ITOCHU Corporation

Financial Section 2013

For the Year ended March 31, 2013

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	2013	2012	2011	2010	2009	2008	2013
P/L (For the year):							
Revenue	¥4,579,763	¥4,197,525	¥3,581,795	¥3,418,220	¥3,419,061	¥2,859,853	$48,695
Gross trading profit	915,879	956,920	906,587	860,187	1,060,521	994,547	9,738
Net income attributable to ITOCHU	280,297	300,505	161,114	128,905	165,390	217,301	2,980
Comprehensive income (loss) attributable to ITOCHU	475,819	249,983	106,041	270,570	(92,334)	108,990	5,059
Per share (Yen and U.S. Dollars):							
Basic net income attributable to ITOCHU (Note 1)	177.35	190.13	101.93	81.56	104.64	137.46	1.89
Cash dividends	40.0	44.0	18.0	15.0	18.5	18.0	0.4
Stockholders' equity (Note 1)	1,117.01	862.88	731.57	695.75	537.43	615.89	11.88
Total trading transactions (Note 2)	¥12,551,557	¥11,904,749	¥11,323,793	¥10,308,629	¥12,065,109	¥11,729,082	$133,456
Adjusted profit (Note 3)	351,023	395,477	333,098	195,552	339,292	333,673	3,732
B/S (At year-end):							
Total assets	¥7,117,446	¥6,507,273	¥5,676,709	¥5,478,873	¥5,192,092	¥5,274,199	$75,677
Current interest-bearing debt	482,544	450,968	288,973	289,963	628,792	383,463	5,131
Long-term interest-bearing debt	2,279,915	2,082,592	1,979,967	1,919,588	1,760,530	1,720,939	24,241
Interest-bearing debt	2,762,459	2,533,560	2,268,940	2,209,551	2,389,322	2,104,402	29,372
Net interest-bearing debt	2,185,623	2,014,898	1,630,764	1,721,464	1,756,764	1,654,532	23,239
Long-term debt, excluding current maturities (including long-term interest-bearing debt)	2,447,868	2,259,717	2,160,772	2,108,081	1,934,421	1,895,088	26,027
Stockholders' equity	1,765,435	1,363,797	1,156,270	1,099,639	849,411	973,545	18,771
Cash flows (For the year):							
Cash flows from operating activities	¥ 245,661	¥ 212,830	¥ 335,361	¥ 293,597	¥ 276,854	¥ 65,552	$ 2,612
Cash flows from investing activities	(199,990)	(416,315)	(230,866)	(195,698)	(326,033)	(65,774)	(2,126)
Cash flows from financing activities	(11,323)	84,704	53,202	(256,568)	258,322	(81,294)	(120)
Cash and cash equivalents at end of year	569,716	513,489	633,756	480,564	628,820	446,311	6,058
Ratios:							
Gross trading profit ratio (%) (Note 4)	7.3	8.0	8.0	8.3	8.8	8.5	
ROA (%)	4.1	4.9	2.9	2.4	3.2	4.1	
ROE (%)	17.9	23.8	14.3	13.2	18.1	23.3	
Ratio of stockholders' equity to total assets (%)	24.8	21.0	20.4	20.1	16.4	18.5	
Net debt-to-equity ratio (times)	1.2	1.5	1.4	1.6	2.1	1.7	
Interest coverage (times)	12.4	13.5	10.7	5.3	7.2	6.1	
Common stock information (For the year):							
Stock price (Yen and U.S. Dollars):							
Opening price	¥ 925	¥870	¥829	¥487	¥ 994	¥1,174	$ 9.84
High	1,241	966	930	821	1,337	1,591	13.20
Low	755	676	659	486	380	804	8.03
Closing price	1,131	903	871	819	478	984	12.03
Market capitalization (Yen and U.S. Dollars in billions)	1,793	1,431	1,380	1,298	758	1,560	19.06
Trading volume (yearly, million shares)	1,783	1,882	2,287	2,616	2,913	2,928	
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	¥94.16	¥82.41	¥82.76	¥ 93.40	¥ 99.15	¥ 99.85	
Average for the year	83.26	78.86	85.00	92.49	100.85	113.61	
Range:							
Low	96.16	85.26	94.68	100.71	110.48	124.09	
High	77.41	75.72	78.74	86.12	87.80	96.88	
Number of employees (At year-end, consolidated)	77,513	70,639	62,635	62,379	55,431	48,657	

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, 2013, have been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥94.05=U.S.$1 (the official rate dated March 31, 2013, 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.
7. As a result of the ITOCHU Group's integration of the food distribution and marketing business, the items in which distribution cost related to these operations has been included were changed from the beginning of the fiscal year ended March 31, 2012. The relevant amounts in the same period of the previous fiscal years ended March 31, 2011 and 2010 have been reclassified based on this new classification.
8. With respect to distribution cost related to the ITOCHU Group's food distribution and marketing business, ITOCHU has made a change in presentation in the financial statements related to the ITOCHU Group's portion of operational cost arising at the distribution centers of the ITOCHU Group's customers, such as mass merchandisers, and delivery costs from the distribution centers to the customers' stores since the beginning of the fiscal year ended March 31, 2013. The aforementioned distribution cost for the same period of the previous fiscal years ended March 31, 2012 and 2011 have been reclassified in the same manner. (See "Notes to Consolidated Financial Statements" 2. (4) 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, 2013, ("Fiscal 2013" or "the fiscal year"), have been translated into U.S. dollars solely for the convenience of the reader based on the exchange rate of ¥94.05 = US$1, announced by The Bank of Tokyo-Mitsubishi UFJ, Ltd., on March 31, 2013.

Overview

In fiscal year 2013, although the global economy grew at a sluggish pace as the economies of industrialized countries and emerging countries remained slack, the pace of growth showed signs of accelerating toward the end of the fiscal year. The WTI crude oil price decreased from US$105 per barrel at the beginning of April 2012 to below US$80 at one point. However, it rose again, reaching US$97 per barrel at the end of March 2013. Japan's economy slumped unavoidably because of lackluster exports due to the sluggish growth of the global economy and issues between Japan and China, as well as a slowdown in consumer spending due to the diminishing impact of measures to stimulate consumption. However, at the end of 2012, expectations that large-scale monetary easing would be introduced prompted yen depreciation and share price increases, improved consumer sentiment and invigorated consumer spending. In addition, due to cease of a decline in exports, the Japanese economy moved toward recovery. Through October 2012, investors grew more risk averse as a result of concern with the European sovereign debt crisis and the outlook for the global economy, and financial markets were characterized by yen appreciation and falling share prices. Thereafter, however, expectations that the Bank of Japan would introduce large-scale monetary easing led to a reversal, marked by yen depreciation and rising share prices. The yen strengthened against the U.S. dollar from around ¥83 at the beginning of April 2012 to around ¥77 in September. From October the trend reversed, with the yen weakening against the U.S. dollar to ¥87 at the end of December and to ¥94 at the end of March 2013. The Nikkei Stock Average dropped from around ¥10,000 at the beginning of April 2012 to below ¥8,500 at one point in June, remaining between that level and ¥9,000 through September. After that point, factors such as a weakening yen drove the index up to ¥10,400 at the end of December, rising to ¥12,400 at the end of March 2013. Long-term interest rates trended downward through September owing to growing risk aversion among investors and from October in anticipation of large-scale monetary easing. Accordingly, the yield on 10-year Japanese government bonds fell from around 1% at the beginning of April 2012 to the neighborhood of 0.5% at the end of March 2013.

The ITOCHU Group's medium-term management plan, "Brand-new Deal 2012," covered the two-year period from Fiscal 2012 to Fiscal 2013. Under this plan, the basic policies were 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, 2013 as the final year of "Brand-new Deal 2012."

Consumer-Related Sector

ITOCHU acquired 24.9% of the shares in Finland's METSA FIBRE, one of the world's largest pulp producers, which conducts sales chiefly in European and Asian markets. Having abundant and high-quality forest resources in Finland, the METSA Group is highly cost competitive, thanks to its stable supply of resources. Through the acquisition, ITOCHU aims to confirm its leading global position in pulp trading, expanding its sales network and further reinforcing its paper and pulp business. ITOCHU also acquired 100% of the shares in Bramhope Group Holdings Ltd., a leading UK-based apparel manufacturer and wholesaler. ITOCHU plans to strategically accelerate sales of textile products to leading European retailers by harnessing Bramhope's planning and production platform. It also plans to position Bramhope's high-quality and price-competitive production as part of an essential manufacturing base in the ASEAN region. We will apply ourselves to improving Bramhope's corporate value and expanding its business for the world, including Japan, by utilizing ITOCHU's global network. Furthermore, in the field of adhesive tape, ITOCHU acquired shares in Teraoka Seisakusho Co., Ltd., a manufacturer with a wide variety of products ranging from packaging tape to electrical/electronics tape and industrial tape, issued through a private placement (25% of issued stock). ITOCHU also acquired 33.4% of the shares in HyLife Group Holdings Ltd., one of Canada's leading pork producers, thereby taking part in the Canadian pork production business. Furthermore, ITOCHU has agreed with Dole Food Company of the United States to acquire the Asia fresh produce business and the worldwide packaged foods business, and has concluded a purchase agreement.

Natural Resource / Energy-Related Sector

Wholly owned subsidiary CIECO Exploration and Production (UK) Limited, which holds a working interest in Block 210/24a in the UK North Sea, has reached an agreement with the operator of the block to jointly develop newly discovered oil fields (Western Isles Development Project), and its development plan has received approval from the UK government authorities. During the fiscal year under review, ITOCHU also continued to invest in additional facilities in line with an investment plan determined during the previous fiscal year aimed to expand shipping capacity for the Western Australia iron ore operations, which are run as a joint venture with leading mining company BHP Billiton (Australia and UK) and others.

Machinery-Related Sector

ITOCHU acquired from Mazda Motor Corporation 70% of the shares in Toyo Advanced Technologies Co., Ltd. The acquisition is designed to enhance ITOCHU's partnership with Mazda and maximize the corporate value of Toyo Advanced Technologies by increasing business opportunities through the overseas sales networks of ITOCHU with ongoing technological support of Mazda. We also acquired 70% of the shares in the Bristol Water Group, which supplies water to the city of Bristol and the surrounding vicinity in the southwest UK, together with Canadian infrastructure company Capstone Infrastructure Corporation Group, giving ITOCHU a 20% share position. Through its equity participation in Bristol Water, ITOCHU aims to build know-how from this advanced UK water utility and to apply that know-how proactively in advancing new water-related business in Asia and other regions. Furthermore, ITOCHU and ITOCHU Techno-Solutions Corporation acquired 100% of the shares in CSC Automated Pte. Ltd. (hereinafter "CSC Automated"), an IT service provider in Singapore and CSC ESI Sdn Bhd (hereinafter "CSC ESI"), an IT service provider in Malaysia, which are affiliated with Computer Sciences Corporation, a major IT service provider in the United States. Through the investments in CSC Automated and CSC ESI, which have customer bases and technological capabilities, we aim to establish global operations of IT services in the ASEAN region, where high growth in the IT market is expected.

Chemicals, Real Estate, and Others Sector

ITOCHU acquired 25% of the shares in Agromate Holdings Sdn Bhd, one of the largest fertilizer distributors in Malaysia and a leading company in its sector in Asia, selling approximately 1.3 million tons of fertilizer annually. In line with the global population increase, demand for fertilizer is predicted to tighten over the medium to long term, reflecting the need for food. ITOCHU aims to collaborate with Agromate to promote new investment in the fertilizer industry to build a solid sales network centered in China and India, where fertilizer demand is expected to increase. ITOCHU Corporation has concluded an agreement with a leading iron oxide and electronic materials manufacturer, Toda Kogyo Corp., to sign a capital/business partnership and acquire all shares that Toda Kogyo will issue additionally through private placement (22.1% ownership of voting shares). We also formed a business alliance with Antares Managing Agency Limited, which runs a syndicate (an organization unit that underwrites insurance risks) at Lloyd's of London in the United Kingdom, the world's largest insurance market, to launch an underwriting business at Lloyd's by underwriting reinsurance from the syndicate. This is the first launch of an insurance underwriting business at Lloyd's in London in the United Kingdom by a non-financial sector company in Japan.

Business Results For Fiscal 2013—Comparison between Fiscal 2013 and Fiscal 2012

Revenue for the fiscal year ended March 31, 2013, increased by 9.1%, or ¥382.2 billion, compared with the previous fiscal year, to ¥4,579.8 billion (US$48,695 million). This gain was attributable to higher revenue from the Energy & Chemicals Company, mainly due to the acquisition of U.S. energy-related companies in the fourth quarter of the previous fiscal year, as well as to increased revenue due to the acquisition of automobile-related companies in the second quarter of the current fiscal year in the Machinery Company. These increases offset lower revenue from the Metals & Minerals Company, reflecting falls in iron ore and coal prices.

Gross trading profit decreased by 4.3%, or ¥41.0 billion, compared with the previous fiscal year, to ¥915.9 billion (US$9,738 million). This decrease was attributable to significantly lower earnings from the Metals & Minerals Company, due to falls in iron ore and coal prices despite an increase in sales volume, and a decline in earnings from the ICT, General Products & Realty Company due to the conversion of a mobile-phone-related subsidiary into an equity-method associated company and the sales of consolidated subsidiaries in the previous fiscal year despite an increase due to the acquisition of Kwik-Fit Group in the previous fiscal year. These decreases offset higher earnings from the Energy & Chemicals Company, due to the acquisition of domestic energy-related companies in the second quarter of the current fiscal year and an increase in transaction volume for crude oil, fuel oil and petroleum products and higher earnings from the Machinery Company due to the acquisition of automobile-related companies in the second quarter of the current fiscal year and an increase in ship transactions.

Selling, general and administrative expenses fell by 1.2%, or ¥8.1 billion, compared with the previous fiscal year, to ¥671.3 billion (US$7,138 million). This decrease was attributable to the result of the acquisition of new consolidated subsidiaries or the conversion of subsidiaries into equity method associated companies and sales of consolidated subsidiaries accompanying the asset replacement.

Provision for doubtful receivables improved by ¥4.6 billion, compared with the previous fiscal year, to a loss of ¥0.3 billion (US$4 million), mainly due to a decrease in the allowance for doubtful receivables and collections.

Net interest expenses deteriorated by 9.6%, or ¥1.2 billion, compared with the previous fiscal year, to an expense of ¥14.1 billion (US$149 million), due to an increase in interest-bearing debt, despite lower debt cost. **Dividends received** increased by 23.7%, or ¥6.6 billion, compared with the previous fiscal year, to ¥34.6 billion (US$368 million), due primarily to an increase in dividends from oil-and-gas-related investments on Sakhalin. Consequently, **Net financial income**, which is the total of **Net interest expenses** and **Dividends received**, improved by ¥5.4 billion, compared with the previous fiscal year, to a gain of ¥20.6 billion (US$219 million).

Gain on investments–net increased by ¥24.9 billion, compared with the previous fiscal year, to a gain of ¥45.9 billion (US$488 million). This gain was attributable to an increase in gain on sales of investments, which more than offset a decrease in revaluation gain related to reclassification of control between consolidated subsidiaries and equity-method associated companies.

Loss on property and equipment–net deteriorated by ¥2.5 billion, compared with the previous fiscal year, to a loss of ¥9.3 billion (US$99 million), due to an increase of impairment losses on property and equipment and the worsening of gain (loss) on sales of property and equipment.

Other–net decreased by ¥13.5 billion, compared with the previous fiscal year, to a gain of ¥9.7 billion (US$104 million), mainly due to the absence of the receipt of insurance related to the Great East Japan Earthquake for the previous fiscal year and a decrease of miscellaneous income (loss). Also, Gain on bargain purchase in acquisition of ¥15.9 billion was recognized in the previous fiscal year.

As a result, **Income before income taxes and equity in earnings of associated companies** decreased by 8.8%, or ¥30.1 billion, compared with the previous fiscal year, to ¥311.1 billion (US$3,308 million). **Income taxes** decreased (improved) by 22.7%, or ¥27.7 billion, compared with the previous fiscal year, to expenses of ¥94.3 billion (US$1,003 million) due to the absence of a loss on reversal of deferred tax assets accompanying the change in the effective income tax rate under Japanese tax reform.

Equity in earnings of associated companies decreased by 16.4%, or ¥16.9 billion, compared with the previous fiscal year, to a gain of ¥85.9 billion (US$913 million). This decline was attributable to impairment losses of oil and gas properties recognized by U.S. oil-and-gas-development-related companies as a result of slumping gas prices and revision of development plans as well as a decrease in equity in earnings of mineral-resources-related companies accompanying falls in iron ore prices. These factors more than offset rises due to new investments in Colombian coal-related companies and European pulp-related companies; increases in equity in earnings of a CVS company and mobile-phone-related companies; and an unordinary gain recognized due to an investment in an industrial-textiles-related company.

As a result, **Net income** decreased by 6.0 %, or ¥19.2 billion, compared with the previous fiscal year, to ¥302.7 billion (US$3,218 million).

Consequently, **Net income attributable to ITOCHU**, which is calculated as **Net income** minus **Net income attributable to the noncontrolling interest** of ¥22.4 billion (US$238 million), decreased by 6.7%, or ¥20.2 billion, compared with the previous fiscal year, to ¥280.3 billion (US$2,980 million).

Consolidated Statements of Income

	Billions of Yen			Millions of U.S. Dollars
Years ended March 31	**2013**	2012	Increase (Decrease)	**2013**
Revenue	**¥ 4,579.8**	¥ 4,197.5	¥ 382.2	**$ 48,695**
Cost of sales	**(3,663.9)**	(3,240.6)	(423.3)	**(38,957)**
Gross trading profit	**915.9**	956.9	(41.0)	**9,738**
Selling, general and administrative expenses	**(671.3)**	(679.4)	8.1	**(7,138)**
Provision for doubtful receivables	**(0.3)**	(4.9)	4.6	**(4)**
Interest income	**9.2**	10.2	(1.0)	**98**
Interest expense	**(23.2)**	(23.0)	(0.2)	**(247)**
Dividends received	**34.6**	28.0	6.6	**368**
Gain on investments–net	**45.9**	20.9	24.9	**488**
Loss on property and equipment–net	**(9.3)**	(6.7)	(2.5)	**(99)**
Gain on bargain purchase in acquisition	**—**	15.9	(15.9)	**—**
Other–net	**9.7**	23.3	(13.5)	**104**
Income before income taxes and equity in earnings of associated companies	**311.1**	341.2	(30.1)	**3,308**
Income taxes	**(94.3)**	(122.0)	27.7	**(1,003)**
Income before equity in earnings of associated companies	**216.8**	219.1	(2.4)	**2,305**
Equity in earnings of associated companies	**85.9**	102.7	(16.9)	**913**
Net income	**302.7**	321.9	(19.2)	**3,218**
Less: Net income attributable to the noncontrolling interest	**(22.4)**	(21.4)	(1.0)	**(238)**
Net income attributable to ITOCHU	**¥ 280.3**	¥ 300.5	¥ (20.2)	**$ 2,980**

(Supplemental information)

In accordance with Japanese accounting practices, **Total trading transactions** for the fiscal year ended March 31, 2013, increased by ¥646.8 billion, compared with the previous fiscal year, to ¥12,551.6 billion (US$133,456 million). This increase was attributable to the acquisition of U.S. energy-related companies in the fourth quarter of the previous fiscal year and an increase in transaction volume on crude oil, fuel oil, and petroleum products in the Energy & Chemicals Company, and an increase in automobile transactions for Europe in the Machinery Company. These factors more than offset lower trading transactions from the ICT, General Products & Realty Company due to the conversion of a mobile-phone-related subsidiary into an equity-method associated company in the third quarter of the current fiscal year and sales of consolidated subsidiaries in the previous fiscal year—despite higher transactions from domestic ICT-related companies—and lower trading transactions from the Metals & Minerals Company, due to falls in iron ore and coal prices—despite an increase in sales volume.

Operating Segment Information

	Billions of Yen		Millions of U.S. Dollars
Years ended March 31	2013	2012	2013
Ttrading transactions (Note):			
Textile	¥ 608.9	¥ 600.3	$ 6,474
Machinery	1,086.3	992.2	11,550
Metals & Minerals	602.7	651.9	6,408
Energy & Chemicals	5,357.5	4,774.5	56,965
Food	3,344.1	3,194.2	35,557
ICT, General Products & Realty	1,495.4	1,633.4	15,900
Adjustments & Eliminations and Others	56.7	58.2	602
Total	¥12,551.6	¥11,904.7	$133,456
Gross trading profit:			
Textile	¥ 128.9	¥ 127.6	$ 1,371
Machinery	89.4	85.9	951
Metals & Minerals	79.5	122.6	845
Energy & Chemicals	165.0	155.6	1,754
Food	202.7	201.2	2,155
ICT, General Products & Realty	236.6	244.6	2,515
Adjustments & Eliminations and Others	13.8	19.5	147
Total	¥ 915.9	¥ 956.9	$ 9,738
Net income (loss) attributable to ITOCHU:			
Textile	¥ 31.2	¥ 24.4	$ 332
Machinery	32.1	23.1	341
Metals & Minerals	82.5	142.1	877
Energy & Chemicals	23.1	37.8	246
Food	45.7	43.8	486
ICT, General Products & Realty	52.1	37.6	554
Adjustments & Eliminations and Others	13.6	(8.3)	144
Total	¥ 280.3	¥ 300.5	$ 2,980
Total assets at March 31:			
Textile	¥ 486.8	¥ 433.4	$ 5,176
Machinery	890.9	800.1	9,473
Metals & Minerals	1,175.2	1,015.7	12,495
Energy & Chemicals	1,335.2	1,287.1	14,197
Food	1,370.2	1,298.4	14,569
ICT, General Products & Realty	1,363.4	1,188.7	14,497
Adjustments & Eliminations and Others	495.7	484.0	5,270
Total	¥ 7,117.4	¥ 6,507.3	$ 75,677

Note: "Trading transactions" is presented in accordance with Japanese accounting practice and is not meant to present sales or revenue in accordance with U.S. GAAP.

