnings and expected cash flows.

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, 2012, 2011 and 2010 by operating segment, were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2012	2011	2010	2012
Textile	¥ 221	¥ 135	¥ 38	$ 3
ICT & Machinery	343	251	172	4
Energy, Metals & Minerals	2,621	23,923	7,443	32
Chemicals, Forest Products & General Merchandise	9	1,093	557	0
Food	903	5,554	625	11
Construction & Realty	38	1,314	—	0
Financial & Insurance Services, Logistics Services	25	82	—	0
Adjustments & Eliminations and others	1,187	4,222	—	15
Total	¥5,347	¥36,574	¥8,835	$65

8. Pledged Assets

The following assets were pledged as collateral at March 31, 2012 and 2011:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	2012
Cash and cash equivalents and time deposits	¥ 257	¥ 1,114	$ 3
Trade receivables and others	20,385	26,010	248
Inventories	5,675	8,884	69
Investments and non-current receivables	15,663	17,939	191
Property and equipment, at cost, less accumulated depreciation	18,783	27,688	228
Total	¥60,763	¥81,635	$739

Collateral was pledged to secure the following obligations at March 31, 2012 and 2011:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	2012
Trade payables and others	¥ 3,285	¥ 2,935	$ 40
Short-term debt	2,279	6,056	28
Long-term debt	8,829	14,124	107
Total	¥14,393	¥23,115	$175

In addition, merchandise imported and/or sales proceeds resulting from the sale of such merchandise are pledged as collateral to banks by trust receipts issued under acceptances of import bills included in "Notes and acceptances." However it is not practicable to determine the total amount of assets covered by outstanding trust receipts because of the large volume of import transactions.

The Company has borrowings under certain provisions of loan agreements with lenders which customarily specify that collateral and/or guarantor are to be provided upon the request of the lenders, and the lenders may treat any collateral, whether pledged for specific loans or otherwise, as collateral for present and future debt. With respect to the most bank borrowings, banks have rights to offset deposits against any matured debt (including debt arising out of contingent obligations) or debt become due before maturity by default.

9. Goodwill and Other Intangible Assets

Intangible assets subject to amortization at March 31, 2012 and 2011, comprised the following:

	Millions of Yen				Millions of U.S. Dollars	
	2012		2011		2012	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Trademarks	**¥ 38,819**	**¥ (3,651)**	¥ 43,800	¥ (6,909)	**$ 472**	**$ (44)**
Software	**78,965**	**(43,612)**	73,547	(38,080)	**961**	**(531)**
Other	**42,832**	**(19,076)**	38,531	(17,529)	**521**	**(232)**
Total	**¥160,616**	**¥(66,339)**	¥155,878	¥(62,518)	**$1,954**	**$(807)**

Intangible assets subject to amortization acquired during the year ended March 31, 2012, totaled ¥23,876 million ($290 million), and consisted primarily of software of ¥14,377 million ($175 million) and customer relationships of Kwik-Fit Group of ¥2,116 million ($26 million). The weighted average amortization period for software and the customer relationships that were acquired during the year ended March 31, 2012, were both five years.

Impairment losses of intangible assets subject to amortization during the years ended March 31, 2012, 2011 and 2010, were ¥1,604 million ($20 million), ¥2,047 million and ¥1,515 million, respectively.

The impairment losses during the year ended March 31, 2012 mainly consisted of trademarks of ¥939 million ($11 million) and customer relationships of ¥211 million ($3 million). The impairment losses during the year ended March 31, 2011, mainly consisted of customer contracts of ¥617 million, marketing relationships of ¥563 million, and customer relationships of ¥359 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 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, 2012, 2011 and 2010, were ¥18,291 million ($223 million), ¥17,183 million and ¥16,782 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
2013	¥17,585	$214
2014	15,426	188
2015	10,571	129
2016	5,904	72
2017	3,446	42

The carrying amount of intangible assets with indefinite useful lives which are therefore not subject to amortization comprised the following at March 31, 2012 and 2011:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	2012
Trademarks	**¥37,734**	¥ 392	**$459**
Unlimited land lease	**1,325**	1,327	**16**
Other	**1,267**	1,313	**16**
Total	**¥40,326**	¥3,032	**$491**

Intangible assets with indefinite useful lives which were not subject to amortization acquired during the year ended March 31, 2012, totaled ¥37,044 million ($451 million), and mainly consisted of trademarks of ¥37,039 million ($451 million).

Impairment losses of intangible assets with indefinite useful lives which were not subject to amortization during the years ended March 31, 2012, 2011 and 2010, were ¥2 million ($0 million), ¥263 million and ¥359 million, respectively.

The impairment losses which mainly consisted of trademarks during the years ended March 31, 2011 and 2010, were ¥241 million and ¥309 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, 2012 and 2011, were as follows:

	Millions of Yen							
	Textile	ICT & Machinery	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Financial & Insurance Services, Logistics Services	Others	Total
Balance at March 31, 2010	¥23,212	¥39,817	¥ 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	¥39,512	¥ —	¥ 8,343	¥20,924	¥1,639	¥ 1,713	¥ 94,673
Acquired	**235**	**—**	**—**	**55,413**	**—**	**—**	**—**	**55,648**
Impairment losses	**—**	**—**	**(386)**	**(62)**	**—**	**—**	**—**	**(448)**
Other changes (Note)	**(1,693)**	**1,837**	**1,578**	**(322)**	**—**	**(54)**	**(1,713)**	**(367)**
Balance at March 31, 2012	**¥21,084**	**¥41,349**	**¥ 1,192**	**¥63,372**	**¥20,924**	**¥1,585**	**¥ —**	**¥149,506**

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

	Millions of U.S. Dollars							
	Textile	ICT & Machinery	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Financial & Insurance Services, Logistics Services	Others	Total
Balance at March 31, 2011	$274	$481	$ —	$102	$255	$20	$ 20	$1,152
Acquired	**3**	**—**	**—**	**674**	**—**	**—**	**—**	**677**
Impairment losses	**—**	**—**	**(4)**	**(1)**	**—**	**—**	**—**	**(5)**
Other changes (Note)	**(20)**	**22**	**18**	**(4)**	**—**	**(1)**	**(20)**	**(5)**
Balance at March 31, 2012	**$257**	**$503**	**$14**	**$771**	**$255**	**$19**	**$ —**	**$1,819**

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 ¥448 million ($5 million), ¥3,713 million, and ¥1,929 million, were recognized during the years ended March 31, 2012, 2011 and 2010, respectively. The impairment losses were included in "Other–net" in the consolidated statements of income. For the year ended March 31, 2011, impairment losses in the Energy, Metals & Minerals segment were recognized by Kansas Energy LLC, which operates wholesale of natural gas in the U.S.A and impairment losses in the Others 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, 2012, 2011 and 2010, were as follows:

	Millions of Yen							
	2012							
Balance at March 31,	Textile	ICT & Machinery	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Financial & Insurance Services, Logistics Services	Others	Total
Gross amount	**¥21,084**	**¥45,713**	**¥ 2,771**	**¥63,434**	**¥20,924**	**¥1,718**	**¥ 2,448**	**¥158,092**
Accumulated impairment losses	**—**	**(4,364)**	**(1,579)**	**(62)**	**—**	**(133)**	**(2,448)**	**(8,586)**

	Millions of Yen							
	2011							
Balance at March 31,	Textile	ICT & Machinery	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Financial & Insurance Services, Logistics Services	Others	Total
Gross amount	¥22,542	¥42,492	¥ 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	ICT & Machinery	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Financial & Insurance Services, Logistics Services	Others	Total
Gross amount	¥23,212	¥42,797	¥1,132	¥8,501	¥20,924	¥1,785	¥ 7,843	¥106,194
Accumulated impairment losses	—	(2,980)	—	—	—	—	(3,157)	(6,137)

Balance at March 31,	Textile	ICT & Machinery	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Financial & Insurance Services, Logistics Services	Others	Total
	Millions of U.S. Dollars							
	2012							
Gross amount	$257	$556	$ 33	$772	$255	$21	$ 30	$1,924
Accumulated impairment losses	—	(53)	(19)	(1)	—	(2)	(30)	(105)

10. Short-term and Long-term Debt

"Short-term debt" at March 31, 2012 and 2011, was as follows:

	Millions of Yen	Interest Rate	Millions of Yen	Interest Rate	Millions of U.S. Dollars
	2012		2011		2012
Short-term loans, mainly from banks	¥358,207	1.1%	¥191,939	1.4%	$4,358
Commercial paper	57,061	0.1	49,976	0.2	694
Total	¥415,268	—	¥241,915	—	$5,053

Note: The interest rates represent weighted average rates on outstanding balances at March 31, 2012 and 2011.

