ITOCHU Corporation

Financial Section 2015

For the Year ended March 31, 2015

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.

Summary (IFRS)

ITOCHU Corporation and its Subsidiaries
The Consolidated Financial Statements are prepared in conformity with the International Financial Reporting Standards (IFRSs) from the year ended March 31, 2014.
The following indicators are presented in accordance with IFRSs.

	Millions of Yen				Millions of U.S. Dollars (Note 4)
Years ended March 31	2015	2014	2013	2012	2015
P/L (For the year):					
Revenues	¥5,591,435	¥5,587,526	¥4,699,466	¥ —	$46,529
Gross trading profit	1,089,064	1,045,022	945,778	—	9,063
Net profit attributable to ITOCHU	300,569	245,312	258,843	—	2,501
Comprehensive income attributable to ITOCHU	465,605	391,901	474,460	—	3,875
Per share (Yen and U.S. Dollars):					
Basic earnings attributable to ITOCHU (Note 1)	189.13	155.21	163.77	—	1.57
Cash dividends	46.0	46.0	40.0	44.0	0.38
Shareholders' equity (Note 1)	1,539.55	1,293.35	1,087.61	833.22	12.81
Adjusted profit (Note 2)	312,421	372,797	364,150	—	2,600
B/S (At year-end):					
Total assets	¥8,560,701	¥7,784,851	¥7,198,501	¥6,488,155	$71,238
Current interest-bearing debt	543,660	472,667	498,816	451,618	4,524
Long-term interest-bearing debt	2,548,504	2,420,713	2,282,067	2,084,800	21,207
Interest-bearing debt	3,092,164	2,893,380	2,780,883	2,536,418	25,731
Net interest-bearing debt	2,380,504	2,231,988	2,203,428	2,018,420	19,808
Total shareholders' equity	2,433,202	2,044,120	1,718,980	1,316,928	20,248
Cash flows (For the year):					
Cash flows from operating activities	¥ 403,629	¥ 428,101	¥ 236,517	¥ —	$ 3,359
Cash flows from investing activities	(276,103)	(270,377)	(203,811)	—	(2,298)
Cash flows from financing activities	(97,896)	(77,855)	2,978	—	(815)
Cash and cash equivalents at the end of the year	700,292	653,739	570,335	512,825	5,828
Ratios:					
ROA (%)	3.7	3.3	3.8	—	—
ROE (%)	13.4	13.0	17.1	—	—
Ratio of shareholders' equity to total assets (%)	28.4	26.3	23.9	20.3	—
Net debt-to-equity ratio (times)	0.98	1.09	1.28	1.53	—
Interest coverage (times) (Note 3)	12.7	12.5	12.1	—	—
Common stock information (For the year):					
Stock price (Yen and U.S. Dollars):					
Opening price	¥ 1,222.0	—	—	—	$ 10.17
High	1,429.0	—	—	—	11.89
Low	1,118.0	—	—	—	9.30
Closing price	1,301.5	—	—	—	10.83
Market capitalization (Yen and U.S. Dollars in billions)	2,164	—	—	—	18.01
Trading volume (yearly, million shares)	1,782	—	—	—	—
Number of shares of common stock issued (at year-end, 1,000 shares)	1,662,889	—	—	—	—
Exchange rates into U.S. currency					
(Federal Reserve Bank of New York):					
At year-end	¥ 119.96	—	—	—	—
Average for the year	109.75	—	—	—	—
Range:					
Low	121.50	—	—	—	—
High	101.26	—	—	—	—
Number of employees (At year-end, consolidated)	110,487	104,310	83,768	72,528	—

Notes: 1. Basic earnings attributable to ITOCHU per share and Shareholders' equity per share are calculated by using the weighted average number of shares issued and outstanding for the period.
2. Adjusted profit = Gross trading profit + Selling, general and administrative expenses + Interest expense + Interest income + Dividends received + Equity in earnings of associates and joint ventures
3. Interest coverage = (Gross trading profit + SG&A expenses + Provision for doubtful accounts + interest income + Dividends received) / Interest expense
4. The Japanese yen amounts for the year ended March 31, 2015, have been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥120.17=US$1 (the official rate dated March 31, 2015, announced by The Bank of Tokyo-Mitsubishi UFJ, Ltd.).

Six-year Summary (U.S. GAAP)

ITOCHU Corporation and its Subsidiaries

	Millions of Yen					
Years ended March 31	2014	2013	2012	2011	2010	2009
P/L (For the year):						
Revenue	¥ 5,530,895	¥ 4,579,763	¥ 4,197,525	¥ 3,581,795	¥ 3,418,220	¥ 3,419,061
Gross trading profit	1,028,273	915,879	956,920	906,587	860,187	1,060,521
Net income attributable to ITOCHU	310,267	280,297	300,505	161,114	128,905	165,390
Comprehensive income (loss) attributable to ITOCHU	446,214	475,819	249,983	106,041	270,570	(92,334)
Per share (Yen):						
Basic net income attributable to ITOCHU (Note 1)	196.31	177.35	190.13	101.93	81.56	104.64
Cash dividends	46.0	40.0	44.0	18.0	15.0	18.5
Stockholders' equity (Note 1)	1,358.42	1,117.01	862.88	731.57	695.75	537.43
Adjusted profit (Note 2)	394,201	351,023	395,477	333,098	195,552	339,292
B/S (At year-end):						
Total assets	¥7,848,440	¥7,117,446	¥6,507,273	¥5,676,709	¥5,478,873	¥5,192,092
Current interest-bearing debt	464,992	482,544	450,968	288,973	289,963	628,792
Long-term interest-bearing debt	2,420,272	2,279,915	2,082,592	1,979,967	1,919,588	1,760,530
Interest-bearing debt	2,885,264	2,762,459	2,533,560	2,268,940	2,209,551	2,389,322
Net interest-bearing debt	2,224,279	2,185,623	2,014,898	1,630,764	1,721,464	1,756,764
Long-term debt, excluding current maturities (including long-term interest-bearing debt)	2,628,937	2,447,868	2,259,717	2,160,772	2,108,081	1,934,421
Stockholders' equity	2,146,963	1,765,435	1,363,797	1,156,270	1,099,639	849,411
Cash flows (For the year):						
Cash flows from operating activities	¥ 418,396	¥ 245,661	¥ 212,830	¥ 335,361	¥ 293,597	¥ 276,854
Cash flows from investing activities	(266,692)	(199,990)	(416,315)	(230,866)	(195,698)	(326,033)
Cash flows from financing activities	(71,707)	(11,323)	84,704	53,202	(256,568)	258,322
Cash and cash equivalents at the end of the year	653,332	569,716	513,489	633,756	480,564	628,820
Ratios:						
ROA (%)	4.1	4.1	4.9	2.9	2.4	3.2
ROE (%)	15.9	17.9	23.8	14.3	13.2	18.1
Ratio of stockholders' equity to total assets (%)	27.4	24.8	21.0	20.4	20.1	16.4
Net debt-to-equity ratio (times)	1.0	1.2	1.5	1.4	1.6	2.1
Interest coverage (times) (Note 3)	13.1	12.4	13.5	10.7	5.3	7.2
Common stock information (For the year):						
Stock price (Yen):						
Opening price	¥1,125	¥ 925	¥ 870	¥ 829	¥ 487	¥ 994
High	1,568	1,241	966	930	821	1,337
Low	1,033	755	676	659	486	380
Closing price	1,206	1,131	903	871	819	478
Market capitalization (Yen in billions)	1,911	1,793	1,431	1,380	1,298	758
Trading volume (yearly, million shares)	1,782	1,783	1,882	2,287	2,616	2,913
Number of shares of common stock issued (at year-end, 1,000 shares)	1,584,889	1,584,889	1,584,889	1,584,889	1,584,889	1,584,889
Exchange rates into U.S. currency (Federal Reserve Bank of New York):						
At year-end	¥102.98	¥94.16	¥82.41	¥82.76	¥93.40	¥ 99.15
Average for the year	100.46	83.26	78.86	85.00	92.49	100.85
Range:						
Low	105.25	96.16	85.26	94.68	100.71	110.48
High	92.96	77.41	75.72	78.74	86.12	87.80
Number of employees (At year-end, consolidated)	102,376	77,513	70,639	62,635	62,379	55,431

Notes: 1. Basic net income attributable to ITOCHU per share and Stockholders' equity per share are calculated by using the weighted average number of shares issued and outstanding for the period.

2. Adjusted profit = Gross trading profit + Selling, general and administrative expenses + Interest expense + Interest income + Dividends received + Equity in earnings of associated companies

3. Interest coverage = (Gross trading profit + SG&A expenses + Provision for doubtful receivables + interest income + Dividends received) / Interest expense

4. The Consolidated Financial Statements for the year ended March 31, 2014, in accordance with U.S. GAAP are not audited pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act.

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

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

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

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 International Financial Reporting Standards (IFRSs).

Figures in yen for the year ended March 31, 2015, (Fiscal Year 2015 or the fiscal year), have been translated into U.S. dollars solely for the convenience of the reader based on the exchange rate of ¥120.17 = US$1, announced by The Bank of Tokyo-Mitsubishi UFJ, Ltd., on March 31, 2015.

ITOCHU Corporation is referred as "ITOCHU" or "the Company" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

In Fiscal Year 2015, the global economy grew at a sluggish pace overall reflecting the slow economic recovery in certain emerging countries and economic slowdowns in Japan and Euro zones. Reflecting geopolitical risks, the WTI crude oil price rose to nearly US$110 per barrel in June. However, against the background of the sluggish global economy and OPEC's decision not to reduce oil production, the price declined to approximately US$40 per barrel in January, and afterwards slightly rose to approximately US$50 per barrel at the end of March.

Japan's economy continued to be stagnant, due to the decline in consumer spending and housing demands after the last minute demands of the April 2014 consumption tax hike. However, there were signs of improvement in the economic situation, as the progress in the adjustment of inventory volume through December indicated that the economy has bottomed out, and consumer sentiment improved from January as a result of higher stock prices, wages, and other factors. Against contraction in Japan's trade deficit, the yen appreciated against the U.S. dollar to the ¥100–¥101 range in late-May 2014, and although the U.S. quantitative monetary easing concluded in October, as the Bank of Japan implemented additional easing, the yen depreciated significantly against the U.S. dollar, to approximately ¥120 from December onwards. The Nikkei Stock Average dropped to approximately ¥14,000 at the beginning of May 2014, due to concerns that further appreciation of the yen would result in economic downturn. However, after the shift to the yen depreciation against the U.S. dollar and purchases of exchange-traded funds by the Bank of Japan, the Nikkei Stock Average returned to an upward trend from October, and recovered to approximately ¥19,000 by the end of March. The yield on 10-year Japanese government bonds declined from the 0.6%–0.65% range at the end of March 2014 to nearly 0.2% in January, due to the sluggish economy and increased purchases of Japanese government bonds by the Bank of Japan. However, it subsequently rose due to expectations of economic recovery and other factors, reaching approximately 0.4% at the end of March 2015.

Under the medium-term management plan, "Brand-new Deal 2014", the ITOCHU Group had three basic policies—"boost profitability", "pursue balanced growth", and "maintain financial discipline and lean management". The following shows specific results in the final year of "Brand-new Deal 2014".

Consumer-Related Sector:

We acquired 25.0% of the voting shares (23.8% after accounting for preferred stock) of C.P. Pokphand Co. Ltd., a company engaged in the feed, livestock, and aqua product related businesses in China and Vietnam, and a subsidiary of Charoen Pokphand Foods Public Company Limited. In addition, we acquired 98.5% of EDWIN CO., LTD., which is Japan's largest manufacturer and distributor of jeans. ITOCHU will work to further hone the Edwin Group's product development that is quick to discern market trends and consumer demands, and to refortify its principal jeans business while respecting the traditions and identity of the Edwin Group. Harnessing its abundant experience and extensive networks in the textile industry from upstream to downstream, ITOCHU will propose textile materials, expand the product lineup, build an overseas production base, and engage in other activities with a view to further enhancing the corporate value of the Edwin Group and expanding its business. Furthermore, ITOCHU acquired 24.8% of HOKEN NO MADOGUCHI GROUP INC., which engages in the insurance shop business. HOKEN NO MADOGUCHI GROUP INC., which is the industry leader, operates insurance shops that sell life and non-life insurance products to retail customers, and quality consulting services. Through this share acquisition, ITOCHU is entering the insurance shop business in a large scale to accelerate the business by keeping up with the changes in the insurance market and promoting connections with the network of the ITOCHU Group. ITOCHU also acquired 49.9% of the issued shares of Bellsystem24 Holdings, Inc. (BELLSYSTEM24) from Bain Capital Partners, LLC through a new joint venture company (BCJ-15) established with Bain Capital. BELLSYSTEM24 is Japan's largest contact center operations service provider. In addition to inbound/outbound traditional business process outsourcing (BPO) services using the telephone as the primary communication channel, the Company is rolling out highly efficient and high value-added services using IT technologies. ITOCHU will help streamline the operation, exploiting Group synergy to enhance the corporate value of BELLSYSTEM24.

Basic Industry-Related Sector:

ITOCHU acquired 100% shares of A2 Healthcare Corporation, which inherited clinical research support operations and related operations from ASKLEP Inc., which provides clinical research support and post-marketing surveillance services to pharmaceutical firms and medical devices manufacturers. Through ACRONET Corporation, ITOCHU has promoted the clinical research support operations, and through this acquisition, ITOCHU will further reinforce the service foundation to address advanced customer needs, through the provision of services for large-scale clinical research projects and international joint clinical trials (ACRONET and A2 Healthcare merged in November 2014). ITOCHU will continue to expand its business portfolio in the healthcare field, entering other areas besides services for the pharmaceutical and medical devices industries, including the import and development of medical devices, services for hospitals, and disease prevention. ITOCHU also entered into a formal agreement to acquire 50% of the issued shares of the 100% subsidiary of Mitsui O.S.K. Lines, Ltd. and will participate in the project of Charter up to two new liquefied natural gas (LNG) carriers to E.ON Global Commodities SE, a wholly-owned subsidiary of E.ON SE, Europe's largest gas and electric power company. This is the first long term charter project of LNG carrier for ITOCHU with LNG end-user in Europe, and ITOCHU will contribute to the stable supply of energy through the transportation of LNG globally.

Natural Resource-Related Sector:

ITOCHU and Tewoo Group Co., Ltd., established TEWOO-ITC Global Trading Co. Ltd., a joint venture to handle imports and sales of iron ore and other iron raw materials (the ITOCHU Group has a 49% interest in the new company). It will be able to reliably procure iron ore and other materials through ITOCHU's overseas network, and establish a value chain based on the Tewoo Group's domestic mineral processing facilities and sales network in China. Access to such a wide range of quality raw materials will enable it to make the most of its resources and cater to demand for iron ore in China as it continues to grow in the future.

In a strategic move with an eye on future growth strategy and increasing profits, we concluded a strategic alliance with Charoen Pokphand Group Company Limited (CPG), which is one of the major leading conglomerates in Asia, in order to promote collaboration in improving the corporate value of the ITOCHU Group and the group of companies led by CPG (CP Group). We also decided to enter a strategic business alliance with capital participation among three companies—ITOCHU; CITIC Limited, China's largest conglomerate; and CPG—in order to promote collaboration in improving the corporate values of the ITOCHU Group, the group of companies led by CITIC, and the CP Group.

Corporate Message:

ITOCHU has formulated the following corporate message: "I am One with Infinite Missions." This message is an expression that comes to mind when pondering ITOCHU's corporate philosophy of "Committed to the Global Good." Further, it is a phrase that passes on to wider society the role of ITOCHU. As a global company, ITOCHU will achieve its corporate philosophy of "Committed to the Global Good," as we strive to enhance the value of the ITOCHU brand.

Business Results for Fiscal Year 2015—Comparison between Fiscal Year 2015 and Fiscal Year 2014

ITOCHU uses a Division Company system and the business results were as follows:

Revenues for the year ended March 31, 2015, increased by 0.1%, or ¥3.9 billion compared with the previous fiscal year, to ¥5,591.4 billion (US$46,529 million). This increase was attributable to higher revenue from the Machinery Company, due to the favorable performance in plant-related companies, and higher transaction volume in automobile-related transactions; higher revenue from the Food Company, due to the stable performance in fresh food-related companies and food-distribution-related transactions; higher revenue from the Textile Company, mainly due to the acquisition of EDWIN CO., LTD.; lower revenue from the Energy & Chemicals Company, due to the decrease in energy trading volume and decline in oil prices, despite the acquisition of subsidiaries in energy-related companies.

Gross trading profit increased by 4.2%, or ¥44.0 billion compared with the previous fiscal year, to ¥1,089.1 billion (US$9,063 million). This increase was attributable to higher earnings from the ICT, General Products & Realty Company, due to higher transaction volume in domestic ICT-related companies, and the depreciation of the yen mainly against the Great Britain Pound; higher earnings from the Machinery Company, due to the favorable performance in plant-related companies, and higher transaction volume in automobile-related transactions; higher earnings from the Textile Company, due to the acquisition of EDWIN CO., LTD., despite lower sales in domestic apparel-related companies accompanying the consumption tax hike, and unfavorable operations in European apparel manufacturing and wholesale-related companies; lower earnings from the Metals & Minerals Company, due to the decline in iron ore and coal prices, despite the increase in iron ore sales volume, reduction of costs in iron ore and coal-related companies, and the improvement in foreign currency translation.

Selling, general and administrative expenses increased by 8.0%, or ¥60.2 billion compared with the previous fiscal year, to ¥810.2 billion (US$6,742 million), due to higher expenses in existing subsidiaries in the ICT, General Products & Realty Company and Food Company, and the acquisition of EDWIN CO., LTD. in the Textile Company and subsidiaries in energy-related companies.

Provision for doubtful accounts was nearly the same level compared with the previous fiscal year, at a loss of ¥6.2 billion (US$51 million).

Gains on investments increased by ¥94.9 billion compared with the previous fiscal year, to ¥109.9 billion (US$914 million), due to unordinary gains from the conversions of TING HSIN (CAYMAN ISLANDS) HOLDING CORP. and an Internet advertising company from associates to other investments.

Losses on property, plant, equipment and intangible assets improved by ¥31.9 billion compared with the previous fiscal year, to a loss of ¥4.3 billion (US$36 million), due to the absence of impairment losses in Australian coal-related business in the previous fiscal year.

Other–net decreased by ¥8.5 billion compared with the previous fiscal year, to a gain of ¥6.7 billion (US$56 million), mainly due to the decrease in foreign currency translation.

Net interest expenses which is the total of **Interest income** and **Interest expense**, improved by 26.0%, or ¥4.0 billion compared with the previous fiscal year, to an expense of ¥11.4 billion (US$95 million), due to improved borrowing conditions and lower debt cost. **Dividends received** decreased by 6.2%, or ¥2.3 billion compared with the previous fiscal year, to ¥34.9 billion (US$290 million), as dividends from energy-related investments decreased. Consequently, **Net financial income**, which is the total of **Net interest expenses** and **Dividends received**, increased by ¥1.7 billion compared with the previous fiscal year, to a gain of ¥23.4 billion (US$195 million).

Equity in earnings of associates and joint ventures decreased by 81.9%, or ¥45.9 billion compared with the previous fiscal year, to ¥10.1 billion (US$84 million). This decrease was attributable to a decrease in the Metals & Minerals Company, due to the increase in impairment loss in a Brazilian iron ore company; a decrease in the Energy & Chemicals Company, due to the increase in impairment loss in a U.S. oil and gas development company, despite the absence of unordinary losses in bioethanol companies in the previous fiscal year; an increase in the Food Company, due to the favorable performance in fresh food associates and provisions-related companies, and the gain on sales of affiliates in the CVS companies.

Consequently, **Profit before tax** increased by 16.0%, or ¥57.8 billion compared with the previous fiscal year, to ¥418.5 billion (US$3,483 million), and after deducting **Income tax expense** of ¥122.9 billion (US$1,023 million), **Net profit** increased by 16.2%, or ¥41.2 billion compared with the previous fiscal year, to ¥295.6 billion (US$2,460 million). **Net profit attributable to ITOCHU**, which is calculated as **Net profit** minus **Net profit attributable to non-controlling interests** of ¥4.9 billion (US$41 million) (losses), increased by 22.5%, or ¥55.3 billion compared with the previous fiscal year, to ¥300.6 billion (US$2,501 million).

Operating Segment Information

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

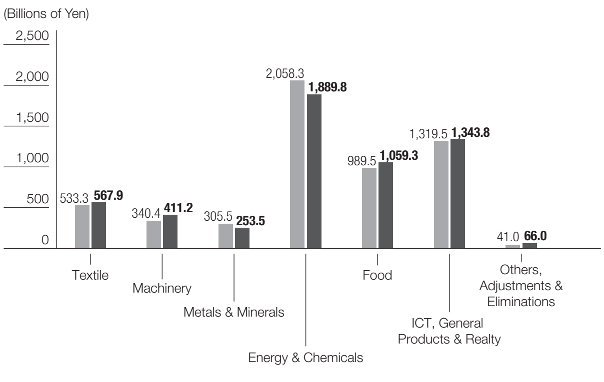
Textile

Revenues increased by 6.5%, or ¥34.6 billion, to ¥567.9 billion (US$4,726 million), mainly due to the acquisition of EDWIN CO., LTD. Gross trading profit increased by 7.3%, or ¥9.5 billion, to ¥140.7 billion (US$1,171 million), due to the acquisition of EDWIN CO., LTD., despite lower sales at domestic apparel-related companies accompanying the consumption tax hike and unfavorable operations at European apparel manufacturing and wholesale-related companies. Net profit attributable to ITOCHU was up by 33.6%, or ¥8.1 billion, to ¥32.0 billion (US$266 million), due to the acquisition of EDWIN CO., LTD., and to the absence of impairment losses on property, plant and equipment and intangible assets, which were recorded in the previous fiscal year. Total assets rose by 16.9%, or ¥80.2 billion, to ¥555.8 billion (US$4,625 million), due to the acquisition of EDWIN CO., LTD., and the depreciation of the yen.

Machinery

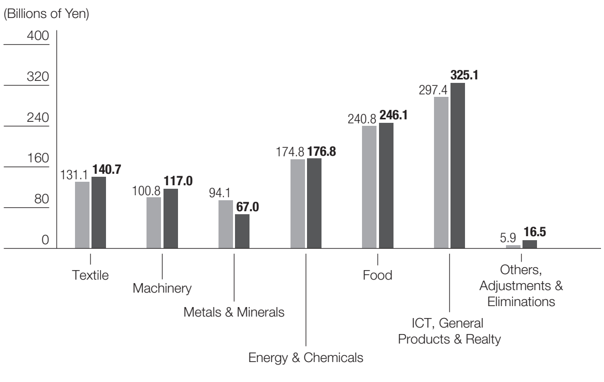
Revenues increased by 20.8%, or ¥70.8 billion, to ¥411.2 billion (US$3,422 million), due to favorable performances by plant-related companies and higher automobile-related transaction volume. Gross trading profit rose by 16.0%, or ¥16.1 billion, to ¥117.0 billion (US$973 million), due to the same reasons noted above. Net profit attributable to ITOCHU increased by 51.9%, or ¥18.7 billion, to ¥54.6 billion (US$455 million), due to higher gross trading profit, improvement in gains on property, plant, equipment and intangible assets, and increases in financial income and equity in earnings of associates and joint ventures. Total assets rose by 14.4%, or ¥136.2 billion, to ¥1,083.6 billion (US$9,018 million), due to an increase in advances to suppliers for ship transactions, a rise in stock prices for investment securities, and the depreciation of the yen.

Revenues by Operating Segment



* For fiscal years

Gross Trading Profit by Operating Segment



* For fiscal years

Metals & Minerals

Revenues decreased by 17.0%, or ¥52.0 billion, to ¥253.5 billion (US$2,109 million), due to a decline in iron ore and coal prices, despite an increase in iron ore sales volume. Gross trading profit declined by 28.8%, or ¥27.1 billion, to ¥67.0 billion (US$557 million), due to the decline in iron ore and coal prices, despite the increase in iron ore sales volume, the reduction of costs in iron ore and coal-related companies, and the improvement in foreign currency translation. Net profit attributable to ITOCHU decreased by 74.8%, or ¥33.3 billion, to ¥11.2 billion (US$93 million), due to lower gross trading profit and an increase in impairment loss at a Brazilian iron ore company, despite the absence of impairment losses in Australian coal-related business in the previous fiscal year. Total assets increased by 1.0%, or ¥12.6 billion, to ¥1,261.8 billion (US$10,500 million), due to additional capital expenditures in natural resource development subsidiaries and the depreciation of the yen.

Energy & Chemicals

Revenues decreased by 8.2%, or ¥168.5 billion, to ¥1,889.8 billion (US$15,726 million), due to a decrease in energy trading volume and a decline in oil prices, despite the acquisition of subsidiaries in energy-related businesses. Gross trading profit rose by 1.1%, or ¥2.0 billion, to ¥176.8 billion (US$1,471 million), due to the acquisition of subsidiaries in energy-related companies, despite a decline in transaction volume in self-developed crude oil transactions and lower profitability accompanying the decline in oil prices. Net profit attributable to ITOCHU decreased by 80.6%, or ¥9.8 billion, to ¥2.4 billion (US$20 million), due to lower transaction volume in self-developed crude oil transactions, lower profitability accompanying the decline in oil prices, and the increase in impairment loss at a U.S. oil and gas development company, despite the absence of unordinary losses in bioethanol companies in the previous fiscal year. Total assets decreased by 0.6%, or ¥8.7 billion, to ¥1,329.5 billion (US$11,064 million), due to a decline in trade receivables accompanying lower oil prices, despite the acquisition of subsidiaries in energy-related companies and the depreciation of the yen.

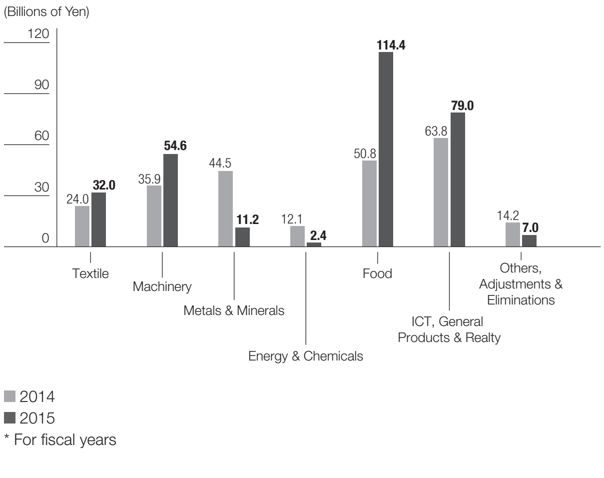
Food

Revenues increased by 7.1%, or ¥69.8 billion, to ¥1,059.3 billion (US$8,815 million), due to stable performances by fresh food-related companies and food-distribution-related transactions. Gross trading profit rose by 2.2%, or ¥5.3 billion, to ¥246.1 billion (US$2,048 million), mainly due to improved profitability at provision-related subsidiaries. Net profit attributable to ITOCHU increased by 125.1%, or ¥63.6 billion, to ¥114.4 billion (US$952 million), due to an unordinary gain related to TING HSIN (CAYMAN ISLANDS) HOLDING CORP., favorable performances in fresh food associated companies, and a gain on sales of affiliates in the CVS companies, despite higher costs at food-distribution-related companies and fresh food-related companies. Total assets increased by 14.2%, or ¥220.1 billion, to ¥1,772.2 billion (US$14,747 million), due to an increase in trade receivables associated with food-distribution-related transactions, the depreciation of the yen, and the conversion of shares of TING HSIN (CAYMAN ISLANDS) HOLDING CORP. from associates to other investments.

ICT, General Products & Realty

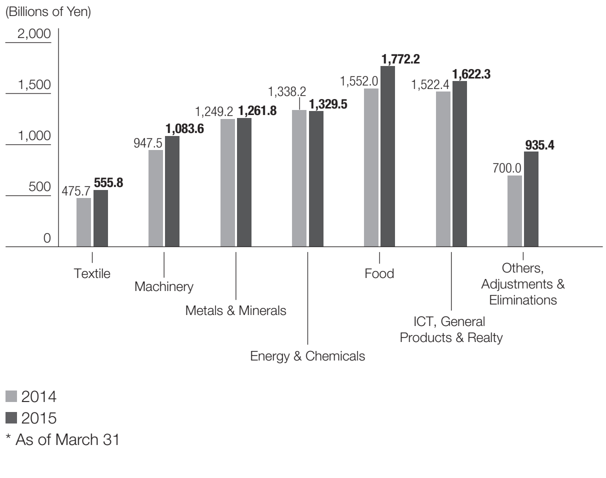
Revenues increased by 1.8%, or ¥24.3 billion, to ¥1,343.8 billion (US$11,183 million), due to higher transaction volume at domestic ICT-related companies and the depreciation of the yen, mainly against the Great Britain Pound. Gross trading profit rose by 9.3%, or ¥27.7 billion, to ¥325.1 billion yen (US$2,706 million), due to the same reasons noted above. Net profit attributable to ITOCHU increased by 23.8%, or ¥15.2 billion, to ¥79.0 billion (US$657 million), due to higher transaction volume in domestic ICT-related companies, solid results in mobile-phone-related businesses, an increase in equity in earnings of associates and joint ventures, and a gain on remeasurement from the conversion of an Internet advertising company from associates to other investments. Total assets rose by 6.6%, or ¥99.9 billion, to ¥1,622.3 billion (US$13,500 million), due to investment in domestic broadcasting and communication-related companies and contact center companies and the depreciation of the yen.

Net Profit (Losses) by Operating Segment



* For fiscal years

Total Assets by Operating Segment

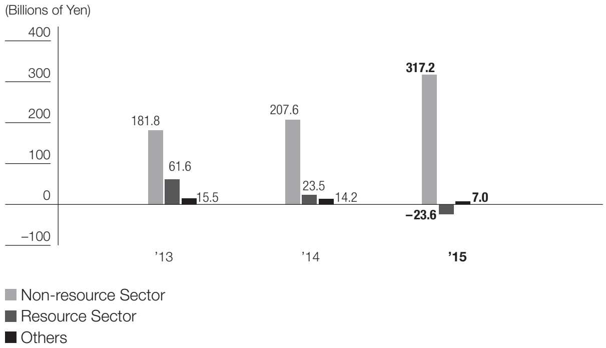


* As of March 31

Segment Information

Years ended March 31	Billions of Yen 2015	Billions of Yen 2014	Millions of U.S. Dollars 2015
Revenues:			
Textile	¥ 567.9	¥ 533.3	$ 4,726
Machinery	411.2	340.4	3,422
Metals & Minerals	253.5	305.5	2,109
Energy & Chemicals	1,889.8	2,058.3	15,726
Food	1,059.3	989.5	8,815
ICT, General Products & Realty	1,343.8	1,319.5	11,183
Others, Adjustments & Eliminations	66.0	41.0	548
Total	¥5,591.4	¥5,587.5	$46,529
Gross trading profit:			
Textile	¥ 140.7	¥ 131.1	$ 1,171
Machinery	117.0	100.8	973
Metals & Minerals	67.0	94.1	557
Energy & Chemicals	176.8	174.8	1,471
Food	246.1	240.8	2,048
ICT, General Products & Realty	325.1	297.4	2,706
Others, Adjustments & Eliminations	16.5	5.9	137
Total	¥1,089.1	¥1,045.0	$ 9,063
Net profit (losses) attributable to ITOCHU:			
Textile	¥ 32.0	¥ 24.0	$ 266
Machinery	54.6	35.9	455
Metals & Minerals	11.2	44.5	93
Energy & Chemicals	2.4	12.1	20
Food	114.4	50.8	952
ICT, General Products & Realty	79.0	63.8	657
Others, Adjustments & Eliminations	7.0	14.2	58
Total	¥ 300.6	¥ 245.3	$ 2,501
Total assets at March 31:			
Textile	¥ 555.8	¥ 475.7	$ 4,625
Machinery	1,083.6	947.5	9,018
Metals & Minerals	1,261.8	1,249.2	10,500
Energy & Chemicals	1,329.5	1,338.2	11,064
Food	1,772.2	1,552.0	14,747
ICT, General Products & Realty	1,622.3	1,522.4	13,500
Others, Adjustments & Eliminations	935.4	700.0	7,784
Total	¥ 8,560.7	¥7,784.9	$71,238

Earnings from Non-resource / Resource Sectors



* For fiscal years

Discussion and Analysis of Results of Operations

The discussion and analysis of the financial position and results of operations for Fiscal Year 2015 were as follows.