Operating Segment Information

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

Textile

Trading transactions for unaffiliated customers and associated companies increased by 1.4%, or ¥8.6 billion, to ¥608.9 billion (US$6,474 million), due to a rise accompanying the acquisition of European apparel manufacturing and wholesale-related companies in the second quarter of the current fiscal year, and a rise in apparel products transactions in Japan. Gross trading profit increased by 1.0%, or ¥1.3 billion, to ¥128.9 billion (US$1,371 million), due to the same reason noted above. Net income attributable to ITOCHU was up by 28.2%, or ¥6.9 billion, to ¥31.2 billion (US$332 million), due to an increase in gross trading profit, an absence of unordinary expense for the previous fiscal year and a decrease in provision for doubtful receivables, as well as an increase due to the contribution of equity-method associated companies including new companies. Total assets rose by 12.3%, or ¥53.5 billion, to ¥486.8 billion (US$5,176 million), compared with the previous fiscal year-end, reflecting a rise in trade receivables accompanying growth in textile material transactions for China, the acquisition of European apparel manufacturing and wholesale-related companies, and new investments.

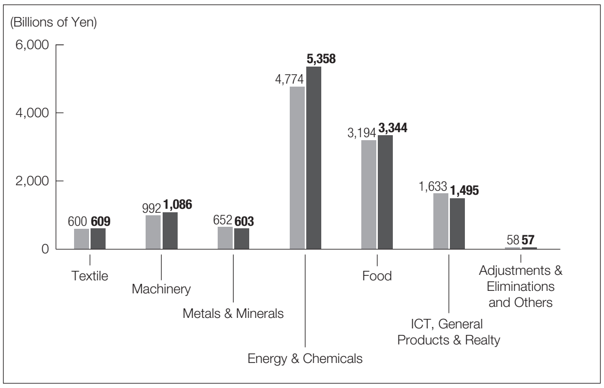
Machinery

Trading transactions for unaffiliated customers and associated companies were up by 9.5%, or ¥94.1 billion, to ¥1,086.3 billion (US$11,550 million), due to higher automobile transactions for Europe and an increase in ship transactions, as well as a rise due to acquisition of automobile-related companies in the second quarter of the current fiscal year. Gross trading profit rose by 4.1%, or ¥3.5 billion, to ¥89.4 billion (US$951 million), due to a rise accompanying the acquisition of automobile-related companies in the second quarter of the current fiscal year, and an increase in ship transactions. Net income attributable to ITOCHU increased by 38.8%, or ¥9.0 billion, to ¥32.1 billion (US$341 million), due to a rise accompanying the acquisition of automobile-related companies, a rise in earnings of IPP-related and water-supply-related companies, recognition of a gain on sales of investments, and the absence of impairment losses on investments recognized for the previous fiscal year. Total assets rose by 11.3%, or ¥90.7 billion, to ¥890.9 billion (US$9,473 million), compared with the previous fiscal year-end, due to a rise in trade receivables in automobile-related businesses, the acquisition of IPP-related and water-supply-related companies, the acquisition of automobile-related companies, despite a decrease of advances to suppliers accompanying ship deliveries.

Metals & Minerals

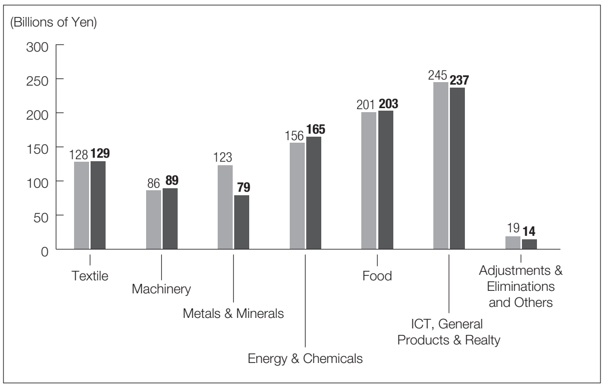
Trading transactions for unaffiliated customers and associated companies decreased by 7.5%, or ¥49.2 billion, to ¥602.7 billion (US$6,408 million), due to falls in prices of iron ore, coal, and scrap iron, despite an increase in sales volume of iron ore and coal. Gross trading profit significantly decreased by 35.2%, or ¥43.1 billion, to ¥79.5 billion (US$845 million), due to falls in prices of iron ore and coal, despite an increase in sales volume. Net income attributable to ITOCHU significantly decreased by 41.9%, or ¥59.6 billion, to ¥82.5 billion (US$877 million), due to a substantial decline in gross trading profit, the absence of an improvement in the tax effect accompanying tax reform in Australia and the absence of an unordinary gain recognized in the acquisition of Brazil Japan Iron Ore Corporation for the previous fiscal year. Total assets increased by 15.7%, or ¥159.6 billion, to ¥1,175.2 billion (US$12,495 million), compared with the previous fiscal year-end, due to additional capital expenditures in mineral-resource-related subsidiaries and the effect of yen depreciation.

Total Trading Transactions by Operating Segment



■ 2012
■ 2013
* For fiscal years

Gross Trading Profit by Operating Segment



■ 2012
■ 2013
* For fiscal years

Energy & Chemicals

Trading transactions for unaffiliated customers and associated companies significantly increased by 12.2%, or ¥583.1 billion, to ¥5,357.5 billion (US$56,965 million), due to the acquisition of U.S. energy-related companies as consolidated subsidiaries in the fourth quarter of the previous fiscal year, and a rise in transactions for crude oil, fuel oil and petroleum products in the energy sector, despite a decline resulting from a slump in China's chemicals market in the chemical sector. Gross trading profit rose by 6.1%, or ¥9.5 billion, to ¥165.0 billion (US$1,754 million), due to a rise accompanying the acquisition of domestic energy-related companies in the second quarter of the current fiscal year and a rise in transactions for crude oil, fuel oil and petroleum products in the energy sector, despite a decline resulting from a slump in China's chemicals market in the chemical sector. Net income attributable to ITOCHU decreased by 38.9%, or ¥14.7 billion, to ¥23.1 billion (US$246 million), due to a decline in equity in earnings of associated companies arising from an impairment loss on a U.S. oil-and-gas-development-related company, despite a rise in gross trading profit, higher dividends received from oil-and-gas-related investments on Sakhalin and recognition of a gain on sales of investments. Total assets were up by 3.7%, or ¥48.1 billion, to ¥1,335.2 billion (US$14,197 million), compared with the previous fiscal year-end, due to a rise in trade receivables accompanying recovery in market prices for chemicals toward the fiscal year-end, acquisition of domestic energy-related companies and the effect of yen depreciation.

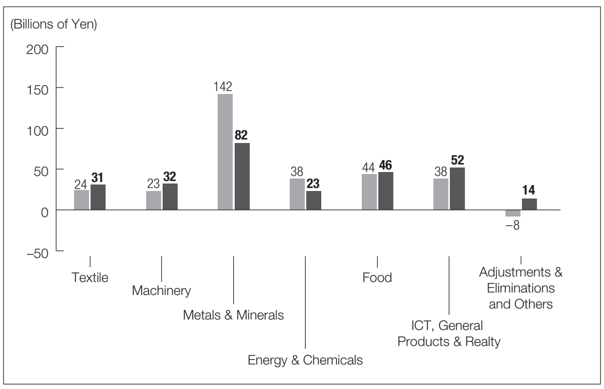
Food

Trading transactions for unaffiliated customers and associated companies increased by 4.7%, or ¥149.9 billion, to ¥3,344.1 billion (US$35,557 million), due to a rise in transaction volumes in food-distribution-related companies, and a rise in transactions for fresh food and food materials. Gross trading profit was up by 0.8%, or ¥1.5 billion, to ¥202.7 billion (US$2,155 million), due to a rise in transactions for frozen foods and daily-delivery foods in the food-distribution-related business, despite a decline in the fresh-food-and-food-materials-related business due to the conversion of a frozen-foods-related subsidiary into an equity-method associated company in the first quarter of the current fiscal year. Net income attributable to ITOCHU increased by 4.3%, or ¥1.9 billion, to ¥45.7 billion (US$486 million), due to a rise in gross trading profit, recognition of a gain on sales of investments and an increase in equity in earnings of associated companies, despite the absence of a gain on sales of property and equipment and the receipt of insurance for the previous fiscal year. Total assets, compared with the previous fiscal year-end, increased by 5.5%, or ¥71.8 billion, to ¥1,370.2 billion (US$14,569 million), which resulted from a rise in the trade receivables resulting from higher transaction volumes in the food-distribution-related business, due to a rise in stock prices and the effect of yen depreciation.

ICT, General Products & Realty

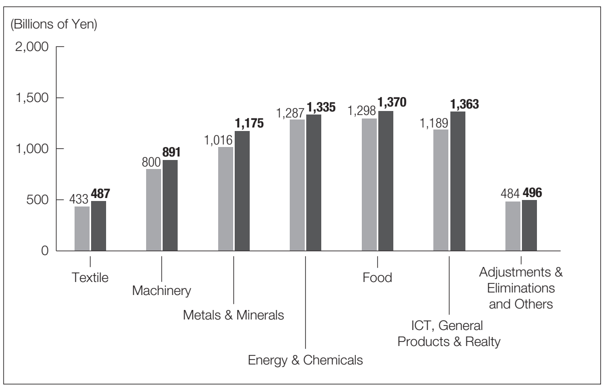
Trading transactions for unaffiliated customers and associated companies decreased by 8.5%, or ¥138.1 billion, to ¥1,495.4 billion (US$15,900 million), due to slumping market prices for natural rubber, lower sales of condominiums, the conversion of a mobile-phone-related subsidiary into an equity-method associated company in the third quarter of the current fiscal year, and sales of consolidated subsidiaries in the previous fiscal year, despite the acquisition of Kwik-Fit Group for the previous fiscal year and higher transactions in domestic ICT-related companies. Gross trading profit decreased by 3.3%, or ¥8.1 billion, to ¥236.6 billion (US$2,515 million), due to lower sales of condominiums, the conversion of a mobile-phone-related consolidated subsidiary into an equity-method associated company and sales of consolidated subsidiaries in the previous fiscal year, despite an increase due to the acquisition of Kwik-Fit Group for the previous fiscal year and higher transaction volume in domestic ICT-related companies. Net income attributable to ITOCHU was up by 38.6%, or ¥14.5 billion, to ¥52.1 billion (US$554 million), due to a rise in gain on investments, a significant rise in earnings of associated companies and the absence of a loss on reversal of deferred tax assets accompanying the change in effective income tax rate for the previous fiscal year, despite lower gross trading profit. Total assets, compared with the previous fiscal year-end, were up by 14.7%, or ¥174.8

Net Income (Loss) by Operating Segment



■ 2012
■ 2013
* For fiscal years

Identifiable Assets by Operating Segment



■ 2012
■ 2013
* As of March 31

billion, to ¥1,363.4 billion (US$14,497 million), reflecting a rise in inventories of general merchandise and real-estate-related business, obtain of property and equipment, the acquisition of METSA FIBRE and the effect of yen depreciation.

Adjustments & Eliminations and Others

Trading transactions for unaffiliated customers and associated companies decreased by 2.7%, or ¥1.6 billion, to ¥56.7 billion (US$602 million), due to sales of consolidated subsidiaries in the current fiscal year. Gross trading profit was down by 29.1%, or ¥5.7 billion, to ¥13.8 billion (US$147 million), due to sales of consolidated subsidiaries in the current fiscal year and an increase in adjustments and eliminations. Net income attributable to ITOCHU significantly improved by ¥21.8 billion, to ¥13.6 billion (US$144 million), due to an improvement of income tax expense resulting from an increase in foreign tax credit and realization of losses in tax basis, the absence of a loss on reversal of deferred tax assets accompanying the change in effective income tax rate and absence of impairment losses on investment securities recognized for the previous fiscal year, as well as recognition of gain on sales of investments. Total assets were up by 2.4 %, or ¥11.7 billion, to ¥495.7 billion (US$5,270 million), compared with the previous fiscal year-end, due to a rise in cash and cash equivalents, despite a decrease due to sales of consolidated subsidiaries in the current fiscal year.

Discussion and Analysis of Results of Operations

A discussion and analysis of financial position and results of operations for Fiscal 2013 is as follows:

Descriptions of the outlook for Fiscal 2014 and later are forward-looking statements that are based on management's assumptions and beliefs, considering information currently available at the end of Fiscal 2013. 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 2013 and Outlook for Fiscal 2014

Revenue

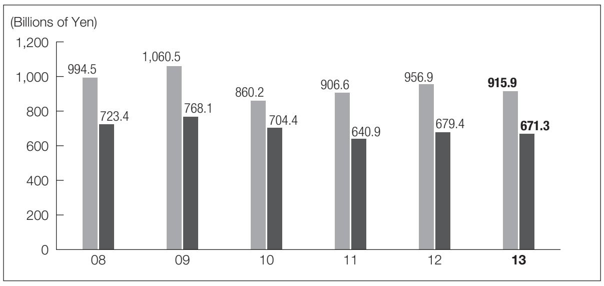
In accordance with the stipulations of FASB Accounting Standards Codification Topic 605, the Company and its subsidiaries present certain revenue transactions with corresponding cost of revenues on a gross basis in the consolidated statements of operations as "sales revenue" for transactions traded as 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 the consolidated statements of operations as "trading margins and commissions on trading transactions."

In the fiscal year, ended March 31, 2013, "sales revenue" on a gross basis was ¥4,246.0 billion (US$45,146 million), and "trading margins and commissions on trading transactions" on a net basis was ¥333.8 billion (US$3,549 million). Total revenue increased by 9.1 %, or ¥382.2 billion compared with the previous fiscal year, to ¥4,579.8 billion (US$48,695 million). It was attributable to higher revenue in several division companies. The Energy & Chemicals Company achieved an increase due to the acquisition of U.S. energy-related companies as consolidated subsidiaries in the fourth quarter of the previous fiscal year. In the Machinery Company, revenue increased due to the acquisition of automobile-related companies in the second quarter of the current fiscal year. These increases more than offset the decline in the Metals & Minerals Company due to falls in prices of iron ore, coal and others.

Gross Trading Profit

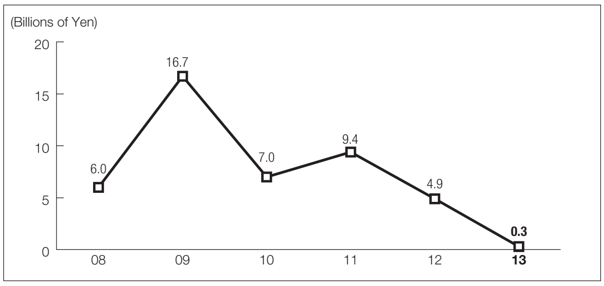
Gross trading profit decreased by 4.3%, or ¥41.0 billion, to ¥915.9 billion (US$9,738 million). It was attributable to decreases in several division companies. The Metals & Minerals Company posted a significant decrease due to falls in prices of iron ore and coal, despite an increase in sales volume. The ICT, General Products & Realty Company posted a decrease due to the conversion of a mobile-phone-related consolidated subsidiary into an equity-method associated company and sales of consolidated subsidiaries in the previous fiscal year, despite an increase due to the acquisition of Kwik-Fit Group for the previous fiscal year. These decreases counteracted the increase in the Energy & Chemicals

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

Company due to a rise accompanying the acquisition of domestic energy-related companies in the second quarter of the current fiscal year and a rise in transactions for crude oil, fuel oil and petroleum products in the energy sector and the increase in the Machinery Company as a result of the acquisition of automobile-related companies in the second quarter of the current fiscal year, and an increase in ship transactions.

Furthermore, the above-mentioned acquisitions, such as domestic energy-related companies and others, resulted in a ¥22.3 billion increase. The translation of overseas subsidiaries resulted in a ¥6.6 billion increase due to foreign exchange fluctuations (mainly due to the U.S. dollar) during Fiscal 2013; the deconsolidation of consolidated subsidiaries resulted in a ¥29.6 billion decrease, as well as decline in the existing metals and minerals related subsidiaries resulted in a ¥44.5 billion decrease. Excluding those positive and negative factors, the actual increase in the gross trading profit of other existing subsidiaries was ¥4.2 billion.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 1.2%, or ¥8.1 billion, to ¥671.3 billion (US$7,138 million). It was attributable to the result of the acquisition of new consolidated subsidiaries or the conversion of subsidiaries into equity method associated companies and sales of consolidated subsidiaries accompanying the asset replacement.

Furthermore, the decrease in expenses due to the deconsolidation of consolidated subsidiaries was ¥27.8 billion, and the increase in expenses due to the above-mentioned acquisitions such as domestic energy-related companies and others was ¥18.9 billion as well as the translation of overseas subsidiaries resulted in a ¥2.9 billion increase due to foreign exchange fluctuations during the fiscal year. And, the increase in the existing metals and minerals related subsidiaries resulted in ¥1.9 billion. Excluding those positive and negative factors, the actual decrease in the expenses of other existing subsidiaries was ¥3.9 billion.

Provision for Doubtful Receivables

Provision for doubtful receivables improved ¥4.6 billion, to a loss of ¥0.3 billion (US$4 million), due to a decrease in the allowance for doubtful receivables and collections.

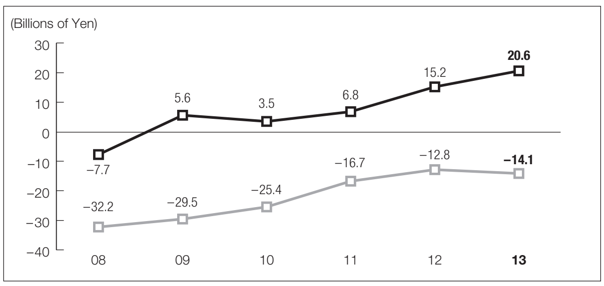
Net Financial Income (Net of Interest Income, Interest Expense and Dividends Received)

Net financial income improved by ¥5.4 billion, to a gain of ¥20.6 billion (US$219 million).

Net interest expenses, consisting of interest expense and interest income, worsened by 9.6%, or ¥1.2 billion, to a loss of ¥14.1 billion (US$149 million). Interest income decreased by 10.0%, or ¥1.0 billion, due to a decline the balance of cash equivalences, at ¥9.2 billion (US$98 million). Interest expense increased by 1.0%, or ¥0.2 billion, to ¥23.2 billion (US$247 million). It was due to an increase in interest-bearing debt, despite lower debt cost.

Furthermore, Dividends received increased by 23.7%, or ¥6.6 billion, to ¥34.6 billion (US$368 million), due primarily to an increase in dividends from oil-and-gas-related investments on Sakhalin.

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 ¥24.9 billion, to a gain of ¥45.9 billion (US$488 million). This gain was attributable to an increase in gain on sales of investments, which more than offset a decrease in revaluation gain related to reclassification of control between consolidated subsidiaries and equity-method associated companies.

Loss on property and equipment–net deteriorated by ¥2.5 billion, compared with the previous fiscal year, to a loss of ¥9.3 billion (US$99 million), due to an increase of impairment losses on property and equipment and the worsening of gain (loss) on sales of property and equipment.

Other–net decreased by ¥13.5 billion, compared with the previous fiscal year, to a gain of ¥9.7 billion (US$104 million), mainly due to the absence of the receipt of insurance related to the Great East Japan Earthquake for the previous fiscal year and a decrease of miscellaneous income (loss). Also, Gain on bargain purchase in acquisition of ¥15.9 billion was recognized in the previous fiscal year.

Income Taxes

Income taxes decreased (improved) by 22.7%, or ¥27.7 billion, compared with the previous fiscal year, to expenses of ¥94.3 billion (US$1,003 million) due to the absence of a loss on reversal of deferred tax assets accompanying the change in the effective income tax rate under the Japanese tax reform.

Equity in Earnings of Associated Companies

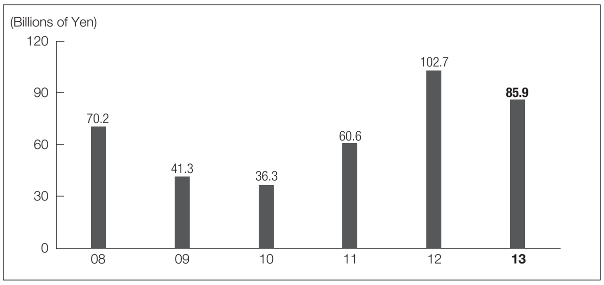
Equity in earnings of associated companies decreased by 16.4%, or ¥16.9 billion, compared with the previous fiscal year, to a gain of ¥85.9 billion (US$913 million). This decline was attributable to impairment losses of oil and gas properties recognized by U.S. oil-and-gas-development-related companies as a result of slumping gas prices and a revision of development plans as well as a decrease in equity in earnings of mineral-resources-related companies accompanying falls in iron ore prices. These factors more than offset rises due to new investments in Colombian coal-related companies and European pulp-related companies; increases in equity in earnings of CVS company and mobile-phone-related companies; and an unordinary gain recognized due to an investment in an industrial-textiles-related company.

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

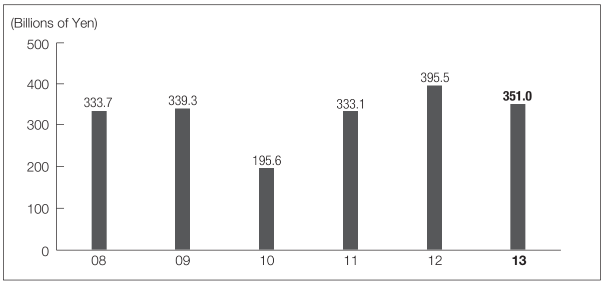
Adjusted profit (net of gross trading profit, selling, general and administrative expenses, net interest expenses, dividends received, and equity in earnings of associated companies) decreased 11.3%, or ¥44.5 billion, to ¥351.0 billion (US$3,732 million), due to a decrease in Gross Trading Profit and Equity in Earnings of Associated Companies, despite an improvement of Selling, General and Administrative Expenses and an increase in Net financial income.

Equity in Earnings of Associated Companies



* For fiscal years

Adjusted Profit



* For fiscal years

Performance of Subsidiaries and Equity-Method Associated Companies

Profits / Losses of Group Companies Reporting Profits / Losses

	Billions of Yen								
	2013			2012			Changes		
Years ended March 31	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total
Group companies excluding overseas trading subsidiaries...	**¥249.0**	**¥(43.6)**	**¥205.4**	¥289.2	¥(17.9)	¥271.3	¥(40.2)	¥(25.7)	¥(65.9)
Overseas trading subsidiaries...	**23.9**	**(0)**	**23.9**	24.0	(0.3)	23.7	(0.1)	0.3	0.2
Total	**¥272.9**	**¥(43.6)**	**¥229.3**	¥313.2	¥(18.2)	¥295.0	¥(40.3)	¥(25.4)	¥(65.7)

Share of Group Companies Reporting Profits

	2013			2012			Changes		
Years ended March 31	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
No. of companies reporting profits....................	**126**	**175**	**301**	124	175	299	2	0	2
No. of group companies	**145**	**211**	**356**	144	222	366	1	(11)	(10)
Share	**86.9%**	**82.9%**	**84.6%**	86.1%	78.8%	81.7%	0.8 pts.	4.1 pts.	2.9 pts.