"Long-term debt" at March 31, 2012 and 2011, was summarized below:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	2012
Banks and financial institutions:			
Secured			
Due 2012–2027, interest mainly 0.5%–16.5%	¥ 8,540	¥ 13,411	$ 104
Unsecured			
Due 2011–2026, interest mainly 0.2%–12.2%	1,730,457	1,759,804	21,054
Debentures:			
Unsecured bonds and notes:			
Issued in 2005, 1.46% Yen Bonds due 2012	10,000	10,000	122
Issued in 2006, 2.17% Yen Bonds due 2016	15,000	15,000	182
Issued in 2006, 2.09% Yen Bonds due 2016	10,000	10,000	122
Issued in 2007, 2.11% Yen Bonds due 2017	10,000	10,000	122
Issued in 2007, 2.02% Yen Bonds due 2017	10,000	10,000	122
Issued in 2007, 1.99% Yen Bonds due 2017	10,000	10,000	122
Issued in 2007, 1.90% Yen Bonds due 2017	10,000	10,000	122
Issued in 2008, 2.28% Yen Bonds due 2018	20,000	20,000	243
Issued in 2009, 1.49% Yen Bonds due 2014	25,000	25,000	304
Issued in 2009, 1.91% Yen Bonds due 2019	15,000	15,000	182
Issued in 2009, 1.65% Yen Bonds due 2019	10,000	10,000	122
Issued in 2010, 1.65% Yen Bonds due 2020	20,000	20,000	243
Issued in 2010, 0.653% Yen Bonds due 2015	20,000	20,000	243
Issued in 2010, 1.53% Yen Bonds due 2020	10,000	10,000	122
Issued in 2010, 0.558% Yen Bonds due 2015	20,000	20,000	243
Issued in 2010, 1.412% Yen Bonds due 2020	10,000	10,000	122
Issued in 2011, 0.613% Yen Bonds due 2016	10,000	—	122
Issued in 2011, 1.378% Yen Bonds due 2021	20,000	—	243
Issued in 2011, 1.135% Yen Bonds due 2020	10,000	—	122
Issued in 2011, 0.510% Yen Bonds due 2016	10,000	—	122
Issued in 2011, 1.221% Yen Bonds due 2021	20,000	—	243
Issued in 2011, 0.732% Yen Bonds due 2018	10,000	—	122
Issued in 2012, 1.181% Yen Bonds due 2022	20,000	—	243
Issued in 2012, floating rate U.S. Dollar Bonds due 2015	12,329	—	150
Issued in and after 2007, Medium-Term Notes, etc., maturing through 2015	20,432	12,266	248
Others	177,125	181,384	2,155
Total	2,273,883	2,191,865	27,666
ASC Topic 815, "Derivatives and Hedging" fair value adjustment (Note)	21,534	15,965	262
Total	2,295,417	2,207,830	27,928
Less current maturities	(35,700)	(47,058)	(434)
Long-term debt, less current maturities	¥2,259,717	¥2,160,772	$27,494

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.

Note: On April 1, 2012, the Japan Bank for International Cooperation ("JBIC") was spun off from the Japan Finance Corporation.

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, 2012, are as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2013	¥ 35,700	$ 434
2014	346,104	4,211
2015	429,665	5,228
2016	292,665	3,561
2017	284,639	3,463
2018 and thereafter	906,644	11,031
Total	¥2,295,417	$27,928

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, 2012 and 2011. The $500 million U.S. dollar facility was held for short-term debt as of March 31, 2012 and 2011. 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 ¥244,849 million ($2,979 million) and ¥212,758 million of the current maturities of long-term debt from current liabilities to non-current liabilities as of March 31, 2012 and 2011, respectively. The ¥244,849 million ($2,979 million) is included in "2018 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, 2012 and 2011.

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, 2012 and 2011, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	2012
Balance at beginning of year	¥28,922	¥23,135	$352
Liabilities incurred	2,544	2,990	31
Liabilities settled	(1,582)	(500)	(19)
Accretion expense	977	1,156	12
Revisions to cost estimate	(365)	6,873	(4)
Other	51	(4,732)	0
Balance at end of year	¥30,547	¥28,922	$372

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, 2012 and 2011, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	2012
Total minimum lease payments to be received	**¥35,315**	¥27,128	**$430**
Less: Unearned income	**(5,053)**	(3,753)	**(62)**
Estimated unguaranteed residual value	**301**	—	**4**
Less: Allowance for doubtful receivables	**(183)**	(321)	**(2)**
Net investment in direct financing leases	**¥30,380**	¥23,054	**$370**

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, 2012, is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2013	¥ 8,068	$ 98
2014	6,955	85
2015	5,232	64
2016	4,050	49
2017	2,903	35
2018 and thereafter	8,107	99
Total	¥35,315	$430

The Company and its subsidiaries lease real estate, aircraft and certain other assets under operating leases. The cost and accumulated depreciation of the property held for lease by classes as of March 31, 2012, were as follows:

	Millions of Yen			Millions of U.S. Dollars		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Real estate	¥25,337	¥6,998	¥18,339	$308	$85	$223
Machinery and equipment.	3,783	886	2,897	46	11	35
Others	1,790	152	1,638	22	2	20
Total	¥30,910	¥8,036	¥22,874	$376	$98	$278

The schedule of minimum future rentals on noncancelable operating leases for each of the five succeeding years and thereafter as of March 31, 2012, is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2013	¥ 4,279	$ 52
2014	3,459	42
2015	2,286	28
2016	1,629	20
2017	1,186	14
2018 and thereafter	12,153	148
Total	¥24,992	$304

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, 2012 and 2011, were as follows:

	Millions of Yen			Millions of U.S. Dollars		
	2012					
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Buildings	**¥47,387**	**¥23,681**	**¥23,706**	**$ 577**	**$288**	**$289**
Machinery and equipment	**27,474**	**11,223**	**16,251**	**334**	**137**	**197**
Others	**19,982**	**6,734**	**13,248**	**243**	**82**	**161**
Total	**¥94,843**	**¥41,638**	**¥53,205**	**$1,154**	**$507**	**$647**

	Millions of Yen		
	2011		
	Cost	Accumulated depreciation	Net
Buildings	¥ 49,838	¥22,022	¥27,816
Machinery and equipment	31,333	10,282	21,051
Others	23,562	10,512	13,050
Total	¥104,733	¥42,816	¥61,917

The components of the capital lease obligations as of March 31, 2012 and 2011, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	**2012**
Total minimum lease payments	**¥ 97,973**	¥106,201	**$1,192**
Less: Amount representing interest	**(20,266)**	(24,021)	**(247)**
Capital lease obligations	**¥ 77,707**	¥ 82,180	**$ 945**

The schedule of future minimum lease payments for each of the five succeeding years and thereafter as of March 31, 2012, is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2013	¥17,678	$ 215
2014	15,614	190
2015	13,511	165
2016	12,902	157
2017	9,228	112
2018 and thereafter	29,040	353
Total	¥97,973	$1,192

The total of minimum sublease rentals to be received in the future under noncancelable subleases is ¥22,776 million ($277 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, 2012, is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2013	¥ 41,938	$ 510
2014	34,802	423
2015	31,480	383
2016	26,700	325
2017	24,454	298
2018 and thereafter	138,793	1,689
Total	¥298,167	$3,628

The total of minimum sublease rentals to be received in the future under noncancelable subleases is ¥21,342 million ($260 million). Total rental expenses under operating leases for the years ended March 31, 2012, 2011 and 2010, were ¥67,507 million ($821 million), ¥48,361 million and ¥47,255 million, respectively. Sublease rental income for the years ended March 31, 2012, 2011 and 2010, were ¥5,768 million ($70 million), ¥4,926 million and ¥4,399 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.

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
	2012	2011	2012
Change in projected benefit obligations:			
Projected benefit obligations at beginning of year	¥306,692	¥308,207	$3,732
Service cost	11,678	8,641	142
Interest cost	6,191	6,278	75
Plan participants' contributions	602	619	7
Net actuarial loss (gain)	11,755	2,448	143
Benefits paid from plan assets	(17,288)	(16,449)	(210)
Benefits paid by employer	(4,130)	(1,450)	(50)
Foreign currency translation adjustments	359	(673)	4
Acquisitions and divestitures	(1,217)	(669)	(15)
Other	151	(260)	2
Projected benefit obligations at end of year	314,793	306,692	3,830
Change in plan assets:			
Fair value of plan assets at beginning of year	254,493	272,496	3,096
Actual (loss) return on plan assets	6,198	(6,554)	75
Employer contributions	6,413	5,955	78
Plan participants' contributions	602	619	7
Benefits paid from plan assets	(17,288)	(16,449)	(210)
Foreign currency translation adjustments	468	(1,426)	6
Acquisitions and divestitures	(330)	(148)	(4)
Fair value of plan assets at end of year	250,556	254,493	3,048
Funded status at end of year.	¥ (64,237)	¥ (52,199)	$ (782)

Amounts recognized in the consolidated balance sheets at March 31, 2012 and 2011, consisted of:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	2012
Prepaid pension cost	¥ 67	¥ 365	$ 1
Accrued retirement and severance benefits	(64,304)	(52,564)	(783)
	¥(64,237)	¥(52,199)	$(782)

Amounts recognized in accumulated other comprehensive income (loss), pre-tax, at March 31, 2012 and 2011, consisted of:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	2012
Net actuarial loss	¥178,887	¥177,326	$2,176
Prior service credit	(13,007)	(18,532)	(158)
	¥165,880	¥158,794	$2,018

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, 2013 are approximately ¥10,000 million ($122 million) (loss) and ¥5,000 million ($61 million) (gain), respectively.

The accumulated benefit obligations for all defined benefit plans as of March 31, 2012 and 2011, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	2012
Accumulated benefit obligation	¥313,621	¥305,680	$3,816

Assumptions of projected benefit obligations and net periodic pension costs as of March 31, 2012 and 2011, were as follows:

	2012	2011
Weighted-average assumptions used to determine benefit obligations at the end of year:		
Discount rate	1.7%	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%	2.1%
Expected long-term rate of return on plan assets	2.8%	2.8%
Rate of compensation increase	3.4%	3.4%

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 ¥244 million ($3 million) and ¥249 million at March 31, 2012 and 2011, respectively.