Descriptions of the outlook for Fiscal Year 2016 and later are forward-looking statements that are based on the management's assumptions and beliefs, considering the information currently available at the end of Fiscal Year 2015. Thus, factors that could cause actual results to differ materially from such statements include, without limitation, the factors stated in the following Risk Information, other potential risks, and uncertain factors.

Analysis of Results of Operations in Fiscal Year 2015

Revenues

Revenues for the year ended March 31, 2015, increased by 0.1%, or ¥3.9 billion compared with the previous fiscal year, to ¥5,591.4 billion (US$46,529 million). This increase was attributable to higher revenue from the Machinery Company, due to the favorable performance in plant-related companies and higher transaction volume in automobile-related transactions; higher revenue from the Food Company, due to the stable performance in fresh food-related companies and food-distribution-related transactions; higher revenue from the Textile Company, mainly due to the acquisition of EDWIN CO., LTD.; and lower revenue from the Energy & Chemicals Company, due to the decrease in energy trading volume and decline in oil prices, despite the acquisition of subsidiaries in energy-related companies.

Furthermore, the breakdown of Revenues for the year ended March 31, 2015 were ¥4,911.0 billion (US$40,867 million) for Revenues from sale of goods, and ¥680.4 billion (US$5,662 million) for Revenues from rendering of services and royalties.

Gross Trading Profit

Gross trading profit increased by 4.2%, or ¥44.0 billion compared with the previous fiscal year, to ¥1,089.1 billion (US$9,063 million). This increase was attributable to higher earnings from the ICT, General Products & Realty Company, due to higher transaction volume in domestic ICT-related companies, and the depreciation of the yen mainly against the Great Britain Pound; higher earnings from the Machinery Company, due to the favorable performance in plant-related companies, and higher transaction volume in automobile-related transactions; higher earnings from the Textile Company, due to the acquisition of EDWIN CO., LTD., despite lower sales in domestic apparel-related companies accompanying the consumption tax hike, and unfavorable operations in European apparel manufacturing and wholesale-related companies; and lower earnings from the Metals & Minerals Company, due to the decline in iron ore and coal prices, despite the increase in iron ore sales volume, reduction of costs in iron ore and coal-related companies, and the improvement in foreign currency translation.

Furthermore, the effect on the Gross trading profit due to the acquisitions, such as EDWIN CO., LTD. mentioned above, resulted in a ¥28.1 billion (US$234 million) increase; the effect of foreign exchange fluctuations resulted in a ¥24.8 billion (US$206 million) increase; and the effect of deconsolidation of subsidiaries resulted in a ¥3.8 billion (US$32 million) decrease. Excluding these factors, the decrease in the Gross trading profit for the existing subsidiaries was ¥5.1 billion (US$42 million).

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 8.0%, or ¥60.2 billion compared with the previous fiscal year, to ¥810.2 billion (US$6,742 million), due to higher expenses in existing subsidiaries in the ICT, General Products & Realty Company and Food Company, and the acquisition of EDWIN CO., LTD. in the Textile Company and subsidiaries in energy-related companies.

Furthermore, the effect on Selling, general and administrative expenses due to the acquisitions, such as EDWIN CO., LTD. mentioned above, resulted in a ¥24.1 billion (US$201 million) increase; the effect of foreign exchange fluctuations for the year ended 2015 resulted in a ¥16.5 billion (US$137 million) increase; and the effect of deconsolidation of subsidiaries resulted in a ¥1.6 billion (US$13 million) decrease. Excluding these factors, the increase in Selling, general and administrative expenses for the existing subsidiaries was ¥21.3 billion (US$177 million).

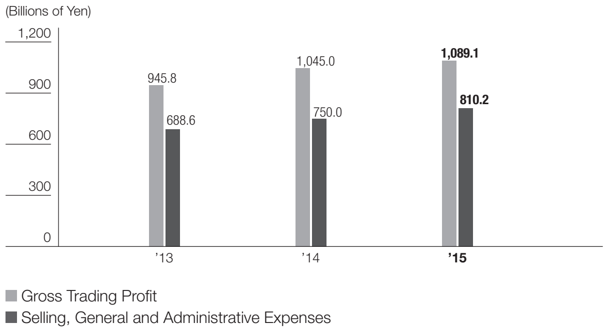
Provision for Doubtful Accounts

Provision for doubtful accounts was nearly the same level compared with the previous fiscal year, at a loss of ¥6.2 billion (US$51 million).

Gains on Investments

Gains on investments increased by ¥94.9 billion compared with the previous fiscal year, to ¥109.9 billion (US$914 million), due to unordinary gains from the conversions of TING HSIN (CAYMAN ISLANDS) HOLDING CORP. and an Internet advertising company from associates to other investments.

Gross Trading Profit;
Selling, General and Administrative Expenses



* For fiscal years

Loss on Property, Plant, Equipment and Intangible Assets

Losses on property, plant, equipment and intangible assets improved by ¥31.9 billion compared with the previous fiscal year, to a loss of ¥4.3 billion (US$36 million), due to the absence of impairment losses in Australian coal-related business in the previous fiscal year.

Other–net

Other-net decreased by ¥8.5 billion compared with the previous fiscal year, to a gain of ¥6.7 billion (US$56 million), mainly due to the decrease in foreign currency translation.

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

Net interest expenses which is the total of Interest income and Interest expense, improved by 26.0%, or ¥4.0 billion compared with the previous fiscal year, to an expense of ¥11.4 billion (US$95 million), due to improved borrowing conditions and lower debt cost. Dividends received decreased by 6.2%, or ¥2.3 billion compared with the previous fiscal year, to ¥34.9 billion (US$290 million), as dividends from energy-related investments decreased. Consequently, Total financial income, which is the total of Net interest expenses and Dividends received, increased by ¥1.7 billion compared with the previous fiscal year, to a gain of ¥23.4 billion (US$195 million).

Equity in Earnings of Associates and Joint Ventures

Equity in earnings of associates and joint ventures decreased by 81.9%, or ¥45.9 billion compared with the previous fiscal year, to ¥10.1 billion (US$84 million). This decrease was attributable to a decrease in the Metals & Minerals Company, due to the increase in impairment loss in a Brazilian iron ore company; a decrease in the Energy & Chemicals Company, due to the increase in impairment loss in a U.S. oil and gas development company, despite the absence of unordinary losses in bioethanol companies in the previous fiscal year; and an increase in the Food Company, due to the favorable performance in fresh food associates and provisions-related companies, and the gain on sales of affiliates in the CVS companies.

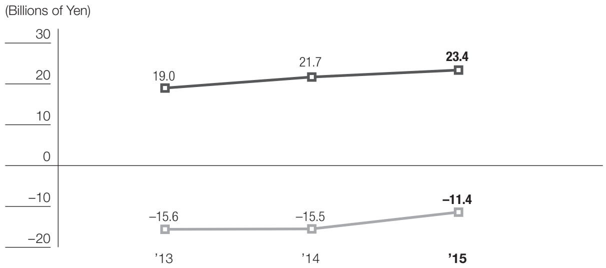
Net Profit Attributable to ITOCHU

Profit before tax increased by 16.0%, or ¥57.8 billion compared with the previous fiscal year, to ¥418.5 billion (US$3,483 million), and after deducting Income tax expense of ¥122.9 billion (US$1,023 million), Net profit increased by 16.2%, or ¥41.2 billion compared with the previous fiscal year, to ¥295.6 billion (US$2,460 million). Net profit attributable to ITOCHU, which is calculated as Net profit minus Net profit attributable to non-controlling interests of ¥4.9 billion (losses), increased by 22.5%, or ¥55.3 billion compared with the previous fiscal year, to ¥300.6 billion (US$2,501 million).

Adjusted Profit

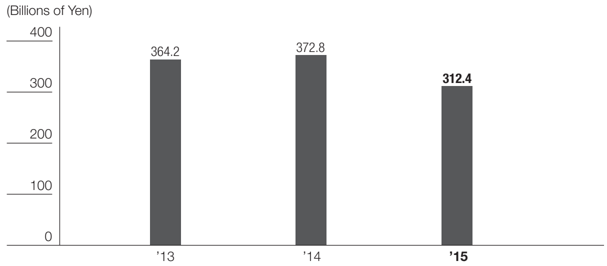
Adjusted profit (net of Gross trading profit, Selling, general and administrative expenses, Net interest expenses, Dividends received, and Equity in earnings of associates and joint ventures) decreased by 16.2%, or ¥60.4 billion, to ¥312.4 billion (US$2,600 million), due to an increase in Selling, general and administrative expenses and a decrease in Equity in earnings of associates and joint ventures, despite an increase in Gross trading profit.

Net Financial Expenses



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

Adjusted Profit



* For fiscal years

Performance of Subsidiaries, Associates, and Joint Ventures

Group Companies Reporting Profits / Losses

Billions of Yen

	2015			2014			Changes		
Years ended March 31	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total
Group companies excluding overseas trading subsidiaries	**¥261.8**	**¥(109.4)**	**¥152.4**	¥253.3	¥(67.7)	¥185.6	¥8.5	¥(41.6)	¥(33.2)
Overseas trading subsidiaries	**35.3**	**(0.3)**	**35.0**	31.2	(0.1)	31.2	4.1	(0.3)	3.8
Total	**¥297.1**	**¥(109.7)**	**¥187.4**	¥284.6	¥(67.8)	¥216.8	¥12.6	¥(41.9)	¥(29.3)

Share of Group Companies Reporting Profits

	2015			2014			Changes		
Years ended March 31	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
No. of companies reporting profits	**114**	**168**	**282**	120	175	295	(6)	(7)	(13)
No. of group companies	**134**	**208**	**342**	138	216	354	(4)	(8)	(12)
Share	**85.1%**	**80.8%**	**82.5%**	87.0%	81.0%	83.3%	(1.9) pts.	(0.2) pts.	(0.9) pts.

Note: Investment companies which are considered as part of the parent company (130 companies), and companies other than those which are directly invested by the Company and its overseas trading subsidiaries (485 companies) are not included in the number of companies.

In this fiscal year, net profit from subsidiaries, associates, and joint ventures (aggregate profit / loss of subsidiaries, associates, and joint ventures excluding overseas trading subsidiaries) decreased by ¥33.2 billion to ¥152.4 billion (US$1,268 million), due to the deterioration of Brazil Japan Iron Ore Corporation from the increase in impairment loss in an iron ore company and the deterioration of JD Rockies Resources Limited from the increase in impairment loss in an U.S. oil and gas development company, despite an increase in profit from ITOCHU Techno-Solutions Corporation due to higher transaction volume in the telecommunications sector and finance & public sector, an increase in profit from HYLIFE GROUP HOLDINGS LTD. due to higher pork prices and lower feed costs, and the favorable performance from BCJ-15 due to the acquisition of Bellsystem24 Holdings, Inc. in the third quarter of the current fiscal year.

Profits from overseas trading subsidiaries increased by ¥3.8 billion, to ¥35.0 billion (US$291 million), due to a rise in earnings from a U.S. trading subsidiary from the stable performance by the machinery and food segments, and an increase in an Europe trading subsidiary from the sale of affiliates.

The aggregate profit from Group companies (subsidiaries, associates, and overseas trading subsidiaries) reporting profits was up ¥12.6 billion, to ¥297.1 billion (US$2,473 million), due to the above-mentioned increases in profits from a U.S. trading subsidiary and ITOCHU Techno-Solutions Corporation. Meanwhile, the aggregate loss from Group companies reporting losses worsened by ¥41.9 billion, to –¥109.7 billion (–US$913 million), due to the above-mentioned deteriorations of Brazil Japan Iron Ore Corporation and JD Rockies Resources Limited from the increases in impairment loss. Further, the share of Group companies reporting profits (the number of Group companies reporting profits out of the companies included in consolidation) worsened by 0.9 points, to 82.5%.

Major Group companies reporting profits or losses for the years ended March 31, 2015 and 2014 as follows:

Major Group Companies Reporting Profits

		Net profit (losses) attributable to ITOCHU *1			
		Billions of Yen			
Years ended March 31	Shares	**2015**	2014	Changes	Reasons for changes
Domestic Subsidiaries					
ITOCHU Techno-Solutions Corporation	58.2%	**¥10.2**	¥ 7.8	¥ 2.4	Increase due to higher transaction volume in the telecommunications sector and finance & public sector
NIPPON ACCESS, INC.	93.8	**8.6**	11.7	(3.1)	Decrease due to the decline in profitability caused by higher competition, increase in distribution costs, and the absence of the gain on sales of property, plant and equipment in the previous fiscal year
Dole International Holdings, Inc.	100.0	**4.8**	6.8	(1.9)	Decrease due to higher procurement costs accompanying raw material shortages in the packaged food business, and lower profitability in the fresh produce business to Japan accompanying the depreciation of the yen
ITOCHU PLASTICS INC.	100.0	**3.5**	2.9	0.6	Increase mainly due to the favorable performance in the electronics-materials-related companies
ITOCHU CHEMICAL FRONTIER Corporation	100.0	**3.1**	2.9	0.2	Increase due to the stable performance in the pharmaceutical business
CONEXIO Corporation	60.3	**2.9**	2.2	0.7	Increase due to an increase in mobile-related products, services, and content sales
ITOCHU ENEX CO., LTD.	54.0	**2.8**	3.7	(0.9)	Decrease due to unfavorable gas sales business operations accompanying lower LPG prices and the absence of the gain on sales of affiliates in the previous fiscal year, despite the stable performance in the electric power business and car-life business
ITOCHU Kenzai Corp.	100.0	**2.8**	2.5	0.3	Increase due to the gain on sales of property, plant and equipment, despite the decrease in new housing constructions reflecting the consumption tax hike
SANKEI CO., LTD.	100.0	**2.6**	1.5	1.0	Increase due to the gain on sales of property, plant and equipment, despite the decrease in sales due to lower demand
ITOCHU Property Development, Ltd.	99.8	**2.4**	1.9	0.5	Increase due to the favorable market conditions in the condominium sales market
Overseas Subsidiaries					
ITOCHU Minerals & Energy of Australia Pty Ltd	100.0	**42.3**	41.1	1.2	Increase due to the increase in iron ore sales volume, reduction of costs in iron ore and coal-related business, improvement in foreign currency translation, and the absence of impairment losses in the coal-related business in the previous fiscal year, despite the decline in iron ore and coal prices
ITOCHU International Inc. (*2)	100.0	**12.2**	9.2	3.0	Increase due to the stable performance by the machinery and food segments, and the depreciation of the yen
ITOCHU Oil Exploration (Azerbaijan) Inc.	100.0	**6.9**	15.7	(8.8)	Decrease due to lower sales volume, decline in oil prices, and higher operation expenses, despite the depreciation of the yen
ITOCHU FIBRE LIMITED (*3)	100.0	**5.9**	6.5	(0.6)	Decrease due to the absence of lower tax expense arising from changes in Finland tax rates in the previous fiscal year, despite the stable market price of softwood pulp, the depreciation of the Euro (against the U.S. dollar), and the depreciation of the yen
ITOCHU Europe PLC (*3)	100.0	**5.7**	4.1	1.6	Increase due to the sales of affiliates and the depreciation of the yen, despite the decrease in earnings of textile-related companies and tire-related companies
European Tyre Enterprise Limited (*3)	100.0	**4.7**	5.1	(0.4)	Decrease due to lower transaction volume accompanying the slow recovery in the replacement tire market in the U.K.
ITOCHU Hong Kong Ltd.	100.0	**4.3**	5.5	(1.2)	Decrease due to the deterioration in market conditions in forest products & general merchandise-related transactions and the decrease in earnings in finance-related companies
ITOCHU (Thailand) Ltd.	100.0	**3.3**	2.6	0.8	Increase due to the increase in equity in earnings of finance-related companies and the depreciation of the yen, despite the decrease in plastics-related transactions
ITOCHU (China) Holding Co., Ltd.	100.0	**3.1**	3.2	(0.1)	Nearly at the same level
ITOCHU (Singapore) Ltd.	100.0	**2.6**	2.4	0.3	Increase mainly due to higher transaction volume in the chemical transactions
Domestic Associates and Joint Ventures					
Marubeni-Itochu Steel Inc.	50.0	**12.8**	13.3	(0.5)	Decrease due to an unordinary loss, despite the contribution from new group companies
Century Tokyo Leasing Corporation	25.3	**9.1**	7.9	1.3	Increase due to the expansion of finance business and foreign currency translation
FamilyMart Co., Ltd.	36.9	**8.1**	6.6	1.5	Increase due to the gain on sales of affiliates in Korea, despite the higher up-front expenses from increase in stores
Orient Corporation	25.0	**3.0**	4.2	(1.2)	Decrease due to the increase in allowance for losses on interest refunds
BCJ-15	49.9	**1.7**	—	1.7	Acquisition of Bellsystem24 Holdings, Inc. in the third quarter of the current fiscal year
Japan Brazil Paper and Pulp Resources Development Co., Ltd.	32.1	**1.4**	1.0	0.4	Increase due to the absence of an unordinary loss in the previous fiscal year, despite the decline in market price of hardwood pulp translation
Overseas Associates and Joint Ventures					
HYLIFE GROUP HOLDINGS LTD.	49.9	**2.1**	0.0	2.1	Improvement due to higher pork prices, lower feed costs, and the increase in shares
PT. KARAWANG TATABINA INDUSTRIAL ESTATE	50.0	**2.0**	1.8	0.1	Increase due to the stable deliveries of industrial estate

Major Group Companies Reporting Losses

Years ended March 31	Shares	Net profit (losses) attributable to ITOCHU *1 (Billions of Yen) 2015	2014	Changes	Reasons for changes
Domestic Subsidiaries					
Brazil Japan Iron Ore Corporation (*4)	67.5%	**¥(44.8)**	¥ (6.7)	¥(38.2)	Deterioration due to the increase in impairment loss in an iron ore company (FY2015: –50.5 billion yen, FY2014: –10.6 billion yen)
ITOCHU Home Fashion Corporation	100.0	**(3.8)**	0.2	(4.0)	Deterioration due to inappropriate transactions and accounting treatment (*5)
Overseas Subsidiaries					
JD Rockies Resources Limited	100.0	**(43.8)**	(32.5)	(11.3)	Deterioration due to the increase in impairment loss in an U.S. oil and gas development company (FY2015: –43.5 billion yen, FY2014: –31.8 billion yen), and deterioration in regular transactions
Bramhope Group Holdings Ltd. (*3)	100.0	**(0.5)**	0.1	(0.6)	Deterioration due to lower sales volume to main customers, and increase in headquarter relocation costs

*1. Net profit (losses) attributable to ITOCHU is the figure after adjusting to IFRS, which may be different from the figures each company announces.
*2. As of March 31, 2014, ITOCHU has reorganized a machinery-related subsidiary of ITOCHU International Inc. from an indirect investment to a direct investment. As a result, profit of ITOCHU International Inc. for the previous fiscal year excludes this company's profit.
*3. The above figures of ITOCHU Europe PLC includes 60.0% of net profit or loss from Bramhope Group Holdings Ltd., 20.0% of net profit from European Tyre Enterprise Limited, and 10.0% of net profit from ITOCHU FIBRE LIMITED.
*4. The above figures of Brazil Japan Iron Ore Corporation for fiscal years 2015 and 2014 includes related tax effects.
*5. For details, please refer to "Inappropriate transactions and accounting treatment at a consolidated subsidiary", released on April 17, 2015.

Outlook for Fiscal Year 2016

Looking ahead to the next fiscal year ending March 31, 2016, the pace of growth in the global economy is expected to accelerate slightly. Adequate caution remains necessary as certain emerging countries may experience economic deceleration or stagnation due to a downward pressure resulting from structural reform, a decline in oil and natural resource prices, and an adverse influence through foreign exchange markets due to an end to U.S. quantitative monetary easing. However, emerging countries in Asia will likely record accelerated growth, stable economic growth is likely to continue in the United States, and economies in the Euro zone are expected to improve due to the effects of monetary easing.

In the Japanese economy, we anticipate a gradual recovery due to the support for growth in the Fiscal Year 2015 supplementary budget and the easing of the influence of the consumption tax hike.

Under those business conditions, in Fiscal Year 2016, the starting year of the Medium-Term Management Plan "Brand-new Deal 2017", the ITOCHU Group expects favorable earnings due to contribution from the collaboration with CITIC Group and CP Group, and the expanded returns mainly from existing businesses in the non-resource sectors.

Management Policy for the Future

Implementing the New Medium-Term Management Plan "Brand-new Deal 2017"

The ITOCHU Group has formulated "Brand-new Deal 2017" (the three-year plan covering the period from FY2016 to FY2018), to maintain the basic business principles of "earn, cut, prevent" and to achieve further growth. In consideration of the strategic business alliance and capital participation that is aimed at increasing the corporate value of the ITOCHU Group, the CITIC Group, and the CP Group, the following two points are the basic policies of "Brand-new Deal 2017."

The first point is "reinforcing our financial position". We will take steps to achieve increases in asset quality and efficiency through aggressive asset replacement, and we will implement large strategic investments with CITIC Limited. On that basis, we will implement other new investments within the scope of adjusted operating cash flow* and cash-inflow resulting from investment exits, and we will continue to generate adjusted free cash flow of more than ¥100.0 billion. In addition, we will implement management focusing on capital efficiency. In this way, we will strive for ROE of more than 13% while enhancing shareholders' equity.

The second point is "building a platform for earnings of ¥400.0 billion". The axis of our growth strategies will be the generation of synergies through cooperative initiatives with the CITIC Group and the CP Group, which have robust foundations in China and Asian regions, where high levels of economic growth are expected. At the same time, we will strive to steadily achieve growth in earnings targeting expanded returns from existing businesses and implementing rigorous selection of attractive new projects. In addition, we will take steps to further expand our earnings platform by leveraging our strengths and competitive advantages in the non-resource sector, and will aim to build a platform for Net profit attributable to ITOCHU of ¥400.0 billion.

We will also continue working to build a management foundation that will support these initiatives. Centered on fields with high risks, ITOCHU will step up compliance initiatives on a consolidated basis. In addition, we will continue to strengthen our system for effective, efficient investigation/monitoring of bribery and collusive bidding risks in Japan and overseas.

In regard to corporate governance, we will maintain the overall framework of our current governance system, based on multiple outside directors and corporate auditors. Moreover, with consideration for the various principles of the Corporate Governance Code, we will continue working toward the establishment of an enhanced corporate governance system. In addition, we will continue working to enhance various policies that bring out the best in employees, strengthening training, and enhancing the working environment for employees' job satisfaction.

* Cash flows from operating activities after the deduction of changes in assets and liabilities

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

Under "Brand-new Deal 2017," we will aim to pay a minimum dividend of ¥50 per share in Fiscal Year 2016, ¥55 in Fiscal Year 2017, and ¥60 in Fiscal Year 2018, and set a new record high for dividends each year. In addition, to share with shareholders the results of our growth in Net profit attributable to ITOCHU, we will continue the policy under which the consolidated dividend payout ratio is 20% on Net profit attributable to ITOCHU up to ¥200.0 billion, and 30% on the portion of Net profit attributable to ITOCHU exceeding ¥200.0 billion, and aim to further increase shareholder returns.

Liquidity and Capital Resources

Basic Funding Policy

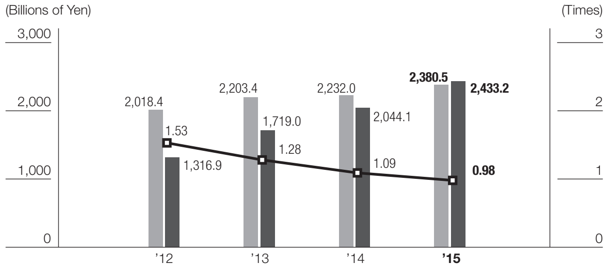
The Company aims to ensure flexibility in funding in response to changes in financial conditions and take advantage of opportunities to lower its overall financing costs. Also, as means to enhance the stability of its financing, the Company seeks to maintain funding through long-term sources and endeavors to find the optimum balance in its funding structure through diversified funding sources and methods. Further, the Company works to improve consolidated capital efficiency and funding structure by concentrating funding for domestic subsidiaries on Group Finance funded by the Company. Moreover, the Company established a Group Finance scheme utilizing Group Finance managing companies based in Asia, Europe and the United States for the funding of overseas subsidiaries. As a result, as of the end of the fiscal year under review, funding by the parent Company and overseas Group Finance accounted for approximately 76% of consolidated interest-bearing debt.

Regarding funding methods, the Company uses indirect financing such as bank loans and direct financing such as bond issuance. As to indirect financing, the Company maintains favorable and wide-ranging relationships with various financial institutions, which enable it to raise required funds. As to direct financing, the Company registered a new issuance of bonds up to ¥300.0 billion, covering the two-year period from August 2013 to August 2015, 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. The Company 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 March 31, 2015 were 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– / Credit Watch Negative	A-2

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



Net Interest-Bearing Debt (Left)
Shareholders' Equity (Left)
Net DER (Right)
* For fiscal years

Interest-Bearing Debt

Interest-bearing debt as of March 31, 2015, increased by 6.9%, or ¥198.8 billion compared with March 31, 2014, to ¥3,092.2 billion (US$25,731 million). Net interest-bearing debt (interest-bearing debt after deducting Cash and cash equivalents and Time deposits) increased by 6.7%, or ¥148.5 billion, to ¥2,380.5 billion (US$19,808 million). Net DER (debt-to-equity ratio) improved to 0.98 times from 1.09. Furthermore, the ratio of long-term interest-bearing debt to total interest-bearing debt was 82%, down 2 points from 84% as of March 31, 2015.

Details of interest-bearing debt as of March 31, 2015 and 2014 were as follows:

	Billions of Yen		Millions of U.S. Dollars
Years ended March 31	2015	2014	2015
Short-term debentures and borrowings			
Short-term and current maturities of long-term loans mainly from banks	¥ 537.7	¥ 472.7	$ 4,474
Commercial paper	1.0	—	8
Current maturities of debentures	5.0	—	42
Short-term total	543.7	472.7	4,524
Long-term debentures and borrowings			
Long-term loans mainly from banks, less current maturities	2,029.3	1,888.2	16,886
Debentures	519.2	532.5	4,321
Long-term total	2,548.5	2,420.7	21,207
Total interest-bearing debt	3,092.2	2,893.4	25,731
Cash and cash equivalents, time deposits	711.7	661.4	5,923
Net interest-bearing debt	¥2,380.5	¥2,232.0	$19,808

Financial Position

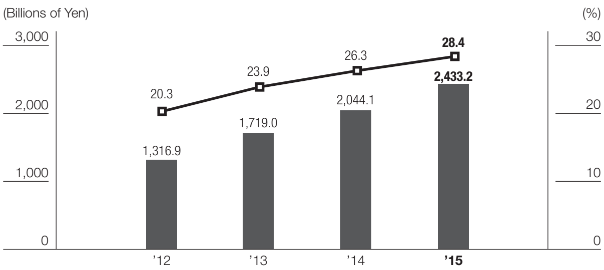
Total assets as of March 31, 2015 increased by 10.0%, or ¥775.9 billion compared with March 31, 2014 to ¥8,560.7 billion (US$71,238 million), due to the acquisition of EDWIN CO., LTD. in the Textile Company and subsidiaries in energy-related companies, the investment in C.P. Pokphand Co. Ltd. and domestic broadcasting and communication-related companies, and the depreciation of the yen.

Total shareholders' equity increased by 19.0%, or ¥389.1 billion, compared with March 31, 2014, to ¥2,433.2 billion (US$20,248 million), due to the increase in Net profit attributable to ITOCHU and the depreciation of the yen, despite dividend payments.

As a result, the Ratio of shareholders' equity to total assets increased by 2.2 points to 28.4% from March 31, 2014.

Total equity, or the sum of Total shareholders' equity and Non-controlling interests, increased by 14.6%, or ¥350.7 billion, compared with March 31, 2014, to ¥2,748.3 billion (US$22,870 million).

Ratio of Shareholders' Equity to Total Assets



■ Shareholders' Equity (Left)
-□- Ratio of Shareholders' Equity to Total Assets (Right)
* For fiscal years

The main increases and decreases in respective items of the Consolidated Statement of Financial Position compared with those of the previous fiscal year-end are as follows:

Trade receivables decreased by ¥26.7 billion, to ¥2,101.3 billion (US$17,486 million), due to the decline in oil prices in energy-related companies, despite the increase in food-distribution-related transactions and the depreciation of the yen.

Inventories increased by ¥36.1 billion, to ¥780.6 billion (US$6,495 million), due to the acquisition of EDWIN CO., LTD. and subsidiaries in energy-related companies, as well as the depreciation of the yen.

Investments accounted for by the equity method decreased by ¥110.3 billion, to ¥1,618.1 billion (US$13,465 million), due to the conversion of Colombian coal companies and TING HSIN (CAYMAN ISLANDS) HOLDING CORP. from associates to other investments, despite the investment in C.P. Pokphand Co. Ltd. and domestic broadcasting and communication-related companies, and the depreciation of the yen.

Other investments increased by ¥464.1 billion, to ¥1,030.1 billion (US$8,572 million), due to the conversion of Colombian coal companies and TING HSIN (CAYMAN ISLANDS) HOLDING CORP. from associates to other investments, the rise in stock prices of investments, and the depreciation of the yen.

Property, plant and equipment increased by ¥38.9 billion, to ¥786.6 billion (US$6,545 million), due to the acquisition of EDWIN CO., LTD. and subsidiaries in energy-related companies, as well as the depreciation of the yen.

Goodwill increased by ¥3.3 billion, to ¥198.2 billion (US$1,650 million), due to the depreciation of the yen.

Intangible assets increased by ¥45.4 billion, to ¥290.7 billion (US$2,419 million), due to the acquisition of EDWIN CO., LTD. and subsidiaries in energy-related companies, as well as the depreciation of the yen.

Trade payables increased by ¥7.8 billion, to ¥1,669.8 billion (US$13,895 million), due to the depreciation of the yen, despite the decrease in trade account payables due to the decline in oil prices.

Deferred tax liabilities increased by ¥48.7 billion, to ¥166.2 billion (US$1,383 million). Furthermore, net of deferred tax liabilities and deferred tax assets increased by ¥57.5 billion, to ¥110.7 billion (US$922 million).

Reserves for Liquidity

The Company works to ensure an adequate amount of reserves in order to cope with unpredictable events, such as deterioration in the financing environment.

As of March 31, 2015, against the necessary liquidity amount, which is the total of short-term interest-bearing debt and contingent liabilities of ¥934.3 billion (US$7,775 million), the amount of reserves, which is the sum of cash, cash equivalents, time deposits (¥711.7 billion), and commitment line agreements (yen long-term: ¥350.0 billion, multiple currency short-term: US$500 million) was ¥1,121.8 billion (US$9,336 million). The Company believes that this amount constitutes adequate reserves for liquidity.

In addition, the amount held as other assets that can be converted to cash in a short period of time, such as available-for-sale securities is ¥652.2 billion (US$5,427 million).