(Note) Investment companies which are directly invested by ITOCHU and its Overseas trading subsidiaries are included in the above-mentioned number of companies. Investment companies which are considered as part of the parent company are not included.

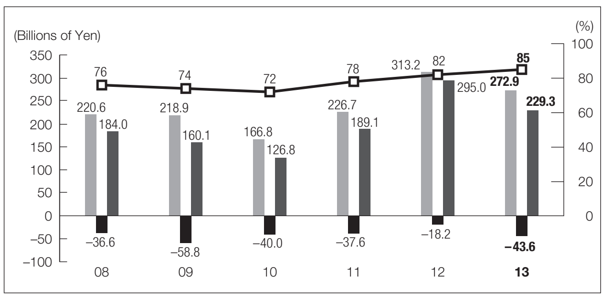
In the fiscal year, net income from subsidiaries and equity-method associated companies (aggregate profit / loss of subsidiaries and equity-method associated companies excluding overseas trading subsidiaries) decreased ¥65.9 billion, to ¥205.4 billion, because of decreases in profit from ITOCHU Minerals & Energy of Australia Pty Ltd and Brazil Japan Iron Ore Corporation, which counteracted increases in profit from NIPPON ACCESS, INC. and ITOCHU Oil Exploration Co., Ltd. The significant decrease in profit from ITOCHU Minerals & Energy of Australia Pty Ltd was due to the fall in iron ore and coal prices and the absence of tax effects recognized for the previous fiscal year stemming from the tax reform in Australia. The decrease in profit from Brazil Japan Iron Ore Corporation was due to a fall in sales prices and the absence of a related gain in business combination recognized for the previous fiscal year. The increase in profit from NIPPON ACCESS, INC was due to an increase in transactions of frozen foods and daily-delivery foods. The increase in profit from ITOCHU Oil Exploration Co., Ltd. was due mainly to a gain on sales of investments.

Profits from overseas trading subsidiaries were up ¥0.2 billion, to ¥23.9 billion, due to a rise in earnings from a Thailand trading subsidiary stemming from increases in finance-related companies and transactions in metals, minerals and food, in addition, due to an increase in a Hong Kong trading subsidiary owing to a rise in earnings of finance-related companies.

These increases offset a decrease in a Australia trading subsidiary.

The aggregate income from Group companies (subsidiaries, equity-method associated companies, and overseas trading subsidiaries) reporting profits was down ¥40.3 billion, to ¥272.9 billion, because of the above-mentioned decreases in profits from ITOCHU Minerals & Energy of Australia Pty Ltd and Brazil Japan Iron Ore Corporation. Meanwhile, the aggregate loss from Group companies reporting losses worsened ¥25.4 billion, to ¥43.6 billion, because of a significant loss of new associate oil-and-gas-development-related company due to impairment losses of oil and gas properties associated with development plan revisions as well as slumping gas prices which more than offset an improvement in a profit from European Tyre Enterprise Limited due to the absence of the unordinary expense recognized in the previous fiscal year for post-acquisition restructuring. 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 2.9 percentage points, to 84.6%.

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

Year ended March 31	Shares	Net income (loss) attributable to ITOCHU *1 Billions of Yen 2013	2012	Reasons for changes
Domestic Subsidiaries				
NIPPON ACCESS, INC. *2	93.8%	**¥10.8**	¥ 8.6	Increase due to absence of expenses related to the Great East Japan Earthquake and loss accompanying change in effective income tax rate for the previous fiscal year, and increase in transactions of frozen foods and daily-delivery foods, despite absence of gain on sale of land and buildings recognized for the previous fiscal year
Brazil Japan Iron Ore Corporation *3	67.5	**10.4**	36.8	Decrease due to fall in sales prices and absence of related gain in business combination recognized for the previous fiscal year, despite increase in sales volume and gain on foreign currency translation
ITOCHU Techno-Solutions Corporation *4	56.6	**8.9**	7.5	Increase due to infrastructural enhancement projects accompanying faster speeds of mobile telecommunications and spread of smart devices, as well as to new large-scale infrastructure construction projects
ITOCHU Oil Exploration Co., Ltd.	100.0	**5.7**	0.6	Increase mainly due to gain on sales of investments
ITOCHU ENEX CO., LTD.	54.0	**3.2**	2.4	Increase due to favorable performance by electric power business and Home-Life Division and contribution of new consolidated steam supply company
ITOCHU CHEMICAL FRONTIER Corporation	100.0	**3.0**	2.9	Increase due to gain on sales of investments, despite sales transactions at almost the same level
China Foods Investment Corp.	74.1	**2.7**	2.4	Increase due to unordinary gains recognized by acquisition of Pepsi bottling business, despite sluggish sales in beverage business
ITOCHU PLASTICS INC.	100.0	**2.2**	1.9	Increase due to stable transactions in the packaging materials area and gain on sales of investments, despite lower sales volume of plastics and electronic materials used as raw materials as result of unfavorable operations by Japanese manufacturers of consumer electronics/home appliances
ITOCHU Property Development, Ltd.	99.8	**1.8**	2.6	Decrease due to lower condominium sales and losses on some real estate for sale valued using lower-of-cost-or-market method
SANKEI CO., LTD.	100.0	**1.6**	4.0	Decrease due to absence of recognition of deferred tax assets accompanying participation in consolidated taxation group for the previous fiscal year
ITOCHU Kenzai Corp. *5	100.0	**1.5**	1.8	Due to decline in plywood prices compared with the previous fiscal year
Overseas Subsidiaries				
ITOCHU Minerals & Energy of Australia Pty Ltd *6	100.0	**50.3**	89.3	Decrease due to the fall in iron ore and coal prices and the absence of tax effects recognized for the previous fiscal year stemming from the tax reform in Australia, despite increase in sales volume of iron ore and coal
ITOCHU Oil Exploration (Azerbaijan) Inc.	100.0	**13.1**	13.0	Almost the same level as higher sales volume and the impact of yen depreciation on foreign currency translations were offset by fall in oil prices and rise in costs
ITOCHU International Inc.	100.0	**7.7**	7.5	Increase mainly due to stable performance by Machinery segment centered on IPP-related business and the impact of yen depreciation on foreign currency translations, despite sluggish performance by housing-materials-related companies
ITOCHU (China) Holding Co., Ltd. *7	100.0	**4.1**	4.2	Decrease due to unfavorable transaction volume related to chemicals, despite increase in earnings of textile-related companies
ITOCHU Coal Americas Inc.	100.0	**3.5**	2.0	Due to actual commencement of profit of new established company from the third quarter of the previous fiscal year (Investment and management company for projects of coal in Colombia)
ITOCHU Hong Kong Ltd. *8	100.0	**3.4**	2.8	Increase due to increase in earnings of finance-related companies
ITOCHU FIBRE LIMITED	100.0	**2.4**	—	Stable pulp-related transactions (European pulp-related company established in the current fiscal year)
ITOCHU (Thailand) Ltd.	100.0	**2.3**	1.2	Increase due to increase in earnings of finance-related companies and increase in transactions in metals, minerals and food
European Tyre Enterprise Limited	100.0	**2.2**	(0.4)	Increase due to improvement in profitability and reduction of expenses, as well as absence of the unordinary expense recognized in the previous fiscal year for post-acquisition restructuring, despite deterioration of market prices
ITOCHU Australia Ltd. *6	100.0	**2.0**	3.6	Due to decrease in profit of ITOCHU Minerals & Energy of Australia Pty Ltd
ITOCHU Singapore Pte Ltd *8	100.0	**1.8**	1.5	Increase due to stable transactions in construction materials and textiles
Domestic Equity-Method Associated Companies				
Marubeni-Itochu Steel Inc.	50.0	**12.8**	12.9	Almost the same level due to favorable performance in steel pipe area, despite slumping market
FamilyMart Co., Ltd.	31.5	**9.1**	6.7	Increase due to stable trading income and gain on sales of investments accompanying reorganization of business scheme of companies in Thailand
ITC NETWORKS CORPORATION *9	48.3	**4.2**	1.5	Increase due to favorable smartphone sales, increase in trading income as a result of merger, and as a result of gain of revaluation accompanying the conversion into equity-method associated companies
Japan Brazil Paper and Pulp Resources Development Co., Ltd.	32.1	**2.0**	2.1	Decrease due to fall in pulp prices from preceding year, despite improvement in foreign currency translation stemming from depreciation of the Brazilian real (against U.S. dollar) and increase in earnings due to acquisition of additional shares
Overseas Equity-Method Associated Companies				
Unicharm Consumer Products (China) Co., Ltd. *7	20.0	**1.2**	1.0	Increase due to favorable sales accompanying growth in China's domestic demand
PT. KARAWANG TATABINA INDUSTRIAL ESTATE	50.0	**0.8**	0.6	Increase due to stable marketing of Karawang International Industrial City (third phase)

Major Group Companies Reporting Loss

Year ended March 31	Shares	Net income (loss) attributable to ITOCHU *1 Billions of Yen 2013	2012	Reasons for changes
Overseas Subsidiaries				
JD Rockies Resources Limited	100.0%	**¥(31.2)**	¥(0.1)	Significant deterioration for new associate oil-and-gas-development-related company due to impairment losses of oil and gas properties associated with development plan revisions as well as slumping gas prices
LLC ITR	100.0	**(0.7)**	0.1	Deterioration due to lower profitability accompanying change in market environment

*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 NIPPON ACCESS, INC. took over business from ITOCHU Fresh Corporation Inc. on October 1, 2011. As a result, profit for the same period of the previous fiscal year is presented as the sum of both companies' profit.
*3 The above figure of Brazil Japan Iron Ore Corporation for the same period of the previous fiscal year 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 yen after tax effect for FY2012)
*4 ITOCHU Techno-Solutions Corporation acquired ITOCHU Techno-solutions America, Inc. as a subsidiary on March 31, 2012. (The company's name changed from ITOCHU Technology, Inc. on April 2, 2012.) As a result, profit for the same period of the previous fiscal year is presented as the sum of both companies' profit.
*5 ITOCHU Kenzai Corp. acquired ITC Green & Water Corp. as a subsidiary on April 1, 2012. As a result, profit for the same period of the previous fiscal year is presented as the sum of both companies' profit.
*6 The above figure of ITOCHU Australia Ltd. includes 3.7% of net income from ITOCHU Minerals & Energy of Australia Pty Ltd.
*7 The above figure of ITOCHU (China) Holding Co., Ltd. includes 3.8% of net income from Unicharm Consumer Products (China) Co., Ltd.
*8 The above figure of ITOCHU Hong Kong Ltd. and ITOCHU Singapore Pte Ltd includes net income of equity-method associated companies which were transferred from ITOCHU due to the business restructuring in the Textile Material & Fabric Division.
As a result, profit for this period and the same period of the previous fiscal year includes these companies' profit.
*9 The above figure of ITC NETWORKS CORPORATION includes the profit resulting from gain on revaluation accompanying the conversion of existing consolidated subsidiaries into equity-method associated companies (2.5 billion yen after tax effect).

Outlook for Fiscal 2014

Going forward, we anticipate gradual economic expansion, centering on the United States and China. Nevertheless, the outlook remains opaque due to the protracted European sovereign debt crisis and ongoing fiscal issues in the United States. Accordingly, financial markets are growing increasingly risk averse. 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. Furthermore, in some emerging markets financial restraints to curtail inflation could inhibit growth. In the Japanese economy, we anticipate recovery in both exports and internal demand, supported by extensive monetary easing, yen depreciation and increased public spending.

Under those business conditions, in Fiscal 2014, the starting year of the Medium-Term Management Plan—Brand-new Deal 2014, the ITOCHU Group expects earnings to increase due to steady cultivation of new investments, continuous improvement of the management of our existing businesses, a further strengthening of the non-resource sectors and continuing cost reductions.

Management Policy for the Future

Promoting the Medium-Term Management Plan "Brand-new Deal 2014"

The ITOCHU Group's previous medium-term management plan, "Brand-new Deal 2012" (the two-year plan covering the period from Fiscal 2012 to Fiscal 2013), sought to implement the basic business principles of "earn, cut, prevent." The next medium-term management plan, "Brand-new Deal 2014" (the two-year plan covering the period from Fiscal 2014 to Fiscal 2015), is formulated to maintain these principles and achieve further growth. As well as continuing to develop the basic policies of the previous medium-term management plan, "strengthen our front-line capabilities," "proactively seek new opportunities," and "expand our scale of operations," "Brand-new Deal 2014" raises the three new basic policies outlined below.

The first is "boost profitability." We will steadily cultivate and expand revenues derived from the approximately ¥970 billion in new investment made during the term of the previous medium-term management plan. At the same time, we will continue striving to improve management in order to increase the profitability of existing businesses. Furthermore, we will aggressively take on promising new projects, making new investments over the two-year period of up to ¥800 billion on a net basis and ¥1,000 billion on a gross investment basis, further expanding our earnings platform.

The second is "pursue balanced growth." In new investment, we will seek to maintain a balance between non-resource and resource sectors; reinforce ITOCHU's strength in consumer-related fields; and achieve higher earnings in machinery, chemicals and other basic industry-related areas, as we aim to become the leading trading company in the non-resource sector. Furthermore, we will work to reinvigorate the domestic and trading businesses.

The third is "maintain financial discipline and lean management." Along with investing aggressively, we will expand our operating cash flow, promote an exit from stock holdings in non-affiliate companies, and use amassed earnings to strengthen stockholders' equity. We will sustain a sound net debt to equity ratio. We also will continue working to improve the ratio of SG&A expense to gross trading profit by maintaining a lean management amid an uncertain business condition.

ITOCHU will also sustain efforts to strengthen its management foundation. As well as continuing to strengthen the overseas compliance system, we will establish a system for effective, efficient investigation/monitoring of bribery and collusive bidding risks in Japan and overseas. In corporate governance, we will maintain our current system, which is based on the Board of Directors including outside directors and the Board of Corporate Auditors, a half or more of whom are outside corporate auditors.

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

Under "Brand-new Deal 2014," we will maintain the same dividend policy as during the previous medium-term management plan: a dividend payout ratio of approximately 20% on Net income attributable to ITOCHU up to ¥200.0 billion, and a dividend payout ratio of approximately 30% on the portion of Net income attributable to ITOCHU exceeding ¥200.0 billion.

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 a 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 81% 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 and a treasury company in 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

Note: As of May 23, 2013, the Company's outlook has been changed to "Positive."

Interest-Bearing Debt

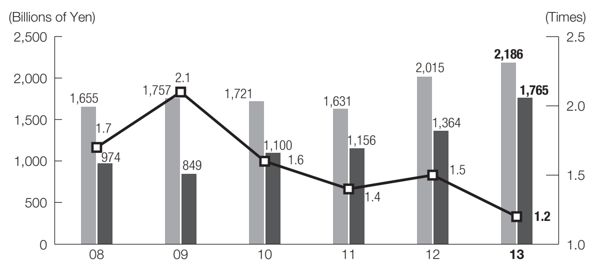
Interest-bearing debt as of March 31, 2013, increased by 9.0%, or ¥228.9 billion compared with March 31, 2012, to ¥2,762.5 billion (US$29,372 million). Net interest-bearing debt (interest-bearing debt after deducting Cash and cash equivalents and Time deposits) increased by 8.5%, or ¥170.7 billion, to ¥2,185.6 billion (US$23,239 million). Net DER (debt-to-equity ratio) was set to 1.2 times from 1.5. Furthermore, the ratio of long-term interest-bearing debt to total interest-bearing debt was 83%, up 1 point from 82% at March 31, 2013.

Details of interest-bearing debt as of March 31, 2013, and as of March 31, 2012, are as follows:

	Billions of Yen		Millions of U.S. Dollars
Years ended March 31	2013	2012	2013
Short-term debt:			
Short-term loans, mainly from banks	¥ 429.9	¥ 358.2	$ 4,571
Commercial paper	6.0	57.1	64
Current maturities of long-term debt:			
Current maturities of long-term loans, mainly from banks	41.1	33.7	437
Current maturities of debentures	5.5	2.0	59
Short-term total	482.5	451.0	5,131
Long-term debt (Note):			
Long-term loans, mainly from banks, less current maturities	1,817.0	1,716.5	19,319
Debentures	462.9	366.1	4,922
Long-term total	2,279.9	2,082.6	24,241
Total interest-bearing debt	2,762.5	2,533.6	29,372
Cash and cash equivalents and time deposits	576.8	518.7	6,133
Net interest-bearing debt	¥2,185.6	¥2,014.9	$23,239

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, 2013, increased by 9.4%, or ¥610.2 billion, compared with March 31, 2012, to ¥7,117.4 billion (US$75,677 million). There was an increase in Cash and cash equivalents and Time deposits; new investments in the non-resource sector such as European pulp-related companies, automobile-related companies, IPP-related and water-supply-related companies, European apparel manufacturing and wholesale-related companies; increases in inventories in the ICT, General Products & Realty Company and the Energy & Chemicals Company; and an increase accompanying additional capital expenditures in the natural resource development sector; as well as the effect of yen depreciation.

Total ITOCHU stockholders' equity rose by 29.5%, or ¥401.6 billion, compared with March 31, 2012, to ¥1,765.4 billion (US$18,771 million), due to an increase in Net income attributable to ITOCHU and an improvement in Accumulated other comprehensive income (loss) due to yen depreciation and high stock prices, which more than compensated for a decrease accompanying dividends payment. The Ratio of stockholders' equity to total assets improved by 3.8 points to 24.8% from March 31, 2012.

Total equity, or the total of ITOCHU stockholders' equity and Noncontrolling interest, which means the total equity of the entire Group, increased by 24.6%, or ¥416.5 billion, compared with March 31, 2012, to ¥2,112.6 billion (US$22,463 million).

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

Trade receivables (less allowance for doubtful receivables) increased by ¥43.0 billion, to ¥1,696.4 billion (US$18,037 million), due to higher transaction volume in the automobile and chemical sector and the effect of yen depreciation, despite a decrease due to the conversion of a mobile-phone-related subsidiary into an equity-method associated company.

Inventories increased by ¥83.5 billion, to ¥657.9 billion (US$6,995 million), due to the accumulation of inventories in the forest products & general merchandise sector and construction & realty sector, and the effect of yen depreciation.

Deferred tax assets decreased by ¥0.9 billion, to ¥47.8 billion (US$508 million).

Investments in and advances to associated companies increased by ¥250.2 billion, to ¥1,645.6 billion (US$17,497 million), due to new investments in pulp business in Europe in the forest products & general merchandise sector and IPP-related and water-supply-related companies in the Machinery Company, earnings of associated companies, and the effect of yen depreciation.

Other investments increased by ¥46.3 billion, to ¥530.3 billion (US$5,638 million), due to a rise in stock prices and the effect of yen depreciation.

Property and equipment (less accumulated depreciation) increased by ¥96.3 billion, to ¥804.3 billion (US$8,551 million), due to additional capital expenditures in the natural resource development sector and the effect of yen depreciation.

Goodwill and other intangible assets increased by ¥40.1 billion, to ¥324.2 billion (US$3,447 million), due to the acquisition of automobile-related companies and the effect of yen depreciation.

Deferred tax assets, non-current, decreased by ¥29.3 billion, to ¥51.4 billion (US$547 million). Furthermore, net deferred tax assets decreased by ¥38.3 billion, to ¥54.5 billion (US$579 million).

Total trade payables increased by ¥34.9 billion, to ¥1,469.2 billion (US$15,621 million), due to higher transaction volume in food-distribution-related companies and an increase in inventories' anticipating demand going forward in energy-related companies.

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 2013, comprising the sum of cash, cash equivalents, time deposits (¥576.8 billion), and commitment line agreements (yen long-term: ¥350.0 billion, multiple currency short-term: US$500 million) was ¥973.9 billion (US$10,355 million), increased by ¥14.1 billion from the previous fiscal year-end. ITOCHU believes that this amount constitutes adequate reserves for liquidity since it is 3.0 times the necessary liquidity amount (short-term interest-bearing debt and contingent liabilities due within three months), which amounted to ¥323.1 billion (US$3,435 million) as of March 31, 2013.

Secondary liquidity reserves (other assets that can be converted to cash in a short period of time) stood at ¥612.3 billion (US$6,510 million). When added to primary liquidity reserves, the total amount of liquidity reserves stood at ¥1,586.1 billion (US$16,865 million).

ITOCHU Corporation has long-term commitment line agreements with financial institutions totaling ¥350.0 billion (US$3,721 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 ¥259.7 billion (US$2,761 million) of current maturities of long-term debt as non-current liabilities on the consolidated balance sheet, which was part of ¥306.4 billion (US$3,258 million) in non-current liabilities with a maturity of one year or less based on loan contracts at the end of Fiscal 2013. 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, and 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.

Necessary Liquidity

	Billions of Yen		Millions of U.S. Dollars
Years ended March 31	2013	Necessary Liquidity	2013
Short-term interest-bearing debt	¥435.9	¥217.9 (435.9/6 months x 3 months)	$2,317
Current maturities of long-term interest-bearing debt	306.4*	76.6 (306.4/12 months x 3 months)	814
Contingent liabilities (Guarantees [substantial risk] for monetary indebtedness of equity-method associated companies and customers)	114.5	28.6 (114.5/12 months x 3 months)	304
Total		¥323.1	$3,435

* The figure is the total of current maturities of long-term debt (¥46.7 billion) in the Consolidated Balance Sheets and long-term commitment line with financial institutions (¥259.7 billion).