The net periodic pension costs for retirement and severance benefits for the years ended March 31, 2012, 2011 and 2010, consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2012	2011	2010	2012
Service cost	¥11,678	¥ 8,641	¥ 7,699	$142
Interest cost	6,191	6,278	5,624	75
Expected return on plan assets	(7,044)	(7,296)	(6,880)	(86)
Amortization of unrecognized prior service cost	(5,430)	(5,468)	(5,549)	(66)
Amortization of unrecognized net actuarial loss	11,638	10,951	16,242	142
Net periodic pension cost	¥17,033	¥13,106	¥17,136	$207

Total expenses related to pension plans for the years ended March 31, 2012, 2011 and 2010, consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2012	2011	2010	2012
Net periodic pension cost for defined benefit pension plans	¥17,033	¥13,106	¥17,136	$207
The amount of cost recognized for defined contribution pension plans	4,583	2,950	2,546	56
Total expenses for pension plans	¥21,616	¥16,056	¥19,682	$263

The prior service cost and the net actuarial gain and loss recognized in other comprehensive income (loss) for the years ended March 31, 2012, 2011 and 2010, consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2012	2011	2010	2012
Prior service cost arising during period	¥ 95	¥ (285)	¥ (133)	$ 1
Amortization of unrecognized prior service cost	5,430	5,468	5,549	66
Net actuarial (gain) loss arising during period	13,199	18,108	(17,715)	161
Amortization of unrecognized net actuarial loss	(11,638)	(10,951)	(16,242)	(142)
Total	¥ 7,086	¥ 12,340	¥(28,541)	$ 86

As of March 31, 2012 and 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 22 “Fair Value Measurements.”

	Millions of Yen			
	2012			
	Level 1	Level 2	Level 3	Total
Equity securities:				
Domestic	¥40,784	¥26,870	—	¥67,654
Overseas	2,808	36,561	—	39,369
Debt securities:				
Domestic	6,436	57,997	—	64,433
Overseas	11,000	9,951	—	20,951
Other assets:				
Cash and cash equivalents	11,879	22	—	11,901
Life insurance company general accounts	—	37,483	—	37,483
Others	—	8,765	—	8,765
Total	¥72,907	¥177,649	—	¥250,556

	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 U.S. Dollars			
	2012			
	Level 1	Level 2	Level 3	Total
Equity securities:				
Domestic	$496	$ 327	—	$ 823
Overseas	34	445	—	479
Debt securities:				
Domestic	78	706	—	784
Overseas	134	121	—	255
Other assets:				
Cash and cash equivalents	145	0	—	145
Life insurance company general accounts	—	456	—	456
Others	—	106	—	106
Total	$887	$2,161	—	$3,048

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 ¥8,800 million ($107 million) to defined benefit pension plans in the year ending March 31, 2013.

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
2013	¥15,687	$191
2014	15,049	183
2015	14,933	182
2016	14,842	181
2017	14,564	177
2018–2022	¥69,543	$846

Multiemployer Plan:

In the ITOCHU Group, certain subsidiaries and associated companies participate in the ITOCHU Union Pension Fund, which is a multiemployer plan. The multiemployer plan (ITOCHU Union Pension Fund) in which certain employers that are outside the ITOCHU Group participate, differs from a single employer plan with respect to the following points.

(1) Assets that an employer contributes to the multiemployer plan could be used for the benefits of employees of other participating employers.
(2) If one participating employer stops premium contributions, other participating employers could be required to absorb unfunded obligations additionally.
(3) If one participating employer withdraws from the multiemployer plan, the employer could be required to contribute the amount of unfunded obligation as a special withdrawal premium.

The most recent available information on the funded status of the ITOCHU Union Pension Fund consisted of the following. As a result of a review of funded status as of March 31, 2011, the ITOCHU Union Pension Fund is implementing a funding improvement plan such as revising surcharge rate.

	Millions of Yen		Millions of U.S. Dollars
March 31,	2011	2010	2011
Plan assets	¥ 60,609	¥ 56,750	$ 737
Actuarial pension benefit obligations	(75,130)	(70,596)	(914)
Net	¥(14,521)	¥(13,846)	$(177)

The amount of contributions of subsidiaries to the ITOCHU Union Pension Fund was ¥4,932 million ($60 million), ¥5,749 million and ¥5,564 million for the years ended March 31, 2012, 2011 and 2010, respectively.

14. Foreign Exchange Gains and Losses

Net foreign exchange losses of ¥1,374 million ($17 million), gains of ¥1,446 million, and gains of ¥144 million for the years ended March 31, 2012, 2011 and 2010, respectively, were included in "Other–net" in the consolidated statements of income.

15. Effect of the Revised Income Tax Act and the Securing Financial Resources for Reconstruction Act

The "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" ("Revised Income Tax Act") and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" ("Securing Financial Resources for Reconstruction Act") were promulgated on December 2, 2011.

The "Revised Income Tax Act" stipulates that the corporate income tax rate of fiscal years beginning on or after April 1, 2012, shall be lowered from the current 30.0% to 25.5%. Further, regarding the loss carryforward system, the "Revised Income Tax Act" stipulates that the carryforward period of loss arising for fiscal years ended or ending on or after April 1, 2008, shall be extended from seven years to nine years. In addition, the "Revised Income Tax Act" limits deductions to 80% of taxable income prior to deduction for the income of fiscal years beginning on or after April 1, 2012. Also, the "Securing Financial Resources for Reconstruction Act" stipulates that for fiscal years beginning between April 1, 2012, and March 31, 2015, the amount of special corporate income tax for reconstruction shall be calculated by multiplying the amount of standard corporate income tax by a tax rate of 10%.

ITOCHU Corporation and its associated companies have recognized deferred tax assets and deferred tax liabilities using an effective corporate income tax rate that takes into account the above-mentioned lowering of the corporate income tax rate and the special corporate income tax for reconstruction. The effect of the "Revised Income Tax Act" and the "Securing Financial Resources for Reconstruction Act" on net income attributable to ITOCHU is additional income tax expenses of ¥11,158 million ($136 million) (loss).

16. 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, 2012, 2011 and 2010, were as follows:

	2012	2011	2010
Normal income tax rate	**41.0%**	41.0%	41.0%
Items not deductible or not taxable for tax purposes	**0.5**	2.9	3.6
Difference of tax rates for foreign subsidiaries	**(3.8)**	(6.7)	(4.2)
Tax effect on dividends received	**0.2**	(0.1)	(8.5)
Effect on deferred tax assets and deferred tax liabilities from a change in the tax regulation	**2.8**	—	—
Effect of Minerals Resource Rent Tax	**(1.4)**	—	—
Valuation allowance	**(2.5)**	2.4	3.4
Tax effect on investments in equity-method associated companies	**(0.2)**	(2.2)	(4.3)
Other	**(0.8)**	0.3	2.3
Effective income tax rate	**35.8%**	37.6%	33.3%

The reconciliation of "Effect on deferred tax assets and deferred tax liabilities from a change in the tax regulation" shows the effect of the "Revised Income Tax Act" and the "Securing Financial Resources for Reconstruction Act" in Japan. The effect related to valuation allowance is also included in "Effect on deferred tax assets and deferred tax liabilities from a change in the tax regulation," refer to Note 15 "Effect of the Revised Income Tax Act and the Securing Financial Resources for Reconstruction Act."

Amounts provided for income taxes for the years ended March 31, 2012, 2011 and 2010, were allocated as follows:

	Millions of Yen			Millions of U.S. Dollars
	2012	2011	2010	2012
Income taxes	¥122,029	¥68,592	¥52,094	$1,485
Other comprehensive income (loss)	2,825	3,448	28,929	34
Capital surplus	116	(2,704)	—	1
Total income tax (benefit) expense	¥124,970	¥69,336	¥81,023	$1,520

Significant components of deferred tax assets and liabilities at March 31, 2012 and 2011, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	2012
Deferred tax assets:			
Inventories, property and equipment	¥ 61,657	¥ 78,401	$ 750
Allowance for doubtful receivables	12,651	20,843	154
Net operating loss carryforwards	25,388	45,612	309
Accrued retirement and severance benefits	63,478	68,132	772
Marketable securities and investments	113,673	125,632	1,383
Minerals Resource Rent Tax	58,193	—	708
Other	66,360	62,711	808
Total deferred tax assets	401,400	401,331	4,884
Less: Valuation allowance:			
Valuation allowance related to Minerals Resource Rent Tax 2012: ¥(53,275) million ($(648) million) 2011: —	(118,092)	(86,411)	(1,437)
Deferred tax assets–net	283,308	314,920	3,447
Deferred tax liabilities:			
Accrued retirement and severance benefits	(47,324)	(51,798)	(576)
Marketable securities and investments	(59,811)	(44,530)	(728)
Undistributed earnings	(25,423)	(31,627)	(309)
Property, equipment and other intangible assets	(47,114)	(30,570)	(573)
Other	(10,880)	(13,350)	(132)
Total deferred tax liabilities	(190,552)	(171,875)	(2,318)
Net deferred tax assets	¥ 92,756	¥ 143,045	$ 1,129

Net changes in the valuation allowance for the years ended March 31, 2012, 2011 and 2010, were an increase of ¥31,681 million ($385 million), ¥4,058 million, and ¥13,101 million, respectively.