	Billions of Yen	Millions of U.S. Dollars
	2015	2015
Year ended March 31	Liquidity Reserves	Liquidity Reserves
1. Cash and cash equivalents, time deposits	¥ 711.7	$5,923
2. Commitment line agreements	¥ 410.1	$3,413
Total primary liquidity reserves	¥1,121.8	$9,336

	Billions of Yen	Millions of U.S. Dollars
Year ended March 31	2015	2015
Short-term debentures and borrowings	¥543.7	$4,524
Long-term debentures and borrowings	276.7*	2,303
Contingent liabilities (Guarantees (substantial risk) for monetary indebtedness of associates and joint ventures, customers)	113.9	948
Total	¥934.3	$7,775

* Current maturities related to long-term commitment line are presented as Long-term debentures and borrowings in the Consolidated Statement of Financial Position.

Capital Resources

The fundamental policy is to finance new expenditures for investment activities from operating revenue, disposal / collection of existing assets, and loans and the issuance of bonds while maintaining financial soundness.

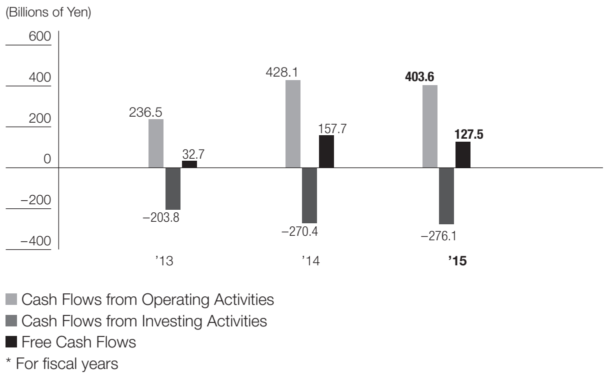
Cash flows from operating activities for the year ended March 31, 2015, recorded a net cash-inflow of ¥403.6 billion (US$3,359 million), resulting from the stable performance in operating revenue in the energy, metals, machinery, and ICT insurance & logistics-related transactions, and the steady collection of trade receivables.

Cash flows from investing activities recorded a net cash-outflow of ¥276.1 billion (US$2,298 million), due to the investment in C.P. Pokphand Co. Ltd. and additional investments in the natural resource development sector.

Cash flows from financing activities recorded a net cash-outflow of ¥97.9 billion (US$815 million), due to dividend payments and the acquiring of treasury stock, despite the proceeds from third-party allotment.

Consequently, Cash and cash equivalents as of March 31, 2015, increased by 7.1%, or ¥46.6 billion, to ¥700.3 billion (US$5,828 million), compared with March 31, 2014.

Cash Flows



A summary of cash flows for the years ended March 31, 2015 and 2014 were as follows:

	Billions of Yen		Millions of U.S. Dollars
Years ended March 31	2015	2014	2015
Cash flows from operating activities	¥ 403.6	¥ 428.1	$ 3,359
Cash flows from investing activities	(276.1)	(270.4)	(2,298)
Cash flows from financing activities	(97.9)	(77.9)	(815)
Net increase in cash and cash equivalents	29.6	79.9	246
Cash and cash equivalents at the beginning of the year	653.7	570.3	5,440
Effect of exchange rate changes on cash and cash equivalents	16.9	3.5	142
Cash and cash equivalents at the end of the year	¥ 700.3	¥ 653.7	$ 5,828

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, 2015.

(1) Corporate Result Risks Associated with Macroeconomic Factors

ITOCHU Group involves a wide variety of business ranging from supply of raw materials to manufacturing and sale 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 and mineral resources. For the characteristics of the Group's main areas of business, trade in machinery such as plants, automobiles and construction machineries, trade in mineral resources, energy and chemical products, and investments in development, they are all largely dependent on economic trends in the world, while the domestic economy has a relatively strong influence on the consumer and retail-related segments such as textiles and food. However, economic trends in the world have been more influential even on these consumer and retail-related segments, as economic globalization proceeds.

Furthermore, in regions worldwide, the Group conducts business and trade. Consequently, economic trends, not only overall worldwide economic trends but also specific regional trends, could significantly affect the financial position and results of operations of ITOCHU 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. Therefore, the Group attempts to minimize risks related to market fluctuations such as changes in foreign exchange rates, interest rates, and commodities by establishing risk management policies such as setting and controlling limits and by utilizing a variety of hedge transactions for hedging purposes.

a) 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 Group works to minimize foreign exchange rate risk through hedge transactions that utilize such derivatives as forward exchange contracts, however, cannot completely avoid such risk.

Further, ITOCHU's investments in overseas businesses expose ITOCHU Group to the risk that fluctuations in foreign exchange rates could affect shareholders' 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 significantly affect the financial position and results of operations of ITOCHU Group.

b) Interest Rate Risk

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

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

However, ITOCHU cannot completely avoid interest rate risk, even after having adopted these management methods. Therefore, interest rate trends could significantly affect the financial position and results of operations of ITOCHU Group.

c) Commodity Price Risk

ITOCHU Group conducts actual demand transactions that are based on the hedge selling of a variety of commodities. As a result, because it holds long or short positions in light of market prices, in some cases the Group is exposed to commodity price fluctuation risk. Therefore, the Group has analyzed inventories and purchase and sales contracts, and each Division Company has established middle and back offices for major commodities, which establish a balance limit and loss cut limit for each commodity and conduct monitoring, management, and periodic reviews.

In addition, ITOCHU Group participates in development businesses such as mineral resources and energy and other manufacturing businesses. The production in these businesses is also exposed to the same price fluctuation risk noted above.

To reduce these commodity price risks, the Group uses such hedges as futures and forward contracts. However, ITOCHU Group cannot completely avoid commodity price risk. Therefore, commodity price trends could significantly affect the financial position and results of operations of ITOCHU Group.

d) Stock Price Risk

In order to pursue business earnings and corporate value by strengthening relationship with customers or suppliers and submitting various proposals to investees, ITOCHU Group holds various marketable stocks that are exposed to stock price fluctuation risk. Therefore, the Group uses the Value at Risk (VaR) method to analyze and monitor the effect of stock price fluctuations on consolidated shareholders' equity periodically. However, stock price trends could significantly affect the financial position and results of operations of ITOCHU Group.

(3) Credit Risk

Through sales receivables, loans, guaranties, and other formats, ITOCHU Group grants credit to its trading partners, both domestically and overseas. The Group therefore bears credit risk in relation to such credit becoming uncollectible due to the deteriorating credit status or insolvency of the Group's partners and in relation to assuming responsibilities to fulfill contracts because an involved party is unable to continue its business and therefore cannot fulfill its obligations under the contracts.

Therefore, when granting credit, ITOCHU Group works to reduce risk by conducting risk management through the establishment of credit limits and the acquisition of collateral or guaranties as needed. At the same time, the Group establishes allowance for doubtful accounts based on the creditworthiness, the status of collection, and the status of receivables in arrears of business partners. However, such management cannot completely avoid the actualization of credit risks, which could significantly affect the financial position and results of operations of ITOCHU Group.

(4) Country Risk

ITOCHU Group conducts transactions and business activities in various countries and regions overseas. The Group is exposed to country risk, including unforeseen situations arising from the political, economic and social conditions of these countries and regions and national expropriation or remittance suspension due to changes in various laws and regulations. In addition to taking appropriate countermeasures for each transaction, with the aim of avoiding a concentration of exposure, ITOCHU Group works to reduce risk by setting total limit guidelines and limits for each country and setting credit policies appropriate to each country. However, the Group cannot completely avoid such risk.

The actualization of such risk could delay or incapacitate debt collection or operational implementation and could significantly affect the financial position and results of operations of ITOCHU Group.

(5) Investment Risk

ITOCHU Group invests in various businesses and in these investment activities, there are risks such as being unable to achieve expected earnings due to changes in business conditions or deterioration in the business results of its partners and 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 which may lead to necessities that the whole or partial investment is recognized as a loss, and that the infusion of additional funds is required. Also, there are investment risks that the Group may be unable to withdraw from a business or restructure the business under a timeframe or method that it desires due to differences in business management policy with partners or the low liquidity of investments; or the Group may be put at a disadvantage because it is unable to receive appropriate information from an investee. Therefore, ITOCHU works to reduce risk through decision making based on the establishment of investment standards for the implementation of new investments while monitoring existing investments periodically and promoting asset replacement through the application of exit standards to investments with low investment efficiency that it has little reason to hold.

However, such management cannot completely avoid the investment risks, and such occurrences could significantly affect the financial position and results of operations of ITOCHU Group.

(6) Risks Associated with 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 at present has recognized necessary impairment losses.

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

(7) Risks Associated with Fund Raising

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

(8) Risks Associated with Pension Cost and Projected Benefit Obligations

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

(9) Risks Associated with Deferred Taxes

Deferred tax assets are an important factor in ITOCHU Group's consolidated balance sheets, and accounting judgment on evaluation of deferred tax assets has a substantial impact on ITOCHU Group's Consolidated Financial Statements.

Therefore, ITOCHU Group recognizes the realizable amount of deferred tax assets, taking into consideration future taxable income and feasible tax planning strategies.

However, allowance for deferred taxes may increase or decrease depending on changes in estimated taxable income in tax planning, changes in the tax system including changes in tax rates, and changes in tax planning strategies. Such occurrences could significantly affect the financial position and results of operations of ITOCHU Group.

(10) Risks Due to Competition

As ITOCHU Group handles a vast array of products and services, the Group is open to competition from many different companies, both domestic and foreign overseas, 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 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 significantly affect 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 significantly affect the financial position and results of the operations of ITOCHU Group.

However, there is a possibility that domestic or overseas business activities of ITOCHU Group may become subject to any of such lawsuits, arbitrations or other legal proceedings, and significantly affect the future financial position and results of operations of ITOCHU Group.

(12) Risks Associated with 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, environmental-related laws and the laws of each country in which ITOCHU Group conducts business overseas. ITOCHU Group has made every effort for the observance of these laws and regulations by reinforcing the compliance system, being aware that the observance of laws and regulations is a serious obligation of the Group. With all these measures, however, there is a possibility of the situation where, including personal misconduct by directors and employees, risks associated with compliance or suffering social disgrace cannot be avoided.

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. Such occurrences could significantly affect the financial position and results of operations of ITOCHU Group.

(13) Risks Associated with 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. These efforts include establishing an environmental policy and building an environmental management system in order to minimize environmental risk, such as the risk of infringement of laws and regulations in the handling of goods the provision of services, and business investment. However, the occurrence of environmental pollution due to ITOCHU Group's business activities could lead to the delay or suspension of operations, the incurring of pollution disposal expenses or expenses due to compensation for damage, or the lowering of society's evaluation of the Group and could significantly affect the financial position and results of operations of ITOCHU Group.

(14) Risks Associated with Natural Disasters, Climate Change, and Other Factors

In the countries and regions in which ITOCHU Group conducts business activities, natural disasters, such as earthquakes, or infectious diseases, such as new types of influenza, may adversely affect its business activities. ITOCHU has implemented measures such as developing Business Continuity Plans (BCPs) for large-scale disasters and the outbreak of new types of influenza, introducing a safety confirmation system, and conducting emergency drills. Also, various measures have been implemented individually in each Group company. However, since ITOCHU Group conducts business activities across a wide range of regions, when damage arises due to disasters or infectious diseases such as new types of influenza, it cannot completely avoid such damage. Therefore, such occurrences could significantly affect the financial position and results of operations of ITOCHU Group.

In addition, abnormal weather arising from climate change could affect ITOCHU Group's business activities adversely and could significantly affect the financial position and results of operations of ITOCHU Group.

(15) Risks Associated with Information Systems and Information Security

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

Despite these measures, ITOCHU Group cannot completely avoid the risk of sensitive information leakage due to unauthorized access from the outside or computer viruses and the risk of the stoppage of information systems due to equipment damage or problems with telecommunications circuitry. Depending on the scale of the damage, such occurrences could significantly affect the financial position and results of operations of ITOCHU Group.

Inappropriate Transactions and Accounting Treatment at a Consolidated Subsidiary

ITOCHU Corporation discovered the creation of fictitious inventory and use of inventory in circular transactions at its consolidated subsidiary ITOCHU Home Fashion Corporation. ITOCHU will take steps to prevent the recurrence that include tightening account settlement processes, strengthening the inventory management system, reinforcing the business management system and taking appropriate personnel measures, including rotation.

In conjunction with these steps, ITOCHU Corporation wrote off approximately ¥4.3 billion loss incurred as a lump sum in the Consolidated Financial Statements for the year ended March 31, 2015. There was timely disclosure of the details on April 17, 2015.

Significant Accounting Policies

The Company's Consolidated Financial Statements are prepared in conformity with the International Financial Reporting Standards (IFRSs). 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 date of financial position, and revenues and expenses in each reporting period. Management periodically verifies and reviews its estimates, judgments and assumptions based on the available information that is considered to be reasonable, judging from historical experiences and circumstances. These estimates, judgments and assumptions, however, which are often accompanied by uncertainties, may differ from actual results. These differences may have an effect on the Company's Consolidated Financial Statements and the performance of every operating segment.

The following accounting policies relate to estimates, judgments and assumptions that management believes may materially affect the Consolidated Financial Statements.

Please refer to each Note to Consolidated Financial Statements regarding the amounts of assets, liabilities, income, and expenses related to the following accounting policies.

Measurement of the fair value of unlisted financial assets

Among financial assets measured at fair value, the fair value of unlisted stocks are measured by using the market comparable method, with reference to published information about listed stocks that belong to the same industry as the investee's industry, or by using the discounted cash flow method, which calculates the fair value by discounting the estimates of future cash flows related to dividends from investees to the present value. Changes in uncertain future economic conditions may affect the multiple applied for the market comparable method or the estimates of future cash flows and the discount rate applied for the discounted cash flow method. Accordingly, there are risks that such changes could result in material adjustments to the measurements of fair value of financial assets measured at unlisted fair value in the future accounting periods.

Recoverable amount of financial assets that are measured at amortized cost and have indications of impairment

The recoverable amounts of financial assets that are measured at amortized cost and have indications of impairment are recognized as the related estimated future cash flows of the financial assets discounted at the initial effective interest rate to the present value. Changes in uncertain future economic conditions may affect the future cash flows related to the financial assets. Accordingly, there are risks that such changes could result in material adjustments to impairment losses related to financial assets measured at amortized cost in the future accounting periods.

Recoverable amounts of property, plant and equipment, investment property, goodwill, intangible assets, and investments in associates and joint ventures measured through impairment tests

In impairment tests of property, plant and equipment, investment property, goodwill, intangible assets, and investments in associates and joint ventures, each recoverable amount is measured as the greater figure of the fair value, net of costs to sell or the value in use of the cash-generating units, after identifying the related cash-generating units. Changes in uncertain future economic conditions may affect assumptions used to calculate the fair value, net of costs to sell, or expected future cash flows and assumed discount rates that will result from the period of use and subsequent disposal of cash-generating units, which underlie the calculation of value in use. Accordingly, there are risks that such changes could result in material adjustments to the impairment losses of property, plant and equipment, investment property, goodwill, intangible assets, and investments in associates and joint ventures in the future accounting periods.

Measurement of fair value of defined benefit plan liabilities and assets in post-employment defined benefit plans

For post-employment defined benefit plans, the fair value of defined benefit plan liabilities net of assets is recognized as liabilities or assets. Defined benefit plan liabilities are calculated based on the same types of assumptions used in the actuarial calculation, which include estimates of the discount rate, the retirement rate, the mortality rate, and the rate of compensation increase. These assumptions are established by comprehensively judging a variety of available information, including market trends such as interest rate changes. Uncertain future economic conditions or changes in social conditions may affect the assumptions used in the actuarial calculation. Accordingly, there are risks that such changes could result in material adjustments to the measurements of the fair value of defined benefit plan liabilities and assets in the future accounting periods.

Measurement of provisions

Provisions are measured based on the best estimate at the end of the period of the expenditures expected to be required to settle the future obligations. Estimates of expenditures expected to be required to settle future obligations are calculated based on a comprehensive consideration of possible future outcomes. Changes in uncertain future economic conditions may affect assumptions used to calculate the provisions. Accordingly, there are risks that such changes could result in material adjustments to measurements of provisions in the future accounting periods.

Estimates of income taxes

To calculate income taxes, estimates and judgments about a variety of factors have to be made, including interpretation of tax regulations and the experience of past tax audits. Therefore, the income taxes that are estimated at the end of each period and the income taxes actually paid may differ. Such an eventuality could materially affect income taxes recognized from the next accounting period onward.

Further, deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences can be used. However, judgments on the recoverable amounts are made based on estimates of taxable amounts for each future fiscal year, which are determined based on the business plans of the Company and its subsidiaries. Changes in uncertain future economic conditions may affect the estimates of taxable amounts for future fiscal years. Accordingly, there are risks that such changes could result in material adjustments to the recognition of deferred tax assets in the future accounting periods.

Accounting policies which the judgment of application significantly affects the amounts of assets, liabilities, income, and expenses are mainly as follows:

Please refer to each Note to Consolidated Financial Statements regarding the amounts of assets, liabilities, income, and expenses related to the following accounting policies.

- Scope of subsidiaries or associates and joint ventures
- Classification of financial assets measured at amortized cost, FVTOCI financial assets, and FVTPL financial assets in financial assets other than derivatives
- Judgment about whether, in light of their economic nature, transactions are lease transactions
- Evaluation of whether there are indications of impairment or whether there are indications of reversals of impairment of financial assets measured at amortized cost
- Discrimination of cash-generating units in conducting impairment tests for property, plant and equipment, investment property, goodwill, intangible assets, and investments in associates and joint ventures
- Evaluation of whether there are indications of impairment of property, plant and equipment, investment property, goodwill, intangible assets, and investments in associates and joint ventures
- Evaluation of whether there are indications of reversals of impairment of property, plant and equipment, investment property, intangible assets, and investments in associates and joint ventures
- Recognition of provisions
- Judgment about the timing of revenue recognition and whether to present revenue as gross basis or net basis

Consolidated Statement of Financial Position

ITOCHU Corporation and its Subsidiaries
As of March 31, 2015 and 2014
Prepared in conformity with IFRSs

Assets	Millions of Yen 2015	Millions of Yen 2014	Millions of U.S. Dollars 2015
Current assets			
Cash and cash equivalents (Note 27)	¥ 700,292	¥ 653,739	$ 5,828
Time deposits (Note 11)	11,368	7,653	95
Trade receivables (Notes 6, 11 and 25)	2,101,300	2,127,968	17,486
Other current receivables (Notes 6, 25 and 35)	132,495	103,019	1,103
Other current financial assets (Notes 13, 25, 26 and 27)	53,109	29,172	442
Inventories (Notes 7, 11 and 27)	780,550	744,441	6,495
Advances to suppliers	167,812	94,560	1,396
Other current assets (Note 8)	191,026	78,984	1,589
Total current assets	4,137,952	3,839,536	34,434
Non-current assets			
Investments accounted for by the equity method (Notes 14 and 35)	1,618,138	1,728,408	13,465
Other investments (Notes 13, 25 and 27)	1,030,078	565,936	8,572
Non-current receivables (Notes 6, 25 and 35)	121,397	135,033	1,010
Non-current financial assets other than investments and receivables (Notes 25, 26 and 27)	148,391	125,255	1,235
Property, plant and equipment (Notes 5, 9, 11 and 17)	786,562	747,664	6,545
Investment property (Note 10)	32,899	29,186	274
Goodwill (Notes 5 and 12)	198,205	194,934	1,650
Intangible assets (Notes 5 and 12)	290,736	245,312	2,419
Deferred tax assets (Note 20)	55,450	64,188	461
Other non-current assets	140,893	109,399	1,173
Total non-current assets	4,422,749	3,945,315	36,804
Total assets	¥8,560,701	¥7,784,851	$71,238

Refer to Notes to Consolidated Financial Statements.

Liabilities and Equity	Millions of Yen 2015	Millions of Yen 2014	Millions of U.S. Dollars 2015
Current liabilities			
Short-term debentures and borrowings (Notes 11, 16 and 25)	**¥ 543,660**	¥ 472,667	**$ 4,524**
Trade payables (Notes 11 and 15)	**1,669,814**	1,661,973	**13,895**
Other current payables (Note 15)	**76,605**	70,942	**637**
Other current financial liabilities (Notes 25, 26 and 27)	**28,082**	15,788	**234**
Current tax liabilities (Note 20)	**35,513**	36,200	**296**
Advances from customers	**173,683**	106,176	**1,445**
Other current liabilities (Notes 8 and 19)	**319,154**	250,622	**2,656**
Total current liabilities	**2,846,511**	2,614,368	**23,687**
Non-current liabilities			
Long-term debentures and borrowings (Notes 11, 16 and 25)	**2,548,504**	2,420,713	**21,207**
Other non-current financial liabilities (Notes 15, 25, 26 and 27)	**103,819**	103,279	**864**
Non-current liabilities for employee benefits (Note 18)	**56,404**	57,022	**469**
Deferred tax liabilities (Note 20)	**166,171**	117,438	**1,383**
Other non-current liabilities (Note 19)	**91,041**	74,440	**758**
Total non-current liabilities	**2,965,939**	2,772,892	**24,681**
Total liabilities	**5,812,450**	5,387,260	**48,368**
Equity			
Common stock (Note 22)	**253,448**	202,241	**2,109**
Capital surplus (Note 22)	**164,154**	113,055	**1,366**
Retained earnings (Notes 22 and 23)	**1,587,318**	1,364,295	**13,209**
Other components of equity (Notes 20 and 24)			
Translation adjustments	**364,454**	255,017	**3,033**
FVTOCI financial assets (Note 13)	**176,487**	116,292	**1,469**
Cash flow hedges (Note 26)	**(8,517)**	(3,980)	**(71)**
Total other components of equity	**532,424**	367,329	**4,431**
Treasury stock (Note 22)	**(104,142)**	(2,800)	**(867)**
Total shareholders' equity (Note 25)	**2,433,202**	2,044,120	**20,248**
Non-controlling interests	**315,049**	353,471	**2,622**
Total equity	**2,748,251**	2,397,591	**22,870**
Total liabilities and equity	**¥8,560,701**	¥7,784,851	**$71,238**

Consolidated Statement of Comprehensive Income

ITOCHU Corporation and its Subsidiaries
Years ended March 31, 2015 and 2014
Prepared in conformity with IFRSs

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Revenues (Notes 4, 14 and 26)			
Revenues from sale of goods	¥ 4,911,044	¥ 5,086,703	$ 40,867
Revenues from rendering of services and royalties	680,391	500,823	5,662
Total revenues	5,591,435	5,587,526	46,529
Cost (Notes 7 and 14)			
Cost of sale of goods	(4,014,469)	(4,208,152)	(33,406)
Cost of rendering of services and royalties	(487,902)	(334,352)	(4,060)
Total cost	(4,502,371)	(4,542,504)	(37,466)
Gross trading profit (Note 4)	1,089,064	1,045,022	9,063
Other gains (losses)			
Selling, general and administrative expenses (Notes 18 and 28)	(810,198)	(749,976)	(6,742)
Provision for doubtful accounts	(6,178)	(6,054)	(51)
Gains on investments (Note 29)	109,860	14,999	914
Losses on property, plant, equipment and intangible assets (Notes 9, 12 and 30)	(4,274)	(36,161)	(36)
Other–net (Notes 26 and 31)	6,686	15,181	56
Total other losses	(704,104)	(762,011)	(5,859)
Financial income (loss) (Note 32)			
Interest income	13,899	11,610	116
Dividends received	34,886	37,191	290
Interest expense (Note 26)	(25,346)	(27,086)	(211)
Total financial income	23,439	21,715	195
Equity in earnings of associates and joint ventures (Notes 4 and 14)	10,116	56,036	84
Profit before tax	418,515	360,762	3,483
Income tax expense (Note 20)	(122,894)	(106,337)	(1,023)
Net profit	295,621	254,425	2,460
Net profit attributable to ITOCHU (Note 4)	¥ 300,569	¥ 245,312	$ 2,501
Net profit attributable to non-controlling interests	(4,948)	9,113	(41)

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Other comprehensive income for the year, net of tax (Notes 20 and 24)**:**			
Items that will not be reclassified to profit or loss			
FVTOCI financial assets (Note 27)	¥ 46,244	¥ 18,692	$ 385
Remeasurement of net defined pension liability (Note 18)	6,463	11,235	54
Other comprehensive income in associates and joint ventures (Note 14)	12,064	5,924	100
Items that may be reclassified to profit or loss			
Translation adjustments	83,913	65,481	698
Cash flow hedges (Note 26)	(868)	(4,287)	(7)
Other comprehensive income in associates and joint ventures (Note 14)	21,214	58,694	177
Total other comprehensive income for the year, net of tax	169,030	155,739	1,407
Total comprehensive income for the year	464,651	410,164	3,867
Total comprehensive income attributable to ITOCHU	¥465,605	¥391,901	$3,875
Total comprehensive income attributable to non-controlling interests	(954)	18,263	(8)

	Yen		U.S. Dollars
	2015	2014	2015
Basic earnings per share attributable to ITOCHU (Note 21)	¥189.13	¥155.21	$1.57
Diluted earnings per share attributable to ITOCHU (Note 21)	¥187.29	¥154.71	$1.56

Refer to Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

ITOCHU Corporation and its Subsidiaries
Years ended March 31, 2015 and 2014
Prepared in conformity with IFRSs

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Common stock (Note 22)			
Balance at the beginning of the year	¥ 202,241	¥ 202,241	$ 1,683
Issuance of common stock	51,207	—	426
Balance at the end of the year	253,448	202,241	2,109
Capital surplus (Note 22)			
Balance at the beginning of the year	113,055	113,031	941
Issuance of common stock	50,918	—	424
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests	181	24	1
Balance at the end of the year	164,154	113,055	1,366
Retained earnings (Note 22)			
Balance at the beginning of the year	1,364,295	1,160,939	11,353
Cumulative effects of applying new standards and interpretations (Note 2)	—	(1,563)	—
Net profit attributable to ITOCHU	300,569	245,312	2,501
Transfer from other components of equity (Notes 13 and 18)	(17)	24,459	(0)
Cash dividends (Note 23)	(77,529)	(64,852)	(645)
Balance at the end of the year	1,587,318	1,364,295	13,209
Other components of equity (Note 24)			
Balance at the beginning of the year	367,329	245,472	3,057
Other comprehensive income attributable to ITOCHU	165,036	146,589	1,374
Transfer to retained earnings (Notes 13 and 18)	17	(24,459)	0
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests	42	(273)	0
Balance at the end of the year	532,424	367,329	4,431
Treasury stock (Note 22)			
Balance at the beginning of the year	(2,800)	(2,703)	(23)
Net change in treasury stock	(101,342)	(97)	(844)
Balance at the end of the year	(104,142)	(2,800)	(867)
Total shareholders' equity	2,433,202	2,044,120	20,248
Non-controlling interests			
Balance at the beginning of the year	353,471	356,214	2,941
Cumulative effects of applying new standards and interpretations (Note 2)	—	(383)	—
Net profit attributable to non-controlling interests	(4,948)	9,113	(41)
Other comprehensive income attributable to non-controlling interests (Note 24)	3,994	9,150	33
Cash dividends to non-controlling interests	(8,321)	(13,415)	(69)
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests	(29,147)	(7,208)	(242)
Balance at the end of the year	315,049	353,471	2,622
Total equity	¥2,748,251	¥2,397,591	$22,870

Refer to Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

ITOCHU Corporation and its Subsidiaries
Years ended March 31, 2015 and 2014
Prepared in conformity with IFRSs

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Cash flows from operating activities (Note 33)			
Net profit	¥ 295,621	¥ 254,425	$ 2,460
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation and amortization	108,807	104,736	905
Provision for doubtful accounts	6,178	6,054	51
Gains on investments	(109,860)	(14,999)	(914)
Losses on property, plant, equipment and intangible assets	4,274	36,161	36
Financial income	(23,439)	(21,715)	(195)
Equity in earnings of associates and joint ventures	(10,116)	(56,036)	(84)
Income tax expense	122,894	106,337	1,023
Change in trade receivables	79,133	2,733	658
Change in inventories	(19,867)	15,021	(165)
Change in trade payables	(36,054)	11,796	(300)
Other–net	(5,464)	4,859	(45)
Proceeds from interest	13,640	11,500	114
Proceeds from dividends	88,023	93,303	732
Payments for interest	(25,329)	(25,138)	(211)
Payments for income taxes	(84,812)	(100,936)	(706)
Net cash provided by operating activities	403,629	428,101	3,359
Cash flows from investing activities (Note 33)			
Payments for purchase of investments accounted for by the equity method	(204,517)	(55,933)	(1,702)
Proceeds from sale of investments accounted for by the equity method	39,592	45,618	330
Payments for purchase of other investments	(57,669)	(116,770)	(480)
Proceeds from sale of other investments	35,330	96,352	294
Acquisitions of subsidiaries, net of cash acquired	9,049	(129,317)	75
Sales of subsidiaries, net of cash held by subsidiaries	—	2,799	—
Origination of loans receivable	(73,709)	(76,786)	(613)
Collections of loans receivable	66,709	48,631	555
Payments for purchase of property, plant, equipment and intangible assets	(115,844)	(120,352)	(964)
Proceeds from sale of property, plant, equipment and intangible assets	28,264	35,673	235
Net increase in time deposits	(3,308)	(292)	(28)
Net cash used in investing activities	(276,103)	(270,377)	(2,298)
Cash flows from financing activities (Note 33)			
Proceeds from debentures and loans payable	878,744	537,714	7,313
Repayments of debentures and loans payable	(830,011)	(458,638)	(6,907)
Net decrease in other loans payable	(53,429)	(67,938)	(445)
Proceeds from issuance of common stock (Note 22)	101,963	—	848
Equity transactions with non-controlling interests	(6,138)	(12,291)	(51)
Cash dividends (Note 23)	(77,529)	(64,852)	(645)
Cash dividends to non-controlling interests	(9,787)	(11,814)	(82)
Net increase in treasury stock (Note 22)	(101,709)	(36)	(846)
Net cash used in financing activities	(97,896)	(77,855)	(815)
Net increase in cash and cash equivalents	29,630	79,869	246
Cash and cash equivalents at the beginning of the year	653,739	570,335	5,440
Effect of exchange rate changes on cash and cash equivalents	16,923	3,535	142
Cash and cash equivalents at the end of the year	¥ 700,292	¥ 653,739	$ 5,828

Refer to Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

ITOCHU Corporation and its Subsidiaries

1. Reporting Entity

ITOCHU Corporation (the Company) is a general trading company located in Japan that conducts trading, finance, and logistics involving a wide variety of products, as well as project planning and coordination. Also, the Company has 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, operates in a wide range of industries. The Consumer-Related Sector covers Textiles, Food and ICT, General Products & Realty; the Basic Industry-Related Sector includes Machinery, Chemicals, petroleum products and steel products; and the Natural Resource-Related Sector includes Metals and Energy resources.

2. Basis of Preparation of Consolidated Financial Statements

(1) Statement of Compliance with IFRSs

The Company prepares its Consolidated Financial Statements, with a consolidated accounting period from April 1 to March 31 of the following year, in conformity with International Financial Reporting Standards (IFRSs*).

To conform to IFRSs, the accompanying Consolidated Financial Statements have been prepared by making certain adjustments to the financial statements of the Company and its subsidiaries, which have been prepared in accordance with the accounting principles prevailing in their countries of incorporation.

(*) IFRSs are standards and interpretations issued by the International Accounting Standards Board (IASB). They comprise International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations.

(2) Basis of Measurement

The Company prepares its Consolidated Financial Statements based on historical cost, except for the cases stated separately in Note 3 Significant Accounting Policies.

(3) Presentation Currency

The Company presents its Consolidated Financial Statements in Japanese yen, which is its functional currency.

Further, in its Consolidated Financial Statements, the Company rounds amounts of less than one million yen to the nearest million yen by rounding up 5 and higher fractions and rounding down 4 and lower fractions.

The translation of Japanese yen amounts into U.S. dollar amounts for the year ended March 31, 2015 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥120.17=US$1 (the official rate as of March 31, 2015 announced by The Bank of Tokyo-Mitsubishi UFJ, Ltd.).