Primary Liquidity Reserves

	Billions of Yen	Millions of U.S. Dollars
	2013	
Years ended March 31	Liquidity Reserves	Liquidity Reserves
1. Cash, cash equivalents and time deposits	¥576.8	$ 6,133
2. Commitment line agreements	397.0	4,222
Total primary liquidity reserves	¥973.9	$10,355

Secondary Liquidity Reserves

	Billions of Yen	Millions of U.S. Dollars
	2013	
Years ended March 31	Liquidity Reserves	Liquidity Reserves
3. Available portion of over draft for ITOCHU stand alone	¥ 166.3	$ 1,768
4. Available-for-sale securities (Fair value on a consolidated basis)	285.2	3,032
5. Notes receivable	160.8	1,710
Total secondary liquidity reserves	¥ 612.3	$ 6,510
Total liquidity reserves	¥1,586.1	$16,865

Cash flows from operating activities for the year ended March 31, 2013, recorded a net cash-inflow of ¥245.7 billion (US$2,612 million) resulting from the stable performance in operating revenue in the Machinery Company, the energy sector, and the Food Company despite an increase in inventories in the construction & realty sector and the forest products & general merchandise sector, as well as stable performance in operating revenue in the Metals & Minerals Company, despite falls in commodity prices.

Cash flows from investing activities recorded a net cash-outflow of ¥200.0 billion (US$2,126 million) due to new investments in the European pulp-related companies, automobile-related companies, IPP-related and water-supply-related companies in the non-resource sector and additional capital expenditures in the natural resource development sector, despite sales of investments.

Cash flows from financing activities recorded a net cash-outflow of ¥11.3 billion (US$120 million), mainly due to dividends payment exceeding proceeds from debt.

A summary of cash flows for the fiscal years ended March 31, 2013 and 2012, were as follows:

	Billions of Yen		Millions of U.S. Dollars
Years ended March 31	2013	2012	2013
Cash flows from operating activities	¥ 245.7	¥ 212.8	$ 2,612
Cash flows from investing activities	(200.0)	(416.3)	(2,126)
Cash flows from financing activities	(11.3)	84.7	(120)
Effect of exchange rate changes on cash and cash equivalents	21.9	(1.5)	232
Net increase (decrease) in cash and cash equivalents	56.2	(120.3)	598
Cash and cash equivalents at beginning of year	513.5	633.8	5,460
Cash and cash equivalents at end of year	¥ 569.7	¥ 513.5	$ 6,058

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, 2013 and 2012 were as follows:

	Billions of Yen		Millions of U.S. Dollars
Years ended March 31	2013	2012	2013
Guarantees for equity-method associated companies:			
Maximum potential amount of future payments	¥ 94.2	¥106.4	$1,002
Amount of substantial risk	74.7	85.5	794
Guarantees for customers:			
Maximum potential amount of future payments	¥ 88.8	¥ 78.2	$ 944
Amount of substantial risk	72.2	59.5	768
Total:			
Maximum potential amount of future payments	¥183.0	¥184.6	$1,946
Amount of substantial risk	146.9	144.9	1,562

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 Liability" 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 2013				
Years ended March 31	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Short-term loans payable	¥ 435.9	¥435.9	¥ —	¥ —	¥ —
Long-term debt	2,494.5	46.7	833.0	604.4	1,010.4
Operating leases	322.4	45.3	73.7	57.4	146.0

	Millions of U.S. Dollars 2013				
Years ended March 31	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Short-term loans payable	$ 4,635	$4,635	$ —	$ —	$ —
Long-term debt	26,523	496	8,857	6,426	10,744
Operating leases	3,428	481	783	611	1,553

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, 2013.

(1) Corporate Result Risks Due to Macroeconomic Factors

ITOCHU Group is involved in a wide variety of businesses ranging from supply of raw materials to manufacturing and sales in each of its business 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 global economic trends while the domestic economy has a relatively strong influence on the consumer and retail-related segments such as textiles and food. However, global economic trends have been more and more influential even on the 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 investing, financing, 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 seeks to quantify the interest rate risk to better control the fluctuation of gains and losses due to interest rate changes.

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 applying 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 while 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 development businesses such as mineral resources and energy 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 losses on securities may arise which 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 in the event 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 country risk, in addition to taking appropriate countermeasures for each transaction, with the aim of avoiding a concentration of exposure, ITOCHU Group endeavors to manage this 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, investments 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., ITOCHU Group suffers detriment due to unable to obtain appropriate information from investees, 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 necessity that the whole or partial investment is recognized as a loss, and that an 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, ships, and assets related to natural resource development. 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, deterioration in market conditions for each of the assets, or changes in development plans. 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 markets 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 a deterioration in the stock market, it is possible that pension costs 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 realizable amount of deferred tax assets are reasonable. However, the allowance for deferred taxes may increase or decrease depending on changes in estimated future taxable income in tax planning, changes in the tax system including changes in tax rates, and changes in tax planning strategies. The occurrence of such changes, 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, resulting in a 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 the 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. Despite all of these measures, however, there is a possibility of the situation where, including personal misconduct by directors and employees, risks associated with compliance or exposure to social disgrace cannot be entirely 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 a 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 the 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 earthquakes or infectious diseases such as the new influenza may adversely affect the operations of ITOCHU Group. ITOCHU has implemented measures including developing a 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 by such events 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 significant estimates, judgments and assumptions that management believes may materially affect the 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 judgments on the evaluation of investments have 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 the 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, by considering the severity and duration of decline in the fair value against the carrying amount, impairment losses are recognized in the consolidated statements of income for such decline value.

For impairments of non-marketable securities, the determination of an other-than-temporary decline is made after a comprehensive analysis 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 impairments 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 material assets 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 judgments on the evaluation of receivables have 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 record 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 judgments on the evaluation of deferred income tax assets have 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 historical financial information as well as 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 fair value 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, 2013 and 2012

	Millions of Yen		Millions of U.S. Dollars (Note 2)
Assets	**2013**	2012	**2013**
Current assets:			
Cash and cash equivalents (Note 4)	**¥ 569,716**	¥ 513,489	**$ 6,058**
Time deposits (Note 8)	**7,120**	5,173	**75**
Short-term investments (Note 4)	**3,655**	2,770	**39**
Trade receivables (Notes 6 and 8):			
Notes	**160,806**	167,521	**1,710**
Accounts (Note 12)	**1,543,851**	1,496,861	**16,415**
Allowance for doubtful receivables	**(8,242)**	(10,970)	**(88)**
Net trade receivables	**1,696,415**	1,653,412	**18,037**
Due from associated companies (Note 6)	**194,449**	159,348	**2,068**
Inventories (Note 8)	**657,853**	574,345	**6,995**
Advances to suppliers	**70,871**	91,965	**754**
Prepaid expenses	**39,355**	31,981	**418**
Deferred tax assets (Notes 15 and 16)	**47,810**	48,755	**508**
Other current assets (Notes 6 and 21)	**268,939**	298,848	**2,860**
Total current assets	**3,556,183**	3,380,086	**37,812**
Investments and non-current receivables:			
Investments in and advances to associated companies (Notes 5, 6, 8 and 13)	**1,645,568**	1,395,351	**17,497**
Other investments (Notes 4 and 8)	**530,293**	484,014	**5,638**
Other non-current receivables (Notes 6, 8 and 12)	**139,790**	137,199	**1,486**
Allowance for doubtful receivables (Note 6)	**(35,929)**	(42,087)	**(382)**
Total investments and net non-current receivables	**2,279,722**	1,974,477	**24,239**
Property and equipment, at cost (Notes 7, 8, 12 and 18)**:**			
Land	**140,345**	153,441	**1,492**
Buildings	**457,299**	429,314	**4,862**
Machinery and equipment	**557,423**	475,103	**5,927**
Furniture and fixtures	**84,287**	81,019	**896**
Mineral rights	**93,684**	83,500	**996**
Construction in progress	**57,591**	32,833	**613**
Total property and equipment, at cost	**1,390,629**	1,255,210	**14,786**
Less: Accumulated depreciation	**586,374**	547,277	**6,235**
Net property and equipment	**804,255**	707,933	**8,551**
Goodwill and other intangible assets (Note 9)**:**			
Goodwill	**157,914**	149,506	**1,679**
Other intangible assets, less accumulated amortization	**166,299**	134,603	**1,768**
Total goodwill and other intangible assets	**324,213**	284,109	**3,447**
Prepaid pension cost (Note 13)	**223**	67	**2**
Deferred tax assets, non-current (Notes 15 and 16)	**51,447**	80,729	**547**
Other assets (Note 21)	**101,403**	79,872	**1,079**
Total (Note 18)	**¥7,117,446**	¥6,507,273	**$75,677**

Refer to Notes to consolidated financial statements.

Liabilities and Equity	Millions of Yen 2013	Millions of Yen 2012	Millions of U.S. Dollars (Note 2) 2013
Current liabilities:			
Short-term debt (Notes 8 and 10)	¥ 435,880	¥ 415,268	$ 4,635
Current maturities of long-term debt (Notes 8 and 10)	46,664	35,700	496
Trade payables (Note 8):			
Notes and acceptances	180,385	174,118	1,918
Accounts	1,288,770	1,260,123	13,703
Total trade payables	1,469,155	1,434,241	15,621
Due to associated companies	42,606	38,368	453
Accrued expenses	166,714	156,787	1,773
Income taxes payable (Note 16)	37,758	48,548	401
Advances from customers	66,689	95,575	709
Deferred tax liabilities (Notes 15 and 16)	574	691	6
Other current liabilities (Notes 11, 12 and 21)	209,901	225,896	2,232
Total current liabilities	2,475,941	2,451,074	26,326
Long-term debt, excluding current maturities (Notes 8, 10, 11, 12 and 21)	2,447,868	2,259,717	26,027
Accrued retirement and severance benefits (Note 13)	36,804	64,304	391
Deferred tax liabilities, non-current (Notes 15 and 16)	44,214	36,037	470
Commitments and contingent liabilities (Note 24)			
Total liabilities	5,004,827	4,811,132	53,214
Equity:			
Common stock (Note 19):			
Authorized: 3,000,000,000 shares; issued: 1,584,889,504 shares 2013 and 2012	202,241	202,241	2,150
Capital surplus (Notes 16 and 19)	113,408	112,370	1,206
Retained earnings (Note 19):			
Legal reserve	29,533	22,134	314
Other retained earnings	1,471,895	1,274,131	15,650
Accumulated other comprehensive income (loss) (Notes 16 and 20):			
Foreign currency translation adjustments	(57,605)	(208,781)	(612)
Pension liability adjustments (Note 13)	(87,373)	(97,861)	(929)
Unrealized holding gains on securities (Note 4)	99,018	65,674	1,053
Unrealized holding losses on derivative instruments (Note 21)	(2,979)	(3,426)	(32)
Total accumulated other comprehensive income (loss)	(48,939)	(244,394)	(520)
Treasury stock, at cost (Note 19):			
4,383,289 shares 2013			
4,366,546 shares 2012	(2,703)	(2,685)	(29)
Total ITOCHU stockholders' equity	1,765,435	1,363,797	18,771
Noncontrolling interest (Note 19)	347,184	332,344	3,692
Total equity	2,112,619	1,696,141	22,463
Total	¥7,117,446	¥6,507,273	$75,677

Consolidated Statements of Income

ITOCHU Corporation and Subsidiaries
Years ended March 31, 2013, 2012 and 2011

	Millions of Yen			Millions of U.S. Dollars (Note 2)
	2013	2012	2011	2013
Revenue (Notes 12, 18 and 21):				
Sales revenue	¥ 4,245,976	¥ 3,800,242	¥ 3,192,949	$ 45,146
Trading margins and commissions on trading transactions	333,787	397,283	388,846	3,549
Total revenue	4,579,763	4,197,525	3,581,795	48,695
Cost of sales	(3,663,884)	(3,240,605)	(2,675,208)	(38,957)
Gross trading profit (Note 18)	915,879	956,920	906,587	9,738
Selling, general and administrative expenses (Notes 3, 9, 12 and 13)	(671,319)	(679,375)	(640,886)	(7,138)
Provision for doubtful receivables (Note 6)	(341)	(4,925)	(9,398)	(4)
Interest income	9,153	10,166	10,280	98
Interest expense (Note 21)	(23,207)	(22,985)	(27,002)	(247)
Dividends received	34,626	28,003	23,502	368
Gain (loss) on investments–net (Notes 3, 4 and 19)	45,856	20,942	(38,125)	488
Loss on property and equipment–net (Notes 7 and 9)	(9,273)	(6,747)	(33,739)	(99)
Gain on bargain purchase in acquisition (Note 3)	—	15,910	—	—
Other–net (Notes 14 and 21)	9,738	23,265	(8,887)	104
Income before income taxes and equity in earnings of associated companies (Note 16)	311,112	341,174	182,332	3,308
Income taxes (Note 16):				
Current	78,421	89,314	82,894	834
Deferred (Note 3)	15,912	32,715	(14,302)	169
Total income taxes	94,333	122,029	68,592	1,003
Income before equity in earnings of associated companies	216,779	219,145	113,740	2,305
Equity in earnings of associated companies (Notes 5 and 18)	85,891	102,748	60,617	913
Net income	302,670	321,893	174,357	3,218
Less: Net income attributable to the noncontrolling interest	(22,373)	(21,388)	(13,243)	(238)
Net income attributable to ITOCHU (Notes 15 and 18)	¥ 280,297	¥ 300,505	¥ 161,114	$ 2,980

	Yen			U.S. Dollars (Note 2)
Earnings per common share (Note 17)	2013	2012	2011	2013
Basic net income attributable to ITOCHU per common share	¥177.35	¥190.13	¥101.93	$1.89
Diluted net income attributable to ITOCHU per common share	¥177.35	¥190.13	¥101.78	$1.89

Consolidated Statements of Comprehensive Income

ITOCHU Corporation and Subsidiaries
Years ended March 31, 2013, 2012 and 2011

	Millions of Yen			Millions of U.S. Dollars (Note 2)
	2013	2012	2011	2013
Net income	¥ 302,670	¥ 321,893	¥ 174,357	$ 3,218
Other comprehensive income (loss) (net of tax) (Notes 16 and 20):				
Foreign currency translation adjustments	157,696	(72,138)	(64,114)	1,677
Pension liability adjustments (Note 13)	10,546	(4,631)	(7,630)	112
Unrealized holding gains on securities (Note 4)	35,731	13,521	12,128	380
Unrealized holding gains (losses) on derivative instruments (Note 21)	397	(1,694)	1,530	4
Total other comprehensive income (loss) (net of tax)	204,370	(64,942)	(58,086)	2,173
Comprehensive income (loss)	507,040	256,951	116,271	5,391
Comprehensive (income) loss attributable to the noncontrolling interest	(31,221)	(6,968)	(10,230)	(332)
Comprehensive income (loss) attributable to ITOCHU	¥ 475,819	¥ 249,983	¥ 106,041	$ 5,059

Refer to Notes to consolidated financial statements.

Consolidated Statements of Equity

ITOCHU Corporation and Subsidiaries
Years ended March 31, 2013, 2012 and 2011

	Millions of Yen			Millions of U.S. Dollars (Note 2)
	2013	2012	2011	2013
Common stock (Note 19):				
Balance at beginning of year issued: 1,584,889,504 shares 2013, 2012 and 2011	**¥ 202,241**	¥ 202,241	¥ 202,241	**$ 2,150**
Balance at end of year issued: 1,584,889,504 shares 2013, 2012 and 2011	**¥ 202,241**	¥ 202,241	¥ 202,241	**$ 2,150**
Capital surplus (Note 19):				
Balance at beginning of year	**¥ 112,370**	¥ 114,291	¥ 137,506	**$ 1,195**
Sale (purchase) of subsidiary shares to (from) noncontrolling interest and others	**1,038**	(1,921)	(23,215)	**11**
Balance at end of year	**¥ 113,408**	¥ 112,370	¥ 114,291	**$ 1,206**
Retained earnings (Note 19):				
Legal reserve:				
Balance at beginning of year	**¥ 22,134**	¥ 18,257	¥ 16,117	**$ 235**
Transfer from other retained earnings	**7,590**	4,086	2,236	**81**
Redistribution arising from sale by parent company of common stock of subsidiaries and associated companies	**(191)**	(209)	(96)	**(2)**
Balance at end of year	**¥ 29,533**	¥ 22,134	¥ 18,257	**$ 314**
Other retained earnings:				
Balance at beginning of year	**¥1,274,131**	¥1,017,838	¥ 885,014	**$13,548**
Net income attributable to ITOCHU	**280,297**	300,505	161,114	**2,980**
Cash dividends	**(75,134)**	(40,335)	(26,102)	**(799)**
Transfer to legal reserve	**(7,590)**	(4,086)	(2,236)	**(81)**
Redistribution arising from sale by parent company of common stock of subsidiaries and associated companies	**191**	209	96	**2**
Deficit arising from retirement of treasury stock	**—**	—	(48)	**—**
Balance at end of year	**¥1,471,895**	¥1,274,131	¥1,017,838	**$15,650**
Accumulated other comprehensive income (loss) (Notes 4, 13, 16, 20 and 21):				
Balance at beginning of year	**¥ (244,394)**	¥ (193,683)	¥ (138,552)	**$ (2,598)**
Other comprehensive income (loss)	**195,522**	(50,522)	(55,073)	**2,079**
Sale (purchase) of subsidiary shares to (from) noncontrolling interest	**(67)**	(189)	(58)	**(1)**
Balance at end of year	**¥ (48,939)**	¥ (244,394)	¥ (193,683)	**$ (520)**
Treasury stock (Note 19):				
Balance at beginning of year	**(2,685)**	(2,674)	(2,687)	**(29)**
Net change in treasury stock	**(18)**	(11)	13	**(0)**
Balance at end of year	**(2,703)**	(2,685)	(2,674)	**(29)**
Total ITOCHU stockholders' equity	**¥1,765,435**	¥1,363,797	¥1,156,270	**$18,771**
Noncontrolling interest:				
Balance at beginning of year	**¥ 332,344**	¥ 242,684	¥ 212,934	**$ 3,534**
Net income attributable to the noncontrolling interest	**22,373**	21,388	13,243	**238**
Other comprehensive income (loss) attributable to the noncontrolling interest (Notes 16 and 20)	**8,848**	(14,420)	(3,013)	**94**
Cash dividends to noncontrolling interest	**(6,482)**	(9,515)	(8,503)	**(69)**
Sale (purchase) of subsidiary shares to (from) noncontrolling interest	**(254)**	4,158	(6,429)	**(3)**
Other changes	**(9,645)**	88,049	34,452	**(102)**
Balance at end of year	**¥ 347,184**	¥ 332,344	¥ 242,684	**$ 3,692**
Total equity	**¥2,112,619**	¥1,696,141	¥1,398,954	**$22,463**

Refer to Notes to consolidated financial statements.

Consolidated Statements of Cash Flows

ITOCHU Corporation and Subsidiaries
Years ended March 31, 2013, 2012 and 2011

	Millions of Yen			Millions of U.S. Dollars (Note 2)
	2013	2012	2011	2013
Cash flows from operating activities:				
Net income	¥ 302,670	¥ 321,893	¥ 174,357	$ 3,218
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	87,169	77,171	75,960	927
Provision for doubtful receivables	341	4,925	9,398	4
(Gain) loss on investments–net (Note 3)	(45,856)	(20,942)	38,125	(488)
Loss on property and equipment–net	9,273	6,747	33,739	99
Gain on bargain purchase in acquisition (Note 3)	—	(15,910)	—	—
Equity in earnings of associated companies, less dividends received	(33,905)	(59,001)	(35,237)	(360)
Deferred income taxes	15,912	32,715	(14,302)	169
Change in assets and liabilities:				
Trade receivables	(8,796)	(211,389)	(29,616)	(93)
Due from associated companies	(13,434)	(50,799)	(9,544)	(143)
Inventories	(50,279)	(57,158)	(47,441)	(535)
Other current assets	(13,241)	(10,713)	18,265	(141)
Trade payables	10,256	173,649	49,681	109
Due to associated companies	(4,316)	7,673	3,991	(46)
Other current liabilities	(12,131)	6,281	9,892	(129)
Other–net	1,998	7,688	58,093	21
Net cash provided by operating activities	245,661	212,830	335,361	2,612
Cash flows from investing activities:				
Payments for purchases of property, equipment and other assets	(128,913)	(148,100)	(108,230)	(1,371)
Proceeds from sales of property, equipment and other assets	15,526	15,279	26,799	165
Increase in investments in and advances to associated companies	(110,615)	(299,376)	(104,093)	(1,176)
Decrease in investments in and advances to associated companies	40,896	35,317	27,534	435
Acquisitions of available-for-sale securities	(6,021)	(12,948)	(60,103)	(64)
Proceeds from sales of available-for-sale securities	52,749	40,466	9,066	561
Proceeds from maturities of available-for-sale securities	5,451	4,682	618	58
Acquisitions of held-to-maturities securities	(10)	—	(170)	(0)
Proceeds from maturities of held-to-maturities securities	128	20	332	1
Acquisitions of other investments	(68,485)	(54,649)	(30,671)	(727)
Proceeds from sales of other investments	35,432	18,275	20,181	377
Acquisitions of subsidiaries, net of cash acquired	(19,804)	(37,478)	—	(211)
Sales of subsidiaries, net of cash held by subsidiaries	(8,137)	14,359	(2,945)	(87)
Origination of other non-current loan receivables	(38,717)	(37,102)	(40,674)	(412)
Collections of other non-current loan receivables	31,854	43,868	30,685	339
Net (increase) decrease in time deposits	(1,324)	1,072	805	(14)
Net cash used in investing activities	(199,990)	(416,315)	(230,866)	(2,126)
Cash flows from financing activities:				
Proceeds from long-term debt	471,354	408,631	304,778	5,012
Repayments of long-term debt	(347,992)	(425,618)	(260,624)	(3,700)
Net increase (decrease) in short-term debt	(41,104)	165,160	31,458	(437)
Proceeds from equity transactions with noncontrolling interest	2,193	7,097	44,836	23
Payments for equity transactions with noncontrolling interest	(14,146)	(14,558)	(32,820)	(150)
Cash dividends	(75,134)	(40,335)	(26,102)	(799)
Cash dividends to noncontrolling interest	(6,482)	(15,660)	(8,503)	(69)
Net (increase) decrease in treasury stock	(12)	(13)	179	(0)
Net cash provided by (used in) financing activities	(11,323)	84,704	53,202	(120)
Effect of exchange rate changes on cash and cash equivalents	21,879	(1,486)	(4,505)	232
Net increase (decrease) in cash and cash equivalents	56,227	(120,267)	153,192	598
Cash and cash equivalents at beginning of year	513,489	633,756	480,564	5,460
Cash and cash equivalents at end of year	¥ 569,716	¥ 513,489	¥ 633,756	$ 6,058
Supplemental disclosures of cash flow information:				
Cash paid during the year for:				
Interest	¥ 23,364	¥ 23,109	¥ 28,177	$ 248
Income taxes	82,721	90,041	64,969	880
Information regarding non-cash investing and financing activities:				
Contribution of securities to pension trust	5,133	—	—	55
Non-monetary exchange of shares (Note 4):				
Fair market value of shares received	376	127	45	4
Costs of shares surrendered	298	102	19	3
Acquisitions of subsidiaries (Note 3):				
Fair value of assets acquired	49,183	388,641	—	523
Fair value of liabilities assumed	19,183	149,082	—	204
Acquisition costs of subsidiaries	30,000	239,559	—	319
Non-cash acquisition costs	9,000	198,728	—	95
Cash acquired	1,196	3,353	—	13
Acquisitions of subsidiaries, net of cash acquired	19,804	37,478	—	211

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 six division companies. 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, 2013 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥94.05= U.S.$1 (the official rate as of March 31, 2013 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 FASB 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.