The amount of undistributed earnings of foreign subsidiaries for which no deferred tax liability has been provided totaled ¥333,411 million ($4,057 million) and ¥285,852 million at March 31, 2012 and 2011, respectively. 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	¥ 5,247	$ 64
Within 2 years	1,354	16
Within 3 years	3,989	49
Within 4 years	746	9
Within 5 years	2,493	30
After 5 to 10 years	51,885	632
After 10 to 15 years	314	4
After 15 years	10,158	123
Total	¥76,186	$927

Unused foreign tax credit carryforwards for the year ended March 31, 2012, were ¥3,465 million ($42 million), which do not expire until March 31, 2015.

"Income before income taxes and equity in earnings of associated companies" for the years ended March 31, 2012, 2011 and 2010, comprised the following:

	Millions of Yen			Millions of U.S. Dollars
	2012	2011	2010	2012
The Company and its domestic subsidiaries	**¥172,727**	¥ 52,083	¥ 92,410	**$2,102**
Foreign subsidiaries	**168,447**	130,249	63,851	**2,049**
Total	**¥341,174**	¥182,332	¥156,261	**$4,151**

"Income taxes" for the years ended March 31, 2012, 2011 and 2010, comprised the following:

	Millions of Yen									Millions of U.S. Dollars		
	2012			2011			2010			2012		
	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total
The Company and its domestic subsidiaries	**¥39,130**	**¥36,936**	**¥ 76,066**	¥33,613	¥ (4,535)	¥29,078	¥33,562	¥ (16)	¥33,546	**$ 476**	**$449**	**$ 925**
Foreign subsidiaries	**50,184**	**(4,221)**	**45,963**	49,281	(9,767)	39,514	21,968	(3,420)	18,548	**611**	**(51)**	**560**
Total	**¥89,314**	**¥32,715**	**¥122,029**	¥82,894	¥(14,302)	¥68,592	¥55,530	¥(3,436)	¥52,094	**$1,087**	**$398**	**$1,485**

A reconciliation of the beginning and ending total gross unrecognized tax benefits for the years ended March 31, 2012 and 2011, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2011	2012
Balance at beginning of year	**¥ 399**	¥ 638	**$ 5**
Additions based on tax positions related to the current year	**—**	7	**—**
Additions for tax positions of prior years	**15**	4	**0**
Reductions for tax positions of prior years	**(13)**	(143)	**0**
Settlements	**(178)**	—	**(2)**
Effects on foreign currency translation	**6**	(107)	**0**
Balance at ending of year	**¥ 229**	¥ 399	**$ 3**

Of the ending balances of ¥229 million ($3 million) in 2012 and ¥399 million in 2011, ¥211 million ($3 million) and ¥379 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, 2012, 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, 2012 and 2011, and interest and penalties included in income taxes for the year ended March 31, 2012 and 2011, 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 initiate 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.

17. 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, 2012, 2011 and 2010, was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2012	2011	2010	2012
Numerator:				
Net income attributable to ITOCHU	¥300,505	¥161,114	¥128,905	$3,656
Effect of dilutive securities:				
Convertible preferred stock	—	(239)	(284)	—
Diluted net income attributable to ITOCHU	¥300,505	¥160,875	¥128,621	$3,656

	Number of Shares		
	2012	2011	2010
Denominator:			
Weighted-average number of common shares outstanding	1,580,528,221	1,580,596,737	1,580,448,671

	Yen			U.S. Dollars
	2012	2011	2010	2012
Basic net income attributable to ITOCHU per common share	¥190.13	¥101.93	¥81.56	$2.31
Diluted net income attributable to ITOCHU per common share	¥190.13	¥101.78	¥81.38	$2.31

Diluted net income attributable to ITOCHU per share for the year ended March 31, 2012 is presented the same amount of the basic net income attributable to ITOCHU per share due to the anti-dilutive effect by the convertible preferred stocks issued by associated company outstanding.

18. Segment Information

ITOCHU Corporation and its subsidiaries conduct trading, finance, and logistics involving a huge variety of products, as well as project planning and coordination. The Company and its subsidiaries 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 five division companies and a division not belonging to a 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; in the Machinery-Related Sector, they include machinery and ICT, and in Chemicals, Real Estate; and in Other Sectors, they involve chemicals, financial services, construction and realty.

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.

ICT & Machinery

The ICT & Machinery segment is engaged in diverse business activities ranging from projects in plants, bridges, railways and other infrastructures to automobiles, ships, construction machinery, IPP and other items. This segment conducts business in water resources and environment-related equipment as well as activities related to renewable and alternative energy. This segment also include IT solution business, Internet service, TV Home / Internet Shopping business, energy management business, Venture investment & VC business, Human resources / educational services, communications and media business, industrial machinery, environmental equipment, electronic equipment transactions and aircraft and related equipment. In addition, the segment provides medical device and pharmaceuticals transactions and related services in medical and health-related business area.

Energy, Metals & Minerals

The Energy, Metals & Minerals segment is engaged in metal and mineral resource development, processing of steel products, energy resource development, solar power generation / solar thermal power generation business, 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, steel products, oil, oil product, gas, nuclear fuels and solar power generation / solar thermal power generation in Japan and overseas.

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.

Construction & Realty

The Construction & Realty segments is engaged in sale of real estate, real estate securitization, operation of real estate, PFI related service and real estate consulting.

Financial & Insurance Services, Logistics Services

The Finance & Insurance Services, Logistics Services segment is engaged in debt / equity financing business, financial service as well as agency, broker and consulting services of insurance and reinsurance. In addition, this segment promotes third-party logistics, warehousing, trucking and international intermodal transport.

As of April 1, 2011, ITOCHU reorganized its seven division companies into five division companies. As a result, the former Machinery Company and the former ICT, Aerospace & Electronics Company were merged into ICT & Machinery Company. Also, the Company reorganized the former Finance, Realty, Insurance & Logistics Services Company as a division not belonging to a division company and divided it into the Construction & Realty Division, the Financial & Insurance Services Department and the Logistics Services Department. After this reorganization, regarding the figures for the years ended March 31, 2011 and 2010, figures for the ICT & Machinery Company were the total of the former Machinery Company and the former ICT, Aerospace & Electronics Company, and figures for the former Finance, Realty, Insurance & Logistics Services Company were divided and presented as Construction & Realty and Financial & Insurance Services, Logistics Services.

As a result of the above-mentioned reorganization, the Healthcare Business Department and the Solar Business Department, which have been included in Adjustments & Eliminations and others, were transferred to the ICT & Machinery Company and the Energy, Metals & Minerals Company, respectively. Since the effect of this transfer was immaterial, the figures for the years ended March 31, 2011 and 2010, were not retrospectively adjusted.

Management evaluates segment performance based on several factors such as net income (loss), recorded 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 for the years ended March 31, 2012, 2011 and 2010.

As of April 1, 2012, ITOCHU reorganized its five division companies into six division companies. As a result of this reorganization, ICT & Machinery Company, Energy, Metals & Minerals Company and Chemicals, Forest Products & General Merchandise Company have been reorganized into Machinery Company, Metals & Minerals Company, Energy & Chemicals Company and ICT, General Products & Realty Company. Further, the Construction & Realty Division, the Financial & Insurance Services Department and the Logistics Services Department, which did not belong to a division company, have been reorganized into ICT, General Products & Realty Company.

Information concerning operations in different operating segments for the years ended March 31, 2012, 2011 and 2010, was as follows:

	Millions of Yen								
	2012								
	Textile	ICT & Machinery	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Construction & Realty	Financial & Insurance Services, Logistics Services	Adjustments & Eliminations and others	Consolidated
Trading transactions:									
Unaffiliated customers and associated companies	¥600,290	¥1,451,581	¥4,108,067	¥2,296,419	¥3,267,742	¥141,928	¥ 54,025	¥ 58,224	¥11,978,276
Transfers between operating segments	766	8,480	1,345	25,558	4,303	162	13,195	(53,809)	—
Total trading transactions	¥601,056	¥1,460,061	¥4,109,412	¥2,321,977	¥3,272,045	¥142,090	¥ 67,220	¥ 4,415	¥11,978,276
Gross trading profit	¥127,616	¥ 205,377	¥ 214,771	¥ 150,097	¥ 274,693	¥ 22,719	¥ 15,701	¥ 19,473	¥ 1,030,447
Equity in earnings of associated companies	¥ 5,896	¥ 20,696	¥ 44,416	¥ 6,263	¥ 20,129	¥2,355	¥ 2,841	¥ 152	¥ 102,748
Net income (loss) attributable to ITOCHU	¥ 24,356	¥ 37,367	¥ 162,157	¥ 34,518	¥ 43,818	¥4,489	¥ 2,057	¥ (8,257)	¥ 300,505
Total assets at March 31	¥433,372	¥1,178,648	¥1,835,887	¥ 978,075	¥1,298,362	¥150,655	¥148,284	¥483,990	¥ 6,507,273
Depreciation and amortization	¥ 5,606	¥ 13,380	¥ 30,985	¥ 9,078	¥ 10,347	¥ 670	¥ 1,439	¥ 5,666	¥ 77,171