(4) Changes in Presentation for the Consolidated Statement of Comprehensive Income

The items which had previously been presented as Gains on disposal and remeasurement of investments in subsidiaries, associates, and joint ventures are presented as Gains on investments from the fiscal year ended March 31, 2015. In addition, changes in fair value of financial assets measured at fair value through profit or loss (FVTPL financial assets) which had previously been included in Other financial income are included in Gains on investments, and other items previously included in Other financial income are included in Other–net. These changes in presentation were made as a result of the review in the presentation of gains (losses) on the disposal and remeasurement of investments in subsidiaries, associates, and joint ventures in the Consolidated Financial Statements, due to the transactions related to such investments which occurred in the fiscal year ended March 31, 2015. These changes were made for the purpose of improving usability of the Consolidated Financial Statements by putting into consideration the nature and infrequency of the transactions, and the disclosure practices in the industry to which the Company belongs. Accompanying these changes, the Consolidated Statement of Comprehensive Income for the fiscal year ended March 31, 2014 has been reclassified in the same way, and the profit of ¥12,275 million in Gains on disposal and remeasurement of investments in subsidiaries, associates, and joint ventures and the profit of ¥2,724 million in items that had previously been included in Other financial income have been presented in Gains on investments (see Note 29 Gains on Investments).

(5) Change in Accounting Policies

The Company and its subsidiaries have applied standards or interpretations in IFRSs which are required to be applied from the fiscal year ended March 31, 2015.

Of those standards and interpretations, the Company and its subsidiaries have applied IFRIC 21 Levies from the first quarter of the fiscal year ended March 31, 2015. The cumulative effect of this application is reflected through adjustment of retained earnings.

(Early Adoption of New or Amended IFRSs or Interpretations)

The Company and its subsidiaries have made an early adoption of IFRS 9 Financial Instruments (IFRS 9, revised in November 2013, amendment of general requirements for hedge accounting) from the fourth quarter of the fiscal year ended March 31, 2015. The effect of this early adoption on the Consolidated Financial Statements is immaterial.

(6) New or Amended IFRSs or Interpretations Not Yet Applied

Of the new or amended standards or interpretations in IFRSs published by the date of approval of the Consolidated Financial Statements, the Company has not applied the following standards or interpretations as of March 31, 2015.

The Company is currently evaluating the potential impacts that the application of the standards and interpretations will have on the Consolidated Financial Statements and is not currently estimable.

Standard	Title	Mandatory application (from fiscal years beginning on or after)	Fiscal year in which the Company will apply the standard	Summary of new or revised standard
IFRS 3	*Business Combinations*	July 1, 2014	Year ending March 2016	Clarification that formation of joint arrangements is outside the scope of IFRS 3.
IFRS 8	*Operating Segments*	July 1, 2014	Year ending March 2016	Expansion and improvement of disclosure when operating segments are integrated Clarification of requirement for disclosure of reconciliation tables showing reclassification from a reporting segment's total assets to a company's total assets.
IAS 19	*Employee Benefits*	July 1, 2014	Year ending March 2016	Approval of simplified accounting when employees or third parties contribute to a defined benefit plan
		January 1, 2016	Year ending March 2017	Clarification of guidelines regarding the currency of high quality corporate bonds used to estimate the discount rate for post-employment benefit obligation.
IFRS 7	*Financial Instruments: Disclosures*	January 1, 2016	Year ending March 2017	Clarification of applicability of disclosure requirements on offsetting financial assets and financial liabilities to condensed interim financial statements.
IFRS 10	*Consolidated Financial Statements*	January 1, 2016	Year ending March 2017	Clarification of the extent of gain or loss recognition arising from sale or contribution of assets between an investor and its associates or joint venture.
IAS 28	*Investments in Associates and Joint Ventures*			
IAS 16	*Property, Plant and Equipment*	January 1, 2016	Year ending March 2017	Amendments of the guideline that biological assets that meet the definition of bearer plants should be accounted in accordance with IAS 16.
IAS 41	*Agriculture*			
IFRS 15	*Revenue from Contracts with Customers*	January 1, 2017	Year ending March 2018	Establishment of accounting and disclosure for "Revenue from Contracts with Customers".
IFRS 9	*Financial Instruments*	January 1, 2018	Year ending March 2019	Amendments of classification and measurement of financial assets Introduction of an expected loss impairment model for financial assets.

3. Significant Accounting Policies

(1) Basis of Consolidation

1) Business combinations

The Company and its subsidiaries apply the acquisition method in accordance with IFRS 3. That is, one of the parties to the business combination, as the acquirer, recognizes the acquisition-date fair value of the identifiable assets acquired from the acquiree, the liabilities assumed from the acquiree, and any non-controlling interest in the acquiree. (However, assets and liabilities that need to be measured at other than fair value in accordance with IFRS 3, such as deferred tax assets, deferred tax liabilities, and assets / liabilities related to employee benefit arrangements, are recognized at the amount stipulated in IFRS 3.) Any previously held equity interest or non-controlling interest is remeasured at acquisition-date fair value. Goodwill is then recognized as of the acquisition date, measured as the excess of the aggregate of the consideration transferred, the fair value of any non-controlling 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 measured in accordance with IFRS 3, 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 non-controlling interest in the acquiree, the excess amount is recognized as profit in the Consolidated Statement of Comprehensive Income.

Costs that are incurred by the acquirer in relation to the completion of a business combination are expensed when they are incurred, except for costs related to the issuance of debt instruments or equity instruments, which are capitalized as issuance costs if allowed under other IFRSs guidance.

In the event that the initial accounting treatment for a business combination is not completed by the end of the fiscal year in which the business combination occurs, the items for which the accounting treatment is incomplete are measured at provisional amounts based on best estimates. The period during which these provisional amounts can be revised is the one-year period from the date of acquisition (the measurement period). If new information is obtained during the measurement period and that information would have had an effect on the measurement of amounts recognized as of the date of acquisition, then the provisional amounts recognized as of the date of acquisition are revised retrospectively.

2) Subsidiaries

Subsidiaries are entities that are controlled by the Company. Decisions as to whether or not the Company and its subsidiaries have control over an entity are based on comprehensive consideration of various elements that indicate the possibility of control, including not only the holding of voting rights but also the existence of potential voting rights that are actually exercisable and whether employees dispatched from the Company or its subsidiaries account for a majority of the directors.

The financial statements of subsidiaries are consolidated into the Consolidated Financial Statements of the Company from the date of acquisition of control to the date of loss of control. If the accounting policies of a subsidiary differ from those of the Company, adjustments are made as necessary to bring them into conformity with the accounting policies of the Company.

The Consolidated Financial Statements include the financial statements of certain subsidiaries that have been prepared as of a reporting period end that differs from the Company's reporting period end, because it is impracticable to unify the reporting period ends. The reasons why it is impracticable include the impossibility of doing so under the legal codes of regions in which the subsidiaries are located. However, the difference between the end of the reporting period of these subsidiaries and the end of the reporting period of the Company does not exceed three months. If the reporting period end for the financial statements of subsidiaries used in the preparation of the Consolidated Financial Statements differs from the reporting period end of the Company, adjustments are made to reflect significant transactions or events that occur during the period between the subsidiaries' reporting period-end and the Company's reporting period-end.

Changes in the ownership interest in a subsidiary, such as through increase or disposal of interests, are accounted for as equity transactions if control over the subsidiary is maintained, and any difference between the amount by which non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in shareholder's equity.

3) Loss of control

If control over a subsidiary is lost, the Company derecognizes the subsidiary's assets and liabilities and the non-controlling interests related to the subsidiary. Interest retained after the loss of control is remeasured at fair value as of the date of the loss of control, and any gain or loss on such remeasurement is recognized in profit or loss as well as the gain or loss on disposal of the interest sold.

4) Business combinations under common control

For business combinations in which all of the parties to the business combination are under the control of the Company or its subsidiaries, both prior to the combination and after the combination, the carrying amounts of the acquiree's assets and liabilities are transferred to the acquirer.

5) Associates and joint ventures

Associates are companies, other than joint ventures or joint operations, over which the Company and its subsidiaries exercise influence, on such matters as management strategies and financial policies, that is significant but does not reach the level of control. Decisions as to whether or not the Company and its subsidiaries have significant influence over an entity are based on comprehensive consideration of various elements. These elements include the holding of voting rights (if 20% to 50% of the voting rights of the investee company are held directly or indirectly, then there is a presumption of significant influence over the investee company), as well as the existence of potential voting rights that are actually exercisable, and the percentage of directors who have been dispatched from the Company or its subsidiaries.

A joint arrangement is a contractual arrangement in which multiple venturers undertake economic activities under joint control, and all significant operating and financial decisions require unanimous consent of parties sharing control. A joint venture is a specific type of joint arrangement under which operations are independent from each of the investing companies and the investing companies have rights only to the net assets of the arrangement.

The equity method is applied to investments in associates and joint ventures. These investments are recognized at cost. Subsequent to acquisition, the Company and its subsidiaries recognize, in profit or loss and other comprehensive income, their share of the investee's profit or loss and other comprehensive income, and the carrying amount of the investment is increased or decreased accordingly. The balance of goodwill recognized on acquisition is included in the carrying amount of the investment. Also, dividends received from associates and joint ventures reduce the carrying amounts of the related investments. If the accounting policies of such investee differ from those of the Company, adjustments are made as necessary to bring them into conformity with the accounting policies of the Company.

The Consolidated Financial Statements include investments in associates and joint ventures with reporting period ends that differ from that of the Company because it is impracticable to unify the reporting period ends. The reasons why it is impracticable include the existence of a shareholder that has control over the associates or undertakes economic activities under the joint arrangement but has a reporting period that differs from the Company's reporting period, and the impossibility of doing so under the legal codes of regions in which the associates and joint ventures are located. However, the difference between the end of the reporting period of these associates and joint ventures and the end of the reporting period of the Company does not exceed three months. Adjustments are made to reflect significant transactions or events that result from the difference in the reporting period ends. Major investments in such associates and joint ventures include Samson Resources Corporation (Samson) (24.6% of voting rights owned, reporting period ends in December), Nacional Minérios S.A (32.5% of voting rights owned, reporting period ends in December) and FamilyMart Co., Ltd. (37% of voting rights owned, reporting period ends in February). The financial information for Samson is published in the financial documents that Samson submitted to the U.S. Securities and Exchange Commission.

If significant influence over associates or joint venture is lost and the application of the equity method is discontinued, gain or loss on disposal of investments in associates and joint ventures is recognized in profit or loss. The remaining interest is remeasured at fair value, and any gain or loss on such remeasurement is recognized in profit or loss as well.

6) Joint operations

Joint operations are a specific type of joint arrangement in which the participating investors directly have rights to the related assets and obligations for the related liabilities.

The Consolidated Financial Statements include amounts related to joint operations. These are the assets to which the Company and its subsidiaries have rights, the liabilities and expenses for which the Company and its subsidiaries have obligations, and the share of the Company and its subsidiaries in profits that have been earned.

7) Transactions eliminated on consolidation

Receivable and payable balances and transaction volumes among the Company and its subsidiaries, and unrealized gains and losses resulting from transactions among the Company and its subsidiaries, are eliminated in the preparation of the Consolidated Financial Statements.

Unrealized gains and losses arising from transactions between the Company and its subsidiaries and its associates and joint ventures are eliminated to the extent of the interest in the investee held by the Company and its subsidiaries.

(2) Foreign Currency Translation

1) Foreign currency transactions

Foreign currency transactions are translated into functional currencies using the spot foreign exchange rate as of the date of the transaction.

As of the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated into functional currencies using the spot foreign exchange rate as of the end of the reporting period. Non-monetary items that are denominated and measured at fair value in foreign currencies are retranslated into functional currencies using the spot foreign exchange rate as of the date on which the fair value was determined.

Exchange differences resulting from retranslation are recognized in profit or loss. However, exchange differences resulting from retranslation of financial assets which changes in fair value after acquisition are recorded in other comprehensive income and exchange differences resulting from cash flow hedges are recognized as other comprehensive income.

2) Translation of foreign currency denominated financial statements of foreign subsidiaries and foreign associates and joint ventures

In translating the foreign currency denominated financial statements of foreign subsidiaries and foreign associates and joint ventures (foreign operations) into the reporting currency, the spot foreign exchange rate as of the end of the reporting period is used to translate assets and liabilities and the periodic average foreign exchange rate for the accounting period is used to translate revenues and expenses.

Differences resulting from the translation of the foreign currency denominated financial statements of foreign operations into the reporting currency are recognized in other comprehensive income (Translation adjustments).

When a foreign operation is disposed of, cumulative translation adjustments related to that foreign operation are reclassified to profit or loss at the point when the gain or loss on disposal is recognized. However, the portion of cumulative translation adjustments attributed to non-controlling interest reduces non-controlling interests.

3) Hedges of a net investment in foreign operations

For net investment in certain foreign operations, the Company and its subsidiaries apply hedge accounting to exchange differences that arise between the functional currencies of the foreign operations and the functional currency of the parent company.

The effective portion of changes in the fair value of hedging instruments for a net investment in foreign operations is recognized in other comprehensive income (Translation adjustments). The ineffective portion of the hedge is recognized as profit or loss.

When foreign operations are disposed of, the changes in the fair value of the hedging instruments that had been recorded in other comprehensive income are reclassified to profit or loss as part of gains or losses on disposal.

(3) Financial Instruments

1) Financial assets other than derivatives

In accordance with IFRS 9, financial assets other than derivatives are categorized in the following manner at the point of initial recognition. Those that meet the two conditions below are categorized as financial assets measured at amortized cost, and others are categorized as financial assets measured at fair value.

- The policy regarding the holding of these assets is that they are held with the objective of collecting contractual cash flows; and
- The contractual cash flows associated with these financial assets comprise only payments of principal and interest on the outstanding principal balance, and the dates of those cash flows are specified.

At the point of recognition, financial assets measured at amortized cost are measured at fair value plus costs directly related to the acquisition. At the end of each reporting period, they are measured at amortized cost using the effective interest method.

Financial assets measured at fair value are further categorized into those for which changes in fair value after acquisition are recorded in profit or loss (FVTPL financial assets), and those for which changes in fair value after acquisition are recorded in other comprehensive income (FVTOCI financial assets).

Financial assets measured at fair value are further classified into two categories. Those that are investments in equity instruments, such as investments in the common stock of other companies, but which are not held with the objective of obtaining gains on short-term sales, are in principle categorized as FVTOCI financial assets. Other financial assets are categorized as FVTPL financial assets.

Financial assets measured at fair value are measured at fair value at the point of initial recognition. Costs directly related to the acquisition are included in the initial recognition amount for FVTOCI financial assets, but for FVTPL financial assets, these costs are recognized in profit or loss when they occur and are not included in the initial recognition amount.

Financial assets measured at fair value are remeasured at fair value at the end of each reporting period. Changes in fair value are recognized in profit or loss for FVTPL financial assets and in other comprehensive income for FVTOCI financial assets. For both FVTPL financial assets and FVTOCI financial assets, dividends received are recognized in profit or loss.

When a FVTOCI financial asset is sold, the difference between the carrying amount and the consideration received is recognized as other comprehensive income (FVTOCI financial assets), and the balance of accumulated other comprehensive income on the FVTOCI financial asset recognized through the point of the sale (accumulated FVTOCI financial assets) is reclassified to retained earnings.

A financial asset is derecognized when the contractual rights to the cash flows from a financial asset expire, or when the contractual rights to receive cash flows from a financial asset are transferred in such a manner that all of the risks and economic value are effectively transferred.

2) Cash equivalents

Cash equivalents include short-term investments (original maturities of three months or less) that are highly liquid, readily convertible, and have only an insignificant risk of change in value, as well as short-term time deposits (original maturities of three months or less).

3) Financial liabilities other than derivatives

Financial liabilities other than derivatives are measured at fair value less costs directly related to the issuance of the liability, at the point when the contractual liability arises.

Financial liabilities other than derivatives are classified as financial liabilities measured at fair value or financial liabilities measured at amortized cost.

Financial liabilities measured at fair value are remeasured at fair value at the end of each reporting period, and changes in fair value are recognized in profit or loss, while those measured at amortized cost are measured at amortized cost based on the effective interest method.

Financial liabilities are derecognized when the obligor pays the obligee and the obligation is discharged, or when the contractual obligation is cancelled or expires.

4) Derivative instruments and hedging activities

The Company and its subsidiaries hold derivatives, including forward foreign exchange contracts, interest rate swap contracts, and commodity futures contracts, with the principal objective of hedging risks such as foreign exchange rate risk, interest rate risk, and commodity price risk. Derivatives are recognized at fair value as either assets or liabilities, regardless of the purpose or intent for holding them. The accounting treatment for changes in fair value depends on the intended use of the derivatives and the resulting hedge effectiveness.

A hedge of the variability of the fair value of a recognized asset or liability, or of an unrecognized firm commitment, that is expected to be highly effective and for which the hedging relationship, risk management objective, and hedge implementation strategy are documented at the inception of the hedge, is designated as a fair value hedge. Changes in the fair value of the derivatives, as well as changes in the fair value of the hedged items, are recognized in profit or loss (or other comprehensive income when FVTOCI are designated as hedges).

A hedge of the variability of future cash flows arising in relation to a forecasted transaction or a recognized asset or liability, that is expected to be highly effective and for which the hedging relationship, risk management objective, and hedge implementation strategy are documented at the inception of the hedge, is designated as a cash flow hedge. For those designated as cash flow hedges, changes in the fair value of the derivative are recognized in other comprehensive income as Cash flow hedges. This treatment is continued until the variability in future cash flows arising in relation to the forecasted transactions or the recognized assets or liabilities are realized. The ineffective portion of the hedge is recognized in profit or loss.

Changes in the fair value of hedging instruments for a net investment in foreign operations are handled as described in "3) Hedges of a net investment in foreign operations" of "(2) Foreign Currency Translation".

Changes in the fair value of derivatives other than those above are recognized in profit or loss.

The Company and its subsidiaries, in applying the rules above for fair value hedges, cash flow hedges, and hedges of a net investment in foreign operations, evaluate at the inception of the hedge whether or not the hedge will be effective. In addition, the Company and its subsidiaries subsequently continue to evaluate whether or not the derivative will be effective in offsetting changes in the fair value or future cash flows of the hedged item.

Hedge accounting is discontinued for ineffective hedges, if any.

5) Presentation of financial assets and liabilities

When both of the following conditions are met, financial assets and financial liabilities are offset and the net amount is disclosed in the Consolidated Statement of Financial Position.

- The Company currently has a legally enforceable right to offset the recognized amounts; and
- The Company intends to settle on a net amount basis or to simultaneously realize the asset and settle the liability.

(4) Inventories

Inventories mainly comprise selling products, finished goods, real estate for sale, raw materials, and work in progress.

Inventories held for purposes other than trading are measured at the lower of cost or net realizable value and any change in the carrying amount of inventories due to remeasurement is recognized in cost of sales. Net realizable value is calculated by using the sale value or the estimated selling price in the ordinary course of business less the estimated costs and estimated costs to sell.

Inventories held for trading purposes are measured at fair value less costs to sell. Any change in fair value is recognized in profit or loss for the period in which it arose.

The cost of inventories is measured using the specific identification method if inventories are not ordinarily interchangeable, or mainly using the weighted average method if inventories are ordinarily interchangeable.

(5) Property, Plant and Equipment

1) Recognition and measurement

Excluding biological assets, the cost model is applied and property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes estimates of installation cost and cost directly attributable to bringing property, plant and equipment to working condition, and cost of dismantling or removing property, plant and equipment and restoring sites on which they are located, and includes borrowing costs requiring capitalization pursuant to IAS 23 Borrowing Costs.

If multiple differing and significant components of property, plant and equipment can be identified, for each of the components, a residual value, useful life, and depreciation method is determined, and it is accounted for as a separate item of property, plant and equipment.

The difference between the net proceeds from the disposal of an item of property, plant and equipment and the carrying amount of the item is recognized in profit or loss.

2) Depreciation

Except for items that are not subject to depreciation, such as land, property, plant and equipment are mainly depreciated using the straight-line method or the unit-of-production method over their estimated useful lives (buildings and structures: 3–60 years, machinery and vehicles: 2–20 years, fixtures, fittings and office equipment: 2–20 years) from the time when they become available for use.

A leased asset is depreciated over its estimated useful life if there is a provision for ownership transfer or a bargain purchase option, and in other cases a leased asset is depreciated over the shorter of the lease period or the estimated useful life.

At the end of each period, the residual value, useful lives, and depreciation methods of property, plant and equipment are reviewed and the impact is adjusted prospectively.

(6) Investment Property

Investment property is property held either to earn rental income or for gain on resale due to an increase in real estate prices or property held for both purposes. Investment property does not include real estate that is sold in the ordinary course of business or used in the production or supply of goods or services or for administrative purposes.

A cost model is applied, and investment property is measured at cost less accumulated depreciation and accumulated impairment losses.

Except for items that are not subject to depreciation, such as land, investment property is depreciated mainly using the straight-line method over its estimated useful life (2 years–50 years) from the time when it becomes available for use.

(7) Goodwill and Intangible Assets

1) Goodwill

Goodwill is not amortized. Impairment tests of goodwill are conducted based on cash-generating units at least once a year, or whenever there are changes in situations or events that indicate the possibility of impairment.

2) Intangible assets

A cost model is applied, and intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Further, development expenditures are recognized as intangible assets if development costs can be measured reliably, future economic benefits are probable, and the Company or its subsidiaries intend and have sufficient resources to complete development and use or sell the result of the development.

Except for intangible assets for which useful lives cannot be determined, intangible assets are mainly depreciated using the straight-line method over their estimated useful lives (trademarks and other intangible assets: 6–36 years, and software: 3–5 years) from the time when they become available for use. The amortization expenses allocated to each accounting period are recognized in profit or loss.

At the end of each period, the residual value, useful lives, and depreciation methods of intangible assets are reviewed and the impact is adjusted prospectively.

The Company and its subsidiaries have trademarks and other intangible assets for which the useful life cannot be determined. Intangible assets for which the useful life cannot be determined are not amortized. Impairment tests of intangible assets for which the useful life cannot be determined are conducted based on cash-generating units at least once a year, or whenever there are changes in situations or events that indicate the possibility of impairment.

(8) Leases

1) Leases as lessee

The Company and its subsidiaries lease property, plant and equipment and intangible assets as lessees.

Whether or not an agreement is a lease and whether or not an agreement includes a lease is decided based on examination of the economic nature of transactions and regardless of whether or not an agreement's legal form is that of a lease agreement.

Among the lease transactions, those that substantially transfer all the risks and rewards of ownership to the Company or its subsidiaries are classified as finance lease agreements, and leases other than finance leases are classified as operating leases.

For finance leases, leased assets (presented in Property, plant and equipment or respective accounts of Intangible assets) and lease obligations (presented in Other current payables and Other non-current liabilities) are recognized at the lower of the fair value of the leased property or the present value of the minimum lease payments. Further, lease payments are categorized into amounts equivalent to the principal and interest of lease obligations, and the effective interest method is used to calculate the amount equivalent to the interest of each lease payment. The amount equivalent to the interest of each payment is presented in Interest expenses.

For operating leases, leased properties are not recognized as assets, and lease payments are recognized over the lease term on a straight line basis.

2) Leases as lessor

The Company and its subsidiaries operate businesses that lease property, plant and equipment and intangible assets as lessors.

Whether or not an agreement is a lease and whether or not an agreement includes a lease is decided based on examination of the economic nature of transactions and regardless of whether or not an agreement's legal form is that of a lease agreement.

For finance leases, net investments in finance leases are recognized as lease receivables. Lease payments receivable are categorized into amounts equivalent to the principal and interest of lease receivables, and the effective interest method is used to calculate the amount equivalent to the interest of each lease payment receivable. The amount equivalent to the interest of each lease payment receivable is presented in Interest income. Further, if the main purpose of a finance lease is the sale of goods and the finance leases has been implemented in accordance with sales policies, the lower of the fair value of the assets subject to leases or minimum lease payments receivable discounted at the market rate of interest is recognized as profit, and the purchase price of the assets subject to leases is recognized in cost of sales.

For operating leases, lease payments receivable are recognized over the lease term on a straight line basis.

(9) Impairment

1) Financial assets measured at amortized cost

At the end of each period, based on individual assets or assets grouped according to credit risk, financial assets measured at amortized cost are assessed to determine whether there are any indications of impairment. Indications of impairment of financial assets measured at amortized cost include default on or reschedule of payment of principal or interest, reduction of or exemption from repayments or postponement of repayment schedules, marked deterioration of the debtor's financial position, and bankruptcy of the debtor.

If there are indications of impairment of financial assets measured at amortized cost, the difference between the carrying amount of the assets and the recoverable amount, which is the present value of estimated future cash flows discounted at the assets' initial effective rate of interest, is recognized as impairment loss in profit or loss.

Further, if in periods after the recognition of impairment of financial assets measured at amortized cost, impairment losses decrease, and this decrease can be objectively attributed to events that occurred after recognition of impairment, the impairment losses are reversed based on the amortized cost method and to the extent of the carrying amount.

2) Property, plant and equipment, investment property, goodwill, intangible assets, and investment in associates and joint ventures

At the end of each quarter, property, plant and equipment, investment property, goodwill, intangible assets, and investment in associates and joint ventures are assessed to determine whether there are any indications of impairment. If it is determined that there are indications of impairment, the impairment tests stated below are conducted. In addition, regardless of whether or not there are indications of impairment, impairment tests of goodwill and intangible assets for which the useful life cannot be determined and for intangible assets that are not available for use, are conducted periodically at least once a year.

Impairment tests for each cash-generating unit are conducted. Regarding the identification of cash-generating units, if an individual asset's cash flows independent from those of other assets can be identified, the individual asset is classified as a cash-generating unit. If an individual asset's cash flows independent from those of other assets cannot be identified, assets are grouped together into the smallest group of assets that can be identified as generating independent cash flows, and are designated as a cash-generating unit. For goodwill, using units equal to operating segments or smaller units, cash-generating units are determined based on the lowest level at which internal management of goodwill is conducted.

When conducting impairment tests of cash-generating units that include goodwill, impairment tests of assets other than goodwill are first conducted. After any required impairment of the assets other than goodwill has been recognized, impairment tests of goodwill are conducted.

Conducting impairment tests entails estimating the recoverable amount of the cash-generating units. The recoverable amount is the higher of fair value less costs to sell or value in use. Furthermore, value in use is the total present value of future cash flows expected from the continued use and disposal after use of the cash-generating units.

If the recoverable amount of cash-generating units is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and impairment losses are recognized in profit or loss. Impairment losses are first allocated to reduce the carrying amount of goodwill allocated to cash-generating units. Impairment losses are then allocated to reduce the carrying amount of each asset, excluding goodwill, in cash-generating units on a pro-rata basis.

Because corporate assets do not generate independent cash flows, when conducting impairment tests of corporate assets, a reasonable method is used to allocate the carrying amount of corporate assets to each cash-generating unit. Then, the carrying amount of cash-generating units is compared, including the carrying amount of the portion of corporate assets allocated to them, with their recoverable amounts.

If there are indications that the impairment losses recognized in past fiscal years have clearly decreased or may not exist, when the estimated recoverable amount of the assets surpasses the carrying amount, impairment losses are reversed. An upper limit for reversals of impairment losses is set as the carrying amount less amortization or depreciation if impairment losses had not been recognized. However, impairment losses on goodwill are not reversed.

Goodwill relating to the acquisition of associates and joint ventures is not classified separately, but included as part of the carrying amount of the investments. Investments in associates are recognized as undistinguishable assets that are subject to impairment.

(10) Employee Benefits

1) Post-employment defined benefit plans

Post-employment defined benefit plans are benefit plans other than the post-employment defined contribution plans stated in the paragraphs below.

For post-employment defined benefit plans, the present value of defined benefit obligations net of the fair value of plan assets are recognized as either liabilities or assets. To calculate the present value of defined benefit plan obligations and related service cost, in principle, the projected unit credit method is used. The discount rate used to calculate the present value of defined benefit plan obligations, in principle, is determined by referring to market yields on highly rated corporate bonds at the end of the period consistent with the expected life of the defined benefit plan obligations.

Changes in the present value of defined benefit plan obligations related to the service of employees in past periods due to amendment of defined benefit plans are recognized in the period of the amendment in profit or loss.

Further, the Company and its subsidiaries recognize all actuarial gains or losses arising from post-employment defined benefit plans in other comprehensive income (Remeasurement of net defined pension liability) and immediately reclassify them into Retained earnings.

2) Post-employment defined contribution plans

Post-employment defined contribution plans are benefit plans in which fixed contributions are paid to an independent entity and do not assume legal or constructive obligations for payments that exceed these contributions.

Post-employment defined contribution plans are accounted for on an accrual basis, and contributions corresponding to the period employees rendered the related services are recognized in profit or loss.

3) Multi-employer plans

Certain subsidiaries participate in multi-employer plans. In accordance with the regulations of the plans, multi-employer plans are classified as post-employment defined benefit plans or post-employment defined contribution plans, and an accounting treatment appropriate for each type of post-employment benefit plan is undertaken. However, if sufficient information about multi-employer plans classified as post-employment defined benefit plans cannot be obtained to undertake an accounting treatment appropriate for post-employment defined benefit plans, the accounting treatment appropriate for post-employment defined contribution plans is applied.

4) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis, and recognized in profit or loss as benefits expected to be paid as compensation for service that employees render during the accounting period.

Estimated bonus payments are recognized in liabilities, if the Company or its subsidiaries have legal or constructive obligations for which they should make payments, and if the obligations can be estimated reliably.

(11) Provisions

Provisions are recognized if the Company and its subsidiaries have present obligations (legal or constructive obligations) as a result of past events, if it is probable that settling the obligations will require outflows of resources embodying economic benefits, and if the obligations can be estimated reliably.

If the effect of the time value of money is significant, provisions are measured as the present value of payments expected to be required to settle the obligations. To calculate the present value, a pre-tax risk-free discount rate corresponding to the period in which future cash flows will arise is used. In estimates of future cash flows, the uncertainty of the occurrence of events subject to provisions is reflected.

1) Provisions for asset retirement obligations

The estimated cost of dismantling or removing property, plant and equipment and restoring sites on which they are located is recognized as a provision for asset retirement obligations, if there are legal or contractual obligations to dismantle or remove property, plant and equipment and restore sites on which they are located, or if it has been stated that in accordance with industry practices, published policies, or written statements that obligations to dismantle or remove property, plant and equipment and restore sites on which they are located will be fulfilled, or if it is presumed that outside third parties expect the obligations to be fulfilled.

2) Restructuring provisions

If there is a detailed formal plan, restructuring provisions are recognized when implementation of a restructuring plan has begun or when a plan is announced. For the provision, only the following direct expenditures that arise from restructuring are subject to recognition:

- Items necessarily entailed by the restructuring
- Items not associated with the ongoing activities of the entity

3) Provisions for losses on lawsuits

For provisions for losses due to payment of compensation for damages that could arise as a result of lawsuits, the estimated loss resulting from the payment of compensation for damages is recognized, if it is probable that compensation for damages to an outside third party will have to be paid.

4) Provisions for losses on guarantees

For provisions for loss that could be incurred as a result of fulfilling debt guarantee agreements, the estimated loss that could be incurred is recognized, if the guarantee (the guaranteed party) has defaulted on a specified debt, and if the guarantor has concluded an agreement according to which it promises to repay the debt on behalf of the guarantee or provide monetary compensation, and if it is probable that loss will be incurred as a result of fulfilling the agreement.

5) Levies

Levies are outflows of resource embodying economic benefits, which governments levy on companies in accordance with laws and regulations, and the estimated amount of payments for levies is recognized when the obligation to pay arises.

(12) Equity

Common stock is classified as equity. Incidental expenses related to the issuance of common stock (net after tax) are deducted from equity.

Treasury stock is recognized as a deduction from equity. If treasury stock is acquired, the consideration paid and incidental expenses (net after tax) are deducted from equity. If treasury stock is sold, the consideration received is recognized as an addition to equity.