2) Foreign Currency Translation

Foreign currency financial statements have been translated in accordance with ASC Topic 830, "Foreign Currency Matters." Pursuant to this statement, the assets and liabilities of foreign subsidiaries and associated companies are translated into Japanese Yen at the respective year-end exchange rates. All income and expense accounts are translated at average rates of exchange. The resulting foreign currency translation adjustments, net-of-tax 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), the duration (the period of time that a security has been impaired), and other factors.

In accordance with ASC Topic 325, "Investments–Others," nonmarketable 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.

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.

Derivative instruments for hedge purposes are recognized on the balance sheets at their fair value. The Company and its subsidiaries designate and account for derivative instruments for hedge purposes 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) 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, have not selected the above-mentioned option.

2) 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. In addition, in January 2013, ASU No. 2013-01, "Balance Sheet (ASC Topic 210)—Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities" was issued. ASU No. 2013-01 clarifies the scope of ASU No. 2011-11. ASU No. 2011-11 and

ASU No. 2013-01 are 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 and ASU No. 2013-01 are required to be applied retrospectively. The effect of adopting ASU No. 2011-11 and ASU No. 2013-01 on the financial statement of the Company and its subsidiaries is currently under examination. However, it is believed that ASU No. 2011-11 and ASU No. 2013-01 will not significantly affect the financial position or the results of operations of the Company and its subsidiaries.

3) Amendments to Testing Indefinite-Lived Intangible Assets for Impairment

In July 2012, ASU No. 2012-02, "Intangibles—Goodwill and Other (ASC Topic 350)—Testing Indefinite-Lived Intangible Assets for Impairment," was issued. ASU No. 2012-02 permits an entity the option of assessing qualitative factors prior to the first step of the indefinite-lived intangible assets impairment test (comparing the fair value of a reporting unit with its carrying amount). 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. 2012-02 is effective for indefinite-lived intangible assets impairment tests implemented annually or quarterly in fiscal years beginning on or after September 16, 2012. The Company and its subsidiaries, based on ASU No. 2011-08, do not intend to select the above-mentioned option.

4) Amendments to Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income

In February 2013, ASU No. 2013-02, "Comprehensive Income (ASC Topic 220)—Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income" was issued. The Guidance in ASU No. 2013-03 requires an entity to present, either on the face of the statement where net income is presented or notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income.

ASU No. 2013-02 is effective for fiscal years beginning on or after December 16, 2012 and interim periods within those fiscal years.

The effect of adopting ASU No. 2013-02 on the financial statement of the Company and its subsidiaries is currently under examination. However, it is believed that ASU No. 2013-02 will not significantly affect the financial position or the results of operations of the Company and its subsidiaries.

5) Amendments to Obligations Resulting from Joint and Several Liability Arrangements

In February 2013, ASU No. 2013-04, "Liabilities (ASC Topic 405)—Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date" was issued. The guidance in ASU No. 2013-04 requires an entity to measure the total amount of obligations resulting from joint and several liability arrangements, as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. Further, ASU No. 2013-04 requires an entity to disclose the information about each obligation, or each group of obligations, resulting from joint and several liability arrangements.

ASU No. 2013-04 is effective for fiscal years beginning on or after December 16, 2013 and interim periods within those fiscal years. In addition, ASU No.2013-04 is required to be applied retrospectively.

The effect of adopting ASU No. 2013-04 on the financial statement of the Company and its subsidiaries is currently under examination. However, it is believed that ASU No. 2013-04 will not significantly affect the financial position or the results of operations of the Company and its subsidiaries.

6) Parent's Accounting for the Cumulative Translation Adjustment on Investment in Subsidiaries within Consolidated Foreign Entities

In March 2013, ASU No. 2013-05, "Foreign Currency Matters (ASC Topic 830)—Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity" was issued. Under the guidance in ASU No. 2013-05, when an entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets within a foreign entity and if the sale or transfer of financial interest results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided, the parent is required to release the cumulative translation adjustment attributable to the foreign entity into net income.

ASU No. 2013-05 is effective for fiscal years beginning on or after December 16, 2013 and interim periods within those fiscal years.

The effect of adopting ASU No. 2013-05 on the financial statement of the Company and its subsidiaries is currently under examination. However, it is believed that ASU No. 2013-05 will not significantly affect the financial position or the results of operations of the Company and its subsidiaries.

(4) Reclassification

The Company previously recognized its portion of operational cost arising at the distribution centers of its customers, such as mass merchandisers, and delivery costs from the distribution centers to the customers' stores, which are related to its food distribution and marketing business as distribution cost, in "Selling, general and administrative expenses." In light of comprehensive consideration of changes in the characteristics of the distribution cost and the accounting practices of the industry, these have been presented as a deduction from "Trading margins and commissions on trading transactions" since the beginning of the fiscal year 2013. Amounts presented for the previous fiscal year have been reclassified to conform to the current presentation. "Trading margins and commissions on trading transactions" and "Selling, general and administrative expenses" have decreased by ¥73,527 million and ¥69,791 million for the years ended March 31, 2012 and 2011, respectively.

(5) Presentation of Comprehensive Income

The Company adopted ASU No. 2011-05 "Presentation of Comprehensive Income" which amends ASC Topic 220 "Comprehensive Income" and presents the Consolidated Statements of Comprehensive Income as a separate statement, which was previously presented in the Consolidated Statements of Equity.

3. Business Combinations

Major business combinations for the year ended March 31, 2013 were as follows:

Acquisition of Toyo Advanced Technologies Co., Ltd.

On July 20, 2012, the Company acquired from Mazda Motor Corporation ("Mazda") 70.0% of the shares of Toyo Advanced Technologies Co., Ltd. ("Toyo Advanced Technologies"), which accordingly became a subsidiary where the Company holds 70.0% of the voting rights. The principal business of Toyo Advanced Technologies is to manufacture and sell machine tools and automobile parts in Japan. Going forward, the Company aims to utilize its overseas networks to expand sales of Toyo Advance Technologies' machine tool business, and in the automobile parts business to become a key parts supplier to Mazda by supplying more high-value-added products, thereby strengthening the cooperative relationship between the Company and Mazda. The Company also aims to enhance Toyo Advanced Technologies' corporate value further through full- fledged management participation, including the dispatch of full-time directors.

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

	Millions of Yen	Millions of U.S. Dollars
	2013	2013
Fair value of consideration paid (Note 1) (Note 2)	¥ 21,000	$ 223
Fair value of noncontrolling interest	9,000	96
Total	¥ 30,000	$ 319
Fair value of assets acquired and liabilities assumed		
Current Assets	¥ 18,199	$ 193
Property and equipment, at cost	8,143	87
Other intangible assets	22,215	236
Other assets	626	7
Current liabilities	(10,073)	(107)
Non-current liabilities	(9,110)	(97)
Net assets	¥ 30,000	$ 319

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

The fair values of assets acquired, liabilities assumed and noncontrolling interest were determined based on 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 Company recorded the acquisition cost of ¥34 million ($0 million) in "selling, general and administrative expenses" related to this business combination.

Major business combinations after the year ended March 31, 2013 were as follows:

Acquisition of the Asia fresh produce business and the worldwide packaged foods business of Dole Food

On April 1, 2013, through its subsidiary Dole International Holdings Inc. ("DIH"), the Company acquired from Dole Food Company, Inc. ("Dole Food") its shares of Dole Asia Holdings Pte. Ltd., which operates the Asia fresh produce business of Dole Food and the worldwide packaged foods business of Dole Food except in the United States, and, through DIH's wholly owned subsidiary DPF Holdings Inc., its shares of Dole Packaged Foods, LLC, which operates the packaged foods business of Dole Food in the United States. As a result, Dole Asia Holdings Pte. Ltd. and Dole Packaged Foods, LLC became subsidiaries in which the Company holds 100% of the voting rights. The purchase price was ¥156,924 million ($1,685 million), all of which the Company paid in cash with no contingent consideration. The ¥18,626 million ($200 million) payment made during the year ended March 31, 2013 was applied as consideration on the date of acquisition. The Company recorded the acquisition cost of ¥1,205 million ($13 million) in "selling, general and administrative expenses" related to this business combination.

Going forward, the Company plans to pursue globalization using its global production, processing, distribution, and sales systems, and integrating them with the management resources of the acquired businesses, such as high brand awareness worldwide and production, processing, and sales of fresh produce.

As of June 21, 2013, the date on which the financial statements were available to be issued, the measurement of the fair values of acquired assets and liabilities assumed with respect to this business combination had not yet been completed.

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
	2012
Fair value of consideration paid (Note 1) (Note 2)	¥ 40,831
Fair value of previously held equity interest	141,222
Fair value of noncontrolling interest	97,549
Total	¥279,602
Fair value of assets acquired and liabilities assumed	
Current Assets	¥ 18,047
Property and equipment, at cost	4
Other assets	294,355
Current liabilities	(16,400)
Non-current liabilities	(494)
Net assets	¥295,512

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

The Company recorded the acquisition cost of ¥13 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 in “gain (loss) on investments–net.” With regard to this gain, the Company recorded “income taxes-deferred” of ¥6,964 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. 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 recognized this business combination as falling within the category of a bargain purchase transaction, as defined by ASC Topic 805. Accordingly, the Company 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 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
	2012
Fair value of consideration paid (Note 1) (Note 2)	¥ 0
Fair value of assets acquired and liabilities assumed	
Current Assets	26,439
Property and equipment, at cost	10,641
Other intangible assets	39,155
Current liabilities	(29,923)
Non-current liabilities	(102,265)
Net liabilities	(55,953)
Goodwill	55,953
Total	¥ 0

Note: 1. Consideration paid was £1, all of which was paid in cash.
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 ICT, General Products & Realty operating segment.

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

After this business combination, the company funded ¥84,933 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 included in the consolidated statements of income for the year ended March 31, 2013, of Toyo Advanced Technologies Co., Ltd. from its date of acquisition.

	Millions of Yen	Millions of U.S. Dollars
Total revenue	**¥21,506**	**$229**
Net income	**535**	**6**
Net income attributable to ITOCHU	**375**	**4**

The following table indicates operating performance included in the consolidated statements of income for the year ended March 31, 2012, 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

(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, the Kwik-Fit Group and Toyo Advanced Technologies Co., Ltd. had occurred on April 1, 2011.

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	2013
Total revenue	¥4,588,567	¥4,331,899	$48,789
Net income	303,167	327,608	3,223
Net income attributable to ITOCHU	¥ 280,645	¥ 303,201	$ 2,984

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.

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, 2013 and 2012, were as follows:

	Millions of Yen			
	2013			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available-for-sale:				
Equity securities	¥133,655	¥145,106	¥341	¥278,420
Debt securities	21,397	423	62	21,758
Subtotal	155,052	145,529	403	300,178
Held-to-maturity:				
Debt securities	4,243	—	—	4,243
Total	¥159,295	¥145,529	¥403	¥304,421

	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 U.S. Dollars			
	2013			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available-for-sale:				
Equity securities	$1,421	$1,543	$3	$2,961
Debt securities	228	4	1	231
Subtotal	1,649	1,547	4	3,192
Held-to-maturity:				
Debt securities	45	—	—	45
Total	$1,694	$1,547	$4	$3,237

The carrying amounts of available-for-sale debt securities included in cash and cash equivalents in the consolidated balance sheets were ¥14,997 million ($159 million) and ¥21,599 million as of March 31, 2013 and 2012, respectively. In addition to the securities listed above, the Company and its subsidiaries held trading securities carried at fair value of ¥106 million ($1 million) and ¥303 million as of March 31, 2013 and 2012, respectively. The portion of net trading gains and losses for the years ended March 31, 2013 and 2012, that relates to trading securities still held at March 31, 2013 and 2012, were losses of ¥59 million ($1 million) and losses of ¥133 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 ¥4,861 million ($52 million), ¥11,868 million and ¥14,757 million, for the years ended March 31, 2013, 2012 and 2011, 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 ¥78 million ($1 million), ¥25 million and ¥26 million for the years ended March 31, 2013, 2012 and 2011, 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, 2013 and 2012, were as follows:

	Millions of Yen					
	2013					
	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	¥4,137	¥341	—	—	¥4,137	¥341
Debt securities	1,452	62	—	—	1,452	62
Total	¥5,589	¥403	—	—	¥5,589	¥403

	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 U.S. Dollars					
	2013					
	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	$44	$3	—	—	$44	$3
Debt securities	15	1	—	—	15	1
Total	$59	$4	—	—	$59	$4

At March 31, 2013 and 2012, the Company and its subsidiaries held the securities of 28 and 41 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 0.4% to 29.9% and from 0.2% 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, 2013 and 2012.

The contractual maturities of debt securities classified as available-for-sale and held-to-maturity as of March 31, 2013, were as follows:

	Millions of Yen		Millions of U.S. Dollars	
	Cost	Fair Value	Cost	Fair Value
Available-for-sale:				
Due within one year	¥18,436	¥18,546	$196	$197
Due after one year through five years	1,895	2,111	20	22
Due after five years through ten years	—	—	—	—
Due after ten years	1,066	1,101	12	12
Total	¥21,397	¥21,758	$228	$231
Held-to-maturity:				
Due within one year	¥ —	¥ —	$ —	$ —
Due after one year through five years	25	25	0	0
Due after five years through ten years	2,424	2,424	26	26
Due after ten years	1,794	1,794	19	19
Total	¥ 4,243	¥ 4,243	$ 45	$ 45

The gross realized gains and losses on sales of available-for-sale securities for the years ended March 31, 2013, 2012 and 2011, were gains of ¥19,249 million ($205 million), ¥10,827 million and ¥1,248 million and losses of ¥239 million ($3 million), ¥1,146 million and ¥590 million, respectively. The proceeds from sales of available-for-sale securities (including receivables) were ¥43,324 million ($461 million), ¥49,943 million and ¥9,066 million for the years ended March 31, 2013, 2012 and 2011, 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 ¥244,418 million ($2,599 million) and ¥213,996 million as of March 31, 2013 and 2012, 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 ¥122,319 million ($1,301 million) and ¥120,694 million as of March 31, 2013 and 2012, respectively.

Additionally, investments with an aggregate carrying amount of ¥121,116 million ($1,288 million) and ¥119,173 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, 2013 and 2012, 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 (22.6%), Nacional Minerios S.A. (32.5%), Drummond International, LLC (20.0%), Marubeni-Itochu Steel Inc. (50.0%), SAMSON RESOURCES CORPORATION (25.1%), 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, 2013.

Investments in and advances to associated companies as of March 31, 2013 and 2012, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	2013
Investments in associated companies	¥1,612,886	¥1,368,833	$17,149
Advances to associated companies	32,682	26,518	348
Total	¥1,645,568	¥1,395,351	$17,497

Summarized financial information in respect of associated companies for the years ended March 31, 2013, 2012 and 2011, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	2013
Current assets	¥ 6,165,356	¥ 5,522,769	$ 65,554
Non-current assets, principally property and equipment	7,668,342	6,946,691	81,535
Total assets	¥13,833,698	¥12,469,460	$147,089
Current liabilities	¥ 5,085,143	¥ 4,855,385	$ 54,069
Long-term debt and others	4,142,179	3,657,559	44,042
Stockholders' equity	4,549,529	3,899,280	48,374
Noncontrolling interest	56,847	57,236	604
Total liabilities and stockholders' equity	¥13,833,698	¥12,469,460	$147,089

	Millions of Yen			Millions of U.S. Dollars
	2013	2012	2011	2013
Total trading transactions	¥8,633,062	¥7,647,612	¥7,727,169	$91,792
Gross trading profit	1,722,461	1,553,532	1,405,453	18,314
Net income	253,808	352,068	218,328	2,699
Net income attributable to shareholders of associated companies	245,907	344,066	211,239	2,615

Total trading transactions and purchases by the Company and its subsidiaries with associated companies for the years ended March 31, 2013, 2012 and 2011, were summarized as follows:

	Millions of Yen			Millions of U.S. Dollars
	2013	2012	2011	2013
Total trading transactions	¥878,889	¥860,097	¥766,225	$9,345
Purchases	¥293,238	¥243,141	¥202,374	$3,118

The Company and its subsidiaries received ¥51,986 million ($553 million), ¥43,747 million and ¥25,380 million of dividends from these associated companies for the years ended March 31, 2013, 2012 and 2011, 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 ¥343,798 million ($3,655 million) and ¥288,509 million at March 31, 2013 and 2012, respectively. Corresponding aggregate quoted market values were ¥409,854 million ($4,358 million) and ¥281,073 million at March 31, 2013 and 2012, 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 ¥476,370 million ($5,065 million) and ¥440,933 million at March 31, 2013 and 2012, 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 ¥549 million ($6 million) on its equity-method investment in GOODMAN CO., LTD., during the year ended March 31, 2013.

The Company recognized impairment losses of ¥1,945 million and ¥1,460 million on equity-method investments in JAMCO Corporation, and a 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. 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.

Nacional Minerios S.A. (hereinafter "NAMISA"), an equity-method investee of the Company, received a tax assessment notice from the Brazilian tax authorities, the Secretariat of the Federal Revenue of Brazil, in December 2012. The tax assessment notice relates to the amortization of goodwill which arose when a consortium of Japanese and Korean companies, including the Company, acquired shares in NAMISA in 2008.The Company's proportionate interest related to the tax assessment is ¥16,238 million ($173 million), including interest and penalties of ¥10,157 million ($108 million). NAMISA filed an administrative defense against the tax assessment notice in January 2013, and NAMISA recorded no liabilities related to this assessment.

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, 2013 and 2012.

	Millions of Yen		
	2013		
	Commercial Receivables	Consumer Receivables	Total
General receivables	¥312,461	¥55,454	¥367,915
Receivables for individual allowance	43,618	—	43,618
Total	¥356,079	¥55,454	¥411,533

	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 U.S.Dollars		
	2013		
	Commercial Receivables	Consumer Receivables	Total
General receivables	$3,322	$590	$3,912
Receivables for individual allowance	464	—	464
Total	$3,786	$590	$4,376

(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, 2013 and 2012.

	Millions of Yen		
	2013		
	Commercial Receivables	Consumer Receivables	Total
Current (not yet due) or 1–180 Days Past Due	**¥313,113**	**¥54,428**	**¥367,541**
181–359 Days Past Due	**5,725**	**664**	**6,389**
360 Days or more Past Due	**37,241**	**362**	**37,603**
Total	**¥356,079**	**¥55,454**	**¥411,533**

	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 U.S.Dollars		
	2013		
	Commercial Receivables	Consumer Receivables	Total
Current (not yet due) or 1–180 Days Past Due	**$3,329**	**$579**	**$3,908**
181–359 Days Past Due	**61**	**7**	**68**
360 Days or more Past Due	**396**	**4**	**400**
Total	**$3,786**	**$590**	**$4,376**

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, 2013 and 2012.

	Millions of Yen		
	2013		
	Commercial Receivables	Consumer Receivables	Total
Nonaccrual financing receivables	**¥43,169**	**¥ 267**	**¥43,436**
Financing receivables past due 90 days or more and still accruing	**32**	**2,376**	**2,408**

	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 U.S.Dollars		
	2013		
	Commercial Receivables	Consumer Receivables	Total
Nonaccrual financing receivables	**$459**	**$ 3**	**$462**
Financing receivables past due 90 days or more and still accruing	**1**	**25**	**26**

(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 related to financing receivables by portfolio segment for the year ended March 31, 2013, was as follows:

	Millions of Yen		
	2013		
	Commercial Receivables	Consumer Receivables	Total
Balance at beginning of the year	¥40,611	¥ 1,768	¥ 42,379
Provision for doubtful receivables–net	(437)	2,701	2,264
Charge-offs	(6,444)	(2,731)	(9,175)
Other	936	104	1,040
Balance at end of year	¥34,666	¥ 1,842	¥ 36,508

	Millions of U.S.Dollars		
	2013		
	Commercial Receivables	Consumer Receivables	Total
Balance at beginning of the year	$432	$ 19	$451
Provision for doubtful receivables–net	(5)	29	24
Charge-offs	(69)	(29)	(98)
Other	10	1	11
Balance at end of year	$368	$ 20	$388

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

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, 2013 and 2012.

	Millions of Yen		
	2013		
	Commercial Receivables	Consumer Receivables	Total
Allowance for doubtful receivables recorded based on historical trends in collection of past due amounts and write-off history	**¥ 810**	**¥1,842**	**¥ 2,652**
Individual allowance	**33,856**	**—**	**33,856**
Total	**¥34,666**	**¥1,842**	**¥36,508**

	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 U.S.Dollars		
	2013		
	Commercial Receivables	Consumer Receivables	Total
Allowance for doubtful receivables recorded based on historical trends in collection of past due amounts and write-off history	**$ 8**	**$20**	**$ 28**
Individual allowance	**360**	**—**	**360**
Total	**$368**	**$20**	**$388**

As of March 31, 2013 and 2012, 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, 2013 and 2012.

	Millions of Yen		
	2013		
	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	**¥223,740**	**¥55,422**	**¥279,162**
Financing receivables for Individual allowance	**43,618**	**—**	**43,618**
Total	**¥267,358**	**¥55,422**	**¥322,780**

	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 U.S.Dollars		
	2013		
	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	**$2,379**	**$589**	**$2,968**
Financing receivables for Individual allowance	**464**	**—**	**464**
Total	**$2,843**	**$589**	**$3,432**

As of March 31, 2013 and 2012, the carrying amount of "financing receivables acquired with deteriorated credit quality" under ASC Topic 310, "Receivables," was not significant.