	Millions of Yen								
	2011								
	Textile	ICT & Machinery	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Construction & Realty	Financial & Insurance Services, Logistics Services	Adjustments & Eliminations and others	Consolidated
Trading transactions:									
Unaffiliated customers and associated companies	¥587,725	¥1,426,912	¥3,885,703	¥2,060,190	¥3,097,391	¥105,654	¥ 65,237	¥164,772	¥11,393,584
Transfers between operating segments	536	9,704	481	24,885	2,571	—	13,987	¥ (52,164)	—
Total trading transactions	¥588,261	¥1,436,616	¥3,886,184	¥2,085,075	¥3,099,962	¥105,654	¥ 79,224	¥112,608	¥11,393,584
Gross trading profit	¥128,345	¥ 185,117	¥ 212,134	¥ 118,328	¥ 270,786	¥ 18,684	¥ 19,176	¥ 23,808	¥ 976,378
Equity in earnings (losses) of associated companies	¥ 5,925	¥ 12,130	¥ 28,450	¥ 6,351	¥ 11,700	¥ 1,009	¥ (3,054)	¥ (1,894)	¥ 60,617
Net income (losses) attributable to ITOCHU	¥ 15,292	¥ 17,961	¥ 109,224	¥ 25,997	¥ 22,377	¥ 2,746	¥ (15,940)	¥ (16,543)	¥ 161,114
Total assets at March 31	¥406,394	¥1,026,051	¥1,278,175	¥ 774,160	¥1,208,663	¥163,702	¥190,613	¥628,951	¥ 5,676,709
Depreciation and amortization	¥ 5,632	¥ 11,947	¥ 29,096	¥ 7,432	¥ 11,720	¥ 732	¥ 1,883	¥ 7,518	¥ 75,960

	Millions of Yen								
	2010								
	Textile	ICT & Machinery	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Construction & Realty	Financial & Insurance Services, Logistics Services	Adjustments & Eliminations and others	Consolidated
Trading transactions:									
Unaffiliated customers and associated companies	¥516,808	¥1,359,735	¥3,272,623	¥1,795,544	¥3,032,399	¥106,669	¥ 60,252	¥164,599	¥10,308,629
Transfers between operating segments	567	7,685	437	21,055	1,782	—	15,950	(47,476)	—
Total trading transactions	¥517,375	¥1,367,420	¥3,273,060	¥1,816,599	¥3,034,181	¥106,669	¥ 76,202	¥117,123	¥10,308,629
Gross trading profit	¥102,733	¥ 179,689	¥ 141,591	¥ 110,073	¥ 270,021	¥ 16,232	¥ 19,410	¥ 20,438	¥ 860,187
Equity in earnings (losses) of associated companies	¥ 8,019	¥ 12,552	¥ 9,186	¥ 1,629	¥ 13,015	¥ 2,360	¥ (9,474)	¥ (1,018)	¥ 36,269
Net income (losses) attributable to ITOCHU	¥ 22,401	¥ 9,709	¥ 65,661	¥ 19,270	¥ 27,808	¥ 1,575	¥ (5,822)	¥ (11,697)	¥ 128,905
Total assets at March 31	¥417,380	¥1,058,207	¥1,249,048	¥ 727,994	¥1,130,719	¥159,318	¥222,817	¥513,390	¥ 5,478,873
Depreciation and amortization	¥ 4,147	¥ 12,599	¥ 31,213	¥ 7,652	¥ 11,555	¥ 571	¥ 1,966	¥ 6,979	¥ 76,682

	Millions of U.S. Dollars								
	2012								
	Textile	ICT & Machinery	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Construction & Realty	Financial & Insurance Services, Logistics Services	Adjustments & Eliminations and others	Consolidated
Trading transactions:									
Unaffiliated customers and associated companies	$7,304	$17,661	$49,983	$27,940	$39,758	$1,727	$ 657	$ 709	$145,739
Transfers between operating segments	9	103	16	311	53	2	161	(655)	—
Total trading transactions	$7,313	$17,764	$49,999	$28,251	$39,811	$1,729	$ 818	$ 54	$145,739
Gross trading profit	$1,553	$ 2,499	$ 2,613	$ 1,826	$ 3,342	$ 276	$ 191	$ 237	$ 12,537
Equity in earnings of associated companies	$ 72	$ 252	$ 540	$ 76	$ 245	$ 29	$ 34	$ 2	$ 1,250
Net income (loss) attributable to ITOCHU	$ 296	$ 455	$ 1,973	$ 420	$ 533	$ 55	$ 25	$ (101)	$ 3,656
Total assets at March 31	$5,273	$14,341	$22,337	$11,900	$15,797	$1,833	$1,804	$5,889	$ 79,174
Depreciation and amortization	$ 68	$ 163	$ 377	$ 110	$ 126	$ 8	$ 18	$ 69	$ 939

Note: 1. Total trading transactions are presented in accordance with Japanese accounting practice.
2. "Adjustments & Eliminations and others" 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.
3. In the fiscal year ended March 31, 2012, certain subsidiaries changed their fiscal periods. The effect of these changes has been reflected in figures of certain items in "Adjustments & Eliminations and others" and "Consolidated" for the years ended March 31, 2011 and 2010.
4. As a result of the ITOCHU Group's integration of food distribution and marketing business, the items in which distribution cost related to these operations has been included were changed from the beginning of the year ended March 31, 2012. The effect of these changes has been reflected in figures of certain items in "Food" and "Consolidated" for the years ended March 31, 2011 and 2010.

Geographic Information

Information concerning operations in different countries for the years ended March 31, 2012, 2011 and 2010, was as follows:

	Millions of Yen				
	2012				
	Japan	United States	Australia	Others	Consolidated
Revenue	¥3,003,666	¥479,909	¥221,893	¥565,584	¥4,271,052

	Millions of Yen				
	2012				
	Japan	Australia	United States	Others	Consolidated
Long-lived assets	¥405,369	¥204,065	¥35,751	¥62,748	¥707,933

	Millions of Yen				
	2011				
	Japan	United States	Australia	Others	Consolidated
Revenue	¥2,694,306	¥375,121	¥212,875	¥369,284	¥3,651,586

	Millions of Yen				
	2011				
	Japan	Australia	United States	Others	Consolidated
Long-lived assets	¥405,889	¥149,200	¥37,009	¥51,876	¥643,974

	Millions of Yen				
	2010				
	Japan	United States	Australia	Others	Consolidated
Revenue	¥2,563,123	¥366,440	¥129,088	¥359,569	¥3,418,220

	Millions of U.S. Dollars				
	2012				
	Japan	United States	Australia	Others	Consolidated
Revenue	$36,545	$5,839	$2,700	$6,881	$51,965

	Millions of U.S. Dollars				
	2012				
	Japan	Australia	United States	Others	Consolidated
Long-lived assets	$4,932	$2,483	$435	$763	$8,613

Note: 1. "Revenue" is attributed to countries based on the location of the assets producing such revenue.
2. In the fiscal year ended March 31, 2012, certain subsidiaries changed their fiscal periods. The effect of these changes has been reflected in figures in "Others" and "Consolidated" for the years ended March 31, 2011 and 2010.

19. Common Stock, Capital Surplus and Retained Earnings

The Companies Act of Japan (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 Companies Act.

The Companies Act 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 ¥383,839 million as of March 31, 2012. 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, 2012, 2011 and 2010, were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2012	2011	2010	2012
Net income attributable to ITOCHU	**¥300,505**	¥161,114	¥128,905	**$3,656**
Increase (Decrease) in capital surplus for sale (purchase) of certain subsidiaries' common stock (Note 1)	**(2,029)**	(19,322)	335	**(25)**
Decrease in capital surplus for sale (purchase) by associated companies of certain of their subsidiaries' common stock (Note 2)	**108**	(3,893)	—	**1**
Change from net income attributable to ITOCHU and transfer to (from) noncontrolling interest	**¥298,584**	¥137,899	¥129,240	**$3,632**

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 2012 and 2011.

20. Other Comprehensive Income (Loss)

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

	Millions of Yen		
	2012		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities	¥(61,266)	¥ —	¥(61,266)
Reclassification adjustments for gains and losses realized upon sale or liquidation of investments in foreign entities	4,461	—	4,461
Net change in foreign currency translation adjustments attributable to ITOCHU during the year	(56,805)	—	(56,805)
Net change in foreign currency translation adjustments attributable to the noncontrolling interest during the year	(15,333)	—	(15,333)
Net change in foreign currency translation adjustments during the year	(72,138)	—	(72,138)
Pension liability adjustments:			
Amount arising during the year on pension liability adjustments	(12,368)	4,336	(8,032)
Reclassification adjustments for gains and losses realized in net income	6,081	(2,409)	3,672
Net change in pension liability adjustments attributable to ITOCHU during the year	(6,287)	1,927	(4,360)
Net change in pension liability adjustments attributable to the noncontrolling interest during the year	(423)	152	(271)
Net change in pension liability adjustments during the year	(6,710)	2,079	(4,631)
Unrealized holding gains and losses on securities:			
Amount arising during the year on available-for-sale securities	15,591	(3,290)	12,301
Reclassification adjustments for gains and losses realized in net income.	2,100	(1,803)	297
Net change in unrealized holding gains and losses on securities attributable to ITOCHU during the year	17,691	(5,093)	12,598
Net change in unrealized holding gains and losses on securities attributable to the noncontrolling interest during the year	1,410	(487)	923
Net change in unrealized holding gains and losses on securities during the year	19,101	(5,580)	13,521
Unrealized holding gains and losses on derivative instruments:			
Amount arising during the year on derivative instruments for cash flow hedges	466	(180)	286
Reclassification adjustments for gains and losses realized in net income	(3,199)	958	(2,241)
Net change in unrealized holding gains and losses on derivative instruments attributable to ITOCHU during the year	(2,733)	778	(1,955)
Net change in unrealized holding gains and losses on derivative instruments attributable to the noncontrolling interest during the year	363	(102)	261
Net change in unrealized holding gains and losses on derivative instruments during the year	(2,370)	676	(1,694)
Other comprehensive income (loss)	¥(62,117)	¥(2,825)	¥(64,942)