(13) Revenues

1) Sales of products

Sales of products are recognized when all of the following conditions are satisfied.

- The significant risks and rewards of ownership of the goods are transferred to the customer;
- Neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold is retained;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company and its subsidiaries; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at fair value of the consideration received, after deducting sales tax that the Company and its subsidiaries have a direct obligation to collect and pay to third parties such as tax authorities.

The specific criteria for revenue recognition for each type of transaction are as follows.

Revenues from product sales include wholesale, retail sales, manufactured product sales, processed product sales, and the sale of real estate. Revenue from product sales are recognized 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.

Revenues from the sale of real estate are recognized at the time the conditions of transfer stipulated in agreements are met.

2) Rendering of services and royalty transactions

The revenues from rendering of services and royalty transactions are recognized in accordance with the progress of transactions as of the end of the period when the following conditions are satisfied.

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company and its subsidiaries;
- The progress of the transaction at the end of the reporting period can be measured reliably; and
- The costs arising from the transaction and costs required to complete the transaction can be measured reliably.

Revenues from rendering of services include the production of software to order, software maintenance, leasing of aircraft, real estate, and industrial machinery. Further, royalty transactions are transactions that grant intellectual property rights to customers.

Revenues from royalty transactions are recognized over the period in which customers are granted the right to use intellectual property rights.

Revenues from the production of software made to order are recognized based on the accumulated actual cost incurred at the end of the period as a percentage of estimated total cost, if the order amount or the total costs required until completion can be estimated reliably. If the order amount or the total costs required until completion cannot be estimated reliably, revenues equivalent to the portion of costs incurred that are judged to be recoverable are recognized. Further, revenues from software maintenance are recognized over the period that services are rendered.

Revenues from operating leases are recognized by being allocated equally over the lease period of future lease payments receivable.

Revenues from other services are recognized in accordance with the progress of transactions as of the end of the period.

3) Presentation of revenue (gross basis versus net basis)

For transactions in which the Company and its subsidiaries act as principal and have capabilities to heighten the added value of the actual goods or services provided, and for which they assume significant risk related to the transactions, the gross transaction amount of the sales contracts with customers is presented as Revenue in the Consolidated Statement of Comprehensive Income.

Meanwhile, for the following transactions, the gross transaction amount of the sales contracts less cost (i.e. net amount) is presented as Revenue in the Consolidated Statement of Comprehensive Income.

- Transactions in which the Company and its subsidiaries act as an agent to enable a third party to sell goods or render services;
- Transactions in which, although the Company and its subsidiaries are involved as principal in legal form, the Company and its subsidiaries do not have capabilities to heighten the added value of the actual goods or services provided and do not assume significant risk related to the transactions.

(14) Finance Income and Costs

Finance income comprises interest income and dividend income. Interest income is recognized when it arises according to the effective interest method. Dividend income is recognized when the right of the Company and its subsidiaries to receive payment is established.

Finance costs comprise interest expense. Interest expense is recognized when it is incurred according to the effective interest method.

(15) Income Taxes

Income taxes comprise current taxes and deferred taxes, which reflect changes in deferred tax assets and liabilities. Income taxes are recognized in profit or loss, except in the following cases.

- Income taxes that relate to items that are recognized in other comprehensive income or directly in equity;
- Deferred taxes arising from the recognition of identifiable assets and liabilities in business combinations are recognized and included in the amount of goodwill arising from the business combinations.

Tax expenses for the period are measured based on taxes payable on the period's taxable profit and tax losses expected to be refunded. These tax amounts are calculated based on tax rates established, or substantially established, at the end of the period.

Deferred tax assets and deferred tax liabilities are recognized based on temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their tax bases. Deferred tax assets for items that will mitigate the tax burden of future tax returns, such as deductible temporary differences, unused tax losses and unused tax credits, and unused foreign tax credits, are recognized to the extent that it is probable that future taxable profit will be available against which they can be used. Meanwhile, deferred tax liabilities for taxable temporary differences are recognized. However, deferred tax assets or deferred tax liabilities are not recognized for the following temporary differences.

- Deferred tax liabilities are not recognized for taxable temporary differences arising from the initial recognition of goodwill in a business combination;
- No deferred tax assets or deferred tax liabilities are recognized for differences that arise from the initial recognition of assets or liabilities in transactions other than business combinations where such temporary differences at the time of the transaction affect neither accounting profit nor taxable profit.

Taxable temporary differences arising from investments in subsidiaries, associates, and joint ventures are not recognized as deferred tax liabilities if the Company and its subsidiaries are able to control the timing of the reversal of the temporary differences, and it is probable that the taxable temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for deductible temporary differences arising from investments in subsidiaries, associates, and joint ventures, if the deductible temporary differences will reverse in the foreseeable future and only to the extent that it is probable that future taxable profits will be available against which they can be used.

Deferred tax assets and liabilities are calculated pursuant to statutory laws and regulations for income taxes in force, or substantially in force, at the end of the period and based on the tax rates that are expected to apply in the period in which the deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets and liabilities are offset and recognized in the Consolidated Statement of Financial Position, if the Company and its subsidiaries have a legally enforceable right to offset current tax assets against current tax liabilities, and if the same taxation authority levies income taxes either on the same taxable entity, or on different taxable entities that intend either to settle current tax assets and liabilities on a net basis or to realize the current tax assets and current tax liabilities simultaneously.

(16) Earnings per Share

Basic earnings (losses) per share are calculated by dividing Net profit attributable to ITOCHU by the weighted-average number of common shares (excluding treasury stock) outstanding during the reporting period. Diluted earnings per share are calculated by adjusting for the effects of dilutive potential common shares.

(17) Mining Operations

Among expenditures incurred during the exploration and evaluation phases of mining projects, expenditures for the acquisition of assets used for exploration and evaluation are recognized in non-current assets, and other expenditures are in principle recognized when they are incurred in profit or loss.

For expenditures incurred during the development phase, projects proven as commercially viable are recognized in Property, plant and equipment or Intangible assets, according to the nature of the expenses, and then amortized using the unit-of-production method from the time production begins. During the production phase, stripping costs are capitalized and amortized using the unit-of-production method, if saleable minerals have not been extracted in the period under review, but it is probable that as a result of stripping activities, the economic benefits associated with specific mineral deposits will flow to the Company, and costs can be measured reliably. Stripping costs associated with saleable minerals are recognized in the period under review as cost of inventory for the period under review.

(18) Agriculture

In principle, agricultural produce is measured at fair value less costs to sell at the point of harvest. Accumulated cost until the point of harvest is recognized in cost of sales for the period in which it arose.

If the fair value of biological assets can be reliably measured, fair value less costs to sell are measured at initial recognition and at the end of each period. The change in fair value resulting from this accounting is recognized in profit or loss. Meanwhile, if the fair value of biological assets cannot be reliably measured, they are measured at cost less accumulated depreciation and accumulated impairment losses.

(19) Use of Estimates and Judgments

To prepare the Consolidated Financial Statements, the Company and its subsidiaries make a variety of estimates and judgments. These estimates and judgments affect disclosures of amounts recognized for assets, liabilities, income, and expenses. Further, actual results may differ from these estimates and their underlying assumptions.

Estimates and their underlying assumptions are reviewed on an ongoing basis. The effect of revisions to accounting estimates are reflected in the period in which the estimates are revised and in any future periods affected.

Assumptions and estimates that have a risk of resulting in material adjustments in the future accounting periods are mainly as follows. Also, please see the respective relevant notes hereinafter about the following items that relate to balances of assets and liabilities in the accounting period under review.

Measurement of the fair value of unlisted financial assets

Among financial assets measured at fair value, the fair value of unlisted stocks is measured by using the market comparable method, with reference to published information about listed stocks that belong to the same industry as the investee's industry, or by using the discounted cash flow method, which calculates the fair value by discounting the estimates of future cash flows related to dividends from investees to the present value. Changes in uncertain future economic conditions may affect the multiple applied for the market comparable method or the estimates of future cash flows and the discount rate applied for the discounted cash flow method. Accordingly, there are risks that such changes could result in material adjustments to the measurements of fair value of financial assets measured at unlisted fair value in the future accounting periods. (see Note 13 Securities and Other Investments and Note 27 The Financial Instruments Measured at Fair Value)

Recoverable amount of financial assets that are measured at amortized cost and have indications of impairment

The recoverable amounts of financial assets that are measured at amortized cost and have indications of impairment are recognized as the related estimated future cash flows of the financial assets discounted at the initial effective interest rate to the present value. Changes in uncertain future economic conditions may affect the future cash flows related to the financial assets. Accordingly, there are risks that such changes could result in material adjustments to impairment losses related to financial assets measured at amortized cost in the future accounting periods. (see Note 13 Securities and Other Investments)

Recoverable amounts of property, plant and equipment, investment property, goodwill, intangible assets, and investments in associates and joint ventures measured through impairment tests

In impairment tests of property, plant and equipment, investment property, goodwill, intangible assets, and investments in associates and joint ventures, after identifying the related cash-generating units, their recoverable amount is recognized as the higher of the fair value less costs to sell or the value in use of the cash-generating units. Changes in uncertain future economic conditions may affect assumptions used to calculate the fair value less costs to sell or expected future cash flows and assumed discount rates that will result from the period of use and subsequent disposal of cash-generating units, which underlie the calculation of value in use. Accordingly, there are risks that such changes could result in material adjustments to the impairment losses of property, plant and equipment, investment property, goodwill, intangible assets, and investments in associates and joint ventures in the future accounting periods. (see Note 9 Property, Plant and Equipment, Note 10 Investment Property, Note 12 Goodwill and Intangible Assets, and Note 14 Associates and Joint Ventures)

Measurement of fair value of defined benefit plan liabilities and assets in post-employment defined benefit plans

For post-employment defined benefit plans, the fair value of defined benefit plan liabilities net of assets is recognized as liabilities or assets. Defined benefit plan liabilities are calculated based on the same types of assumptions used in the actuarial calculation, which include estimates of the discount rate, the retirement rate, the mortality rate, and the rate of compensation increase. These assumptions are established by comprehensively judging a variety of available information, including market trends such as interest rate changes. Uncertain future economic conditions or changes in social conditions may affect the assumptions used in the actuarial calculation. Accordingly, there are risks that such changes could result in material adjustments to the measurements of the fair value of defined benefit plan liabilities and assets in the future accounting periods. (see Note 18 Retirement and Severance Benefits)

Measurement of provisions

Provisions are measured based on the best estimate at the end of the period of the expenditures expected to be required to settle the future obligations. Estimates of expenditures expected to be required to settle future obligations are calculated based on a comprehensive consideration of possible future outcomes. Changes in uncertain future economic conditions may affect assumptions used to calculate the provisions. Accordingly, there are risks that such changes could result in material adjustments to measurements of provisions in the future accounting periods. (see Note 19 Provisions)

Estimates of income taxes

To calculate income taxes, estimates and judgments about a variety of factors have to be made, including interpretation of tax regulations and the experience of past tax audits. Therefore, the income taxes that are estimated at the end of each period and the income taxes actually paid may differ. Such an eventuality could materially affect income taxes recognized from the next accounting period onward.

Further, deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences can be used. However, judgments on the recoverable amounts are made based on estimates of taxable amounts for each future fiscal year, which are determined based on the business plans of the Company and its subsidiaries. Changes in uncertain future economic conditions may affect the estimates of taxable amounts for future fiscal years. Accordingly, there are risks that such changes could result in material adjustments to the recognition of deferred tax assets in the future accounting periods. (see Note 20 Income Taxes)

Accounting policies which the judgment of application significantly affects the amounts of assets, liabilities, income, and expenses are mainly as follows:

- Scope of subsidiaries or associates and joint ventures (see Note 14 Associates and Joint Ventures and Note 34 Parent's Ownership Interest in Subsidiaries)
- Classification of financial assets measured at amortized cost, FVTOCI financial assets, and FVTPL financial assets in financial assets other than derivatives (see Note 13 Securities and Other Investments)
- Judgment about whether, in light of their economic nature, transactions are lease transactions (see Note 17 Leases)
- Evaluation of whether there are indications of impairment or whether there are indications of reversals of impairment of financial assets measured at amortized cost (see Note 13 Securities and Other Investments)
- Discrimination of cash-generating units in conducting impairment tests for property, plant and equipment, investment property, goodwill, intangible assets, and investments in associates and joint ventures (see Note 9 Property, Plant and Equipment, Note 10 Investment Property, Note 12 Goodwill and Intangible Assets, and Note 14 Associates and Joint Ventures)
- Evaluation of whether there are indications of impairment of property, plant and equipment, investment property, goodwill, intangible assets, and investments in associates and joint ventures (see Note 9 Property, Plant and Equipment, Note 10 Investment Property, Note 12 Goodwill and Intangible Assets, and Note 14 Associates and Joint Ventures)
- Evaluation of whether there are indications of reversals of impairment of property, plant and equipment, investment property, intangible assets, and investments in associates and joint ventures (see Note 9 Property, Plant and Equipment, Note 10 Investment Property, Note 12 Goodwill and Intangible Assets, and Note 14 Associates and Joint Ventures)
- Recognition of provisions (see Note 19 Provisions)
- Judgment about the timing of revenue recognition and whether to present revenue as gross basis or net basis (see Note 4 Segment Information and Note 14 Associates and Joint Ventures)

4. Segment Information

(1) Operating Segments

The Company and its subsidiaries conduct trading, finance, and logistics involving a wide 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. The Consumer-Related Sector covers Textiles, Food and ICT, General Products & Realty; the Basic Industry-Related Sector includes Machinery, Chemicals, petroleum products and steel products; and the Natural Resource-Related Sector includes Metal and Energy resources.

The Company implements diverse business activities across a broad span of industries. To engage these diverse business activities, the Company has established a system of six Division Companies organized in line with their respective industries, principal products, and services—Textile, Machinery, Metals and Minerals, Energy and Chemicals, Food, and ICT, General Products & Realty. Under this system, each Division Company has responsibility for business execution in its business field. These Division Companies are the segment units for which the Company's managers determine management strategies and the allocation of management resources. Results are managed at the Division Company level in accordance with a number of indicators, such as Net profit attributable to ITOCHU.

In consideration of the above, segment information are presented below, with these six Division Companies comprising the reportable segments.

The types of products and services that are the sources of revenue for each reportable segment are as follows:

Textile

The Textile segment is engaged in all stages of the textile business from raw materials, threads, and textiles to the final products for garments, home furnishings, and industrial materials. This segment engages in production and sales on a worldwide scale. In addition, the segment promotes overseas brand businesses and retail operations related to 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 devices, and related equipment; and environmental business activities such as renewable and alternative energy businesses. In addition, the segment engages in medical device transactions in medical-related business areas.

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 in Japan and overseas.

ICT, General Products & Realty

The ICT, General Products & Realty segment is engaged in the general products sector such as building products & materials business, pulp and paper business, natural rubber business and tire business; in the ICT sector such as IT solution, internet-related service, and distribution of mobile phone devices and after-sales service; in the construction and distribution sector such as development, sales, lease, and operation of real estate and logistics business; and in the finance and insurance sector such as various financial service and insurance business.

The Company's segment information were as follows: (Intersegment transactions are priced with reference to prices applicable to transactions with unaffiliated parties. There were no significant transactions that generate revenue with any single external customer for the years ended March 31, 2015 and 2014.)

	Millions of Yen							
	2015							
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Eliminations	Total
Revenues from external customers	¥567,883	¥ 411,225	¥ 253,490	¥1,889,790	¥1,059,266	¥1,343,811	¥ 65,970	¥5,591,435
Intersegment revenues	30	77	—	956	272	19,863	(21,198)	—
Total revenues	567,913	411,302	253,490	1,890,746	1,059,538	1,363,674	44,772	5,591,435
Gross trading profit	140,688	116,961	66,999	176,761	246,069	325,126	16,460	1,089,064
Equity in earnings (losses) of associates and joint ventures	11,653	20,124	(46,831)	(39,597)	26,967	34,818	2,982	10,116
Net profit attributable to ITOCHU	32,013	54,608	11,206	2,350	114,431	78,975	6,986	300,569
Total assets as of March 31	¥555,842	¥1,083,637	¥1,261,754	¥1,329,507	¥1,772,166	¥1,622,347	¥935,448	¥8,560,701

	Millions of Yen							
	2014							
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Eliminations	Total
Revenues from external customers	¥533,322	¥340,382	¥ 305,495	¥2,058,300	¥ 989,477	¥1,319,513	¥ 41,037	¥5,587,526
Intersegment revenues	52	4	—	5	236	19,341	(19,638)	—
Total revenues	533,374	340,386	305,495	2,058,305	989,713	1,338,854	21,399	5,587,526
Gross trading profit	131,149	100,834	94,140	174,778	240,817	297,380	5,924	1,045,022
Equity in earnings (losses) of associates and joint ventures	11,862	19,417	9,902	(33,013)	19,843	31,854	(3,829)	56,036
Net profit attributable to ITOCHU	23,960	35,945	44,505	12,114	50,838	63,775	14,175	245,312
Total assets as of March 31	¥475,658	¥947,466	¥1,249,174	¥1,338,161	¥1,552,021	¥1,522,416	¥699,955	¥7,784,851

	Millions of U.S. Dollars							
	2015							
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Eliminations	Total
Revenues from external customers	$4,726	$3,422	$ 2,109	$15,726	$ 8,815	$11,183	$ 548	$46,529
Intersegment revenues	0	1	—	8	2	165	(176)	—
Total revenues	4,726	3,423	2,109	15,734	8,817	11,348	372	46,529
Gross trading profit	1,171	973	557	1,471	2,048	2,706	137	9,063
Equity in earnings (losses) of associates and joint ventures	97	167	(390)	(329)	224	290	25	84
Net profit attributable to ITOCHU	266	455	93	20	952	657	58	2,501
Total assets as of March 31	$4,625	$9,018	$10,500	$11,064	$14,747	$13,500	$7,784	$71,238

Note: Others, Adjustment & Eliminations mainly include the company-level profit or loss, assets and other items in Japan and overseas that do not belong to any specific operating segments.

(2) Information about Geographical Areas

The breakdown of consolidated revenues by geographical area were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Japan	¥3,551,589	¥3,511,388	$29,555
United States	871,745	866,442	7,254
Singapore	402,675	444,582	3,351
United Kingdom	225,379	215,745	1,875
Australia	193,809	236,165	1,613
Others	346,238	313,204	2,881
Consolidated total	¥5,591,435	¥5,587,526	$46,529

The breakdown of the carrying amounts of the Company's non-current assets (excluding financial instruments, deferred tax assets, post-employment benefit assets, and rights arising from insurance contracts) by geographical area were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Japan	¥ 611,276	¥ 554,979	$ 5,087
Australia	261,513	261,038	2,176
United Kingdom	216,234	191,363	1,799
Singapore	164,885	135,410	1,372
United States	80,198	79,486	667
Others	110,861	103,823	923
Consolidated total	¥1,444,967	¥1,326,099	$12,024

Notes: 1. Information about geographical areas above are grouped taking into consideration the actual condition of transaction and placement of management resources of each business in the Company and its subsidiaries.
2. The information about products and services by segment is not available.

5. Business Combinations

Major business combination for the year ended March 31, 2015 was as follows:

(Acquisition of EDWIN CO., LTD.)

On June 30, 2014 (the acquisition date), through a capital increase by third-party allotment, the Company acquired shares of EDWIN CO., LTD., which is Japan's largest manufacturer and distributor of jeans. As a result, the Company holds 98.5% of the voting right of EDWIN, which became a subsidiary of the Company. In regard to the capital increase by the third-party allotment, the Company's payment of ¥9,850 million (US$82 million) was made entirely in cash. In addition, in regard to the loan made on the same day, the payment of ¥32,400 million (US$270 million) was made entirely in cash.

Going forward, the Company will continue to refortify the Group's principal jeans business while respecting the traditions and identity of the EDWIN Group, as well as strengthen internal control and other aspects of the business management structure. Moreover, taking maximum advantage of the Company's wealth of experience and global networks in all areas of the textile industry, from materials to apparel and brands, the Company will expand the product line-up to items other than jeans. Also, the Company will pursue to further strengthen the relationship with the existing customers of the EDWIN Group and will proactively challenge to develop new markets, including overseas markets, with a view to further enhance the corporate value of the EDWIN Group and expanding its business.

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

	Millions of Yen	Millions of U.S. Dollars
Fair value of consideration paid (Notes 1 and 2)	¥9,850	$82
Fair value of non-controlling interests	1,107	9
Total	10,957	91
Fair value of assets acquired and liabilities assumed		
Current assets	38,986	324
Property, plant and equipment	6,702	56
Intangible assets	16,491	137
Other non-current assets	9,550	79
Current liabilities	(42,242)	(351)
Non-current liabilities	(15,869)	(132)
Net assets	13,618	113

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

As shown above, the fair values of assets acquired and liabilities assumed exceeded the net of fair values of consideration paid and non-controlling interests by ¥2,661 million (US$22 million). This reflects the examination of the fair values of the assets acquired and liabilities assumed making full use of the information available. The Company recognized this difference as a gain from a bargain purchase and recorded the entire amount in Gains on investments in the Consolidated Statement of Comprehensive Income for the year ended March 31, 2015. In regard to this gain, the Company recorded an income tax expense of ¥831 million (US$7 million) as tax effect.

The fair values of assets acquired, liabilities assumed, and non-controlling interest were determined based on the analysis of financial status 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.

(Results of operations from the acquisition date)

The following table presents operating performance included in the Consolidated Statement of Comprehensive Income for the year ended March 31, 2015, of EDWIN CO., LTD., from the acquisition date:

	Millions of Yen	Millions of U.S. Dollars
Total revenues	¥34,368	$286
Net profit	2,206	18
Net profit attributable to ITOCHU	2,164	18

(Pro forma information)

The unaudited pro forma results of operations, as if the business combination involving EDWIN CO., LTD. had occurred on April 1, 2014, the beginning of the fiscal year ended March 31, 2015, are not presented because it is impractical for the Company to obtain accurate financial information for EDWIN CO., LTD. prior to the acquisition.

Major business combination for the year ended March 31, 2014 was as follows:

(Acquisition of the Asian fresh produce business and the worldwide packaged foods business of Dole Food)

On April 1, 2013 (the acquisition date), 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. (DAH), which operates the Asian 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 ¥18,626 million payment made during the year ended March 31, 2013, was applied as consideration at the acquisition date.

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.

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

	Millions of Yen
Fair value of consideration paid (Notes 1 and 2)	¥156,924
Fair value of non-controlling interests	2,093
Total	159,017
Fair value of assets acquired and liabilities assumed	
Current assets	88,252
Property, plant and equipment	21,459
Intangible assets	62,360
Other non-current assets	8,306
Current liabilities	(36,210)
Non-current liabilities	(14,466)
Net assets	129,701
Basis adjustment (Note 3)	4,766
Goodwill	24,550
Total	¥159,017

Notes: 1. All consideration was paid in cash.
2. No contingent consideration was recognized.
3. The Company uses foreign currency forward contracts to hedge the foreign exchange rate risk of its investment in DAH. These transactions apply cash flow hedge accounting. The fair value of the hedging instruments on the date control was acquired was ¥4,766 million, and this amount has been deducted from the initially recognized goodwill arising from the business combination.

The goodwill acquired was recognized in consideration of the excess earning power that is expected to result from future business development that utilizes the complementary relationships between the ITOCHU Group and the acquired businesses. This goodwill is not deductible for tax purposes and is included in the Food operating segment. The amount of goodwill as of March 31, 2014 is ¥27,628 million after foreign currency translation.

The fair values of assets acquired, liabilities assumed, and non-controlling interest were determined based on the analysis of financial status and asset conditions conducted through due diligence by a third party and a corporate valuation conducted using the discounted cash flow method and similar company comparison methods by a financial advisor.

The Company recorded the acquisition cost of ¥1,363 million in Selling, general and administrative expenses related to this business combination.

(Results of operations from the acquisition date)

The following table presents operating performance included in the Consolidated Statement of Comprehensive Income for the year ended March 31, 2014, of Dole Food from the acquisition date:

	Millions of Yen
Total revenues	¥251,505
Net profit	7,009
Net profit attributable to ITOCHU	6,762

6. Trade and Other Receivables

The breakdown of Trade receivables as of March 31, 2015 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Note receivables	¥ 170,082	¥ 178,081	$ 1,415
Trade account receivables	1,742,861	1,782,819	14,503
Service fee receivables	197,194	174,513	1,641
Allowance for doubtful accounts (current)	(8,837)	(7,445)	(73)
Total	¥2,101,300	¥2,127,968	$17,486

The breakdown of Other current receivables as of March 31, 2015 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Short-term loan receivables	¥ 81,073	¥ 57,435	$ 675
Other accounts receivables (non-trade)	27,142	20,492	226
Others	24,280	25,092	202
Total	¥132,495	¥103,019	$1,103

The breakdown of Non-current receivables as of March 31, 2015 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Long-term loan receivables	¥116,973	¥133,102	$ 973
Others	22,217	27,892	185
Allowance for doubtful accounts (non-current)	(17,793)	(25,961)	(148)
Total	¥121,397	¥135,033	$1,010

7. Inventories

The breakdown of Inventories as of March 31, 2015 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Merchandise	¥510,622	¥504,517	$4,249
Finished goods	81,474	58,266	678
Real estate for sale	97,313	101,875	810
Raw materials and supplies	55,984	48,426	465
Work in progress	35,157	31,357	293
Total	¥780,550	¥744,441	$6,495

The write-down of inventories to net realizable value were ¥5,339 million (US$44 million) and ¥5,259 million as of March 31, 2015 and 2014, respectively. The write-down is included in Cost of sale of goods in the Consolidated Statement of Comprehensive Income.

8. Assets Held for Sale and Directly Associated Liabilities

In the Consolidated Statement of Financial Position, Other current assets and Other current liabilities include assets held for sale for which the sales contract has been concluded and for which the transfer is scheduled to be made within one year, and directly associated liabilities. The carrying amounts of these assets and liabilities as of March 31, 2015 were ¥88,671 million (US$738 million) and ¥27,318 million (US$227 million), respectively. These assets and liabilities are related to North American housing materials-related companies and are included in the ICT, General Products & Realty Company segment.

9. Property, Plant and Equipment

The changes in cost, accumulated depreciation, and accumulated impairment losses of property, plant and equipment, for the years ended March 31, 2015 and 2014 were as follows:

(Cost)

	Millions of Yen							
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Mineral rights	Construction in progress	Others	Total
Balance as of April 1, 2014	¥110,309	¥386,330	¥603,730	¥ 93,069	¥94,638	¥ 56,464	¥10,590	¥1,355,130
Acquisitions	2,022	11,462	14,853	12,439	1,484	61,384	2,026	105,670
Disposals	(4,034)	(9,647)	(31,655)	(7,302)	(4,639)	(1,814)	(423)	(59,514)
Acquisitions through business combinations	9,965	23,434	9,104	2,892	—	71	62	45,528
Effect of foreign currency exchange differences	475	4,263	2,813	740	1,142	168	(353)	9,248
Others	(3,356)	1,736	65,184	2,741	—	(69,327)	(502)	(3,524)
Balance as of March 31, 2015	¥115,381	¥417,578	¥664,029	¥104,579	¥92,625	¥ 46,946	¥11,400	¥1,452,538

	Millions of Yen							
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Mineral rights	Construction in progress	Others	Total
Balance as of April 1, 2013	¥106,588	¥350,637	¥540,350	¥88,691	¥93,806	¥60,322	¥ 17,480	¥1,257,874
Acquisitions	4,036	24,214	38,370	10,194	1,614	33,727	2,737	114,892
Disposals	(8,730)	(17,700)	(25,581)	(7,602)	(918)	(190)	(11,644)	(72,365)
Acquisitions through business combinations	4,175	9,522	8,994	46	—	4,003	—	26,740
Effect of foreign currency exchange differences	1,068	8,858	9,372	1,993	136	(968)	(583)	19,876
Others	3,172	10,799	32,225	(253)	—	(40,430)	2,600	8,113
Balance as of March 31, 2014	¥110,309	¥386,330	¥603,730	¥93,069	¥94,638	¥56,464	¥ 10,590	¥1,355,130

	Millions of U.S. Dollars							
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Mineral rights	Construction in progress	Others	Total
Balance as of April 1, 2014	$918	$3,215	$5,023	$775	$788	$ 470	$88	$11,277
Acquisitions	17	95	124	103	12	511	17	879
Disposals	(34)	(80)	(262)	(61)	(39)	(15)	(4)	(495)
Acquisitions through business combinations	83	195	75	24	—	1	1	379
Effect of foreign currency exchange differences	4	36	23	6	10	1	(3)	77
Others	(28)	14	542	23	—	(577)	(4)	(30)
Balance as of March 31, 2015	$960	$3,475	$5,525	$870	$771	$ 391	$95	$12,087

(Accumulated depreciation and accumulated impairment losses)

	Millions of Yen							
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Mineral rights	Construction in progress	Others	Total
Balance as of April 1, 2014	¥(7,505)	¥(176,659)	¥(309,743)	¥(62,210)	¥(39,748)	¥(5,774)	¥(5,827)	¥(607,466)
Depreciation	—	**(16,848)**	**(41,702)**	**(10,910)**	**(1,805)**	—	**(1,475)**	**(72,740)**
Impairment losses	**(313)**	**(4,498)**	**(1,709)**	**(167)**	**(1,126)**	—	—	**(7,813)**
Disposals	—	**5,665**	**27,236**	**6,314**	**4,639**	—	**332**	**44,186**
Effect of foreign currency exchange differences	—	**(1,573)**	**(630)**	**(484)**	**(589)**	—	**175**	**(3,101)**
Others	—	**(6,508)**	**(11,305)**	**(2,215)**	—	—	**986**	**(19,042)**
Balance as of March 31, 2015	**¥(7,818)**	**¥(200,421)**	**¥(337,853)**	**¥(69,672)**	**¥(38,629)**	**¥(5,774)**	**¥(5,809)**	**¥(665,976)**

	Millions of Yen							
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Mineral rights	Construction in progress	Others	Total
Balance as of April 1, 2013	¥(7,159)	¥(163,157)	¥(268,978)	¥(58,493)	¥(21,021)	¥(2,896)	¥(13,287)	¥(534,991)
Depreciation	—	(15,388)	(41,881)	(9,916)	(1,949)	—	(3,442)	(72,576)
Impairment losses	(346)	(3,418)	(12,393)	(222)	(16,528)	(2,878)	(470)	(36,255)
Disposals	—	12,132	21,048	6,903	70	—	11,480	51,633
Effect of foreign currency exchange differences	—	(3,912)	(5,371)	(1,377)	(418)	—	455	(10,623)
Others	—	(2,916)	(2,168)	895	98	—	(563)	(4,654)
Balance as of March 31, 2014	¥(7,505)	¥(176,659)	¥(309,743)	¥(62,210)	¥(39,748)	¥(5,774)	¥ (5,827)	¥(607,466)

	Millions of U.S. Dollars							
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Mineral rights	Construction in progress	Others	Total
Balance as of April 1, 2014	$(62)	$(1,470)	$(2,578)	$(518)	$(331)	$(48)	$(48)	$(5,055)
Depreciation	—	**(140)**	**(347)**	**(91)**	**(15)**	—	**(12)**	**(605)**
Impairment losses	**(3)**	**(37)**	**(14)**	**(1)**	**(10)**	—	—	**(65)**
Disposals	—	**47**	**227**	**52**	**39**	—	**3**	**368**
Effect of foreign currency exchange differences	—	**(14)**	**(5)**	**(4)**	**(5)**	—	**2**	**(26)**
Others	—	**(54)**	**(95)**	**(18)**	—	—	**8**	**(159)**
Balance as of March 31, 2015	**$(65)**	**$(1,668)**	**$(2,812)**	**$(580)**	**$(322)**	**$(48)**	**$(47)**	**$(5,542)**

(Carrying amount)

	Millions of Yen							
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Mineral rights	Construction in progress	Others	Total
Balance as of March 31, 2015	**¥107,563**	**¥217,157**	**¥326,176**	**¥34,907**	**¥53,996**	**¥41,172**	**¥5,591**	**¥786,562**
Balance as of March 31, 2014	102,804	209,671	293,987	30,859	54,890	50,690	4,763	747,664

	Millions of U.S. Dollars							
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Mineral rights	Construction in progress	Others	Total
Balance as of March 31, 2015	**$895**	**$1,807**	**$2,713**	**$290**	**$449**	**$343**	**$48**	**$6,545**

In the years ended March 31, 2015 and 2014, depreciation recognized during the periods were ¥72,740 million (US$605 million) and ¥72,576 million, respectively. Depreciation is recognized in Cost of sale of goods, Cost of rendering of services and royalties, and Selling, general and administrative expenses in the Consolidated Statement of Comprehensive Income.