There was no significant purchase of financing receivables for the year ended March 31, 2013. The amount of significant purchase of financing receivables for the year ended March 31, 2012, was ¥7,043 million, and, the amounts of significant sales of financing receivables for the year ended March 31, 2013 and 2012, were ¥1,664 million ($18 million) and ¥10,804 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, 2013 and 2012. 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		
	2013		
	Commercial Receivables	Consumer Receivables	Total
Impaired loans	¥43,618	¥—	¥43,618
Allowance for doubtful receivables related to impaired loans	33,856	—	33,856

	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 U.S.Dollars		
	2013		
	Commercial Receivables	Consumer Receivables	Total
Impaired loans	$464	$—	$464
Allowance for doubtful receivables related to impaired loans	360	—	360

The average amounts of impaired loans during the years ended March 31, 2013 and 2012, was as follows:

	Millions of Yen		
	2013		
	Commercial Receivables	Consumer Receivables	Total
Average amounts of impaired loans	¥44,588	¥903	¥45,491

	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		
	2013		
	Commercial Receivables	Consumer Receivables	Total
Average amounts of impaired loans	$474	$10	$484

The amounts of interest income recognized on the impaired loans for the years ended March 31, 2013 and 2012, 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.

For the year ended March 31, 2013, we agreed with a debtor to reschedule financial claims held by ITOCHU, and entered into an accord to this effect. Under this agreement, ITOCHU will forgive the debtor approximately 80% of the ¥15,516 million total of principal and interest (this financial claim had a balance of ¥7,906 million as of the end of the previous fiscal year). The debtor is to pay the remaining amount of ¥3,103 million, or approximately 20%, in partial amounts to ITOCHU by 2031. As the total balance of this financial claim is set as a provision for doubtful receivables, the impact of this agreement on ITOCHU's financial condition and operating performance is slight.

7. Impairment of Long-lived Assets

The Company and its subsidiaries recognized impairment losses on long-lived assets of ¥6,570 million ($70 million), ¥5,347 million, and ¥36,574 million for the years ended March 31, 2013, 2012 and 2011, respectively, which were included in "Loss on property and equipment–net" in the consolidated statements of income. For the year ended March 31, 2013, the impaired assets were primarily machinery and equipment in the Metals & Minerals operating segment. The impairments were generally due to the partial change in development plan. In addition, Adjustments & Eliminations and others includes the impairment losses that were recognized due to the changes in the fair value of land and buildings which were planned to be disposal of. For the year ended March 31, 2012, the impaired assets were primarily mineral rights, machinery, and equipment in the Energy & Chemicals operating segment. The impairments were generally due to the deterioration of earnings and expected cash flows. In addition, Adjustments & Eliminations and others includes the impairment losses that were recognized due to the measurement at the fair value for the planned disposal of company condominiums. 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 impairment losses that were recognized due to the measurement at the fair value for the planned disposal of company condominiums. 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.

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, 2013, 2012 and 2011 by operating segment, were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2013	2012	2011	2013
Textile	¥ 366	¥ 221	¥ 135	$ 4
Machinery	110	236	205	1
Metals & Minerals	2,513	—	—	27
Energy & Chemicals	918	2,621	24,076	10
Food	673	903	5,554	7
ICT, General Products & Realty	318	179	2,382	3
Adjustments & Eliminations and others	1,672	1,187	4,222	18
Total	¥6,570	¥5,347	¥36,574	$70

8. Pledged Assets

The following assets were pledged as collateral at March 31, 2013 and 2012:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	2013
Time deposits	¥ 199	¥ 257	$ 2
Trade receivables and others	15,444	20,385	164
Inventories	2,254	5,675	24
Investments and non-current receivables	19,099	15,663	203
Property and equipment, at cost, less accumulated depreciation and others	13,400	18,783	143
Total	¥50,396	¥60,763	$536

Collateral was pledged to secure the following obligations at March 31, 2013 and 2012:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	2013
Trade payables and others	¥ 2,328	¥ 3,285	$ 25
Short-term debt	3,567	2,279	38
Long-term debt	5,913	8,829	63
Total	¥11,808	¥14,393	$126

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, 2013 and 2012, comprised the following:

	Millions of Yen				Millions of U.S. Dollars	
	2013		2012		2013	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Trademarks	¥ 49,970	¥ (4,864)	¥ 38,819	¥ (3,651)	$ 531	$ (51)
Software	78,010	(45,666)	78,965	(43,612)	830	(486)
Other	61,067	(16,093)	42,832	(19,076)	649	(171)
Total	¥189,047	¥(66,623)	¥160,616	¥(66,339)	$2,010	$(708)

Intangible assets subject to amortization acquired during the year ended March 31, 2013, totaled to ¥47,024 million ($500 million), and consisted primarily of software of ¥12,178 million ($129 million), and customer relationships of ¥12,249 million ($130 million) and technology related intangible assets of ¥5,403 million ($57 million) resulted from the acquisition of Toyo Advanced Technologies Co., Ltd. The weighted average amortization period for software, customer relationships and technology related intangible assets that were acquired during the year ended March 31, 2013 were 5 years, 19 years and 9 years.

Impairment losses of intangible assets subject to amortization during the years ended March 31, 2013, 2012 and 2011, were ¥814 million ($9 million), ¥1,604 million and ¥2,047 million respectively.

The impairment losses during the year ended March 31, 2013 mainly consisted of software of ¥565 million ($6 million). The impairment losses during the year ended March 31, 2012, mainly consisted of trademarks of ¥939 million and customer relationship of ¥211 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 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, 2013, 2012 and 2011, were ¥20,922 million ($222 million), ¥18,291 million and ¥17,183 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
2014	¥18,922	$201
2015	16,887	180
2016	12,232	130
2017	6,530	69
2018	5,202	55

The carrying amount of intangible assets with indefinite useful lives which are therefore not subject to amortization comprised the following at March 31, 2013 and 2012:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	2013
Trademarks	¥41,144	¥37,734	$438
Unlimited land lease	1,353	1,325	14
Other	1,378	1,267	15
Total	¥43,875	¥40,326	$467

Intangible assets with indefinite useful lives which were not subject to amortization acquired during the year ended March 31, 2013, totaled ¥29 million ($0 million), and mainly consisted of unlimited land lease of ¥19 million ($0 million).

Impairment losses of intangible assets with indefinite useful lives which were not subject to amortization during the years ended March 31, 2013, 2012 and 2011, were ¥95 million ($1 million), ¥2 million and ¥263 million, respectively.

The impairment losses of intangible assets with indefinite useful lives which were not subject to amortization 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, 2013 and 2012, were as follows:

	Millions of Yen							
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Eliminations	Total
Balance at March 31, 2011	¥22,542	¥2,903	¥ —	¥522	¥20,924	¥ 46,069	¥ 1,713	¥ 94,673
Acquired	235	—	—	—	—	55,413	—	55,648
Impairment losses	—	—	(386)	(62)	—	—	—	(448)
Other changes (Note)	(1,693)	1,837	1,578	2	—	(378)	(1,713)	(367)
Balance at March 31, 2012	¥21,084	¥4,740	¥ 1,192	¥462	¥20,924	¥101,104	¥ —	¥149,506
Acquired	—	517	—	—	—	—	—	517
Impairment losses	—	—	(1,192)	—	—	—	—	(1,192)
Other changes (Note)	35	652	—	64	1	8,331	—	9,083
Balance at March 31, 2013	¥21,119	¥5,909	¥ —	¥526	¥20,925	¥109,435	¥ —	¥157,914

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

	Millions of U.S. Dollars							
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Eliminations	Total
Balance at March 31, 2012	$224	$50	$ 13	$ 5	$222	$1,076	$—	$1,590
Acquired	—	5	—	—	—	—	—	5
Impairment losses	—	—	(13)	—	—	—	—	(13)
Other changes (Note)	1	7	—	1	—	88	—	97
Balance at March 31, 2013	$225	$62	$ —	$ 6	$222	$1,164	$—	$1,679

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 ¥1,192 million ($13 million), ¥448 million, and ¥3,713 million, were recognized during the years ended March 31, 2013, 2012 and 2011, respectively. The impairment losses were included in "Loss on property and equipment–net" in the consolidated statements of income.

For the year ended March 31, 2013, impairment losses in the Metals & Minerals segment were recognized for solar-related business in the U.S.A.

For the year ended March 31, 2011, impairment losses in the Energy & Chemicals segment were recognized for Kansas Energy LLC, which operates wholesale of natural gas in the U.S.A and impairment losses in Others, Adjustments & Eliminations segment were recognized for 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.

Gross amount of goodwill and accumulated impairment losses by operating segment at March 31, 2013, 2012 and 2011, were as follows:

	Millions of Yen							
	2013							
Balance at March 31,	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Eliminations	Total
Gross amount	**¥21,119**	**¥10,273**	**¥ 1,578**	**¥ 1,781**	**¥20,925**	**¥109,435**	**¥ 1,371**	**¥166,482**
Accumulated impairment losses	**—**	**(4,364)**	**(1,578)**	**(1,255)**	**—**	**—**	**(1,371)**	**(8,568)**

	Millions of Yen							
	2012							
Balance at March 31,	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Eliminations	Total
Gross amount	¥21,084	¥ 9,104	¥1,578	¥1,717	¥20,924	¥101,237	¥ 2,448	¥158,092
Accumulated impairment losses	—	(4,364)	(386)	(1,255)	—	(133)	(2,448)	(8,586)

	Millions of Yen							
	2011							
Balance at March 31,	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Eliminations	Total
Gross amount	¥22,542	¥ 5,883	¥—	¥ 1,715	¥20,924	¥46,202	¥ 7,257	¥104,523
Accumulated impairment losses	—	(2,980)	—	(1,193)	—	(133)	(5,544)	(9,850)

	Millions of U.S. Dollars							
	2013							
Balance at March 31,	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Eliminations	Total
Gross amount	**$225**	**$108**	**$ 17**	**$ 19**	**$222**	**$1,164**	**$ 15**	**$1,770**
Accumulated impairment losses	**—**	**(46)**	**(17)**	**(13)**	**—**	**—**	**(15)**	**(91)**

10. Short-term and Long-term Debt

"Short-term debt" at March 31, 2013 and 2012, was as follows:

	Millions of Yen	Interest Rate	Millions of Yen	Interest Rate	Millions of U.S. Dollars
	2013		2012		2013
Short-term loans, mainly from banks	¥429,863	1.4%	¥358,207	1.1%	$4,571
Commercial paper	6,017	0.3	57,061	0.1	64
Total	¥435,880	—	¥415,268	—	$4,635

Note: The interest rates represent weighted average rates on outstanding balances at March 31, 2013 and 2012.

"Long-term debt" at March 31, 2013 and 2012, was summarized below:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	2013
Banks and financial institutions:			
Secured			
Due 2013–2029, interest mainly 0.7%–8.0%	¥ 5,960	¥ 8,540	$ 64
Unsecured			
Due 2012–2027, interest mainly 0.2%–10.9%	1,823,230	1,730,457	19,386
Debentures:			
Unsecured bonds and notes:			
Issued in 2005, 1.46% Yen Bonds due 2012	—	10,000	—
Issued in 2006, 2.17% Yen Bonds due 2016	15,000	15,000	160
Issued in 2006, 2.09% Yen Bonds due 2016	10,000	10,000	106
Issued in 2007, 2.11% Yen Bonds due 2017	10,000	10,000	106
Issued in 2007, 2.02% Yen Bonds due 2017	10,000	10,000	106
Issued in 2007, 1.99% Yen Bonds due 2017	10,000	10,000	106
Issued in 2007, 1.90% Yen Bonds due 2017	10,000	10,000	106
Issued in 2008, 2.28% Yen Bonds due 2018	20,000	20,000	213
Issued in 2009, 1.49% Yen Bonds due 2014	25,000	25,000	266
Issued in 2009, 1.91% Yen Bonds due 2019	15,000	15,000	160
Issued in 2009, 1.65% Yen Bonds due 2019	10,000	10,000	106
Issued in 2010, 1.65% Yen Bonds due 2020	20,000	20,000	213
Issued in 2010, 0.653% Yen Bonds due 2015	20,000	20,000	213
Issued in 2010, 1.53% Yen Bonds due 2020	10,000	10,000	106
Issued in 2010, 0.558% Yen Bonds due 2015	20,000	20,000	213
Issued in 2010, 1.412% Yen Bonds due 2020	10,000	10,000	106
Issued in 2011, 0.613% Yen Bonds due 2016	10,000	10,000	106
Issued in 2011, 1.378% Yen Bonds due 2021	20,000	20,000	213
Issued in 2011, 1.135% Yen Bonds due 2020	10,000	10,000	106
Issued in 2011, 0.510% Yen Bonds due 2016	10,000	10,000	106
Issued in 2011, 1.221% Yen Bonds due 2021	20,000	20,000	213
Issued in 2011, 0.732% Yen Bonds due 2018	10,000	10,000	106
Issued in 2012, 1.181% Yen Bonds due 2022	20,000	20,000	213
Issued in 2012, floating rate U.S. Dollar Bonds due 2015	14,108	12,329	150
Issued in 2012, 0.407% Yen Bonds due 2017	10,000	—	106
Issued in 2012, 0.362% Yen Bonds due 2017	20,000	—	213
Issued in 2012, 0.964% Yen Bonds due 2022	10,000	—	106
Issued in 2012, floating rate Yen Bonds due 2022	10,000	—	106
Issued in 2012, 0.95% Yen Bonds due 2022	10,000	—	106
Issued in 2013, 0.206% Yen Bonds due 2016	10,000	—	106
Issued in 2013, 0.267% Yen Bonds due 2018	10,000	—	106
Issued in 2013, 0.862 % Yen Bonds due 2023	10,000	—	106
Issued in and after 2008, Medium-Term Notes, etc., maturing through 2022	35,005	20,432	373
Others	167,953	177,125	1,786
Total	2,451,256	2,273,883	26,063
ASC Topic 815, "Derivatives and Hedging" fair value adjustment (Note)	43,276	21,534	460
Total	2,494,532	2,295,417	26,523
Less current maturities	(46,664)	(35,700)	(496)
Long-term debt, less current maturities	¥2,447,868	¥2,259,717	$26,027

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.

The agreements for certain loans from the Japan Bank for International Cooperation ("JBIC"), which are included in long term debt from banks and financial institutions, require the borrower, up on the request of lender, to reduce outstanding loans before scheduled maturity dates when JBIC considers that the Company are able to reduce such loans through increased earnings or through the proceeds from the sale of common stock or debentures. The Company has never received such a request and does not expect that any such request will be made.

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

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

The aggregate annual maturities of long-term debt after March 31, 2013, are as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2014	¥ 46,664	$ 496
2015	432,750	4,601
2016	400,244	4,256
2017	308,718	3,282
2018	295,710	3,144
2019 and thereafter	1,010,446	10,744
Total	¥2,494,532	$26,523

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 ¥350,000 million for long-term debt, as of March 31, 2013 and 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. The $500 million U.S. dollar facility was held for short-term debt as of March 31, 2013 and 2012. 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 ¥259,694 million ($2,761 million) and ¥244,849 million of the current maturities of long-term debt from current liabilities to non-current liabilities as of March 31, 2013 and 2012, respectively. The ¥259,694 million ($2,761 million) is included in "2019 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, 2013 and 2012.

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, 2013 and 2012, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	2013
Balance at beginning of year	**¥30,547**	¥28,922	**$325**
Liabilities incurred	**3,642**	2,544	**39**
Liabilities settled	**(372)**	(1,582)	**(4)**
Accretion expense	**1,064**	977	**11**
Revisions to cost estimate	**1,516**	(365)	**16**
Other	**(687)**	51	**(7)**
Balance at end of year	**¥35,710**	¥30,547	**$380**

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, 2013 and 2012, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	2013
Total minimum lease payments to be received	**¥43,879**	¥35,315	**$467**
Less: Unearned income	**(5,982)**	(5,053)	**(64)**
Estimated unguaranteed residual value	**300**	301	**3**
Less: Allowance for doubtful receivables	**(155)**	(183)	**(2)**
Net investment in direct financing leases	**¥38,042**	¥30,380	**$404**

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, 2013, is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2014	¥10,525	$112
2015	8,821	94
2016	6,582	70
2017	4,588	49
2018	3,025	32
2019 and thereafter	10,338	110
Total	¥43,879	$467

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, 2013, were as follows:

	Millions of Yen			Millions of U.S. Dollars		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Real estate	¥28,452	¥ 8,115	¥20,337	$302	$ 86	$216
Machinery and equipment.	6,783	2,254	4,529	72	24	48
Others	2,426	492	1,934	26	5	21
Total	¥37,661	¥10,861	¥26,800	$400	$115	$285

The schedule of minimum future rentals on noncancelable operating leases for each of the five succeeding years and thereafter as of March 31, 2013, is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2014	¥ 5,604	$ 60
2015	3,979	42
2016	2,857	30
2017	2,273	24
2018	1,759	19
2019 and thereafter	15,072	160
Total	¥31,544	$335

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, 2013 and 2012, were as follows:

	Millions of Yen			Millions of U.S. Dollars		
	2013					
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Buildings	**¥44,624**	**¥23,554**	**¥21,070**	**$ 474**	**$250**	**$224**
Machinery and equipment	**29,325**	**11,890**	**17,435**	**312**	**127**	**185**
Others	**20,288**	**6,995**	**13,293**	**216**	**74**	**142**
Total	**¥94,237**	**¥42,439**	**¥51,798**	**$1,002**	**$451**	**$551**

	Millions of Yen		
	2012		
	Cost	Accumulated depreciation	Net
Buildings	¥47,387	¥23,681	¥23,706
Machinery and equipment	27,474	11,223	16,251
Others	19,982	6,734	13,248
Total	¥94,843	¥41,638	¥53,205

The components of the capital lease obligations as of March 31, 2013 and 2012, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	2013
Total minimum lease payments	¥ 97,117	¥ 97,973	$1,033
Less: Amount representing interest	(17,969)	(20,266)	(191)
Capital lease obligations	¥ 79,148	¥ 77,707	$ 842

The schedule of future minimum lease payments for each of the five succeeding years and thereafter as of March 31, 2013, is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2014	¥18,374	$ 195
2015	18,122	193
2016	13,519	144
2017	11,219	119
2018	8,146	87
2019 and thereafter	27,737	295
Total	¥97,117	$1,033

Approximately 39% and 31% of the capital leases are with the Company's associated company, Century Tokyo Leasing Corporation, for the years ended March 31, 2013 and 2012, respectively.

The total of minimum sublease rentals to be received in the future under noncancelable subleases is ¥27,718 million ($295 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, 2013, is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2014	¥ 45,269	$ 481
2015	39,832	423
2016	33,845	360
2017	29,894	318
2018	27,540	293
2019 and thereafter	146,048	1,553
Total	¥322,428	$3,428

The total of minimum sublease rentals to be received in the future under noncancelable subleases is ¥27,401 million ($291 million). Total Rental expenses under operating leases for the years ended March 31, 2013, 2012 and 2011, were ¥64,922 million ($690 million), ¥67,507 million and ¥48,361 million, respectively. Sublease rental income for the years ended March 31, 2013, 2012 and 2011, were ¥6,484 million ($69 million), ¥5,768 million and ¥4,926 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
	2013	2012	2013
Change in projected benefit obligations:			
Projected benefit obligations at beginning of year	¥314,793	¥306,692	$3,347
Service cost	8,738	11,678	93
Interest cost	5,293	6,191	56
Plan participants' contributions	602	602	6
Net actuarial loss (gain)	4,873	11,755	52
Benefits paid from plan assets	(17,016)	(17,288)	(181)
Benefits paid by employer	(1,201)	(4,130)	(12)
Foreign currency translation adjustments	1,849	359	20
Acquisitions and divestitures	(3,435)	(1,217)	(37)
Settlement	(6,372)	—	(68)
Other	51	151	1
Projected benefit obligations at end of year	308,175	314,793	3,277
Change in plan assets:			
Fair value of plan assets at beginning of year	250,556	254,493	2,664
Actual (loss) return on plan assets	23,722	6,198	252
Employer contributions	16,092	6,413	171
Plan participants' contributions	602	602	6
Benefits paid from plan assets	(17,016)	(17,288)	(181)
Foreign currency translation adjustments	1,002	468	11
Acquisitions and divestitures	(307)	(330)	(3)
Settlement	(3,057)	—	(32)
Fair value of plan assets at end of year	271,594	250,556	2,888
Funded status at end of year.	¥ (36,581)	¥ (64,237)	$ (389)

Amounts recognized in the consolidated balance sheets at March 31, 2013 and 2012, consisted of:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	2013
Prepaid pension cost	¥ 223	¥ 67	$ 2
Accrued retirement and severance benefits	(36,804)	(64,304)	(391)
	¥(36,581)	¥(64,237)	$(389)

Amounts recognized in accumulated other comprehensive income (loss), pre-tax, at March 31, 2013 and 2012, consisted of:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	2013
Net actuarial loss	¥155,623	¥178,887	$1,655
Prior service credit	(7,518)	(13,007)	(80)
	¥148,105	¥165,880	$1,575

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, 2014 are approximately ¥8,000 million ($85 million) (loss) and ¥2,000 million ($21 million) (gain), respectively.

The accumulated benefit obligations for all defined benefit plans as of March 31, 2013 and 2012, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	2013
Accumulated benefit obligation	¥306,528	¥313,621	$3,259

Assumptions of projected benefit obligations and net periodic pension costs as of March 31, 2013 and 2012, were as follows:

	2013	2012
Weighted-average assumptions used to determine benefit obligations at the end of year:		
Discount rate	1.6%	1.7%
Rate of compensation increase	3.6%	3.4%
Weighted-average assumptions used to determine net periodic pension cost for the year:		
Discount rate	1.7%	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 at March 31, 2012.