	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	¥(63,609)	¥ (67)	¥(63,676)
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	(61,741)	(463)	(62,204)
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	(63,651)	(463)	(64,114)
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)	¥(54,638)	¥(3,448)	¥(58,086)

	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	¥ 90,765	¥ 32	¥ 90,797
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	91,776	32	91,808
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	92,954	32	92,986
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)	¥172,985	¥(28,929)	¥144,056

	Millions of U.S. Dollars		
	2012		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities	$(745)	—	$(745)
Reclassification adjustments for gains and losses realized upon sale or liquidation of investments in foreign entities	54	—	54
Net change in foreign currency translation adjustments attributable to ITOCHU during the year	(691)	—	(691)
Net change in foreign currency translation adjustments attributable to the noncontrolling interest during the year	(187)	—	(187)
Net change in foreign currency translation adjustments during the year	(878)	—	(878)
Pension liability adjustments:			
Amount arising during the year on pension liability adjustments	(151)	53	(98)
Reclassification adjustments for gains and losses realized in net income	74	(29)	45
Net change in pension liability adjustments attributable to ITOCHU during the year	(77)	24	(53)
Net change in pension liability adjustments attributable to the noncontrolling interest during the year	(5)	2	(3)
Net change in pension liability adjustments during the year	(82)	26	(56)
Unrealized holding gains and losses on securities:			
Amount arising during the year on available-for-sale securities	190	(40)	150
Reclassification adjustments for gains and losses realized in net income.	25	(22)	3
Net change in unrealized holding gains and losses on securities attributable to ITOCHU during the year	215	(62)	153
Net change in unrealized holding gains and losses on securities attributable to the noncontrolling interest during the year	17	(5)	12
Net change in unrealized holding gains and losses on securities during the year	232	(67)	165
Unrealized holding gains and losses on derivative instruments:			
Amount arising during the year on derivative instruments for cash flow hedges	6	(3)	3
Reclassification adjustments for gains and losses realized in net income	(39)	12	(27)
Net change in unrealized holding gains and losses on derivative instruments attributable to ITOCHU during the year	(33)	9	(24)
Net change in unrealized holding gains and losses on derivative instruments attributable to the noncontrolling interest during the year	5	(2)	3
Net change in unrealized holding gains and losses on derivative instruments during the year	(28)	7	(21)
Other comprehensive income (loss)	$(756)	$(34)	$(790)

21. 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, 2012 and 2011, the total principal amounts of currency derivatives that were designated and qualified as fair value hedges were ¥58,180 million ($708 million) and ¥50,287 million, respectively; the total principal amounts of currency derivatives that were designated and qualified as cash flow hedges were ¥27,885 million ($339 million) and ¥68,436 million, respectively; and the total principal amounts of currency derivatives that were not designated or did not qualify as hedging instruments were ¥321,350 million ($3,910 million) and ¥255,890 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, 2012 and 2011, the total notional amounts of interest rate derivatives that were designated and qualified as fair value hedges were ¥720,990 million ($8,772 million) and ¥637,990 million, respectively; the total notional amounts of interest rate derivatives that were designated and qualified as cash flow hedges were ¥104,118 million ($1,267 million) and ¥372,498 million, respectively; and the total notional amounts of interest rate derivatives that were not designated or did not qualify as hedging instruments were ¥19,584 million ($238 million) and ¥17,235 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, 2012 and 2011, the total principal amounts of commodity derivatives that were designated and qualified as fair value hedges were ¥82,564 million ($1,005 million) and ¥91,501 million, respectively; the total principal amounts of commodity derivatives that were designated and qualified as cash flow hedges were ¥21,111 million ($257 million) and ¥134 million, respectively; and the total principal amounts of commodity derivatives that were not designated or did not qualify as hedging instruments were ¥1,011,575 million ($12,308 million) and ¥435,061 million, respectively.

(1) Fair values of derivative instruments

The fair values of derivative instruments as of March 31, 2012 and 2011, 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	
	2012		2011		2012	
	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives
Currency derivatives	¥ 936	¥2,227	¥ 1,692	¥3,804	$ 11	$27
Interest rate derivatives	21,534	856	15,965	1,442	262	10
Commodity derivatives	3,026	1,719	1,557	3,720	37	21
Total	¥25,496	¥4,802	¥19,214	¥8,966	$310	$58

(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	
	2012		2011		2012	
	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives
Currency derivatives	¥12,138	¥10,403	¥ 3,295	¥ 2,572	$148	$127
Interest rate derivatives	234	252	223	306	3	3
Commodity derivatives	14,919	19,008	13,808	13,305	181	231
Other	6	—	9	24	0	—
Total	¥27,297	¥29,663	¥17,335	¥16,207	$332	$361

On the balance sheet, asset derivatives are included in Other current assets and Other assets, and liability derivatives are 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 as of March 31, 2012, 2011 and 2010, were as follows:

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

		Millions of Yen	Millions of U.S. Dollars
		2012	2012
	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	¥ 495	$ 6
Interest rate derivatives	Interest expense	12,122	148
Commodity derivatives	Trading margins and commissions on trading transactions	(548)	(7)
Total		¥12,069	$147

		Millions of Yen	
		2011	2010
	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)	¥ (848)
Interest rate derivatives	Interest expense	7,937	6,866
Commodity derivatives	Trading margins and commissions on trading transactions	(4,576)	(817)
Total		¥ 2,025	¥5,201

The amount of hedge ineffectiveness and the net gain or loss excluded from the assessment of hedge effectiveness was not material for the years ended March 31, 2012, 2011 and 2010.

The amount of firm commitments that no longer qualified as fair value hedges was not material for the years ended March 31, 2012, 2011 and 2010.

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

	Millions of Yen			Millions of U.S. Dollars	
	2012			2012	
	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	¥ 633	Other–net	¥(3,915)	$ 8	$48
Interest rate derivatives	(125)	Interest expense	710	(2)	9
Commodity derivatives	1,245	Trading margins and commissions on trading transactions	(6)	15	(0)
Total	¥1,753		¥(3,211)	$21	$39

	Millions of Yen		
	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)
Currency derivatives	¥ (25)	Other–net	¥ 575
Interest rate derivatives	(852)	Interest expense	3,243
Commodity derivatives	35	Trading margins and commissions on trading transactions	53
Total	¥(842)		¥3,871

	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

The amount of hedge ineffectiveness and the net gain or loss excluded from the assessment of hedge effectiveness was not material for the years ended March 31, 2012, 2011 and 2010.

A net loss (pre-tax) of ¥1,202 million ($15 million) in AOCI at March 31, 2012 is expected to be reclassified into earnings within the next 12 months.

As of March 31, 2012, 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 12 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 years ended March 31, 2012, 2011 and 2010.

(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 2012 Amount of Gain or (Loss) Recognized in Income on Derivative	Millions of U.S. Dollars 2012 Amount of Gain or (Loss) Recognized in Income on Derivative
Currency derivatives	Trading margins and commissions on trading transactions	¥ 3,704	$ 45
	Other–net	(1,166)	(14)
Interest rate derivatives	Other–net	(4)	(0)
Commodity derivatives	Trading margins and commissions on trading transactions	(251)	(3)
Other	Other–net	21	0
Total		¥ 2,304	$ 28

	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 Yen 2010 Amount of Gain or (Loss) Recognized in Income on Derivative
Currency derivatives	Trading margins and commissions on trading transactions	¥ 3,781	¥ 3,140
	Other–net	(5,480)	(1,227)
Interest rate derivatives	Other–net	(6)	(111)
Commodity derivatives	Trading margins and commissions on trading transactions	(1,031)	2,583
Other	Other–net	3	87
Total		¥(2,733)	¥ 4,472

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.

22. 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.

The Company and its subsidiaries measure fair value of assets categorized within level 3 using the best information available. The Company and its subsidiaries review relevance and reasonableness of the measurement and approve the fair value through the appropriate process.

(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, 2012 and 2011.

	Millions of Yen			
	2012			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	¥ —	¥21,599	¥ —	¥ 21,599
Trading securities	—	—	303	303
Available-for-sale securities				
Equity securities	262,475	1,734	—	264,209
Debt securities	—	6,103	2,022	8,125
Derivative assets	7,590	45,203	—	52,793
Liabilities:				
Derivative liabilities	¥ 6,314	¥28,151	¥ —	¥ 34,465

	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	¥14,289	¥ —	¥ 25,173

	Millions of U.S. Dollars			
	2012			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$ —	$263	$—	$ 263
Trading securities	—	—	3	3
Available-for-sale securities				
Equity securities	3,194	21	—	3,215
Debt securities	—	74	25	99
Derivative assets	92	550	—	642
Liabilities:				
Derivative liabilities	$ 77	$342	$—	$ 419

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, 2012 and 2011.