Impairment losses by operating segment for the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Textile	¥ 531	¥ 826	$ 5
Machinery	5	774	0
Metals & Minerals	4,366	30,475	36
Energy & Chemicals	1,960	3,255	16
Food	285	595	2
ICT, General Products & Realty	666	232	6
Others, Adjustments & Eliminations	—	98	—
Total	¥7,813	¥36,255	$65

Impairment losses of ¥7,813 million (US$65 million) for the year ended March 31, 2015, and ¥36,255 million for the year ended March 31, 2014, were recognized in Losses on property, plant, equipment and intangible assets in the Consolidated Statement of Comprehensive Income. In the year ended March 31, 2015, impaired assets were mainly buildings and structures, machinery and vehicles in the Metals & Minerals operating segment. These impairment losses mainly resulted from the deterioration in profitability due to the change of business environment in a Chinese company. In the year ended March 31, 2014, impaired assets were mainly mineral rights, machinery and vehicles in the Metals & Minerals operating segment. These impairment losses mainly resulted from the deterioration in profitability due to the depreciation of coal and other change of management environment.

The recoverable amounts used in impairment tests for property, plant and equipment are calculated based on value in use or fair value less costs to sell and with the support of an independent expert. Value in use is calculated by discounting the estimated amount of future cash flows based on the business plans approved by the Board of Directors. In principle, business plans are limited to five years and are formulated in a manner that reflects past experience and are consistent with external information. The growth rate is determined with reference to the long-term average growth rate of the markets or countries to which the cash-generating unit belongs. The discount rate is determined with reference to such factors as the weighted average cost of capital for each cash generating unit (8–10%).

10. Investment Property

The changes in cost, accumulated depreciation, and accumulated impairment losses of investment property for the years ended March 31, 2015 and 2014 were as follows:

(Cost)

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Beginning of the year	¥54,649	¥66,521	$455
Acquisitions	207	2,635	2
Acquisitions through business combinations	2,483	—	21
Disposals	(5,084)	(8,656)	(43)
Effect of foreign currency exchange differences	533	129	4
Transfers to and from property, plant and equipment	10,936	(5,594)	91
Others	(346)	(386)	(3)
End of the year	¥63,378	¥54,649	$527

(Accumulated depreciation and accumulated impairment losses)

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Beginning of the year	¥(25,463)	¥(29,563)	$(212)
Depreciation	(1,187)	(870)	(10)
Impairment losses	(445)	(461)	(4)
Disposals	1,296	4,820	11
Effect of foreign currency exchange differences	(271)	2	(2)
Transfers to and from property, plant and equipment	(4,577)	1,519	(38)
Others	168	(910)	2
End of the year	¥(30,479)	¥(25,463)	$(253)

(Carrying amount and fair value)

	Millions of Yen	
	Carrying amount	Fair Value
Balance as of March 31, 2015	¥32,899	¥35,888
Balance as of March 31, 2014	29,186	32,161

	Millions of U.S. Dollars	
	Carrying amount	Fair Value
Balance as of March 31, 2015	$274	$299

Fair values of investment property are mainly measured by the discounted cash flow method, conducted by independent real estate appraisers, and are classified as Level 3 under IFRS 13 Fair Value Measurement.

Rental income from investment property for the years ended March 31, 2015 and 2014 were ¥6,627 million (US$55 million) and ¥5,609 million, respectively, and were reported in Revenues in the Consolidated Statement of Comprehensive Income. Expenses directly attributable to generating rental income for the years ended March 31, 2015 and 2014 were ¥2,825 million (US$24 million) and ¥2,772 million, respectively, and were included mainly in Cost.

11. Pledged Assets

The following assets were pledged as collateral as of March 31, 2015 and 2014:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Time deposits	¥ 172	¥ 187	$ 1
Trade receivables and others	6,422	19,248	54
Inventories	3,833	4,570	32
Investments and non-current receivables	23,205	21,912	193
Property, plant and equipment, and others	7,957	9,486	66
Total	¥41,589	¥55,403	$346

Collateral was pledged to secure the following obligations as of March 31, 2015 and 2014:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Short-term borrowings (Note)	¥ 3,814	¥ 5,438	$32
Trade payables and others	3,770	4,269	31
Long-term borrowings	3,539	4,025	30
Total	¥11,123	¥13,732	$93

Note: Short-term borrowings as of March 31, 2015, included the current portion of Long-term borrowings of ¥554 million (US$5 million).

In addition, merchandise imported and / or sales proceeds resulting from the sales of such merchandise are pledged as collateral to banks through trust receipts issued under acceptances of import bills included in Trade payables. However, it is not practicable to determine the total amount of assets covered by outstanding trust receipts due to 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 a 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 most bank borrowings, banks have rights to offset deposits against any matured debt (including debt arising out of contingent obligations) or debt which has become due before maturity by default.

12. Goodwill and Intangible Assets

(1) Goodwill

The changes in goodwill by operating segment during the years ended March 31, 2015 and 2014 were as follows:

(Cost)

	Millions of Yen							
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Eliminations	Total
Balance as of April 1, 2014	¥21,145	¥11,947	¥—	¥ 2,042	¥48,554	¥129,518	¥1,567	¥214,773
Acquisitions through business combinations	**—**	**—**	**—**	**158**	**1,726**	**—**	**—**	**1,884**
Decrease through divestitures	**—**	**—**	**—**	**(1,391)**	**—**	**—**	**—**	**(1,391)**
Effect of foreign currency exchange differences, and others	**50**	**1,758**	**—**	**118**	**5,628**	**(5,268)**	**263**	**2,549**
Balance as of March 31, 2015	**¥21,195**	**¥13,705**	**¥—**	**¥ 927**	**¥55,908**	**¥124,250**	**¥1,830**	**¥217,815**

	Millions of Yen							
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Eliminations	Total
Balance as of April 1, 2013	¥21,119	¥10,017	¥ 1,819	¥1,871	¥20,925	¥111,883	¥1,432	¥169,066
Acquisitions through business combinations	—	—	—	—	24,550	—	—	24,550
Decrease through divestitures	—	—	(1,819)	—	—	—	—	(1,819)
Effect of foreign currency exchange differences, and others	26	1,930	—	171	3,079	17,635	135	22,976
Balance as of March 31, 2014	¥21,145	¥11,947	¥ —	¥2,042	¥48,554	¥129,518	¥1,567	¥214,773

	Millions of U.S. Dollars							
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Eliminations	Total
Balance as of April 1, 2014	$176	$ 99	$—	$ 17	$404	$1,078	$13	$1,787
Acquisitions through business combinations	**—**	**—**	**—**	**2**	**15**	**—**	**—**	**17**
Decrease through divestitures	**—**	**—**	**—**	**(12)**	**—**	**—**	**—**	**(12)**
Effect of foreign currency exchange differences, and others	**0**	**15**	**—**	**1**	**47**	**(44)**	**2**	**21**
Balance as of March 31, 2015	**$176**	**$114**	**$—**	**$ 8**	**$466**	**$1,034**	**$15**	**$1,813**

(Accumulated impairment losses)

	Millions of Yen							
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Eliminations	Total
Balance as of April 1, 2014	¥(10,401)	¥(6,399)	¥—	¥(1,472)	¥—	¥—	¥(1,567)	¥(19,839)
Impairment losses recognized in profit or loss	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Decrease through divestitures	**—**	**—**	**—**	**1,391**	**—**	**—**	**—**	**1,391**
Effect of foreign currency exchange differences, and others	**(50)**	**(836)**	**—**	**(13)**	**—**	**—**	**(263)**	**(1,162)**
Balance as of March 31, 2015	**¥(10,451)**	**¥(7,235)**	**¥—**	**¥ (94)**	**¥—**	**¥—**	**¥(1,830)**	**¥(19,610)**

	Millions of Yen							
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Eliminations	Total
Balance as of April 1, 2013	¥ (8,534)	¥(4,467)	¥(1,819)	¥(1,345)	¥—	¥—	¥(1,432)	¥(17,597)
Impairment losses recognized in profit or loss	(1,858)	(1,544)	—	—	—	—	—	(3,402)
Decrease through divestitures	—	—	1,819	—	—	—	—	1,819
Effect of foreign currency exchange differences, and others	(9)	(388)	—	(127)	—	—	(135)	(659)
Balance as of March 31, 2014	¥(10,401)	¥(6,399)	¥ —	¥(1,472)	¥—	¥—	¥(1,567)	¥(19,839)

	Millions of U.S. Dollars							
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Eliminations	Total
Balance as of April 1, 2014	$(87)	$(53)	$—	$(12)	$—	$—	$(13)	$(165)
Impairment losses recognized in profit or loss	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Decrease through divestitures	**—**	**—**	**—**	**11**	**—**	**—**	**—**	**11**
Effect of foreign currency exchange differences, and others	**0**	**(7)**	**—**	**0**	**—**	**—**	**(2)**	**(9)**
Balance as of March 31, 2015	**$(87)**	**$(60)**	**$—**	**$ (1)**	**$—**	**$—**	**$(15)**	**$(163)**

The impairment losses were not recognized during the year ended March 31, 2015.

As a result of testing for impairment of goodwill, impairment losses amounting to ¥3,402 million were recognized during the year ended March 31, 2014. The impairment losses were recorded in Losses on property, plant, equipment and intangible assets in the Consolidated Statement of Comprehensive Income. For the year ended March 31, 2014, impairment losses in the Textile segment were mainly recognized for part of the domestic apparel businesses due to lower profitability, and in the Machinery segment were mainly recognized for a plant-related business in the United States resulting from decrease in expected future cash flows due to the change in business environment.

(Carrying amount)

	Millions of Yen							
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Eliminations	Total
Balance as of April 1, 2014	¥10,744	¥5,548	¥—	¥570	¥48,554	¥129,518	¥—	¥194,934
Balance as of March 31, 2015	**¥10,744**	**¥6,470**	**¥—**	**¥833**	**¥55,908**	**¥124,250**	**¥—**	**¥198,205**

	Millions of Yen							
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Eliminations	Total
Balance as of April 1, 2013	¥12,585	¥5,550	¥—	¥526	¥20,925	¥111,883	¥—	¥151,469
Balance as of March 31, 2014	¥10,744	¥5,548	¥—	¥570	¥48,554	¥129,518	¥—	¥194,934

	Millions of U.S. Dollars							
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Eliminations	Total
Balance as of March 31, 2015	**$89**	**$54**	**$—**	**$7**	**$466**	**$1,034**	**$—**	**$1,650**

The goodwill balance as of March 31, 2015, included ¥78,944 million (US$657 million) recognized as a result of the acquisition of the Kwik-Fit Group in the ICT, General Products & Realty segment and ¥34,984 million (US$291 million) recognized as a result of the acquisition of the Dole business in the Food segment.

The goodwill balance as of March 31, 2014, included ¥75,947 million recognized as a result of the acquisition of the Kwik-Fit Group in the ICT, General Products & Realty segment and ¥27,628 million recognized as a result of the acquisition of the Dole business in the Food segment.

The increase in the goodwill balance as a result of the acquisition of the Kwik-Fit Group and the Dole business is mainly due to the foreign currency exchange differences.

The recoverable amounts used in impairment tests for goodwill are based on value in use calculated with the support by independent appraisers. Value in use is calculated by discounting the estimated amount of future cash flows based on the business plans approved by the Board of Directors. In principle, business plans are limited to five years and are formulated in a manner that reflects past experience and are consistent with external information. The growth rate is determined with reference to the long-term average growth rate of the markets or countries to which the cash-generating unit belongs. The discount rate is determined with reference to such factors as the weighted average cost of capital for each cash generating unit (approximately 5–13%).

(2) Intangible Assets

The changes in intangible assets for the years ended March 31, 2015 and 2014 were as follows:

(Cost)

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of April 1, 2014	¥151,490	¥ 92,457	¥100,073	¥344,020
Acquisitions through business combinations	**23,160**	**96**	**14,203**	**37,459**
Individual acquisition	**355**	**13,575**	**3,330**	**17,260**
Disposals	**(5,377)**	**(8,050)**	**(9,094)**	**(22,521)**
Decrease through divestitures	**—**	**(41)**	**(14)**	**(55)**
Effect of foreign currency exchange differences, and others	**4,307**	**2,132**	**9,064**	**15,503**
Balance as of March 31, 2015	**¥173,935**	**¥100,169**	**¥117,562**	**¥391,666**

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of April 1, 2013	¥ 88,314	¥82,791	¥ 82,211	¥253,316
Acquisitions through business combinations	48,178	—	14,788	62,966
Individual acquisition	932	12,326	5,289	18,547
Disposals	(175)	(4,746)	(1,929)	(6,850)
Decrease through divestitures	—	(52)	(4)	(56)
Effect of foreign currency exchange differences, and others	14,241	2,138	(282)	16,097
Balance as of March 31, 2014	¥151,490	¥92,457	¥100,073	¥344,020

	Millions of U.S. Dollars			
	Trademarks	Software	Others	Total
Balance as of April 1, 2014	$1,260	$769	$833	$2,862
Acquisitions through business combinations	**193**	**1**	**118**	**312**
Individual acquisition	**3**	**113**	**28**	**144**
Disposals	**(45)**	**(67)**	**(76)**	**(188)**
Decrease through divestitures	**—**	**(0)**	**(0)**	**(0)**
Effect of foreign currency exchange differences, and others	**36**	**18**	**75**	**129**
Balance as of March 31, 2015	**$1,447**	**$834**	**$978**	**$3,259**

(Accumulated depreciation and accumulated impairment losses)

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of April 1, 2014	¥(11,077)	¥(56,566)	¥(31,065)	¥(98,708)
Amortization expenses	**(2,007)**	**(12,183)**	**(7,365)**	**(21,555)**
Impairment losses recognized in profit or loss	**—**	**(585)**	**(357)**	**(942)**
Disposals	**5,349**	**7,822**	**8,902**	**22,073**
Decrease through divestitures	**—**	**21**	**7**	**28**
Effect of foreign currency exchange differences, and others	**1,023**	**(923)**	**(1,926)**	**(1,826)**
Balance as of March 31, 2015	**¥(6,712)**	**¥(62,414)**	**¥(31,804)**	**¥(100,930)**

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of April 1, 2013	¥ (4,728)	¥(46,043)	¥(21,456)	¥(72,227)
Amortization expenses	(1,772)	(12,655)	(7,097)	(21,524)
Impairment losses recognized in profit or loss	(4,308)	(84)	(807)	(5,199)
Disposals	172	3,607	1,574	5,353
Decrease through divestitures	—	29	—	29
Effect of foreign currency exchange differences, and others	(441)	(1,420)	(3,279)	(5,140)
Balance as of March 31, 2014	¥(11,077)	¥(56,566)	¥(31,065)	¥(98,708)

	Millions of U.S. Dollars			
	Trademarks	Software	Others	Total
Balance as of April 1, 2014	$(93)	$(471)	$(258)	$(822)
Amortization expenses	**(17)**	**(101)**	**(61)**	**(179)**
Impairment losses recognized in profit or loss	**—**	**(5)**	**(3)**	**(8)**
Disposals	**45**	**65**	**74**	**184**
Decrease through divestitures	**—**	**0**	**0**	**0**
Effect of foreign currency exchange differences, and others	**9**	**(8)**	**(16)**	**(15)**
Balance as of March 31, 2015	**$(56)**	**$(520)**	**$(264)**	**$(840)**

Amortization expenses for intangible assets are recorded in Cost of sale of goods, Cost of rendering of services and royalties and Selling, general and administrative expenses in the Consolidated Statement of Comprehensive Income.

There were no significant impairment losses during the year ended March 31, 2015.

The impairment losses during the year ended March 31, 2014, mainly consisted of losses on certain brand trademarks of ¥4,239 million in the Textile segment due to lower profitability. The impairment losses were recorded in Losses on property, plant, equipment and intangible assets in the Consolidated Statement of Comprehensive Income.

(Carrying amount)

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of April 1, 2014	¥140,413	¥35,891	¥69,008	¥245,312
Balance as of March 31, 2015	**¥167,223**	**¥37,755**	**¥85,758**	**¥290,736**

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of April 1, 2013	¥ 83,586	¥36,748	¥60,755	¥181,089
Balance as of March 31, 2014	¥140,413	¥35,891	¥69,008	¥245,312

	Millions of U.S. Dollars			
	Trademarks	Software	Others	Total
Balance as of March 31, 2015	**$1,391**	**$314**	**$714**	**$2,419**

The carrying amount of "Others" for the year ended March 31, 2015, included ¥14,907 million (US$124 million) of customer relationships in Dole International Holdings Co., Ltd., ¥13,531 million (US$113 million) of customer relationships and technology related intangible asset in Toyo Advanced Technologies Co., Ltd. and ¥12,636 million (US$105 million) of sales network in CONEXIO Corporation.

The carrying amount of "Others" for the year ended March 31, 2014, included ¥14,761 million of customer relationships and technology related intangible asset in Toyo Advanced Technologies Co., Ltd, ¥13,719 million of sales network in CONEXIO Corporation and ¥13,473 million of customer relationships in Dole International Holdings Co., Ltd.

The carrying amount of the balance of intangible assets with indefinite useful lives for the years ended March 31, 2015 and 2014 were ¥116,462 million (US$969 million) and ¥105,069 million, respectively.

The balance of Intangible assets with indefinite useful lives for the year ended March 31, 2015, included ¥62,240 million (US$518 million) of trademarks of Dole and ¥50,821 million (US$423 million) of trademarks of Kwik-Fit. The balance of Intangible assets with indefinite useful lives for the year ended March 31, 2014, included ¥53,210 million of trademarks of Dole and ¥48,892 million of trademarks of Kwik-Fit. The increase in the balance of trademarks of Dole and Kwik-Fit are due to the foreign currency exchange differences. These trademarks were acquired through business combinations and will basically continue to exist as long as the businesses that use them continue to operate. Accordingly, the Company considers them to have indefinite useful lives.

The recoverable amount used in impairment tests for intangible assets are based on value in use calculated with the support by independent appraisers. Value in use is calculated by discounting the estimated amount of future cash flows based on the business plans approved by the Board of Directors. In principle, business plans are limited to five years and are formulated in a manner that reflects past experience and are consistent with external information. The growth rate is determined with reference to the long-term average growth rate of the markets or countries to which the cash-generating unit belongs. The discount rate is determined with reference to such factors as the weighted average cost of capital for each cash generating unit (approximately 5–21%).

13. Securities and Other Investments

With exception of equity securities that the Company and its subsidiaries account for using the equity method, and equity securities the Company and its subsidiaries own with an intention of generating gains through short-term, repeated purchases and sales (financial assets measured at fair value through profit or loss (FVTPL financial assets)), equity securities are classified as financial instruments measured at fair value through other comprehensive income (FVTOCI financial assets). Given that certain stocks the Company and its subsidiaries own are owned based on the assumption of long-term ownership with an intention of strengthening business relationships, the relevant stocks are designated and classified as FVTOCI financial assets.

Securities included in Other current financial assets, and Other investments in the Consolidated Statement of Financial Position were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	**2015**
Securities:			
FVTPL financial assets	**—**	¥ 904	**—**
FVTOCI financial assets	**—**	—	**—**
Amortized cost*	**52**	3,555	**0**
Total	**¥ 52**	¥ 4,459	**$ 0**
Other Investments:			
FVTPL financial assets	**20,485**	19,966	**171**
FVTOCI financial assets	**995,758**	541,294	**8,286**
Amortized cost*	**13,835**	4,676	**115**
Total	**¥1,030,078**	¥565,936	**$8,572**

* The fair values of the securities, included in Other current financial assets and Other investments, measured at amortized cost are approximately the same as their carrying amounts.

The breakdown of the above FVTOCI financial assets into marketable and nonmarketable equity securities were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	**2015**
Marketable equity securities	**¥315,820**	¥241,050	**$2,628**
Nonmarketable equity securities	**679,938**	300,244	**5,658**
Total	**¥995,758**	¥541,294	**$8,286**

The Nonmarketable equity securities mainly consisted of investments in TING HSIN (CAYMAN ISLANDS) HOLDING CORP. and natural resource-related sectors, such as metal and mineral resources, petroleum, and natural gas. The total fair value of the investments in such natural resource-related sectors as of March 31, 2015 and 2014 were ¥459,879 million (US$3,827 million) and ¥229,617 million, respectively. These investments included Drummond International, LLC, BHP Iron Ore Jimblebar, Platreef Resources Ltd, RAS LAFFAN LNG Co., LTD., Sakhalin Oil and Gas Development Co., and The Baku-Tbilisi-Ceyhan Pipeline Co. TING HSIN (CAYMAN ISLANDS) HOLDING CORP. and Drummond International, LLC were classified as FVTOCI financial assets starting from the year ended March 31, 2015.

The main marketable equity securities that the Company and its subsidiaries owned as FVTOCI financial assets as of March 31, 2015 and 2014 were as follows:

March 31, 2015

Stock	Millions of Yen	Millions of U.S. Dollars
Isuzu Motors Limited	**¥107,910**	**$898**
NISSIN FOODS HOLDINGS CO., LTD.	**32,192**	**268**
Seven & i Holdings Co., Ltd.	**16,064**	**134**
Mazda Motor Corporation	**14,759**	**123**
Advance Residence Investment Corporation	**10,141**	**84**
Scatec Solar ASA	**9,608**	**80**
Showa Sangyo Co., Ltd.	**5,867**	**49**
Adways Inc.	**5,843**	**49**
UNY Group Holdings Co., Ltd.	**5,352**	**45**
SEIBU HOLDINGS INC.	**5,067**	**42**
SINANEN CO., LTD.	**4,797**	**40**
H_2O RETAILING CORPORATION	**4,736**	**39**
Internet Initiative Japan Inc.	**3,886**	**32**
Mizuho Financial Group, Inc.	**3,666**	**31**
Kanemi Co., Ltd.	**3,470**	**29**

March 31, 2014

Stock	Millions of Yen
Isuzu Motors Limited	¥80,113
NISSIN FOODS HOLDINGS CO., LTD.	25,137
Mazda Motor Corporation	13,857
Advance Residence Investment Corporation	7,649
SKY Perfect JSAT Holdings Inc.	7,510
Seven & i Holdings Co., Ltd.	6,810
UNY Group Holdings Co., Ltd.	4,293
Showa Sangyo Co., Ltd.	4,280
Internet Initiative Japan Inc.	3,577
Mizuho Financial Group, Inc.	3,502
Akebono Brake Industry Co., Ltd.	2,979
Kanemi Co., Ltd.	2,978
Sumitomo Mitsui Financial Group	2,680
Nippon Flour Mills Co., Ltd.	2,543
Izumiya Co., Ltd.	1,326

FVTOCI financial assets which the Company derecognized in the years ended March 31, 2015 and 2014 were as follows:

Millions of Yen						Millions of U.S. Dollars		
2015			2014			2015		
Fair value at date of sale	Cumulative gains (losses)	Dividends	Fair value at date of sale	Cumulative gains (losses)	Dividends	Fair value at date of sale	Cumulative gains (losses)	Dividends
¥23,204	¥(6,897)	¥1,361	¥76,699	¥18,781	¥2,940	$193	$(57)	$11

Cumulative gains (losses) (net of tax) reclassified from other comprehensive income (loss) (FVTOCI financial assets) to retained earnings for the years ended March 31, 2015 and 2014 from the above figure, were ¥7,130 million (loss) (US$59 million (loss)) and ¥11,399 million, respectively. The reclassification was mainly due to equity securities sold as a result of changes in business relationships, and in relation to stocks for which the Company discontinued recognition as FVTOCI financial assets due to the change in classification of equity securities from FVTOCI financial assets to subsidiaries or associates.

14. Associates and Joint Ventures

For investments in associates and joint ventures, the total carrying amounts in the Consolidated Statement of Financial Position as of March 31, 2015 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Investment			
Associates	¥1,163,979	¥1,255,739	$ 9,686
Joint ventures	454,159	472,669	3,779
Total	¥1,618,138	¥1,728,408	$13,465

For investments in associates and joint ventures, the share of profit and other comprehensive income of associates and joint ventures in comprehensive income for the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Associates			
Share of profit or loss	¥ 60,878	¥ 67,143	$ 506
Share of other comprehensive income	16,182	38,860	135
Subtotal	77,060	106,003	641
Joint ventures			
Share of profit or loss	(50,762)	(11,107)	(422)
Share of other comprehensive income	17,096	25,758	142
Subtotal	(33,666)	14,651	(280)
Share of comprehensive income			
Total share of profit or loss of associates and joint ventures	10,116	56,036	84
Total share of other comprehensive income of associates and joint ventures	33,278	64,618	277
Total	¥ 43,394	¥120,654	$ 361

In Investments accounted for by the equity method, the Company did not recognize any impairment losses for the year ended March 31, 2015. The Company recognized an impairment loss of ¥2,717 million in pulp-related businesses due to the deterioration in future net cash flows during the year ended March 31, 2014.

In measuring the impairment losses on investments in associates and joint ventures, the recoverable amount is calculated by comprehensive consideration, referencing values measured by third parties or stock prices.

The recoverable amounts used in impairment tests for investments in associates and joint ventures are based on value in use calculated with the support by independent appraisers. Value in use is calculated by discounting the estimated amount of future cash flows based on the business plans approved by the Board of Directors. In principle, business plans are limited to five years and are formulated in a manner that reflects past experience and is consistent with external information. The growth rate is determined with reference to the long-term average growth rate of the markets or countries to which the cash-generating unit belongs. The discount rate is determined with reference to such factors as the weighted average cost of capital for each cash generating unit (around 3–13%).

The differences between the carrying amounts of the investment in associates and the Company and its subsidiaries' equity interest in the underlying net assets of such associates were ¥317,924 million (US$2,646 million), and ¥477,295 million as of March 31, 2015 and 2014, respectively. The differences consist of certain fair value adjustments (net of tax) at the time of the investments in associates, and goodwill. The fair value adjustments are primarily attributed to intangible assets.

The Company, through a subsidiary, holds 20.0% interest of Drummond International, LLC (DIL), which holds mining operations and related infrastructure that are currently being operated in Colombia. The subsidiary does not have approval authority over significant matters for resolution regarding DIL, such as for budgets and capital expenditures, and cannot exercise significant influence over the operations and financial policies of DIL. Accordingly, the equity method is not applied to the Company's investment in DIL.

Nacional Minérios S.A. (NAMISA), a joint venture 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 ¥19,923 million, including interest and penalties of ¥13,524 million. NAMISA filed an administrative defense against the tax assessment notice in January 2013, and NAMISA recorded no liabilities related to this assessment.

Certain associates and joint ventures raise funds through project finance and there are usage restrictions on deposits.

The balances of receivables and payables of the Company and its subsidiaries involving major associates and joint ventures were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Balance of receivables			
Associates	¥162,708	¥216,164	$1,354
Joint ventures	59,311	18,916	494
Total	¥222,019	¥235,080	$1,848
Balance of payables			
Associates	58,733	61,979	489
Joint ventures	2,519	1,595	21
Total	¥ 61,252	¥ 63,574	$ 510

Total revenues and total purchases included in Cost of the Company and its subsidiaries from major associates and joint ventures were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Revenues			
Associates	¥166,007	¥152,245	$1,381
Joint ventures	53,074	68,469	442
Total	¥219,081	¥220,714	$1,823
Purchases			
Associates	327,300	232,973	2,724
Joint ventures	38,721	11,563	322
Total	¥366,021	¥244,536	$3,046

15. Trade and Other Payables

The breakdown of Trade payables as of March 31, 2015 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Note payables	¥ 261,156	¥ 213,001	$ 2,173
Account payables	1,306,876	1,365,402	10,875
Other payables (trade)	101,782	83,570	847
Total	¥1,669,814	¥1,661,973	$13,895

The breakdown of Other current payables as of March 31, 2015 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Other payables (non-trade)	¥23,321	¥18,609	$194
Lease obligations (current)	18,771	19,959	156
Deposits received	34,513	32,374	287
Total	¥76,605	¥70,942	$637

The breakdown of Other non-current financial liabilities as of March 31, 2015 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Lease obligations (non-current)	¥ 65,618	¥ 67,520	$546
Others	38,201	35,759	318
Total	¥103,819	¥103,279	$864

16. Debentures and Borrowings

The breakdown of Short-term debentures and borrowings as of March 31, 2015 and 2014 were as follows:

	Millions of Yen	Interest rate (%)	Millions of Yen	Interest rate (%)	Millions of U.S. Dollars
	2015		2014		2015
Current loans from financial institutions	¥452,827	1.1%	¥409,937	1.4%	$3,768
Commercial paper	1,000	0.1%	—	—	8
Subtotal	453,827	—	409,937	—	3,776
Current portion of long-term debentures and borrowings	89,833	—	62,730	—	748
Total	¥543,660	—	¥472,667	—	$4,524

Note: Interest rates represent the weighted average interest rates based on balances as of March 31, 2015 and 2014. The interest rates of the Current portion of long-term debentures and borrowings are included in the breakdown of Long-term debentures and borrowings below.