The net periodic pension costs for retirement and severance benefits for the years ended March 31, 2013, 2012 and 2011, consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2013	2012	2011	2013
Service cost	¥ 8,738	¥11,678	¥ 8,641	$ 93
Interest cost	5,293	6,191	6,278	56
Expected return on plan assets	(7,277)	(7,044)	(7,296)	(77)
Amortization of unrecognized prior service cost	(5,509)	(5,430)	(5,468)	(59)
Amortization of unrecognized net actuarial loss	11,476	11,638	10,951	122
Settlement (gain) loss	(62)	—	—	(1)
Other	73	—	—	1
Net periodic pension cost	¥12,732	¥17,033	¥13,106	$135

Total expenses related to pension plans for the years ended March 31, 2013, 2012 and 2011, consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2013	2012	2011	2013
Net periodic pension cost for defined benefit pension plans	¥12,732	¥17,033	¥13,106	$135
The amount of cost recognized for defined contribution pension plans	3,194	4,583	2,950	34
Total expenses for pension plans	¥15,926	¥21,616	¥16,056	$169

The prior service cost and the net actuarial gain and loss recognized in other comprehensive income (loss) for the years ended March 31, 2013, 2012 and 2011, consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2013	2012	2011	2013
Prior service cost arising during period	¥ (20)	¥ 95	¥ (285)	$ (0)
Amortization of unrecognized prior service cost	5,509	5,430	5,468	59
Net actuarial (gain) loss arising during period	(11,788)	13,199	18,108	(126)
Amortization of unrecognized net actuarial loss	(11,476)	(11,638)	(10,951)	(122)
Total	¥(17,775)	¥ 7,086	¥ 12,340	$(189)

As of March 31, 2013 and 2012, 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			
	2013			
	Level 1	Level 2	Level 3	Total
Equity securities:				
Domestic	¥ 36,398	¥ 27,490	—	¥ 63,888
Overseas	5,087	26,408	—	31,495
Debt securities:				
Domestic	6,340	59,181	—	65,521
Overseas	12,038	8,692	—	20,730
Other assets:				
Cash and cash equivalents	41,433	34	—	41,467
Life insurance company general accounts	—	34,596	—	34,596
Others	—	13,897	—	13,897
Total	¥101,296	¥170,298	—	¥271,594

	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 U.S. Dollars			
	2013			
	Level 1	Level 2	Level 3	Total
Equity securities:				
Domestic	$ 387	$ 292	—	$ 679
Overseas	54	281	—	335
Debt securities:				
Domestic	67	630	—	697
Overseas	128	92	—	220
Other assets:				
Cash and cash equivalents	441	0	—	441
Life insurance company general accounts	—	368	—	368
Others	—	148	—	148
Total	$1,077	$1,811	—	$2,888

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

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

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

Cash Flow of the Company and Certain Subsidiaries:
The Company and certain subsidiaries expect to contribute about ¥4,600 million ($49 million) to defined benefit pension plans in the year ending March 31, 2014.

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
2014	¥14,908	$159
2015	14,688	156
2016	14,454	154
2017	14,239	151
2018	14,214	151
2019–2023	¥68,802	$732

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.

	Millions of Yen		Millions of U.S. Dollars
March 31,	2012	2011	2012
Plan assets	¥ 65,155	¥ 60,609	$ 692
Actuarial pension benefit obligations	(77,805)	(75,130)	(827)
Net	¥(12,650)	¥(14,521)	$(135)

The amount of contributions of subsidiaries to the ITOCHU Union Pension Fund was ¥2,006 million ($21 million), ¥4,932 million and ¥5,749 million for the years ended March 31, 2013, 2012 and 2011, respectively.

14. Foreign Exchange Gains and Losses

Net foreign exchange losses of ¥2,084 million ($22 million), losses of ¥1,374 million, and gains of ¥1,446 million for the years ended March 31, 2013, 2012 and 2011, 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 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 its 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%.

The Company, its subsidiaries and its associated companies 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 was additional income tax expenses of ¥11,158 million (loss) for the year ended March 31, 2012.

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 38%, 41% and 41% for the years ended March 31, 2013, 2012, and 2011 respectively.

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, 2013, 2012 and 2011, were as follows:

	2013	2012	2011
Normal income tax rate	**38.0%**	41.0%	41.0%
Items not deductible or not taxable for tax purposes	**0.9**	0.5	2.9
Difference of tax rates for foreign subsidiaries	**(1.1)**	(3.8)	(6.7)
Tax effect on dividends received	**(0.2)**	0.2	(0.1)
Effect on deferred tax assets and deferred tax liabilities from a change in the tax regulation	**—**	2.8	—
Effect of Minerals Resource Rent Tax	**0.4**	(1.4)	—
Valuation allowance	**(7.0)**	(2.5)	2.4
Tax effect on investments in equity-method associated companies	**(0.4)**	(0.2)	(2.2)
Other	**(0.3)**	(0.8)	0.3
Effective income tax rate	**30.3%**	35.8%	37.6%

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, 2013, 2012 and 2011, were allocated as follows:

	Millions of Yen			Millions of U.S. Dollars
	2013	2012	2011	2013
Income taxes	**¥ 94,333**	¥122,029	¥68,592	**$1,003**
Other comprehensive (income) loss	**22,278**	2,825	3,448	**237**
Capital surplus	**1,454**	116	(2,704)	**15**
Total income tax (benefit) expense	**¥118,065**	¥124,970	¥69,336	**$1,255**

Significant components of deferred tax assets and liabilities at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	2013
Deferred tax assets:			
Inventories, property and equipment	**¥ 45,801**	¥ 61,657	**$ 487**
Allowance for doubtful receivables	**29,810**	12,651	**317**
Net operating loss carryforwards	**20,707**	25,388	**220**
Accrued retirement and severance benefits	**55,910**	63,478	**595**
Marketable securities and investments	**112,584**	113,673	**1,197**
Minerals Resource Rent Tax	**66,693**	58,193	**709**
Other	**58,944**	66,360	**627**
Total deferred tax assets	**390,449**	401,400	**4,152**
Less: valuation allowance:			
Valuation allowance related to Minerals Resource Rent Tax 2013: ¥(61,057) million ($(649) million) 2012: ¥(53,275) million	**(110,322)**	(118,092)	**(1,174)**
Deferred tax assets–net	**280,127**	283,308	**2,978**
Deferred tax liabilities:			
Accrued retirement and severance benefits	**(46,399)**	(47,324)	**(493)**
Marketable securities and investments	**(82,774)**	(59,811)	**(880)**
Undistributed earnings	**(30,422)**	(25,423)	**(323)**
Property, equipment and other intangible assets	**(57,149)**	(47,114)	**(608)**
Other	**(8,914)**	(10,880)	**(95)**
Total deferred tax liabilities	**(225,658)**	(190,552)	**(2,399)**
Net deferred tax assets	**¥ 54,469**	¥ 92,756	**$ 579**

Net changes in the valuation allowance for the years ended March 31, 2013, 2012 and 2011, were a decrease of ¥7,770 million ($83 million), an increase of ¥31,681 million, and ¥4,058 million, respectively.

The amount of undistributed earnings of foreign subsidiaries for which no deferred tax liability has been provided totaled ¥367,459 million ($3,907 million) and ¥333,411 million at March 31, 2013 and 2012, 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	¥ 877	$ 10
Within 2 years	1,220	13
Within 3 years	269	3
Within 4 years	498	5
Within 5 years	4,813	51
After 5 to 10 years	33,770	359
After 10 to 15 years	324	3
After 15 years	23,372	249
Total	¥65,143	$693

"Income before income taxes and equity in earnings of associated companies" for the years ended March 31, 2013, 2012 and 2011, comprised the following:

	Millions of Yen			Millions of U.S. Dollars
	2013	2012	2011	2013
The Company and its domestic subsidiaries	**¥193,650**	¥172,727	¥ 52,083	**$2,059**
Foreign subsidiaries	**117,462**	168,447	130,249	**1,249**
Total	**¥311,112**	¥341,174	¥182,332	**$3,308**

"Income taxes" for the years ended March 31, 2013, 2012 and 2011, comprised the following:

	Millions of Yen									Millions of U.S. Dollars		
	2013			2012			2011			2013		
	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total
The Company and its domestic subsidiaries	**¥48,881**	**¥ 8,366**	**¥57,247**	¥39,130	¥36,936	¥ 76,066	¥33,613	¥ (4,535)	¥29,078	**$520**	**$ 89**	**$ 609**
Foreign subsidiaries	**29,540**	**7,546**	**37,086**	50,184	(4,221)	45,963	49,281	(9,767)	39,514	**314**	**80**	**394**
Total	**¥78,421**	**¥15,912**	**¥94,333**	¥89,314	¥32,715	¥122,029	¥82,894	¥(14,302)	¥68,592	**$834**	**$169**	**$1,003**

A reconciliation of the beginning and ending total gross unrecognized tax benefits for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2013	2012	2013
Balance at beginning of year	**¥229**	¥ 399	**$ 3**
Additions based on tax positions related to the current year	**69**	—	**1**
Additions for tax positions of prior years	**33**	15	**0**
Reductions for tax positions of prior years	**(6)**	(13)	**(0)**
Settlements	**—**	(178)	**—**
Effects on foreign currency translation	**28**	6	**0**
Balance at ending of year	**¥353**	¥ 229	**$ 4**

Of the ending balances of ¥353 million ($4 million) in 2013 and ¥229 million in 2012, ¥306 million ($3 million) and ¥211 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, 2013, 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, 2013 and 2012, and interest and penalties included in income taxes for the year ended March 31, 2013 and 2012, 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, 2012 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, 2007, 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 and diluted net income attributable to ITOCHU per share computations for the years ended March 31, 2013, 2012 and 2011, was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2013	2012	2011	2013
Numerator:				
Net income attributable to ITOCHU	**¥280,297**	¥300,505	¥161,114	**$2,980**
Effect of dilutive securities:				
Convertible preferred stock	**—**	—	(239)	**—**
Diluted net income attributable to ITOCHU	**¥280,297**	¥300,505	¥160,875	**$2,980**

	Number of Shares		
	2013	2012	2011
Denominator:			
Weighted-average number of common shares outstanding	**1,580,515,991**	1,580,528,221	1,580,596,737

	Yen			U.S. Dollars
	2013	2012	2011	2013
Basic net income attributable to ITOCHU per common share	**¥177.35**	¥190.13	¥101.93	**$1.89**
Diluted net income attributable to ITOCHU per common share	**¥177.35**	¥190.13	¥101.78	**$1.89**

Diluted net income attributable to ITOCHU per share for the year ended March 31, 2013 and 2012 are 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. The Company and its subsidiaries, by leveraging these comprehensive capabilities and via global networks spanning six division companies, operate in a wide range of industries. 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.

Machinery

The Machinery segment is engaged in business activities for projects and related services and production of equipment for plants, bridges, railways and other infrastructures; IPP and water resources and environment-related equipment; trading of ships, aircraft, automobiles, construction machinery, industrial machinery, machine tools, environmental equipment, electronic device and related equipment; environmental business activities such as renewable and alternative energy businesses.

In addition, the segment provides medical device and pharmaceuticals transactions and related services in medical and health-related business area.

Metals & Minerals

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

Energy & Chemicals

The Energy & Chemicals segment is engaged in business activities such as energy resource development, trading of oil, petroleum products and gas in Japan and overseas as well as business and trading 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.

ICT, General Products & Realty

The ICT, General Products & Realty segment is engaged in business and trading of various consumer products such as lumber, pulp, paper, rubber, tire, cement and ceramics. In addition, the segment is engaged in business such as IT solution, internet-related services, non-store retailing, energy management, venture capital business, distribution of mobile phone devices and related services, telecommunication and media business, agency, broker and consulting services of insurance, reinsurance third-party logistics, warehousing, trucking and international intermodal transport. In addition, the segment is engaged in sale of real estate, real estate securitization, operation of real estate, PFI related service and real estate consulting, debt/equity financing business and financial services.

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.

With regard to the reorganization, amounts presented for the years ended March 31, 2012 and 2011 have been reclassified to conform to the current organization.

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, 2013, 2012 and 2011.

Information concerning operations in different operating segments for the years ended March 31, 2013, 2012 and 2011, was as follows:

	Millions of Yen 2013							
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Elimi nations	Consolidated
Trading transactions:								
Unaffiliated customers and associated companies	¥608,883	¥1,086,275	¥ 602,714	¥5,357,548	¥3,344,116	¥1,495,363	¥ 56,658	¥12,551,557
Transfers between operating segments	746	998	96	22,713	5,538	21,952	(52,043)	—
Total trading transactions	¥609,629	¥1,087,273	¥ 602,810	¥5,380,261	¥3,349,654	¥1,517,315	¥ 4,615	¥12,551,557
Gross trading profit	¥128,921	¥ 89,416	¥ 79,456	¥ 165,027	¥ 202,686	¥ 236,557	¥ 13,816	¥ 915,879
Equity in earnings (losses) of associated companies	¥ 12,582	¥ 13,352	¥ 42,056	¥ (28,271)	¥ 22,890	¥ 24,537	¥ (1,255)	¥ 85,891
Net income attributable to ITOCHU	¥ 31,230	¥ 32,120	¥ 82,466	¥ 23,112	¥ 45,700	¥ 52,108	¥ 13,561	¥ 280,297
Total assets at March 31	¥486,849	¥ 890,890	¥1,175,200	¥1,335,207	¥1,370,199	¥1,363,449	¥495,652	¥ 7,117,446
Depreciation and amortization	¥ 5,446	¥ 10,839	¥ 16,153	¥ 25,494	¥ 9,224	¥ 14,619	¥ 5,394	¥ 87,169

	Millions of Yen 2012							
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Elimi nations	Consolidated
Trading transactions:								
Unaffiliated customers and associated companies	¥600,290	¥992,200	¥ 651,906	¥4,774,497	¥3,194,215	¥1,633,417	¥ 58,224	¥11,904,749
Transfers between operating segments	766	852	113	23,697	4,303	24,078	(53,809)	—
Total trading transactions	¥601,056	¥993,052	¥ 652,019	¥4,798,194	¥3,198,518	¥1,657,495	¥ 4,415	¥11,904,749
Gross trading profit	¥127,616	¥ 85,903	¥ 122,551	¥ 155,570	¥ 201,166	¥ 244,641	¥ 19,473	¥ 956,920
Equity in earnings of associated companies	¥ 5,896	¥ 12,472	¥ 44,334	¥ 2,377	¥ 20,129	¥ 17,388	¥ 152	¥ 102,748
Net income (loss) attributable to ITOCHU	¥ 24,356	¥ 23,134	¥ 142,056	¥ 37,800	¥ 43,818	¥ 37,598	¥ (8,257)	¥ 300,505
Total assets at March 31	¥433,372	¥800,145	¥1,015,650	¥1,287,060	¥1,298,362	¥1,188,694	¥483,990	¥ 6,507,273
Depreciation and amortization	¥ 5,606	¥ 8,611	¥ 12,736	¥ 22,287	¥ 10,347	¥ 11,918	¥ 5,666	¥ 77,171

	Millions of Yen							
	2011							
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Elimi nations	Consolidated
Trading transactions:								
Unaffiliated customers and associated companies	¥587,725	¥975,939	¥567,828	¥4,555,833	¥3,027,600	¥1,443,597	¥165,271	¥11,323,793
Transfers between operating segments	536	849	859	21,964	2,571	25,884	(52,663)	—
Total trading transactions	¥588,261	¥976,788	¥568,687	¥4,577,797	¥3,030,171	¥1,469,481	¥112,608	¥11,323,793
Gross trading profit	¥128,345	¥ 69,406	¥124,591	¥ 151,114	¥ 200,995	¥ 208,328	¥ 23,808	¥ 906,587
Equity in earnings (losses) of associated companies	¥ 5,925	¥ 9,836	¥ 29,400	¥ 1,723	¥ 11,700	¥ 3,927	¥ (1,894)	¥ 60,617
Net income (loss) attributable to ITOCHU	¥ 15,292	¥ 10,252	¥111,047	¥ 12,645	¥ 22,377	¥ 6,044	¥ (16,543)	¥ 161,114
Total assets at March 31	¥406,394	¥672,412	¥620,855	¥1,085,769	¥1,208,663	¥1,053,665	¥628,951	¥ 5,676,709
Depreciation and amortization	¥ 5,632	¥ 6,788	¥ 8,308	¥ 25,086	¥ 11,720	¥ 10,908	¥ 7,518	¥ 75,960

	Millions of U.S.Dollars							
	2013							
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Elimi nations	Consolidated
Trading transactions:								
Unaffiliated customers and associated companies	$6,474	$11,550	$ 6,408	$56,965	$35,557	$15,900	$ 602	$133,456
Transfers between operating segments	8	11	1	241	59	233	(553)	—
Total trading transactions	$6,482	$11,561	$ 6,409	$57,206	$35,616	$16,133	$ 49	$133,456
Gross trading profit	$1,371	$ 951	$ 845	$ 1,754	$ 2,155	$ 2,515	$ 147	$ 9,738
Equity in earnings (losses) of associated companies	$ 134	$ 142	$ 447	$ (301)	$ 243	$ 261	$ (13)	$ 913
Net income attributable to ITOCHU	$ 332	$ 341	$ 877	$ 246	$ 486	$ 554	$ 144	$ 2,980
Total assets at March 31	$5,176	$ 9,473	$12,495	$14,197	$14,569	$14,497	$5,270	$ 75,677
Depreciation and amortization	$ 58	$ 115	$ 172	$ 271	$ 98	$ 156	$ 57	$ 927

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 (losses) attributable to ITOCHU, total assets not allocated to the specified operating segments in domestic and foreign areas, eliminations and adjustments, etc.
3. With respect to distribution cost related to the ITOCHU Group's food distribution and marketing business, ITOCHU has made a change in presentation in the financial statements related to the ITOCHU Group's portion of operational cost arising at the distribution centers of the ITOCHU Group's customers, such as mass merchandisers, and delivery costs from the distribution centers to the customers' stores since the beginning of the fiscal year 2013. The aforementioned distribution cost in "Food" and "Total" for the same period of the previous fiscal years ended March 31, 2012 and 2011 have been reclassified in the same manner.

Geographic Information

Information concerning operations in different countries for the years ended March 31, 2013, 2012 and 2011, was as follows:

	Millions of Yen				
	2013				
	Japan	United States	Australia	Other	Consolidated
Revenue	**¥3,127,477**	**¥668,123**	**¥189,806**	**¥594,357**	**¥4,579,763**

	Millions of Yen				
	2013				
	Japan	Australia	United States	Other	Consolidated
Long-lived assets	**¥413,701**	**¥276,098**	**¥42,870**	**¥71,586**	**¥804,255**

	Millions of Yen				
	2012				
	Japan	United States	Australia	Other	Consolidated
Revenue	¥2,930,139	¥479,909	¥221,893	¥565,584	¥4,197,525

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

	Millions of Yen				
	2011				
	Japan	United States	Australia	Other	Consolidated
Revenue	¥2,624,515	¥375,121	¥212,875	¥369,284	¥3,581,795

	Millions of U.S. Dollars				
	2013				
	Japan	United States	Australia	Other	Consolidated
Revenue	**$33,253**	**$7,104**	**$2,018**	**$6,320**	**$48,695**

	Millions of U.S. Dollars				
	2013				
	Japan	Australia	United States	Other	Consolidated
Long-lived assets	**$4,399**	**$2,935**	**$456**	**$761**	**$8,551**

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

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 accounting standards in 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 ¥454,485 million ($4,832 million) as of March 31, 2013. This amount available as dividends or the purchase of treasury stocks might have changed 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 it is 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 to be purchased must be within the amount available 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, 2013, 2012 and 2011, were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2013	2012	2011	**2013**
Net income attributable to ITOCHU	**¥280,297**	¥300,505	¥161,114	**$2,980**
Increase (Decrease) in capital surplus for sale (purchase) of subsidiary shares to (from) noncontrolling interest and others	**1,038**	(1,921)	(23,215)	**11**
Change from net income attributable to ITOCHU and transfer to (from) noncontrolling interest	**¥281,335**	¥298,584	¥137,899	**$2,991**

During the year ended March 31, 2013, the companies recognized a net pre-tax gain of ¥8,867 million ($94 million) by deconsolidation of certain subsidiaries mainly caused by the sales of interests in subsidiaries to third parties, and the mergers of subsidiaries with third parties. This net gain was included in "Gain (loss) on investment–net" in the Consolidated Statements of Income. Of the net total of ¥8,867 million, a gain of ¥4,646 million ($49 million) was recorded as a result of the re-measurement to fair values of the retained investments in the former subsidiaries, using primarily quoted market price of the investee with consideration of other factors such as future cash flow projection of the investees. The retained investments are accounted for under the equity method because the companies maintain significant influence primarily through outstanding voting shares.