	Millions of Yen 2012 Trading Securities	Millions of Yen 2012 Available-for-sale Securities
Beginning balance	¥ 798	¥2,518
Total gains or losses (realized /unrealized)	(204)	(739)
Included in earnings (Gain (loss) on investments–net)	(204)	(751)
Included in other comprehensive income (loss) (Unrealized holding gains (losses) on securities)	—	12
Purchases	—	788
Sales	—	(68)
Settlements and others	(263)	(477)
Effect of exchange rate changes	(28)	—
Ending balance	303	2,022
The amount of total gains or losses (in Gain (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, 2012	¥(133)	¥ —

	Millions of Yen 2011 Trading Securities	Millions of Yen 2011 Available-for-sale Securities
Beginning balance	¥ 6,701	¥2,448
Total gains or losses (realized /unrealized)	94	(729)
Included in earnings (Gain (loss) on investments–net)	94	(577)
Included in other comprehensive income (loss) (Unrealized holding gains (losses) on securities)	—	(152)
Purchases, issuances and settlements	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 Gain (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 U.S. Dollars 2012 Trading Securities	Millions of U.S. Dollars 2012 Available-for-sale Securities
Beginning balance	$10	$31
Total gains or losses (realized /unrealized)	(2)	(9)
Included in earnings (Gain (loss) on investments–net)	(2)	(9)
Included in other comprehensive income (loss) (Unrealized holding gains (losses) on securities)	—	0
Purchases	—	10
Sales	—	(1)
Settlements and others	(3)	(6)
Effect of exchange rate changes	(1)	—
Ending balance	4	25
The amount of total gains or losses (in Gain (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, 2012	$ (2)	$—

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. The derivative instruments that are traded in active market prices are valued at quoted market prices and classified as Level 1. The other derivative instruments that are measured using commonly-used fair value pricing models, such as the Black-Scholes model, based upon observable inputs only, are 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, 2012 and 2011 on a nonrecurring basis.

	Millions of Yen		
	2012		
	Level 3	Total	Impairment loss (pre-tax)
Assets:			
Non-marketable investments (Note 1)	¥1,521	¥1,521	¥3,500
Investments in associated companies (Note 2)	8,459	8,459	3,405
Long-lived Assets (Note 3)	5,595	5,595	5,347
Goodwill and Other Intangible Assets (Note 4)	8,354	8,354	2,053

	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 U.S. Dollars		
	2012		
	Level 3	Total	Impairment loss (pre-tax)
Assets:			
Non-marketable investments (Note 1)	$ 19	$ 19	$43
Investments in associated companies (Note 2)	103	103	41
Long-lived Assets (Note 3)	68	68	65
Goodwill and Other Intangible Assets (Note 4)	102	102	25

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 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 nonperformance 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, 2012 and 2011, were as follows (for fair value of Short-term investments and Other investments, and for fair value of asset/liability derivatives, please refer to Note 4 "Marketable Securities and Investments" and Note 21 "Derivative Instruments and Hedging Activities," respectively):

	Millions of Yen				Millions of U.S. Dollars	
	2012		2011		2012	
	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)	¥ 121,631	¥ 122,995	¥ 103,197	¥ 104,046	$ 1,480	$ 1,496
Financial liabilities:						
Long-term debt (including current maturities)	¥2,293,830	¥2,299,244	¥2,207,830	¥2,211,289	$27,909	$27,975

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 and are classified as Level 2.

Other non-current receivables and advances to associated companies, which the Company and its subsidiaries recognized allowance for doubtful receivables, are classified as Level 3, refer to Note 6 "Financing Receivables."

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 and are classified as Level 2.

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

23. 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 equity to cover the risk associated with them or the holders of the equity investment at risk lack control of them at the beginning of involvement.

In addition, the Company and its subsidiaries consider their 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. In addition, as of March 31, 2012, 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, 2012, 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
	2012	2011	2012
Cash and cash equivalents	¥ 1,626	¥ 987	$ 20
Inventories	10,855	5,899	132
Other	4,504	1,918	55
Total assets	¥16,985	¥8,804	$207
Total current liabilities	¥ 1,940	¥ 67	$ 24
Long-term debt, excluding current maturities	2,911	2,579	35
Total equity	12,134	6,158	148
Total liabilities and equity	¥16,985	¥8,804	$207

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 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
	2012	2011	2012
Due from associated companies	¥ 1,044	¥ 7,661	$ 13
Other current assets	257	260	3
Total current assets	¥ 1,301	¥ 7,921	$ 16
Investments in and advances to associated companies	¥14,298	¥10,163	$174
Other non-current receivables	2,613	11,142	32
Total assets	¥18,212	¥29,226	$222

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 ¥423,294 million ($5,150 million) and ¥35,280 million ($429 million), respectively, as of March 31, 2012 and ¥527,596 million and ¥51,341 million, respectively, as of March 31, 2011. 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.

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 ¥1,954,649 million ($23,782 million), and ¥2,070,755 million at March 31, 2012 and 2011, respectively. The deliveries are at various dates through 2026.

The Company and its subsidiaries also had long-term financing commitments aggregating ¥32,925 million ($401 million) and ¥24,437 million at March 31, 2012 and 2011, 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, 2012 and 2011 are summarized below:

The maximum potential amount of future payment represents the amounts without consideration of possible recoveries that the Company and its subsidiaries could be obliged to pay if there were defaults by third parties.

The amount of substantial risk represents the actual amount of liability incurred by the guaranteed parties within the maximum potential amount of future payments. The amounts that might be recovered from third parties have been excluded in determining the amount of substantial risk.

	Millions of Yen		
	2012		
	Guarantees for monetary indebtedness	Other guarantees	Total
Guarantees for equity-method associated companies:			
Maximum potential amount of future payments	¥ 87,996	¥18,385	¥106,381
Amount of substantial risk	70,454	15,042	85,496
Guarantees for customers:			
Maximum potential amount of future payments	70,856	7,391	78,247
Amount of substantial risk	55,282	4,168	59,450
Total:			
Maximum potential amount of future payments	¥158,852	¥25,776	¥184,628
Amount of substantial risk	125,736	19,210	144,946

	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 U.S. Dollars		
	2012		
	Guarantees for monetary indebtedness	Other guarantees	Total
Guarantees for equity-method associated companies:			
Maximum potential amount of future payments	$1,071	$224	$1,295
Amount of substantial risk	857	183	1,040
Guarantees for customers:			
Maximum potential amount of future payments	862	90	952
Amount of substantial risk	673	51	724
Total:			
Maximum potential amount of future payments	$1,933	$314	$2,247
Amount of substantial risk	1,530	234	1,764

The amount of substantial risk at March 31, 2012 and 2011 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 ¥4,518 million ($55 million) and ¥2,707 million at March 31, 2012 and 2011, 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 amount of future payments under the contracts were ¥6,737 million ($82 million) and ¥7,465 million at March 31, 2012 and 2011, 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, any guarantee for equity-method associated companies 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, 2012, 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 ITOCHU Group, 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 ITOCHU Group as of March 31, 2012, 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 not been excluded from determining the maximum potential amount of future payments. The recoverable amounts were ¥22,925 million ($279 million) and ¥32,940 million at March 31, 2012 and 2011, respectively.

Guarantees issued by the Company and its subsidiaries with the longest term for indebtedness of equity-method associated companies and customers expire on March 31, 2027.

The major equity-method associated companies and customers and the substantial risk of the related guarantees for monetary indebtedness at March 31, 2012 and 2011, were as follows:

	Millions of Yen	Millions of U.S. Dollars
	2012	2012
Famima Credit Corporation	**¥19,517**	**$237**
PANAVENFLOT CORP.	**19,192**	**234**
Sakhalin Oil and Gas Development Co., Ltd.	**12,187**	**148**
JAPAN ALUMINA ASSOCIATES (AUSTRALIA) PTY LTD	**8,770**	**107**
Consolidated Grain & Barge Co.	**6,164**	**75**
TUPI NORDESTE LTD.	**5,558**	**68**
CLEOPATRA LNG SHIPPING CO., LTD.	**4,981**	**61**
NEFERTITI LNG SHIPPING CO., LTD.	**4,981**	**61**
PT. BHIMASENA POWER INDONESIA	**3,853**	**47**
ISUZU Finance of America, Inc.	**2,973**	**36**

	Millions of Yen
	2011
Famima Credit Corporation	¥26,487
Sakhalin Oil and Gas Development Co., Ltd.	12,763
JAPAN ALUMINA ASSOCIATES (AUSTRALIA) PTY LTD	9,184
NEFERTITI LNG SHIPPING CO., LTD.	6,286
PANAVENFLOT CORP.	5,600
Ningbo Mitsubishi Chemical Co., Ltd.	3,783
Consolidated Grain & Barge Co.	2,495
ISUZU Finance of America, Inc.	2,112
TRINITY BULK S.A., PANAMA	1,208
BEIJING BEER ASAHI CO., LTD.	1,187

The Company and its subsidiaries were contingently liable in the amounts of ¥1,795 million ($22 million) and ¥1,252 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, 2012 and 2011, respectively. The amounts of export bills of exchange discounted with banks in the ordinary course of business were ¥65,454 million ($796 million) and ¥80,222 million at March 31, 2012 and 2011, 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. Change of Subsidiaries' Fiscal Year-End

In the fiscal year ended March 31, 2012, certain subsidiaries changed their fiscal periods, which previously ended prior to March 31, to the fiscal period of the Company, which ends on March 31. Because these changes in fiscal periods are subject to retrospective application under ASC Topic 250, "Accounting Changes and Error Corrections," the effect of these changes in fiscal periods has been reflected in figures for certain items of the consolidated financial statements for the previous fiscal years. As a result, "Other retained earnings" as of April 1, 2009 was decreased from ¥783,699 million as previously reported to ¥783,681 million.