The breakdown of Long-term debentures and borrowings as of March 31, 2015 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	**2015**
Banks and other financial institutions			
Secured			
Due 2015–2029, interest rate mainly 0.7%–3.5%	**¥ 4,093**	¥ 4,025	**$ 34**
Unsecured			
Due 2014–2030, interest rate mainly 0.1%–6.3%	**2,097,133**	1,908,437	**17,451**
Debentures			
Unsecured bonds and notes			
Year of issuance, Coupon, Type of bond, Maturity			
Issued in 2006, 2.17% Yen Bonds due 2016	**15,000**	15,000	**125**
Issued in 2006, 2.09% Yen Bonds due 2016	**10,000**	10,000	**83**
Issued in 2007, 2.11% Yen Bonds due 2017	**10,000**	10,000	**83**
Issued in 2007, 2.02% Yen Bonds due 2017	**10,000**	10,000	**83**
Issued in 2007, 1.99% Yen Bonds due 2017	**10,000**	10,000	**83**
Issued in 2007, 1.90% Yen Bonds due 2017	**10,000**	10,000	**83**
Issued in 2008, 2.28% Yen Bonds due 2018	**20,000**	20,000	**167**
Issued in 2009, 1.49% Yen Bonds due 2014	**—**	25,000	**—**
Issued in 2009, 1.91% Yen Bonds due 2019	**15,000**	15,000	**125**
Issued in 2009, 1.65% Yen Bonds due 2019	**10,000**	10,000	**83**
Issued in 2010, 1.65% Yen Bonds due 2020	**20,000**	20,000	**167**
Issued in 2010, 0.653% Yen Bonds due 2015	**20,000**	20,000	**167**
Issued in 2010, 1.53% Yen Bonds due 2020	**10,000**	10,000	**83**
Issued in 2010, 0.558% Yen Bonds due 2015	**20,000**	20,000	**167**
Issued in 2010, 1.412% Yen Bonds due 2020	**10,000**	10,000	**83**
Issued in 2011, 0.613% Yen Bonds due 2016	**10,000**	10,000	**83**
Issued in 2011, 1.378% Yen Bonds due 2021	**20,000**	20,000	**167**
Issued in 2011, 1.135% Yen Bonds due 2020	**10,000**	10,000	**83**
Issued in 2011, 0.51% Yen Bonds due 2016	**10,000**	10,000	**83**
Issued in 2011, 1.221% Yen Bonds due 2021	**20,000**	20,000	**167**
Issued in 2011, 0.732% Yen Bonds due 2018	**10,000**	10,000	**83**
Issued in 2012, 1.181% Yen Bonds due 2022	**20,000**	20,000	**167**
Issued in 2012, floating rate U.S. Dollar Bonds due 2015	**—**	15,438	**—**
Issued in 2012, 0.407% Yen Bonds due 2017	**10,000**	10,000	**83**
Issued in 2012, 0.362% Yen Bonds due 2017	**20,000**	20,000	**167**
Issued in 2012, 0.964% Yen Bonds due 2022	**10,000**	10,000	**83**
Issued in 2012, floating rate Yen Bonds due 2022	**10,000**	10,000	**83**
Issued in 2012, 0.95% Yen Bonds due 2022	**10,000**	10,000	**83**
Issued in 2013, 0.206% Yen Bonds due 2016	**10,000**	10,000	**83**
Issued in 2013, 0.267% Yen Bonds due 2018	**10,000**	10,000	**83**
Issued in 2013, 0.862% Yen Bonds due 2023	**10,000**	10,000	**83**
Issued in 2013, 0.406% Yen Bonds due 2018	**10,000**	10,000	**83**
Issued in 2013, 1.167% Yen Bonds due 2025	**10,000**	10,000	**83**
Issued in 2013, 0.33% Yen Bonds due 2018	**10,000**	10,000	**83**
Issued in 2013, 0.843% Yen Bonds due 2023	**10,000**	10,000	**83**
Issued in 2014, 0.56% Yen Bonds due 2021	**30,000**	30,000	**251**
Issued in 2014, 0.487% Yen Bonds due 2021	**10,000**	—	**83**
Issued in 2014, 0.785% Yen Bonds due 2024	**10,000**	—	**83**
Issued in 2014, floating rate U.S. Dollar Bonds due 2019	**12,017**	—	**100**
Issued in 2015, 0.689% Yen Bonds due 2027	**10,000**	—	**83**
Issued in and after 2010, debentures and others issued by subsidiaries, maturing through 2022	**19,632**	30,218	**163**
Subtotal	**2,612,875**	2,433,118	**21,743**
Fair value hedge adjustment	**25,462**	50,325	**212**
Total	**2,638,337**	2,483,443	**21,955**
Less: Current portion of long-term debentures and borrowings	**(89,833)**	(62,730)	**(748)**
Long-term debentures and borrowings	**¥2,548,504**	¥2,420,713	**$21,207**

The agreements for certain loans from the Japan Bank for International Cooperation (JBIC), which are included in long-term debt from banks and other financial institutions, require the borrower, upon request from the lender, through its earnings from the business operations, or through the proceeds from the sale of common stock or debentures, to repay a certain portion of the loans outstanding before the scheduled maturity dates. The Company has never received such requests and does not expect that any such request will be made.

Borrowings from the above-mentioned banks and other financial institutions include borrowings by subsidiaries in emerging countries.

The Company and its subsidiaries have entered into interest rate swap agreements for certain Long-term debentures and borrowings as a means of managing their exposure to interest rate fluctuations.

17. Leases

(1) Lessor

The Company and its subsidiaries lease aircrafts, real estates, and certain other assets under operating leases.

The schedule of future minimum lease payments receivable under non-cancelable operating leases as of March 31, 2015 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Less than 1 year	¥10,439	¥ 6,259	$ 87
1–5 years	32,742	14,655	272
More than 5 years	28,360	18,292	236
Total	¥71,541	¥39,206	$595

The Company and its subsidiaries lease ICT-related equipment, machinery and equipment, and certain other assets under finance leases. The schedule of gross investment in the lease and present value of minimum lease payments receivable, and the amount of unearned finance income as of March 31, 2015 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars	Millions of Yen		Millions of U.S. Dollars
	Gross investment in the lease			Present value of minimum lease payments receivable		
	2015	2014	2015	2015	2014	2015
Less than 1 year	¥11,169	¥11,683	$ 93	¥10,000	¥10,931	$ 83
1–5 years	24,086	23,092	200	21,205	20,440	177
More than 5 years	11,129	9,925	93	9,362	6,821	78
Total	46,384	44,700	386	¥40,567	¥38,192	$338
(Unguaranteed residual value)	(300)	(300)	(2)			
Less: Unearned finance income	(5,646)	(6,345)	(47)			
Less: Present value of unguaranteed residual value	(171)	(163)	(1)			
Present value of minimum lease payments receivable	¥40,567	¥38,192	$338			

As of March 31, 2015 and 2014, the accumulated allowance for uncollectible minimum lease payments receivable were ¥143 million (US$1 million) and ¥136 million, respectively.

(2) Lessee

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 non-cancelable operating leases as of March 31, 2015 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Less than 1 year	¥ 54,777	¥ 49,132	$ 456
1–5 years	159,877	148,399	1,330
More than 5 years	204,032	169,916	1,698
Total	¥418,686	¥367,447	$3,484

As of March 31, 2015 and 2014, the total of future minimum lease payments to be received under non-cancelable subleases were ¥54,879 million (US$457 million) and ¥34,202 million, respectively.

In the years ended March 31, 2015 and 2014, lease payments under operating leases recognized as expense were ¥81,437 million (US$678 million) and ¥82,829 million, respectively, and sublease payments received were ¥8,758 million (US$73 million) and ¥6,603 million, respectively.

There are lease contracts which contain a renewal or purchase option. However, there are no significant lease contracts which contain an escalation clause. Also, there are contracts which contain a clause that modifies the amount of lease payment to move in tandem with the long-term prime lending rate every 5 years, however, contingent rent recognized as expense were immaterial.

The Company and its subsidiaries lease buildings, machinery and equipment, and certain other assets under finance leases. The cost, accumulated depreciation and accumulated impairment losses of such leased assets by class as of March 31, 2015 and 2014 were as follows:

	Millions of Yen					
	2015			2014		
	Cost	Accumulated depreciation and Accumulated impairment losses	Carrying amount	Cost	Accumulated depreciation and Accumulated impairment losses	Carrying amount
Buildings and structures	¥ 51,143	¥24,110	¥27,033	¥ 46,493	¥23,256	¥23,237
Machinery and equipment	34,124	18,445	15,679	36,198	16,945	19,253
Others	29,634	16,993	12,641	27,611	13,775	13,836
Total	¥114,901	¥59,548	¥55,353	¥110,302	¥53,976	¥56,326

	Millions of U.S. Dollars		
	2015		
	Cost	Accumulated depreciation and Accumulated impairment losses	Carrying amount
Buildings and structures	$426	$201	$225
Machinery and equipment	284	154	130
Others	246	141	105
Total	$956	$496	$460

The present value of future minimum lease payments, and the amount of future financial costs as of March 31, 2015 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars	Millions of Yen		Millions of U.S. Dollars
	Future minimum lease payments			Present value of future minimum lease payments		
	2015	2014	2015	2015	2014	2015
Less than 1 year	¥ 21,834	¥ 23,247	$ 182	¥18,771	¥21,697	$156
1–5 years	48,810	53,209	406	42,102	43,252	350
More than 5 years	28,813	29,023	240	23,516	21,378	196
Total	99,457	105,479	828	¥84,389	¥86,327	$702
Less: Future financial cost	(15,068)	(19,152)	(126)			
Present value of future minimum lease payments	¥ 84,389	¥ 86,327	$ 702			

As of March 31, 2015 and 2014, the total of future minimum lease payments to be received under non-cancelable subleases were ¥29,831 million (US$248 million) and ¥28,372 million, respectively.

There are lease contracts which contain a renewal or purchase option. However, there are no significant lease contracts which contain an escalation clause. Also, there are contracts which contain a clause that modifies the amount of lease payment to move in tandem with the long-term prime lending rate every 5 years, however, contingent rent were not incurred.

18. 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.

Plan assets are comprised primarily of marketable equity securities, debt, and other interest-bearing securities, and are exposed to stock price and interest rate risks. In addition, the Company and certain subsidiaries have both unfunded retirement and severance plans, which provide lump-sum payment benefits to their employees, and defined contribution plans.

Certain subsidiaries and associates participate in the ITOCHU United Pension Fund.

The ITOCHU United Pension Fund 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 a participating employer withdraws from the multiemployer plan, the employer could be required to contribute the amount of the unfunded obligation as a special withdrawal premium.

The ITOCHU United Pension Fund is a defined benefit multiemployer plan that is operated in accordance with the rules above. Events occurring at participating companies influence the allocation of plan assets and expenses to other participating companies, and consequently, there is no consistent basis for that allocation. Accordingly, because it is not possible to obtain sufficient information to account for this plan as a defined benefit plan, it is accounted for as a defined contribution plan. In regard to the special premium for this plan, at the time when the periodical revaluation is conducted, the difference from the previous revaluation is added and the amount is recognized as a liability, and subsequently, that liability is reversed when the special premium is paid.

As of March 31, 2014, the ITOCHU United Pension Fund was under-funded in the amount of ¥14,044 million. The ITOCHU United Pension Fund obtained an approval from the Minister of Health, Labor and Welfare on April 1, 2013, for an exemption from the obligation to pay benefits for future employee services related to the substitutional portion, which would result in the transfer of pension obligations and related assets to the government. As a result of the periodical revaluation and revision of the premium, it is expected that the amount by which the fund is under-funded will be supplemented by the revised premium.

The amount of contributions of participating subsidiaries to the ITOCHU United Pension Fund was ¥2,043 million (US$17 million) and ¥2,045 million for the years ended March 31, 2015 and 2014, respectively. The planned amount of contributions in the year ending March 31, 2016, is approximately ¥2,000 million. The portion of participating subsidiaries' contributions as a percentage of all contributions to the ITOCHU United Pension Fund was approximately 70% in the year ended March 31, 2015.

Changes in the defined benefit obligations were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Projected benefit obligations at the beginning of the year	¥331,110	¥330,101	$2,755
Service cost	9,923	10,078	83
Current service cost	9,923	10,157	83
Prior service cost	—	(79)	—
Interest cost	4,818	4,301	40
Plan participants' contributions	619	611	5
Remeasurements	14,069	(4,114)	117
Benefits paid from plan assets	(18,663)	(16,572)	(155)
Benefits paid by employer	(2,040)	(996)	(17)
Foreign currency translation adjustments	805	2,701	7
Acquisitions and divestitures	10,633	5,217	88
Settlements	(47)	(217)	(0)
Projected benefit obligations at the end of the year	¥351,227	¥331,110	$2,923

Changes in the fair value of plan assets were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Fair value of plan assets at the beginning of the year	¥284,425	¥271,842	$2,367
Interest income	4,402	3,676	37
Remeasurements	24,440	16,432	203
Employer contributions	7,167	6,592	60
Plan participants' contributions	619	611	4
Benefits paid from plan assets	(18,663)	(16,572)	(155)
Foreign currency translation adjustments	573	2,168	5
Acquisitions and divestitures	7,634	(324)	64
Fair value of plan assets at the end of the year	¥310,597	¥284,425	$2,585

As of March 31, 2015 and 2014, 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 27 The Financial Instruments Measured at Fair Value.

	Millions of Yen		
	2015		
	Level 1	Level 2	Total
Equity instruments:			
Domestic	¥ 22,037	¥ 31,577	¥ 53,614
Overseas	6,210	24,908	31,118
Debt instruments:			
Domestic	16,805	71,074	87,879
Overseas	16,083	15,614	31,697
Other assets:			
Cash and cash equivalents	56,234	—	56,234
Life insurance company general accounts	—	33,873	33,873
Others	—	16,182	16,182
Total	¥117,369	¥193,228	¥310,597

	Millions of Yen		
	2014		
	Level 1	Level 2	Total
Equity instruments:			
Domestic	¥38,970	¥ 26,848	¥ 65,818
Overseas	6,289	23,594	29,883
Debt instruments:			
Domestic	11,174	66,317	77,491
Overseas	10,893	20,419	31,312
Other assets:			
Cash and cash equivalents	27,494	—	27,494
Life insurance company general accounts	—	34,523	34,523
Others	—	17,904	17,904
Total	¥94,820	¥189,605	¥284,425

	Millions of U.S. Dollars		
	2015		
	Level 1	Level 2	Total
Equity instruments:			
Domestic	$183	$ 263	$ 446
Overseas	52	207	259
Debt instruments:			
Domestic	140	591	731
Overseas	134	130	264
Other assets:			
Cash and cash equivalents	468	—	468
Life insurance company general accounts	—	282	282
Others	—	135	135
Total	$977	$1,608	$2,585

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 approximately 65% in domestic and overseas debt securities, approximately 25% in domestic and overseas equity securities, and approximately 10% in alternative investments. The Company's allocation of assets may also include Cash and cash equivalents, and Life insurance company general accounts, as appropriate. The Company's basic policy is to emphasize asset liquidity and a thorough diversification of its investments. In addition, the Company has established an employee pension trust mainly comprised of domestic equity securities as a part of plan assets. The Company's holdings of equity instruments consist primarily of shares in listed companies. Debt instruments 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.

Information about the maturity profile of retirement benefits are as follows:

The Projected benefit obligation is calculated based on the estimated amount of future benefits that have been incurred as of the present point in time. The amount of those future payments is discounted back from the expected time of future payment to the present. Accordingly, the timing of benefit payment influences the amounts of the projected benefit obligation and service costs, and consequently, the disclosure of information regarding benefits in the period in which they are earned is required under IAS 19 Employee Benefits. The Company believes that it meets this requirement in an effective manner through the disclosure of the weighted-average duration of the projected benefit obligation, which takes into account the amount, timing, and discount rate. The weighted average duration of the Company's projected benefit obligation is 13 years.

The Company and certain subsidiaries have plans that are under-funded, and this under-funded status could result in substantial differences between future contributions and current service cost. To eliminate this deficit, premium contributions will be accumulated over a defined period of time and reviewed periodically, as calculated in accordance with the retirement benefit rules of each company.

The planned amount of contributions for all defined benefit pension plans in the year ending March 31, 2016, is approximately ¥4,200 million.

The assumptions regarding the defined benefit obligation were as follows:

	2015	2014
Discount rate	1.1%	1.4%
Rate of compensation increase	3.8%	3.8%
Mortality rate	0.02 – 0.78%	0.04 – 0.78%
Retirement rate	0.2 – 9.8%	0.2 – 9.8%
Lump sum election rate	30.5%	29.9%

Among the above actuarial assumptions, the calculations related to the defined benefit plan are sensitive to the influence of the discount rate assumption.

As of March 31, 2015, a movement of 1% in the discount rate would have an effect of ¥24,276 million on the defined benefit obligation and an effect of ¥578 million on service cost. This analysis is based on the premise that the actuarial assumptions other than the discount rate do not fluctuate and that only the discount rate fluctuates. This method of analysis is based on assumptions, and it is possible that the actual calculation could be influenced by fluctuations in other variables.

The Company and certain subsidiaries have defined contribution plans. In regard to these plans, the obligations of the Company and its subsidiaries are limited to the contribution amounts that are stipulated in the retirement benefit rules, which are determined on a company-by-company basis.

The recognized expenses with respect to the defined contribution plan for the years ended March 31, 2015 and 2014 were ¥4,966 million (US$41 million) and ¥3,851 million, respectively.

Details of Compensation

Details of compensation and bonus for the Company's directors in the year ended March 31, 2015 were as follows:

		Millions of Yen	Millions of U.S. Dollars	
Type	Number of people	Amount paid	Amount paid	Details
Directors (Outside directors)	13 (2)	¥1,507 ¥ (24)	$12.5 $ (0.2)	(1) Monthly compensation: ¥837 million (2) Directors' bonuses accrued and payable for the fiscal year ended March 31, 2015: ¥670 million

Notes: 1. Maximum compensation paid to all directors: ¥1.2 billion per year as total monthly compensation (including ¥50 million per year as a portion to the outside directors) and ¥1.0 billion per year as total bonuses paid to all directors (excluding the outside directors) under a framework different from the preceding maximum compensation amount (both resolved at the General Meeting of Shareholders on June 24, 2011).

2. The retirement benefits system for directors was abolished on the date of the 81st Ordinary General Meeting of Shareholders held on June 29, 2005, and it was resolved that directors retaining their positions after the conclusion of the said General Meeting of Shareholders shall be presented with retirement benefits on the date of their retirement for the period up to the time the retirement benefits system was abolished.

19. Provisions

The changes in provisions in Other current liabilities and Other non-current liabilities for the year ended March 31, 2015 were as follows:

	Millions of Yen		
	Provisions for asset retirement obligations	Other provisions	Total
Balance as of April 1, 2014	¥46,992	¥ 9,812	¥56,804
Provisions	7,077	7,157	14,234
Provisions charged-off	(392)	(4,130)	(4,522)
Provisions reversed	(738)	(3,407)	(4,145)
Accretion expense	1,650	—	1,650
Others	2,222	32	2,254
Balance as of March 31, 2015	¥56,811	¥ 9,464	¥66,275

	Millions of U.S. Dollars		
	Provisions for asset retirement obligations	Other provisions	Total
Balance as of April 1, 2014	$391	$ 82	$473
Provisions	59	59	118
Provisions charged-off	(3)	(34)	(37)
Provisions reversed	(6)	(28)	(34)
Accretion expense	14	—	14
Others	18	0	18
Balance as of March 31, 2015	$473	$ 79	$552

The provisions for asset retirement obligations are principally related to the costs of dismantlement of coal mining, iron-ore mining, and crude oil drilling facilities of subsidiaries. Others include provision for loss on guarantees.

The breakdown of the provisions in Other current liabilities and Other non-current liabilities in the Consolidated Statement of Financial Position were as follows:

	Millions of Yen	Millions of U.S. Dollars
	2015	2015
Other current liabilities	¥ 6,880	$ 57
Other non-current liabilities	59,395	495
Total	¥66,275	$552

20. Income Taxes

The Company and its domestic subsidiaries are subject to corporate, inhabitant, and enterprise taxes, which are based on income. The statutory effective tax rates for the fiscal years ended March 31, 2015 and 2014, which have been calculated based on these statutory tax rates, are 36.0% and 38.0%, respectively.

Effective commencing the fiscal year ended March 31, 2003, the Company adopted a consolidated taxation system. Foreign subsidiaries are subject to income taxes of the countries where they operate.

The Act for Partial Revision of the Income Tax Act, etc., and the Act for Partial Revision of the Local Taxation Act, etc., were promulgated on March 31, 2015. As a result, the statutory effective tax rate would be reduced in stages for fiscal years beginning on or after April 1, 2015. Accordingly, the tax rates used to calculate deferred tax assets and deferred tax liabilities, for temporary differences, tax loss carryforwards and tax credit carryforwards that are expected to be reversed in fiscal years beginning on or after April 1, 2015 and fiscal years beginning on or after April 1, 2016, have been changed from 36.0% to 33.0% and 32.0%, respectively.

Amounts provided for income taxes for the years ended March 31, 2015 and 2014 were allocated as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Income tax expense			
Current tax expense	¥ (84,129)	¥ (88,249)	$ (700)
Deferred tax expense (*)	(38,765)	(18,088)	(323)
Total	(122,894)	(106,337)	(1,023)
Income taxes recognized directly in equity	1,760	1,316	15
Total	1,760	1,316	15
Income tax related to each component of other comprehensive income			
Translation adjustments	2,146	(5,422)	18
Remeasurement of net defined pension liability	(3,908)	(6,736)	(33)
FVTOCI financial assets	(13,452)	(10,531)	(112)
Cash flow hedges	(154)	1,010	(1)
Other comprehensive income in associates and joint ventures	(6,109)	(1,809)	(51)
Total	¥ (21,477)	¥ (23,488)	$ (179)

Notes: 1. Deferred tax expense relating to the origination and reversal of temporary differences recognized, tax loss carryforwards and tax credit carryforwards for the years ended March 31, 2015 and 2014 were ¥27,339 million (US$228 million) (expense) and ¥17,810 million (expense), respectively.
2. Deferred tax expense relating to changes of tax regulation for the year ended March 31, 2015 and 2014 were ¥15,220 (US$127 million) (expense) and ¥1,374 million (expense), respectively.
3. Deferred tax expense relating to the reassessment of the realizability of deferred tax assets for the years ended March 31, 2015 and 2014 were ¥3,794 million (US$32 million) (income) and ¥1,096 million (income), respectively.

The reconciliations between the statutory effective tax rate and the effective tax rate of income tax expense in the Consolidated Statement of Comprehensive Income for the years ended March 31, 2015 and 2014 were as follows:

	2015	2014
Statutory effective tax rate	36.0%	38.0%
Items not deductible or not taxable for tax purposes	0.1	0.8
Difference of tax rates for foreign subsidiaries	(0.9)	(2.1)
Tax effect on dividends received	(3.6)	(0.6)
Effect on deferred tax assets and deferred tax liabilities from a change in the tax regulation	3.6	0.4
Minerals Resource Rent Tax	1.3	0.8
Change in temporary differences for which no deferred tax asset is recognized	(4.3)	(0.3)
Equity in earnings of associates and joint ventures	(0.9)	(5.9)
Tax effect on equity interests in subsidiaries, associates, and joint ventures	(2.1)	(1.7)
Others	0.2	0.1
Effective tax rate in the Consolidated Statement of Comprehensive Income	29.4%	29.5%

Deferred tax assets are not recognized for temporary differences, tax loss carryforwards and tax credit carryforwards if they are not probable to be realized based on the estimates of future taxable income for each taxable entity. Temporary differences, tax loss carryforwards and tax credit carryforwards for which no deferred tax assets were recognized for the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Deductible temporary differences	¥296,711	¥716,013	$2,469
Tax loss carryforwards / tax credit carryforwards	53,811	41,292	448
Total	¥350,522	¥757,305	$2,917

The expiration schedule for tax loss carryforwards and tax credit carryforwards for which deferred tax assets were not recognized were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Within 1 year	¥ 3,151	¥ 657	$ 26
Within 2 years	716	1,140	6
Within 3 years	1,833	914	15
Within 4 years	1,011	2,168	8
Within 5 years	5,877	1,525	49
After 5 to 10 years	22,750	22,643	189
After 10 years (or no expiration date)	18,473	12,245	155
Total	¥53,811	¥41,292	$448

The total amount of taxable temporary differences arising from investments in subsidiaries, associates, and joint ventures, for which deferred tax liabilities have not been recognized as of March 31, 2015 and 2014 were not significant.

Significant components of deferred tax assets and deferred tax liabilities for the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Deferred tax assets:			
Inventories and Property, plant and equipment	¥ 56,464	¥ 63,784	$ 470
Allowance for doubtful accounts	11,728	14,754	98
Tax loss carryforwards	36,030	14,900	300
Non-current liabilities for employee benefits	50,445	57,359	420
Securities and investments	6,961	14,195	58
Minerals Resource Rent Tax	—	5,449	—
Others	52,355	50,268	435
Total deferred tax assets	213,983	220,709	1,781
Deferred tax liabilities:			
Non-current liabilities for employee benefits	(37,945)	(45,582)	(316)
Securities and investments	(98,149)	(73,140)	(817)
Equity interests in subsidiaries, associates, and joint ventures	(76,267)	(70,152)	(635)
Property, plant and equipment and Intangible assets	(84,252)	(65,474)	(701)
Others	(28,091)	(19,611)	(234)
Total deferred tax liabilities	(324,704)	(273,959)	(2,703)
Net deferred tax assets (liabilities)	¥(110,721)	¥ (53,250)	$ (922)

Within the above changes of deferred tax assets and deferred tax liabilities for the years ended March 31, 2015 and 2014, the changes recognized through other comprehensive income are mainly FVTOCI financial assets, which are included in Securities and investments. In addition, the effect due to business combination was immaterial.

The details of changes in deferred tax assets and deferred tax liabilities for the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Net deferred tax assets (liabilities)			
Balance at the beginning of the year	¥ (53,250)	¥ (9,712)	$(443)
Deferred tax expense for the current period	(38,765)	(18,088)	(323)
Deferred taxes recognized directly in equity			
Capital surplus	1,233	1,316	10
Deferred tax related to each component of other comprehensive income			
Translation adjustments	2,146	(5,422)	18
Remeasurement of net defined pension liability	(1,066)	(6,736)	(9)
FVTOCI financial assets	(15,348)	(3,362)	(128)
Cash flow hedges	(154)	1,010	(1)
Other comprehensive income in associates and joint ventures	(6,109)	(1,809)	(51)
Changes in deferred tax assets (liabilities) accompanying business combination	592	(10,447)	5
Balance at the end of the year	¥(110,721)	¥(53,250)	$(922)

21. Earnings per Share Attributable to ITOCHU

The calculation of basic and diluted earnings per share attributable to ITOCHU for the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Net profit attributable to ITOCHU	¥300,569	¥245,312	$2,501
Effect of dilutive securities:			
Convertible preferred stock	(2,927)	(799)	(24)
Diluted net profit attributable to ITOCHU	¥297,642	¥244,513	$2,477

	Number of Shares	
	2015	2014
Weighted-average number of common shares outstanding	1,589,225,120	1,580,494,251

	Yen		U.S. Dollars
	2015	2014	2015
Earnings per share			
Basic earnings per share attributable to ITOCHU	¥189.13	¥155.21	$1.57
Diluted earnings per share attributable to ITOCHU	¥187.29	¥154.71	$1.56

22. Common Stock, Capital Surplus, and Retained Earnings

(1) Common Stock

The number of shares authorized and issued were as follows:

	Number of Shares	
	2015	2014
Authorized		
Common stock	3,000,000,000	3,000,000,000
Issued		
Balance at the beginning of the year	1,584,889,504	1,584,889,504
Net changes in the year	78,000,000	—
Balance at the end of the year	1,662,889,504	1,584,889,504

The number of shares of treasury stock included in the number of shares issued above as of March 31, 2015 and 2014 were 82,424,923 shares and 4,407,941 shares, respectively. Also, the issued shares stated above are fully paid. Furthermore, the common stock issued have no par value.

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

(Changes in the number of issued shares)

The Company received capital contribution from a wholly-owned subsidiary of Charoen Pokphand Group Company Limited (CPG), CP Worldwide Investment Company Limited (CPG SPC), which was established for the purpose of the acquisition and holding of the shares of the Company, and an investment partnership En-CP Growth Investment L.P. (En-CP Fund), a wholly-owned subsidiary of CPG and Development Bank of Japan Inc. substantially make contributions on a 50-50 basis and which was established for the purpose of the acquisition and holding the shares of the Company, by issuance of new shares by a third-party allotment by the Company, at the total ratio of approximately 4.9% (based on the number of issued shares before the capital increase by the third-party allotment) (the Third-Party Allotment) on September 18, 2014.

Consequently, Common stock and Capital surplus as of March 31, 2015 were ¥253,448 million (US$2,109 million) and ¥164,154 million (US$1,366 million), respectively.

Outline of the Third-Party Allotment were as follows:

1) Number of shares to be newly issued	78,000,000 shares of common stock
2) Issue price	1,313 yen per unit
3) Amount of proceeds	102,414,000,000 yen (US$852 million)
4) Method of offering and allotment (allottee)	All of the shares are to be allotted to CPG SPC (63,500,000 shares) and En-CP Fund (14,500,000 shares) by way of third-party allotment.
5) Total amounts by which common stock and capital surplus are to be increased (excluding issuance and other expenses)	Common stock: 51,207,000,000 yen (US$426 million) Capital surplus: 51,207,000,000 yen (US$426 million)

The Company has acquired 78 million shares (¥100,669 million, or US$838 million) of treasury stock by December 31, 2014, corresponding to the Third-Party Allotment.

(2) Capital Surplus and Retained Earnings

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) if the payment of such dividends is charged to Retained earnings, 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 to conform with IFRSs included in the Consolidated Financial Statements have no effect on the determination of the available balance of 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 ¥498,013 million (US$4,144 million) as of March 31, 2015. This amount available as dividends or the purchase of treasury stocks might change as a result of 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 as previously described.

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.

23. Dividends

(1) Dividends paid during the years ended March 31, 2015 and 2014 were as follows:

		Millions of Yen (Millions of U.S. Dollars)	Yen (U.S. Dollars)		
Resolution	Class of shares	Amount of dividends	Dividends per share	Record date	Effective date
Ordinary general meeting of shareholders held on June 21, 2013	Ordinary shares	¥31,635	¥20.00	March 31, 2013	June 24, 2013
Board of Directors' meeting held on November 5, 2013	Ordinary shares	¥33,217	¥21.00	September 30, 2013	December 2, 2013
Ordinary general meeting of shareholders held on June 20, 2014	Ordinary shares	¥39,543 ($329)	¥25.00 ($0.21)	March 31, 2014	June 23, 2014
Board of Directors' meeting held on November 5, 2014	Ordinary shares	¥37,985 ($316)	¥23.00 ($0.19)	September 30, 2014	December 2, 2014

(2) Dividends for which the record date is in the current fiscal year but the effective date is in the following fiscal year are as follows:

		Millions of Yen (Millions of U.S. Dollars)		Yen (U.S. Dollars)		
Resolution	Class of shares	Amount of dividends	Source of dividends	Dividends per share	Record date	Effective date
Ordinary general meeting of shareholders held on June 19, 2015	Ordinary shares	¥36,379 ($303)	Retained earnings	¥23.00 ($0.19)	March 31, 2015	June 22, 2015

24. Other Components of Equity and Other Comprehensive Income (Loss)

(1) Other Components of Equity

Changes in other components of equity were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	**2015**
Translation adjustments			
Balance at the beginning of the year	**¥255,017**	¥142,766	**$2,122**
Adjustment for the year	**109,437**	112,251	**911**
Balance at the end of the year	**364,454**	255,017	**3,033**
FVTOCI financial assets			
Balance at the beginning of the year	**116,292**	104,709	**968**
Adjustment for the year	**52,492**	22,982	**437**
Transfer to retained earnings	**7,703**	(11,399)	**64**
Balance at the end of the year	**176,487**	116,292	**1,469**
Cash flow hedges			
Balance at the beginning of the year	**(3,980)**	(2,003)	**(33)**
Adjustment for the year	**(4,537)**	(1,977)	**(38)**
Balance at the end of the year	**(8,517)**	(3,980)	**(71)**
Remeasurement of net defined pension liability			
Balance at the beginning of the year	**—**	—	**—**
Adjustment for the year	**7,686**	13,060	**64**
Transfer to retained earnings	**(7,686)**	(13,060)	**(64)**
Balance at the end of the year	**—**	—	**—**
Other components of equity			
Balance at the beginning of the year	**367,329**	245,472	**3,057**
Adjustment for the year	**165,078**	146,316	**1,374**
Transfer to retained earnings	**17**	(24,459)	**0**
Balance at the end of the year	**¥532,424**	¥367,329	**$4,431**

(2) Other Comprehensive Income (Loss)

The breakdown of items in other comprehensive income (loss) and their respective associated tax effects (including Non-controlling interests) were as follows:

	Millions of Yen					
	2015			2014		
	Before tax effects	Tax effects	Net of tax effects	Before tax effects	Tax effects	Net of tax effects
Translation adjustments						
Amount arising during the year on translation adjustment	¥ 85,080	¥ 2,146	¥ 87,226	¥ 70,697	¥ (5,422)	¥ 65,275
Reclassification to profit or loss for the year	(3,313)	0	(3,313)	206	0	206
Adjustment for the year	81,767	2,146	83,913	70,903	(5,422)	65,481
FVTOCI financial assets						
Amount arising during the year on FVTOCI financial assets	59,696	(13,452)	46,244	29,223	(10,531)	18,692
Adjustment for the year	59,696	(13,452)	46,244	29,223	(10,531)	18,692
Cash flow hedges						
Amount arising during the year on derivative instruments for cash flow hedges	2,305	(1,121)	1,184	(10,133)	2,271	(7,862)
Reclassification to profit or loss for the year	(3,019)	967	(2,052)	4,836	(1,261)	3,575
Adjustment for the year	(714)	(154)	(868)	(5,297)	1,010	(4,287)
Remeasurement of net defined pension liability						
Amount arising during the year on net defined pension liability	10,371	(3,908)	6,463	17,971	(6,736)	11,235
Adjustment for the year	10,371	(3,908)	6,463	17,971	(6,736)	11,235
Other comprehensive income in associates and joint ventures						
Amount arising during the year	58,149	(6,224)	51,925	69,093	(1,862)	67,231
Reclassification to profit or loss for the year	(18,762)	115	(18,647)	(2,666)	53	(2,613)
Adjustment for the year	39,387	(6,109)	33,278	66,427	(1,809)	64,618
Total other comprehensive income for the year, net of tax	¥190,507	¥(21,477)	¥169,030	¥179,227	¥(23,488)	¥155,739

	Millions of U.S. Dollars		
	2015		
	Before tax effects	Tax effects	Net of tax effects
Translation adjustments			
Amount arising during the year on translation adjustment	$ 708	$ 18	$ 726
Reclassification to profit or loss for the year	(28)	0	(28)
Adjustment for the year	680	18	698
FVTOCI financial assets			
Amount arising during the year on FVTOCI financial assets	497	(112)	385
Adjustment for the year	497	(112)	385
Cash flow hedges			
Amount arising during the year on derivative instruments for cash flow hedges	19	(9)	10
Reclassification to profit or loss for the year	(25)	8	(17)
Adjustment for the year	(6)	(1)	(7)
Remeasurement of net defined pension liability			
Amount arising during the year on net defined pension liability	87	(33)	54
Adjustment for the year	87	(33)	54
Other comprehensive income in associates and joint ventures			
Amount arising during the year	484	(52)	432
Reclassification to profit or loss for the year	(156)	1	(155)
Adjustment for the year	328	(51)	277
Total other comprehensive income for the year, net of tax	$1,586	$(179)	$1,407

Notes: 1. In the Amount arising during the year on derivative instruments for cash flow hedges above, accompanying the acquisition or incurrence of non-financial assets or non-financial liabilities which were hedged highly probable transactions, the amounts (net of tax) that were removed from other comprehensive income for the years ended March 31, 2015 and 2014 were ¥8,180 million (US$68 million) (addition) and ¥3,050 million (deduction), respectively. In addition, the amounts that were included or deducted in the initial cost of the non-financial assets or non-financial liabilities for the years ended March 31, 2015 and 2014 were ¥12,781 million (US$106 million) (addition) and ¥4,766 million (deduction), respectively.