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		
	2013		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities	¥150,066	¥ 703	¥150,769
Reclassification adjustments for gains and losses realized upon sale or liquidation of investments in foreign entities	411	—	411
Net change in foreign currency translation adjustments attributable to ITOCHU during the year	150,477	703	151,180
Net change in foreign currency translation adjustments attributable to the noncontrolling interest during the year	6,516	—	6,516
Net change in foreign currency translation adjustments during the year	156,993	703	157,696
Pension liability adjustments:			
Amount arising during the year on pension liability adjustments	10,826	(3,870)	6,956
Reclassification adjustments for gains and losses realized in net income	5,914	(2,293)	3,621
Net change in pension liability adjustments attributable to ITOCHU during the year	16,740	(6,163)	10,577
Net change in pension liability adjustments attributable to the noncontrolling interest during the year	(62)	31	(31)
Net change in pension liability adjustments during the year	16,678	(6,132)	10,546
Unrealized holding gains and losses on securities:			
Amount arising during the year on available-for-sale securities	62,035	(18,027)	44,008
Reclassification adjustments for gains and losses realized in net income	(13,509)	2,819	(10,690)
Net change in unrealized holding gains and losses on securities attributable to ITOCHU during the year	48,526	(15,208)	33,318
Net change in unrealized holding gains and losses on securities attributable to the noncontrolling interest during the year	3,265	(852)	2,413
Net change in unrealized holding gains and losses on securities during the year	51,791	(16,060)	35,731
Unrealized holding gains and losses on derivative instruments:			
Amount arising during the year on derivative instruments for cash flow hedges	3,793	(1,783)	2,010
Reclassification adjustments for gains and losses realized in net income	(2,534)	971	(1,563)
Net change in unrealized holding gains and losses on derivative instruments attributable to ITOCHU during the year	1,259	(812)	447
Net change in unrealized holding gains and losses on derivative instruments attributable to the noncontrolling interest during the year	(73)	23	(50)
Net change in unrealized holding gains and losses on derivative instruments during the year	1,186	(789)	397
Other comprehensive income (loss)	¥226,648	¥(22,278)	¥204,370

	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 U.S.Dollars		
	2013		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities	$1,596	$ 8	$1,604
Reclassification adjustments for gains and losses realized upon sale or liquidation of investments in foreign entities	4	—	4
Net change in foreign currency translation adjustments attributable to ITOCHU during the year	1,600	8	1,608
Net change in foreign currency translation adjustments attributable to the noncontrolling interest during the year	69	—	69
Net change in foreign currency translation adjustments during the year	1,669	8	1,677
Pension liability adjustments:			
Amount arising during the year on pension liability adjustments	115	(41)	74
Reclassification adjustments for gains and losses realized in net income	62	(24)	38
Net change in pension liability adjustments attributable to ITOCHU during the year	177	(65)	112
Net change in pension liability adjustments attributable to the noncontrolling interest during the year	(0)	0	(0)
Net change in pension liability adjustments during the year	177	(65)	112
Unrealized holding gains and losses on securities:			
Amount arising during the year on available-for-sale securities	660	(192)	468
Reclassification adjustments for gains and losses realized in net income	(144)	30	(114)
Net change in unrealized holding gains and losses on securities attributable to ITOCHU during the year	516	(162)	354
Net change in unrealized holding gains and losses on securities attributable to the noncontrolling interest during the year	35	(9)	26
Net change in unrealized holding gains and losses on securities during the year	551	(171)	380
Unrealized holding gains and losses on derivative instruments:			
Amount arising during the year on derivative instruments for cash flow hedges	40	(19)	21
Reclassification adjustments for gains and losses realized in net income	(27)	10	(17)
Net change in unrealized holding gains and losses on derivative instruments attributable to ITOCHU during the year	13	(9)	4
Net change in unrealized holding gains and losses on derivative instruments attributable to the noncontrolling interest during the year	(0)	0	(0)
Net change in unrealized holding gains and losses on derivative instruments during the year	13	(9)	4
Other comprehensive income (loss)	$2,410	$(237)	$2,173

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 qualified 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, 2013 and 2012, the total principal amounts of currency derivatives that were designated and qualified as fair value hedges were ¥82,606 million ($878 million) and ¥58,180 million, respectively; the total principal amounts of currency derivatives that were designated and qualified as cash flow hedges were ¥178,714 million ($1,900 million) and ¥27,885 million, respectively; and the total principal amounts of currency derivatives that were not designated or did not qualify as hedging instruments were ¥247,402 million ($2,631 million) and ¥321,350 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, 2013 and 2012, the total notional amounts of interest rate derivatives that were designated and qualified as fair value hedges were ¥752,490 million ($8,001 million) and ¥720,990 million, respectively; the total notional amounts of interest rate derivatives that were designated and qualified as cash flow hedges were ¥11,483 million ($122 million) and ¥104,118 million, respectively; and the total notional amounts of interest rate derivatives that were not designated or did not qualify as hedging instruments were ¥13,186 million ($140 million) and ¥19,584 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, 2013 and 2012, the total principal amounts of commodity derivatives that were designated and qualified as fair value hedges were ¥116,247 million ($1,236 million) and ¥82,564 million, respectively; the total principal amounts of commodity derivatives that were designated and qualified as cash flow hedges were ¥24,533 million ($261 million) and ¥21,111 million, respectively; and the total principal amounts of commodity derivatives that were not designated or did not qualify as hedging instruments were ¥1,047,702 million ($11,140 million) and ¥1,011,575 million, respectively.

(1) Fair values of derivative instruments

The fair values of derivative instruments as of March 31, 2013 and 2012, 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	
	2013		2012		2013	
	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives
Currency derivatives	¥21,329	¥1,152	¥ 936	¥2,227	$227	$12
Interest rate derivatives	29,080	692	21,534	856	309	7
Commodity derivatives	1,899	985	3,026	1,719	20	11
Total	¥52,308	¥2,829	¥25,496	¥4,802	$556	$30

(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	
	2013		2012		2013	
	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives
Currency derivatives	¥16,872	¥14,793	¥12,138	¥10,403	$179	$158
Interest rate derivatives	216	222	234	252	2	2
Commodity derivatives	10,967	11,736	14,919	19,008	117	125
Other	17	14	6	—	0	0
Total	¥28,072	¥26,765	¥27,297	¥29,663	$298	$285

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, 2013, 2012 and 2011, were as follows:

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

		Millions of Yen	Millions of U.S. Dollars
		2013	2013
	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	¥ 2,485	$ 26
Interest rate derivatives	Interest expense	14,271	152
Commodity derivatives	Trading margins and commissions on trading transactions	367	4
Total		¥17,123	$182

		Millions of Yen	
		2012	2011
	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative
Currency derivatives	Other–net	¥ 495	¥(1,336)
Interest rate derivatives	Interest expense	12,122	7,937
Commodity derivatives	Trading margins and commissions on trading transactions	(548)	(4,576)
Total		¥12,069	¥ 2,025

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, 2013, 2012 and 2011.

The amount of firm commitments that no longer qualified as fair value hedges was not material for the years ended March 31, 2013, 2012 and 2011.

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

	Millions of Yen			Millions of U.S. Dollars	
	2013			2013	
	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	¥7,527	Other–net	¥(2,522)	$80	$(27)
Interest rate derivatives	352	Interest expense	(187)	4	(2)
Commodity derivatives	(572)	Trading margins and commissions on trading transactions	(281)	(6)	(3)
Total	¥7,307		¥(2,990)	$78	$(32)

	Millions of Yen		
	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)
Currency derivatives	¥ 633	Other–net	¥(3,915)
Interest rate derivatives	(125)	Interest expense	710
Commodity derivatives	1,245	Trading margins and commissions on trading transactions	(6)
Total	¥1,753		¥(3,211)

	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

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, 2013, 2012 and 2011.

A net loss (pre-tax) of ¥1,453 million ($15 million) in AOCI at March 31, 2013 is expected to be reclassified into earnings within the next 12 months.

As of March 31, 2013, 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 13 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, 2013, 2012 and 2011.

(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 2013 Amount of Gain or (Loss) Recognized in Income on Derivative	Millions of U.S. Dollars 2013 Amount of Gain or (Loss) Recognized in Income on Derivative
Currency derivatives	Trading margins and commissions on trading transactions	¥ 1,719	$ 18
	Other–net	9,828	104
Interest rate derivatives	Other–net	(2)	(0)
Commodity derivatives	Trading margins and commissions on trading transactions	(5,203)	(55)
Other	Other–net	(41)	(0)
Total		¥ 6,301	$ 67

	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 Yen 2011 Amount of Gain or (Loss) Recognized in Income on Derivative
Currency derivatives	Trading margins and commissions on trading transactions	¥ 3,704	¥ 3,781
	Other–net	(1,166)	(5,480)
Interest rate derivatives	Other–net	(4)	(6)
Commodity derivatives	Trading margins and commissions on trading transactions	(251)	(1,031)
Other	Other–net	21	3
Total		¥ 2,304	¥(2,733)

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," 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," 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, 2013 and 2012.

	Millions of Yen			
	2013			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	¥ —	¥14,997	¥ —	¥ 14,997
Trading securities	—	—	106	106
Available-for-sale securities				
Equity securities	278,034	386	—	278,420
Debt securities	—	4,891	1,870	6,761
Derivative assets	9,549	70,831	—	80,380
Liabilities:				
Derivative liabilities	¥ 8,768	¥20,826	¥ —	¥ 29,594

	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 U.S. Dollars			
	2013			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$ —	$159	$ —	$ 159
Trading securities	—	—	1	1
Available-for-sale securities				
Equity securities	2,957	4	—	2,961
Debt securities	—	52	20	72
Derivative assets	101	753	—	854
Liabilities:				
Derivative liabilities	$ 93	$222	$ —	$ 315

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, 2013 and 2012.

	Millions of Yen	
	2013	
	Trading Securities	Available-for-sale Securities
Beginning balance	¥303	¥ 2,022
Total gains or losses (realized /unrealized)	(77)	286
Included in earnings (Gain (loss) on investments–net)	(77)	(400)
Included in other comprehensive income (loss) (Unrealized holding gains (losses) on securities)	—	686
Purchases	—	1,254
Sales	(64)	(100)
Settlements and others	(70)	(1,592)
Effect of exchange rate changes	14	—
Ending balance	106	1,870
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, 2013	¥ (59)	¥ —

	Millions of Yen	
	2012	
	Trading Securities	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 U.S. Dollars	
	2013	
	Trading Securities	Available-for-sale Securities
Beginning balance	$ 3	$ 22
Total gains or losses (realized /unrealized)	(1)	3
Included in earnings (Gain (loss) on investments–net)	(1)	(4)
Included in other comprehensive income (loss) (Unrealized holding gains (losses) on securities)	—	7
Purchases	—	13
Sales	(0)	(1)
Settlements and others	(1)	(17)
Effect of exchange rate changes	0	—
Ending balance	1	20
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, 2013	$(1)	$ —

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 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 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) Assets Measured at Fair Value on a Nonrecurring Basis

The following table provides information by level for assets that were measured at fair value during the years ended March 31, 2013 and 2012 on a nonrecurring basis.

	Millions of Yen		
	2013		
	Level 3	Total	Impairment loss (pre-tax)
Assets:			
Non-marketable investments (Note 1)	**¥ 1,203**	**¥ 1,203**	**¥2,258**
Investments in associated companies (Note 2)	**867**	**867**	**549**
Long-lived Assets (Note 3)	**12,193**	**12,193**	**6,570**
Goodwill and Other Intangible Assets (Note 4)	**1,198**	**1,198**	**2,101**

	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	2,054

	Millions of U.S. Dollars		
	2013		
	Level 3	Total	Impairment loss (pre-tax)
Assets:			
Non-marketable investments (Note 1)	**$ 13**	**$ 13**	**$24**
Investments in associated companies (Note 2)	**9**	**9**	**6**
Long-lived Assets (Note 3)	**130**	**130**	**70**
Goodwill and Other Intangible Assets (Note 4)	**13**	**13**	**22**

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.

(2) Fair Value of Financial Instruments

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

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

The carrying amounts and estimated fair values for the purpose of the disclosure requirements of ASC Topic 825, "Financial Instruments," and valuation techniques for other non-current receivables, advances to associated companies and long-term debt as of March 31, 2013 and 2012, 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	
	2013		2012		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:						
Other non-current receivables and advances to associated companies (less allowance for doubtful receivables)	**¥ 106,093**	**¥ 107,879**	¥ 121,631	¥ 122,995	**$ 1,128**	**$ 1,147**
Financial liabilities:						
Long-term debt (including current maturities)	**¥2,401,463**	**¥2,409,078**	¥2,293,830	¥2,299,244	**$25,534**	**$25,615**

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, real estate 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, equity investments and others 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, without any contractual performance obligation. In addition, as of March 31, 2013, 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 were the primary beneficiary.

As of March 31, 2013, 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
	2013	2012	2013
Cash and cash equivalents	¥ 913	¥ 1,626	$ 10
Inventories	18,727	10,855	199
Other	7,895	4,504	84
Total assets	¥27,535	¥16,985	$293
Total current liabilities	¥ 5,935	¥ 1,940	$ 63
Long-term debt, excluding current maturities	4,951	2,911	53
Total equity	16,649	12,134	177
Total liabilities and equity	¥27,535	¥16,985	$293

Note: "Other" mainly includes investments in and advances to associated companies.

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 principally established for ocean plying vessels and real estate development businesses, in which the Company and its subsidiaries hold significant variable interests but are not the primary beneficiary. 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
	2013	2012	2013
Due from associated companies	¥ 1,272	¥ 1,044	$ 14
Other current assets	291	257	3
Total current assets	¥ 1,563	¥ 1,301	$ 17
Investments in and advances to associated companies	¥10,256	¥14,298	$109
Other non-current receivables	2,377	2,613	25
Total assets	¥14,196	¥18,212	$151

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 ¥370,009 million ($3,934 million) and ¥30,508 million ($324 million), respectively, as of March 31, 2013 and ¥423,294 million and ¥35,280 million, respectively, as of March 31, 2012. 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 ¥1,863,525 million ($19,814 million), and ¥1,954,649 million at March 31, 2013 and 2012, respectively. The deliveries are at various dates through 2026.

The Company and its subsidiaries also had long-term financing commitments aggregating ¥153,866 million ($1,636 million) and ¥32,925 million at March 31, 2013 and 2012, 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, 2013 and 2012 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		
	2013		
	Guarantees for monetary indebtedness	Other guarantees	Total
Guarantees for equity-method associated companies:			
Maximum potential amount of future payments	**¥ 75,932**	**¥18,278**	**¥ 94,210**
Amount of substantial risk	**60,324**	**14,418**	**74,742**
Guarantees for customers:			
Maximum potential amount of future payments	**66,805**	**21,963**	**88,768**
Amount of substantial risk	**54,154**	**18,014**	**72,168**
Total:			
Maximum potential amount of future payments	**¥142,737**	**¥40,241**	**¥182,978**
Amount of substantial risk	**114,478**	**32,432**	**146,910**

	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 U.S. Dollars		
	2013		
	Guarantees for monetary indebtedness	Other guarantees	Total
Guarantees for equity-method associated companies:			
Maximum potential amount of future payments	**$ 808**	**$194**	**$1,002**
Amount of substantial risk	**641**	**153**	**794**
Guarantees for customers:			
Maximum potential amount of future payments	**710**	**234**	**944**
Amount of substantial risk	**576**	**192**	**768**
Total:			
Maximum potential amount of future payments	**$1,518**	**$428**	**$1,946**
Amount of substantial risk	**1,217**	**345**	**1,562**

The amount of substantial risk at March 31, 2013 and 2012 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 ¥3,939 million ($42 million) and ¥4,518 million at March 31, 2013 and 2012, 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 ¥6,365 million ($68 million) and ¥6,737 million at March 31, 2013 and 2012, 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, 2013, 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, 2013, 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 ¥16,208 million ($172 million) and ¥22,925 million at March 31, 2013 and 2012, 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, 2013 and 2012, were as follows:

	Millions of Yen	Millions of U.S. Dollars
	2013	2013
PANAVENFLOT CORP	**¥17,762**	**$189**
Consolidated Grain & Barge Co.	**10,816**	**115**
TUPI NORDESTE S.A.R.L.	**10,146**	**108**
Sakhalin Oil and Gas Development Co., Ltd.	**9,276**	**99**
PT. BHIMASENA POWER INDONESIA	**8,714**	**93**
JAPAN ALUMINA ASSOCIATES (AUSTRALIA) PTY LTD	**8,218**	**87**
CLEOPATRA LNG SHIPPING CO., LTD.	**5,699**	**61**
NEFERTITI LNG SHIPPING CO., LTD.	**5,699**	**61**
BLUE CYPRESS LINE S.A.	**3,561**	**38**
TRINITY BULK S.A.	**2,777**	**30**

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

The Company and its subsidiaries were contingently liable in the amounts of ¥1,850 million ($20 million) and ¥1,795 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, 2013 and 2012, respectively. The amounts of export bills of exchange discounted with banks in the ordinary course of business were ¥86,233 million ($917 million) and ¥65,454 million at March 31, 2013 and 2012, respectively. In the process of certain sales or divestitures of business, the Company and its subsidiaries occasionally commit to indemnify contingent losses. However, it is not practicable to estimate the maximum potential amount of future payments since the amount to be compensated is not specified in these commitments. Due to the possibility of incurring losses being not probable, no liability is recorded except certain claims under these commitments.

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. Material Subsequent Events

The Company evaluated subsequent events through June 21, 2013, on which the financial statements were available to be issued. Subsequent events were as follows.

On April 1, 2013, the Company acquired from Dole Food Company, Inc. (hereinafter "Dole Food") the shares of Dole Asia Holdings Pte. Ltd., which operates the Asia fresh produce business of Dole Food and the worldwide packaged foods business of Dole Food except in the United States, and the shares of Dole Packaged Foods, LLC, which operates the packaged foods business of Dole Food in the United States, through the Company's subsidiary, Dole International Holdings, Inc., for a total of $1,685 million (¥156,924 million). As a result, Dole Asia Holdings Pte. Ltd. and Dole Packaged Foods, LLC became wholly-owned subsidiaries of the Company.

At the ordinary general meeting of shareholders held on June 21, 2013, the Company was authorized to pay a cash dividend of ¥20.0 ($0.21) per share, or a total ¥31,635 million ($336 million) to shareholders of record on March 31, 2013. The effective date of the dividend payment is June 24, 2013.

Independent Auditors' Report

Deloitte.

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4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of ITOCHU Corporation:

We have audited the accompanying consolidated financial statements of ITOCHU Corporation and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of March 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended March 31, 2013, and the related notes to the consolidated financial statements (all expressed in Japanese yen).

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 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 Company'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 in accordance with attestation standards established by the American Institute of Certified Public Accountants on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ITOCHU Corporation and its subsidiaries as of March 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2013, in accordance with accounting principles generally accepted in the United States of America.

Convenience Translation

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 accordance 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 21, 2013

NOTE TO READERS:
Notwithstanding the fourth 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.

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 auditor of the financial statements of these companies report on management's assessment of the effectiveness of ICFR in an Independent Auditor's 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, 2013 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, 2013, we concluded that its internal control system over financial reporting as of March 31, 2013 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 Auditor's 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, 2013, 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, 2013. The Company and 124 consolidated subsidiaries and equity-method associated companies (the "124 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 124 entities, we reasonably determined the required scope of assessment of internal controls over business processes.

(Note) The 124 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 124 entities, however we included major special purpose entities into the scope of assessment. Regarding entities other than the 124 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 36 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, 2013. 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 21, 2013

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, 2013 of ITOCHU Corporation (the "Company") and its subsidiaries, and the consolidated statements of income, comprehensive income, equity and cash flows for the fiscal year from April 1, 2012 to March 31, 2013, 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 accordance 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 its subsidiaries as of March 31, 2013, and the results of their operations and their cash flows for the year then ended in accordance 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 ITOCHU Corporation as of March 31, 2013.

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 accordance 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 as of March 31, 2013 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance 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, 2013, 2012, and 2011 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
	2013	2012	2011	2013
Unproved oil and gas properties	¥ 5,933	¥ 7,507	¥ 8,084	$ 63
Proved oil and gas properties	166,146	159,458	157,259	1,767
Subtotal	¥ 172,079	¥ 166,965	¥ 165,343	$ 1,830
Accumulated depreciation, depletion, amortization and valuation allowance	(103,434)	(104,352)	(100,346)	(1,100)
Net capitalized costs	¥ 68,645	¥ 62,613	¥ 64,997	$ 730
The Companies' share of associated Companies' net capitalized costs	¥ 179,566	¥ 171,989	¥ 1	$ 1,909

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

	Millions of Yen			Millions of U.S. Dollars
	2013	2012	2011	2013
Acquisition of proved properties	¥ —	¥ —	¥10,928	$ —
Acquisition of unproved properties	1	8	3,831	0
Exploration costs	2,988	1,166	527	32
Development costs	11,945	8,930	7,270	127
Total costs incurred	¥14,934	¥10,104	¥22,556	$159
The Companies' share of associated Companies' costs of property acquisition, exploration and development	¥24,052	¥ 701	¥ 483	$256

Table 3: Results of Operations for Producing Activities

	Millions of Yen			Millions of U.S. Dollars
	2013	2012	2011	2013
Revenues:				
Sales to unaffiliated companies	¥ 8,595	¥ 9,304	¥10,150	$ 91
Sales to affiliated companies	34,019	32,086	32,105	362
Total Revenues	¥ 42,614	¥41,390	¥42,255	$ 453
Expenses:				
Production costs	¥ 6,997	¥ 7,683	¥10,575	$ 74
Exploration expenses	44	35	63	0
Depreciation, depletion, amortization and valuation allowances	12,923	12,301	37,002	138
Income tax expenses	10,623	10,792	3,923	113
Total Expenses	¥ 30,587	¥30,811	¥51,563	325
Results of operations from producing activities (excluding corporate overhead and interest costs)	¥ 12,027	¥10,579	¥ (9,308)	$ 128
The Companies' share of associated Companies' results of operations from producing activities	¥(25,385)	¥ 284	¥ (483)	$(270)

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, 2013, 2012 and 2011.

	Crude Oil (Millions of Barrels)			Natural Gas (Billions of Cubic Feet)		
	2013	2012	2011	2013	2012	2011
Proved developed and undeveloped reserves:						
Beginning of year	49	58	62	—	—	18
Revision of previous estimates	(4)	(4)	(3)	—	—	(16)
Extensions and discoveries	9	—	—	—	—	—
Purchases	—	—	5	—	—	—
Production	(5)	(5)	(6)	—	—	(2)
Sales	(5)	—	—		—	—
End of year	44	49	58	—	—	—
Proved developed reserves–end of year	14	20	24	—	—	—
The Companies' share of associated Companies' proved developed and undeveloped reserves:						
End of year	17	14	—	409	501	—
Proved developed reserves–end of year	6	7	—	292	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, 2013, 2012 and 2011. 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
	2013	2012	2011	2013
Future cash inflows	¥453,652	¥433,019	¥374,471	$ 4,824
Future production costs	(79,922)	(73,390)	(79,269)	(850)
Future development costs	(103,598)	(75,500)	(79,621)	(1,102)
Future income tax expenses	(81,244)	(87,885)	(67,680)	864
Undiscounted future net cash flows	188,888	196,244	147,901	2,008
10% annual discount for estimated timing of cash flows	(80,158)	(87,243)	(67,329)	(852)
Standardized measure of discounted future net cash flows	¥108,730	¥109,001	¥ 80,572	$ 1,156
The Companies' share of associated Companies' standardized measure of discounted future net cash flows	¥ 35,731	¥ 43,514	¥ —	$ 380

(2) Details of Changes for the Year

	Millions of Yen			Millions of U.S. Dollars
	2013	2012	2011	2013
Discounted future net cash flows at April 1	¥109,001	¥ 80,572	¥ 50,843	$1,158
Sales and transfer of oil and gas produced, net of production costs	(33,601)	(33,172)	(43,007)	(357)
Development costs incurred	10,818	8,968	7,402	115
Purchases and sales of reserves	(2,351)	—	13,381	(25)
Net changes in prices, development and production costs	(6,253)	81,878	73,020	(66)
Extensions, discoveries and improved recovery, less related costs	10,691	—	—	114
Revisions of previous quantity estimates	(12,466)	(25,413)	(8,327)	(133)
Accretion of discount (10%)	15,498	12,560	8,343	165
Net changes in income taxes	3,563	(15,380)	(13,793)	38
Difference of foreign exchange rates	13,830	(1,012)	(7,290)	147
Discounted future net cash flows at March 31	¥108,730	¥109,001	¥ 80,572	$1,156

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