The effect of the retrospective application for the fiscal years ended March 31, 2011 and 2010, was as follows:

	Millions of Yen	
	2011	
	As originally reported	As adjusted
Consolidated Balance Sheets:		
Total assets	¥5,673,683	¥5,676,709
Total liabilities	4,276,173	4,277,755
Total equity	1,397,510	1,398,954
Consolidated Statement of Income:		
Net income	174,218	174,357
Net income attributable to ITOCHU	160,975	161,114
Consolidated Statements of Cash Flows:		
Cash flows from operating activities	336,868	335,361
Cash flows from investing activities	(230,420)	(230,866)
Cash flows from financing activities	52,905	53,202
Cash and cash equivalents at end of year	630,722	633,756
	Yen	
Basic net income attributable to ITOCHU per common share	¥101.84	¥101.93
Diluted net income attributable to ITOCHU per common share	101.69	101.78

	Millions of Yen	
	2010	
	As originally reported	As adjusted
Consolidated Statement of Income:		
Net income	¥ 139,684	¥ 140,436
Net income attributable to ITOCHU	128,153	128,905
Consolidated Statements of Cash Flows:		
Cash flows from operating activities	295,376	293,597
Cash flows from investing activities	(196,318)	(195,698)
Cash flows from financing activities	(258,987)	(256,568)
Cash and cash equivalents at end of year	475,674	480,564
	Yen	
Basic net income attributable to ITOCHU per common share	¥81.09	¥81.56
Diluted net income attributable to ITOCHU per common share	80.91	81.38

26. Subsequent Events

The Company evaluated subsequent events through June 22, 2012, on which the financial statements were available to be issued. Subsequent events were as follows.

The Company issued 0.407% Yen Bonds due 2017 in Japan in an aggregate amount of ¥10,000 million ($122 million) on June 6, 2012, in accordance with an approved resolution of the Board of Directors held on May 18, 2011.

At the ordinary general meeting of shareholders held on June 22, 2012, the Company was authorized to pay a cash dividend of ¥27.5 ($0.33) per share, or a total ¥43,499 million ($529 million) to shareholders of record on March 31, 2012. The effective date of the dividend payment is June 25, 2012.

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, 2012 and 2011, and the related consolidated statements of income, equity, and cash flows for each of the three years in the period ended March 31, 2012 (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, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2012, 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 22, 2012

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, 2012 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, 2012, we concluded that its internal control system over financial reporting as of March 31, 2012 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, 2012, 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, 2012. The Company and 150 consolidated subsidiaries and equity-method associated companies (the "150 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 150 entities, we reasonably determined the required scope of assessment of internal controls over business processes.

(Note) The 150 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 150 entities, however we included major special purpose entities into the scope of assessment. Regarding entities other than the 150 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 39 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, 2012. 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 Auditor's Report
(filed under the Financial Instruments and Exchange Act of Japan)

NOTE TO READERS:

Following is an English translation of the Independent Auditor's 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 AUDITOR'S REPORT

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

June 22, 2012

To the Board of Directors of ITOCHU Corporation:

Deloitte Touche Tohmatsu LLC

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

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Haruko Nagayama

[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, 2012 of ITOCHU Corporation and subsidiaries (the "Company"), and the consolidated statement of income, equity and cash flows for the fiscal year from April 1, 2011 to March 31, 2012, and the related notes and the consolidated supplementary schedules.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America pursuant to the third paragraph of the Supplementary Provisions of the Cabinet Office Ordinance for Partial Amendment of the Regulations for Terminology, Forms and Preparation Methods of Consolidated Financial Statements (No.11 of the Cabinet Office Ordinance in 2002), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ITOCHU Corporation and subsidiaries as of March 31, 2012, 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.

[Audit of Internal Control]

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 the Company as of March 31, 2012.

Management's Responsibility for the Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in conformity with assessment standards for internal control over financial reporting generally accepted in Japan. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on management's report on internal control based on our internal control audit. We conducted our internal control 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 is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any 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 as of March 31, 2012, 2011, and 2010 on the subsidiaries and associated companies presented below is prepared in accordance with the disclosure requirements under ASC Topic 932 "Extractive Activities—Oil and Gas."

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

	Millions of Yen			Millions of U.S. Dollars
	2012	2011	2010	2012
Unproved oil and gas properties	¥ 7,507	¥ 8,084	¥ 16,869	$ 91
Proved oil and gas properties	159,458	157,259	170,339	1,940
Subtotal	¥ 166,965	¥ 165,343	¥187,208	$ 2,031
Accumulated depreciation, depletion, amortization and valuation allowance	(104,352)	(100,346)	(99,663)	(1,270)
Net capitalized costs	¥ 62,613	¥ 64,997	¥ 87,545	$ 761
The Companies' share of associated companies' net capitalized costs	¥ 171,989	¥ 1	¥ 2	$ 2,093

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

	Millions of Yen			Millions of U.S. Dollars
	2012	2011	2010	2012
Acquisition of proved properties	¥ —	¥10,928	¥ —	$ —
Acquisition of unproved properties	8	3,831	—	0
Exploration costs	1,166	527	1,869	14
Development costs	8,930	7,270	8,106	109
Total costs incurred	¥10,104	¥22,556	¥9,975	$123
The Companies' share of associated companies' costs of property acquisition, exploration and development	¥ 701	¥ 483	¥ 12	$ 9

Table 3: Results of Operations for Producing Activities

	Millions of Yen			Millions of U.S. Dollars
	2012	2011	2010	2012
Revenues:				
Sales to unaffiliated companies	¥ 9,304	¥10,150	¥ 9,566	$113
Sales to affiliated companies	32,086	32,105	28,261	390
Total revenues	¥41,390	¥42,255	¥37,827	$503
Expenses:				
Production costs	¥ 7,683	¥10,575	¥10,907	$ 93
Exploration expenses	35	63	14	0
Depreciation, depletion, amortization and valuation allowances	12,301	37,002	22,044	150
Income tax expenses	10,792	3,923	2,649	131
Total expenses	¥30,811	¥51,563	¥35,614	374
Results of operations from producing activities (excluding corporate overhead and interest costs)	¥10,579	¥ (9,308)	¥ 2,213	$129
The Companies' share of associated companies' results of operations from producing activities	¥ 284	¥ (483)	¥ (12)	$ 3

Table 4: Reserve Quantity Information

In accordance with ASC Topic 932, the following table describes proved oil and gas reserves and changes for the years ended March 31, 2012, 2011 and 2010.

	Crude Oil (Millions of Barrels)			Natural Gas (Billions of Cubic Feet)		
	2012	2011	2010	2012	2011	2010
Proved developed and undeveloped reserves:						
Beginning of year	**58**	62	71	**—**	18	20
Revision of previous estimates	**(4)**	(3)	(11)	**—**	(16)	1
Extensions and discoveries	**—**	—	8	**—**	—	—
Purchases	**—**	5	—	**—**	—	—
Production	**(5)**	(6)	(6)	**—**	(2)	(3)
End of year	**49**	58	62	**—**	—	18
Proved developed reserves–end of year	**20**	24	27	**—**	—	15
The Companies' share of associated Companies' proved developed and undeveloped reserves:						
End of year	**14**	—	—	**501**	—	—
Proved developed reserves–end of year	**7**	—	—	**331**	—	—

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

In accordance with ASC Topic 932, the standardized measure of discounted future net cash flows is based on the first-day-of-the month average prices during the 12-month period, year-end costs, currently enacted tax rates and a 10% annual discount factor for the years ended March 31, 2010, 2011 and 2012. The oil and gas 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
	2012	2011	2010	2012
Future cash inflows	**¥433,019**	¥374,471	¥ 360,118	**$ 5,269**
Future production costs	**(73,390)**	(79,269)	(130,486)	**(893)**
Future development costs	**(75,500)**	(79,621)	(88,501)	**(919)**
Future income tax expenses	**(87,885)**	(67,680)	(55,193)	**(1,069)**
Undiscounted future net cash flows	**196,244**	147,901	85,938	**2,388**
10% annual discount for estimated timing of cash flows	**(87,243)**	(67,329)	(35,095)	**(1,062)**
Standardized measure of discounted future net cash flows	**¥109,001**	¥ 80,572	¥ 50,843	**$ 1,326**
The Companies' share of associated Companies' standardized measure of discounted future net cash flows	**¥ 43,514**	¥ —	¥ —	**$ 529**

(2) Details of Changes for the Year

	Millions of Yen			Millions of U.S. Dollars
	2012	2011	2010	2012
Discounted future net cash flows at April 1	**¥ 80,572**	¥ 50,843	¥ 28,612	**$ 980**
Sales and transfer of oil and gas produced, net of production costs	**(33,172)**	(43,007)	(26,568)	**(404)**
Development costs incurred	**8,968**	7,402	8,037	**109**
Purchases of reserves	**—**	13,381	—	**—**
Net changes in prices, development and production costs	**81,878**	73,020	74,150	**996**
Extensions, discoveries and improved recovery, less related costs	**—**	—	4,078	**—**
Revisions of previous quantity estimates	**(25,413)**	(8,327)	(16,061)	**(309)**
Accretion of discount (10%)	**12,560**	8,343	3,939	**153**
Net changes in income taxes	**(15,380)**	(13,793)	(24,385)	**(187)**
Difference of foreign exchange rates	**(1,012)**	(7,290)	(959)	**(12)**
Discounted future net cash flows at March 31	**¥109,001**	¥ 80,572	¥ 50,843	**$1,326**
The Companies' share of associated Companies'				
discounted future net cash flows at April 1	**—**	—	—	**—**
discounted future net cash flows at March 31	**¥ 43,514**	¥ —	¥ —	**$ 529**

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