2. The amount of hedge income (loss) in other comprehensive income, arising from the changes in the fair value of currency derivatives designated as the hedging instruments for the cash flow hedges, where the currency risk of borrowings in foreign currency is designated as the hedged items, for the years ended March 31, 2015 and 2014 were ¥25,816 million (US$215 million) (gain) and ¥12,861 million (gain) (before tax effect), respectively, and ¥16,522 million (US$137 million) (gain) and ¥8,231 million (gain) (net of tax), respectively. These hedge income (loss) are reclassified from Other components of equity to profit or loss in the period in which the borrowings in foreign currencies designated as the hedged items are translated. They are not included in the Amount arising during the year on derivative instruments for cash flow hedges or Reclassification to profit or loss for the year.

25. Financial Instruments

(1) Capital Management

The Company and its subsidiaries have chosen NET DER*1 as an important indicator for financial soundness, and the Company and its subsidiaries work to maintain financial soundness by controlling interest-bearing debt and by increasing consolidated shareholders' equity through the accumulation of profits. In addition, the Company and its subsidiaries have introduced and are implementing Risk Capital Management, under which the basic principle is to control risk assets*2 within the limit of the risk buffer (consolidated shareholders' equity + non-controlling interests), and the Company and its subsidiaries also strictly maintain financial discipline. In this way, the Company and its subsidiaries aim to achieve sustainable expansion and growth in profits.

Notes: 1. NET DER (Net debt-to-equity ratio) = Net interest-bearing debt / Shareholders' equity. Net interest-bearing debt is calculated by subtracting Cash and cash equivalents, and Time deposits from the total of Interest-bearing debt, Debentures and Borrowings (Short-term and Long-term).
2. Risk assets are calculated based on the maximum amount of the possible future losses from all assets on the Consolidated Statement of Financial Position, including investments, as well as for all off-balance-sheet transactions.

The Net interest-bearing debt, Shareholders' equity and NET DER for the Company and its subsidiaries as of March 31, 2015 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Interest-bearing debt	¥3,092,164	¥2,893,380	$25,731
Cash and cash equivalents	700,292	653,739	5,828
Time deposits	11,368	7,653	95
Net interest-bearing debt	2,380,504	2,231,988	19,808
Shareholders' equity	¥2,433,202	¥2,044,120	$20,248
NET DER (times)	0.98	1.09	

The Company and its subsidiaries are not subject to the application of any major capital requirements (except for general requirements, such as those in the Companies Act of Japan).

(2) Financial Risk Management Policy

The Company and its subsidiaries conduct business transactions and operations in regions around the world, and consequently are exposed to interest rate risk, foreign exchange rate risk, liquidity risk, credit risk, commodity price risk, and stock price risk. The Company and its subsidiaries utilize periodic monitoring and other means to evaluate these risks.

1) Interest rate risk management

The Company and its subsidiaries are exposed to interest rate risk in both raising and using funds for investing, financing, and operating activities. Among 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. The Company and its subsidiaries seek to quantify the interest rate risk to better control the fluctuation of gains and losses due to interest rate changes. As of March 31, 2015, the interest rate mismatch amount was ¥931,542 million (US$7,752 million), and the effect on interest expense from a 1% increase in interest rate would be ¥9,315 million (US$78 million) (profit before tax). This amount was calculated by multiplying the interest mismatch balance of the Company and its subsidiaries as of March 31, 2015, by 1%. This analysis was made without consideration of factors such as future changes in the balance, foreign exchange rate fluctuations, and dispersing effects for floating-rate borrowings derived from the interest rate reset date, and was based on the assumption that all other variable factors are constant.

To manage interest rate risk, the Company, using the Earnings at Risk (EaR) management method, has established a loss limit for interest expense, and executes hedging transactions when necessary, primarily interest rate swap contracts.

However, the Company and its subsidiaries still cannot guarantee a complete avoidance of interest rate risk, even after having adopted these management methods.

2) Foreign exchange rate risk management

The Company and its subsidiaries are exposed to foreign exchange rate risk related to transactions in foreign currencies due to their significant involvement in import / export trading. Therefore, the Company and its subsidiaries work to minimize foreign exchange rate risk through hedge transactions that utilize derivatives such as forward exchange contracts. However, the Company and its subsidiaries cannot guarantee a complete avoidance of such foreign exchange rate risk by utilizing these hedging techniques.

The net exposures to foreign exchange rate risk for the Company and its subsidiaries as of March 31, 2015 and 2014 were as follows:

	Millions of Yen							
	2015							
	U.S. dollar	Euro	Pound	Yuan	Australian dollar	Brazilian real	Other	Total
Short-term balance	¥ 2,382	¥10,544	¥ (8,897)	¥16,559	¥ 7,298	¥(139)	¥11,436	¥39,183
Long-term balance	20,287	(7,299)	14,416	3,069	(10,051)	—	17,863	38,285
Total	¥22,669	¥ 3,245	¥ 5,519	¥19,628	¥ (2,753)	¥(139)	¥29,299	¥77,468

	Millions of Yen							
	2014							
	U.S. dollar	Euro	Pound	Yuan	Australian dollar	Brazilian real	Other	Total
Short-term balance	¥(10,611)	¥(32,853)	¥ 34,114	¥15,327	¥ 1,289	¥4,799	¥21,091	¥33,156
Long-term balance	20,969	30,868	(30,655)	2,732	(11,307)	—	16,200	28,807
Total	¥ 10,358	¥ (1,985)	¥ 3,459	¥18,059	¥(10,018)	¥4,799	¥37,291	¥61,963

Notes: 1. The balance of positions exposed to foreign exchange rate risk is the amount in foreign currencies, of foreign-currency-denominated receivables and payables and foreign-currency-denominated firm commitments arising from export/import transactions for which foreign exchange rate risk has not been hedged using forward exchange contracts, etc. Balances with a settlement period of one year or less are short-term balances, and balances with a settlement period of more than one year are long-term balances.
2. Positive balances indicate a receivable position, and negative balances indicate a payable position.

For the Company and its subsidiaries' short-term and long-term balances of positions exposed to foreign exchange rate risk as of March 31, 2015, the effect (loss) from a 1% increase in the Japanese yen would be ¥775 million (US$6 million) for the Company and its subsidiaries' profit before tax. This analysis is based on the assumption that other variable factors such as balances and interest rates are constant.

The Company and its subsidiaries' investments in overseas businesses expose the Company and its subsidiaries to the risk that fluctuations in foreign exchange rates could affect Shareholders' equity through the accounting of foreign currency translation adjustments and the risk that fluctuations in foreign exchange rates could affect the amount of periodic income when converted to Japanese yen. In addition, there are risks that fluctuations in foreign exchange rates could affect Shareholders' equity for FVTOCI financial assets in foreign currency. These foreign exchange rate risks could seriously affect the financial position and results of operations of the Company and its subsidiaries.

3) Liquidity risk management

The Company and its subsidiaries are exposed to liquidity risk in both raising and using funds for investing, financing, and operating activities, as well as repayments of borrowings.

In addition to securing flexibility in fund-raising in response to changes in financial conditions and reducing the cost of funds, the Company and its subsidiaries have taken steps to diversify their sources of funds and methods of fund-raising. In regard to liquidity, in addition to Cash and cash equivalents, and Time deposits of ¥711,660 million (US$5,923 million) as of March 31, 2015, the Company and its subsidiaries have commitment line agreements (Yen long-term: ¥350,000 million; multiple currency short-term: US$500 million) and believe that the Company and its subsidiaries have sufficient liquidity for repayment of financial liabilities in even under unexpected circumstances.

As of March 31, 2015 and 2014, the remaining contractual maturities of the Company and its subsidiaries' Debentures and borrowings (Short-term and Long-term), Trade payables, other current payables, and other financial liabilities (Short-term and Long-term), and Contingent liabilities (guarantee for substantial risk for monetary indebtedness of associates and customers) other than derivative financial liabilities were as follows:

	Millions of Yen			
	2015			
	Less than 1 year	1 - 5 years	More than 5 years	Total
Debentures and borrowings (Short-term and Long-term)	¥ 543,660	¥1,195,550	¥1,352,954	¥3,092,164
Trade payables, other current payables, and other financial liabilities (Short-term and Long-term)	1,776,502	50,878	50,940	1,878,320
Contingent liabilities	¥ 46,642	¥ 51,412	¥ 35,690	¥ 133,744

	Millions of Yen			
	2014			
	Less than 1 year	1 - 5 years	More than 5 years	Total
Debentures and borrowings (Short-term and Long-term)	¥ 472,667	¥1,253,804	¥1,166,909	¥2,893,380
Trade payables, other current payables, and other financial liabilities (Short-term and Long-term)	1,752,955	77,447	21,580	1,851,982
Contingent liabilities	¥ 44,916	¥ 55,115	¥ 33,329	¥ 133,360

	Millions of U.S. Dollars			
	2015			
	Less than 1 year	1 - 5 years	More than 5 years	Total
Debentures and borrowings (Short-term and Long-term)	$ 4,524	$9,949	$11,258	$25,731
Trade payables, other current payables, and other financial liabilities (Short-term and Long-term)	14,783	423	424	15,630
Contingent liabilities	$ 388	$ 428	$ 297	$ 1,113

The remaining contractual maturities of derivatives for the Company and its subsidiaries as of March 31, 2015 and 2014 were as follows: The amounts for derivatives that will be net settled with other contracts are also presented in gross amounts.

		Millions of Yen			
		2015			
		Less than 1 year	1 - 5 years	More than 5 years	Total
Currency derivatives	Income	¥ 13,544	¥55,053	¥ 29	¥ 68,626
	Expenditures	(8,577)	(793)	—	(9,370)
Interest rate derivatives	Income	3,627	13,088	12,928	29,643
	Expenditures	(772)	(256)	(181)	(1,209)
Commodity derivatives	Income	17,727	100	—	17,827
	Expenditures	(11,744)	(481)	—	(12,225)

		Millions of Yen			
		2014			
		Less than 1 year	1 - 5 years	More than 5 years	Total
Currency derivatives	Income	¥ 9,160	¥32,710	¥ 15	¥41,885
	Expenditures	(4,748)	(279)	—	(5,027)
Interest rate derivatives	Income	425	12,426	11,842	24,693
	Expenditures	(581)	(562)	(73)	(1,216)
Commodity derivatives	Income	6,087	61	—	6,148
	Expenditures	(7,868)	(673)	—	(8,541)

		Millions of U.S. Dollars			
		2015			
		Less than 1 year	1 - 5 years	More than 5 years	Total
Currency derivatives	Income	$113	$458	$ 0	$ 571
	Expenditures	(71)	(7)	—	(78)
Interest rate derivatives	Income	30	109	108	247
	Expenditures	(6)	(2)	(2)	(10)
Commodity derivatives	Income	147	1	—	148
	Expenditures	(98)	(4)	—	(102)

4) Credit risk management

Through sales receivables, loans, guarantees, and other formats, the Company and its subsidiaries grant credit to its trading partners, both domestically and overseas. The Company and its subsidiaries, therefore, bear credit risk in relation to such credit becoming uncollectible due to the deteriorating credit status or insolvency of the Company and its subsidiaries' partners, and where an involved party is unable to continue its business and therefore cannot fulfill its obligations under the contracts.

Therefore, when granting credit, the Company and its subsidiaries work to reduce risk by conducting risk management through the establishment of credit limits and the acquisition of collateral or guaranties as needed. At the same time, the Company and its subsidiaries establish allowance for doubtful accounts based on the creditworthiness, the status of collection, and the status of receivables in arrears of business partners. The Company and its subsidiaries, having transactions in a broad range of business across a wide range of regions, are not exposed to credit risk that is significantly concentrated on an individual counterparty.

In the Consolidated Financial Statements, the carrying amounts of financial assets after impairment and the contract amounts for guarantees and financing commitments are the maximum amount of credit risk exposure associated with the Company and its subsidiaries' financial assets, and do not include the valuation of collateral that has been obtained.

The maximum exposure to credit risk as of March 31, 2015 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Trade receivables (including doubtful account receivables)	¥2,132,354	¥2,163,305	$17,744
Loans	198,046	190,537	1,648
Guarantees (substantial risk)	133,744	133,360	1,113
Other	258,107	199,706	2,148
The maximum exposure	¥2,722,251	¥2,686,908	$22,653
Less: Allowance for doubtful accounts	(31,867)	(37,560)	(265)
The maximum exposure (after allowance for doubtful accounts)	¥2,690,384	¥2,649,348	$22,388

The credit risk exposure for each operating segment as of March 31, 2015 and 2014 were as follows:

	Millions of Yen					
	2015					
	Trade receivables	Loans	Guarantees (substantial risk)	Other	Allowance for doubtful accounts	Total
Textile	¥ 186,700	¥ 6,211	¥ 837	¥ 17,026	¥ (5,995)	¥ 204,779
Machinery	213,865	105,789	69,276	26,830	(7,839)	407,921
Metals & Minerals	110,713	23,703	7,290	7,171	(944)	147,933
Energy & Chemicals	616,101	9,549	10,958	51,229	(3,539)	684,298
Food	585,378	2,305	20,969	40,174	(5,088)	643,738
ICT, General Products & Realty	398,160	22,142	20,540	29,812	(5,744)	464,910
Other	21,437	28,347	3,874	85,865	(2,718)	136,805
Total	¥2,132,354	¥198,046	¥133,744	¥258,107	¥(31,867)	¥2,690,384

	Millions of Yen					
	2014					
	Trade receivables	Loans	Guarantees (substantial risk)	Other	Allowance for doubtful accounts	Total
Textile	¥ 173,523	¥ 6,364	¥ 221	¥ 13,544	¥ (3,424)	¥ 190,228
Machinery	206,474	101,971	74,510	18,709	(14,628)	387,036
Metals & Minerals	115,307	31,260	9,763	11,759	(436)	167,653
Energy & Chemicals	674,632	21,568	11,715	32,634	(4,977)	735,572
Food	539,745	7,692	14,876	39,842	(3,895)	598,260
ICT, General Products & Realty	428,457	19,937	17,044	23,558	(7,311)	481,685
Other	25,167	1,745	5,231	59,660	(2,889)	88,914
Total	¥2,163,305	¥190,537	¥133,360	¥199,706	¥(37,560)	¥2,649,348

	Millions of U.S. Dollars					
	2015					
	Trade receivables	Loans	Guarantees (substantial risk)	Other	Allowance for doubtful accounts	Total
Textile	$ 1,553	$ 52	$ 7	$ 142	$ (50)	$ 1,704
Machinery	1,781	880	576	223	(65)	3,395
Metals & Minerals	921	197	61	60	(8)	1,231
Energy & Chemicals	5,127	79	91	426	(29)	5,694
Food	4,872	19	174	334	(42)	5,357
ICT, General Products & Realty	3,314	184	171	248	(48)	3,869
Other	176	237	33	715	(23)	1,138
Total	$17,744	$1,648	$1,113	$2,148	$(265)	$22,388

For the loans included in the above, as of March 31, 2015 and 2014, collateral had been secured in the amounts of ¥4,557 million (US$38 million) and ¥5,793 million, respectively. Properties and other credit enhancement held by the Company and its subsidiaries as collateral are assessed at fair value.

An aging analysis of receivables that were past due at the reporting date but not impaired as of March 31, 2015 and 2014 were as follows. The following includes amounts that are expected to be recoverable due to insurance or the acquisition of collateral. At this point, the Company and its subsidiaries have concluded that it is not necessary to recognize impairment.

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Less than 90 days	¥26,586	¥37,916	$222
90 days–1 year	8,787	8,557	73
More than 1 year	2,912	1,411	24
Total	¥38,285	¥47,884	$319

The changes in Allowance for doubtful accounts for the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Balance at the beginning of the year	¥(37,560)	¥(45,386)	$(313)
Provision for doubtful accounts	(6,178)	(6,054)	(51)
Charge-offs	12,852	8,680	107
Translation adjustments and others	(981)	5,200	(8)
Balance at the end of the year	¥(31,867)	¥(37,560)	$(265)

The balances of impaired receivables as of March 31, 2015 and 2014, were ¥27,392 million (US$228 million) and ¥34,870 million, respectively, and the corresponding allowance for doubtful accounts were ¥17,615 million (US$147 million) and ¥26,174 million, respectively.

5) Commodity price risk management

The Company and its subsidiaries conduct actual demand transactions that are based on the hedge selling of a variety of commodities. As a result, because it holds long or short positions in light of market prices, in some cases the Company and its subsidiaries are exposed to commodity price fluctuation risk. Therefore, the Company and its subsidiaries analyze inventories and purchase and sales contracts, and each Division Company has established middle and back offices for major commodities, which establish a balance limit and loss cut limit for each commodity as well as conduct monitoring, management, and periodic reviews. In these ways, the Company and its subsidiaries work to reduce commodity price risk.

Commodity price risk exposure as of March 31, 2015 and 2014 were as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2015		2014		2015	
	Long	Short	Long	Short	Long	Short
Commodity	¥10,587	¥177	¥17,449	¥400	$88	$1

Commodity price sensitivity analysis

The Company and its subsidiaries use the Value at Risk (VaR) method to measure the risk of commodity transactions that are sensitive to market conditions. The following table shows year-end and average VaR figures as of March 31, 2015 and 2014. (Method: variance-covariance method / confidence interval 99% / holding period: 5 days / measurement frequency: weekly)

	Millions of Yen				Millions of U.S. Dollars	
	2015		2014		2015	
	March 31	Average	March 31	Average	March 31	Average
Commodity	¥573	¥396	¥770	¥406	$5	$3

6) Stock price risk management

The Company and its subsidiaries hold a variety of marketable equity securities, mainly to strengthen relationships with customers, suppliers, and other parties, and to secure business income and increase corporate value through means such as making a wide range of proposals to investees.

Therefore, the Company and its subsidiaries, using the VaR method periodically track and monitor the amount of influence on Shareholders' equity.

The fair values of marketable equity securities (total of FVTOCI and FVTPL financial assets) held as of March 31, 2015 and 2014 were ¥316,283 million (US$2,632 million) and ¥241,407 million, respectively.

Stock price sensitivity analysis

The Company and its subsidiaries use the VaR method to measure stock price risk. The following table shows year-end VaR figures as of March 31, 2015 and 2014. (Method: variance-covariance method / confidence interval 99% / holding period: 10 days / measurement frequency: weekly)

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Marketable equity securities	¥18,836	¥23,238	$157

VaR is used to measure commodity price risk and stock price risk. VaR employs statistical methods to estimate the maximum loss that could occur in a defined period of time in the future based on market fluctuation data for a defined period of time in the past. It is possible that actual results could differ substantially from the above estimates.

The Company and its subsidiaries confirm that the VaR measurement model is sufficiently accurate by periodically conducting back testing in which VaR is compared with actual gains or losses.

(3) 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 avoid excessive concentration of credit risk to certain counterparty or group of counterparties.

The carrying amounts and estimated fair values for the purpose of the disclosure requirements of IFRS 13 Fair value measurement, and valuation techniques for Non-current receivables, Non-current financial assets other than investments and receivables (excluding derivative assets), Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative liabilities) as of March 31, 2015 and 2014 were as follows: (For fair value and calculation of Short-term investments and Other investments, see Note 13 Securities and Other Investments and Note 27 Fair Value Measurements, respectively. For fair value and calculation of derivative asset / liability, see Note 27 Fair Value Measurements.)

	Millions of Yen	
	2015	
	Carrying amount	Fair Value
Financial assets:		
Non-current receivables and Non-current financial assets other than investments and receivables (excluding derivative assets)	**¥ 189,023**	**¥ 190,151**
Financial liabilities:		
Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative liabilities)	**¥2,649,930**	**¥2,657,048**

	Millions of Yen	
	2014	
	Carrying amount	Fair Value
Financial assets:		
Non-current receivables and Non-current financial assets other than investments and receivables (excluding derivative assets)	¥ 188,213	¥ 189,286
Financial liabilities:		
Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative liabilities)	¥2,454,555	¥2,461,043

	Millions of U.S. Dollars	
	2015	
	Carrying amount	Fair Value
Financial assets:		
Non-current receivables and Non-current financial assets other than investments and receivables (excluding derivative assets)	**$ 1,573**	**$ 1,582**
Financial liabilities:		
Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative liabilities)	**$22,052**	**$22,111**

The valuation techniques for fair values of Non-current receivables and Non-current financial assets other than investments and receivables are as follows:

The fair values of Non-current receivables and Non-current financial assets other than investments and receivables 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.

Non-current receivables and Non-current financial assets other than investments and receivables, for which the Company and its subsidiaries recognized an allowance for doubtful accounts, are classified as Level 3.

The valuation techniques for fair values of Long-term debentures and borrowings and Other non-current financial liabilities are as follows:

The fair values of Long-term debentures and borrowings and Other non-current financial liabilities 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 and liabilities other than those mentioned above are approximately the same as their fair values mainly because of their short maturities.

(4) Offsetting of Financial Assets and Financial Liabilities

The Company and its subsidiaries have financial assets and financial liabilities under a master netting arrangement or similar arrangement. These legally enforceable master netting agreements or similar arrangements give the Company and its subsidiaries, in the event of default by the counterparty, the right to offset receivables and payables with the same counterparty.

The following table provides offsetting information of financial assets and financial liabilities with the same counterparty as of March 31, 2015 and 2014.

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
The amount of financial assets	¥4,330,297	¥3,683,785	$36,035
The amount of possible offsetting under master netting arrangement or similar arrangement	(159,579)	(183,947)	(1,328)
Cash collateral paid	(1,024)	(155)	(9)
Net	¥4,169,694	¥3,499,683	$34,698

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
The amount of financial liabilities	¥4,970,484	¥4,746,505	$41,362
The amount of possible offsetting under master netting arrangement or similar arrangement	(159,579)	(183,947)	(1,328)
Cash collateral received	(32)	(2,164)	(0)
Net	¥4,810,873	¥4,560,394	$40,034

The amount which was offset in accordance with the criteria for offsetting financial assets and financial liabilities in the Consolidated Statement of Financial Position was not material.

26. Hedging Activities

Fair value hedges:

A fair value hedge is a hedge of the variability of 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 hedging instruments that are designated and qualify as fair value hedges, are recognized in profit or loss, if the hedges are considered effective. For the years ended March 31, 2015 and 2014, amounts of the net income (losses) related to hedge ineffectiveness and the portion excluded from the assessment of hedge effectiveness were not material.

The Company and its subsidiaries use currency derivatives to hedge the risk of variability in the fair value of unrecognized firm commitments and the hedging terms are basically within one year. Further, the Company and its subsidiaries use interest rate derivatives to hedge the risk of variability in the fair value of loan receivables and borrowings, for which they agree to receive or pay interest on a fixed rate basis, and the hedging terms are nearly the same as the maturity of the loan receivables and borrowings. The Company and its subsidiaries use commodity derivatives to hedge the risk of variability in the fair value of unrecognized firm commitments and inventories and the hedging terms are basically within one year. The prices of hedging instruments are close to the quoted prices in transactions taking place in the principal markets or in the most advantageous markets where each hedging instrument is actively traded.

Cash flow hedges:

Cash flow hedges are hedges of the variability of cash flows to be received or paid related to forecasted transactions, or recognized assets or liabilities. The changes in fair value of hedging instruments that are designated and qualify as cash flow hedges are recognized in other comprehensive income, if the hedges are considered effective. This treatment is continued until profit or loss is affected by the variability in cash flows to be received or paid, related to the unrecognized forecasted transactions or the recognized assets or liabilities designated as the hedged items. The ineffective portion of the hedge is included in profit or loss. For the years ended March 31, 2015 and 2014, amounts of the net income (losses) related to hedge ineffectiveness and the portion excluded from the assessment of hedge effectiveness were not material.

The Company and its subsidiaries hold currency derivatives and commodity derivatives to hedge the risk of variability in cash flows to be received or paid related to forecasted transactions, or recognized assets or liabilities, and the hedging terms are basically within one year. Further, the Company and its subsidiaries hold interest rate derivatives and currency derivatives to hedge the risk of variability in cash flows due to variability of interest rates and currency rates in the future, and the hedging terms are nearly the same as the maturity of the loan receivables and borrowings. The prices of hedging instruments are close to the quoted prices in transactions taking place in the principal markets or in the most advantageous markets where each hedging instrument is actively traded.

For the years ended March 31, 2015 and 2014, the amount reclassified from other comprehensive income into profit or loss because it is no longer probable that forecasted transactions would occur, were not material.

For the years ended March 31, 2015 and 2014, accompanying the acquisition or incurrence of non-financial assets or non-financial liabilities which were hedged highly probable transactions, the amounts (net of tax) that were removed from other comprehensive income were ¥8,180 million (US$68 million) (addition) and ¥3,050 million (deduction), respectively. In addition, the amount that was included in or deducted from the initial values of the non-financial assets or non-financial liabilities were ¥12,781 million (US$106 million) (addition) and ¥4,766 million (deduction), respectively.

The group of companies led by Charoen Pokphand Group Company Limited and the Company respectively hold a 50% ownership interest in Chia Tai Bright Investment Company Limited, which will acquire ordinary shares and preferred shares convertible into ordinary shares of CITIC Limited, by October 2015, and as a result CITIC Limited will be an equity method affiliate of Chia Tai Bright Investment Company Limited. In regard to this transaction, as the consideration for the share acquisition (a total of HK$80.3 billion, share price of HK$13.8) is fixed, the future cash flow fluctuation risk associated with changes in the fair value of CITIC Limited shares is hedged. Accordingly, cash flow hedge is applied on this transaction, and the change in fair value related to this transaction (¥1,804 million (US$15 million): debit balance) is recorded in other comprehensive income on the Consolidated Statement of Comprehensive Income.

The fair values of hedging instruments as of March 31, 2015 and 2014 were as follows:

On the Consolidated Statement of Financial Position, the fair value of assets related to hedging instruments is included in Other current financial assets or in Non-current financial assets other than investments and receivables, and the fair value of liabilities related to hedging instruments is included in Other current financial liabilities or in other Non-current financial liabilities.

		Millions of Yen		
		2015		
Type of hedge accounting	Hedging instruments	Notional amounts	Assets	Liabilities
Fair value hedges	Currency derivatives	¥ 75,204	¥ 3,349	¥ 857
	Interest rate derivatives	789,500	25,462	—
	Commodity derivatives	242,024	5,083	1,719
Cash flow hedges	Currency derivatives	¥248,545	¥53,830	¥ 421
	Interest rate derivatives	55,827	10	1,100
	Commodity derivatives	—	—	—

		Millions of Yen		
		2014		
Type of hedge accounting	Hedging instruments	Notional amounts	Assets	Liabilities
Fair value hedges	Currency derivatives	¥ 89,076	¥ 1,647	¥ 466
	Interest rate derivatives	766,500	23,268	—
	Commodity derivatives	143,093	1,781	2,917
Cash flow hedges	Currency derivatives	¥182,134	¥28,186	¥ 779
	Interest rate derivatives	39,278	102	858
	Commodity derivatives	21,450	562	5

		Millions of U.S.Dollars		
		2015		
Type of hedge accounting	Hedging instruments	Notional amounts	Assets	Liabilities
Fair value hedges	Currency derivatives	$ 626	$ 28	$ 7
	Interest rate derivatives	6,570	212	—
	Commodity derivatives	2,014	42	14
Cash flow hedges	Currency derivatives	$2,068	$448	$ 4
	Interest rate derivatives	465	0	9
	Commodity derivatives	—	—	—

In the years ended March 31, 2015 and 2014, the amounts of hedged items designated as fair-value hedges were as follows:

	Millions of Yen		
	2015		
Risk category	Main account on Consolidated Statement of Financial Position	Carrying amount	Accumulated amount of fair value hedge adjustments included in the carrying amount
Currency risk	Trade receivables	¥ 4,315	¥ 90
	Trade payables	8,912	32
	Other current assets	666	666
	Other current liabilities	3,216	3,216
Interest rate risk	Long-term debentures and borrowings	¥814,962	¥25,462
Commodity price risk	Inventories	¥ 19,247	¥ (756)
	Other current assets	1,391	1,391
	Other current liabilities	3,999	3,999

	Millions of Yen		
	2014		
Risk category	Main account on Consolidated Statement of Financial Position	Carrying amount	Accumulated amount of fair value hedge adjustments included in the carrying amount
Currency risk	Trade receivables	¥ 823	¥ 82
	Trade payables	4,092	4
	Other current assets	286	286
	Other current liabilities	1,545	1,545
Interest rate risk	Long-term debentures and borrowings	¥789,768	¥23,268
Commodity price risk	Inventories	¥ 18,163	¥ 1,314
	Other current assets	1,545	1,545
	Other current liabilities	1,723	1,723

	Millions of U.S.Dollars		
	2015		
Risk category	Main account on Consolidated Statement of Financial Position	Carrying amount	Accumulated amount of fair value hedge adjustments included in the carrying amount
Currency risk	Trade receivables	$ 36	$ 1
	Trade payables	74	0
	Other current assets	6	6
	Other current liabilities	27	27
Interest rate risk	Long-term debentures and borrowings	$6,782	$212
Commodity price risk	Inventories	$ 160	$ (6)
	Other current assets	12	12
	Other current liabilities	33	33

In the years ended March 31, 2015 and 2014, the amounts of the Company and its subsidiaries' Other components of equity and the income (losses) associated with hedging instruments designated as cash flow hedges were as follows:

	Millions of Yen			
	2015			
Risk category	Amount of cash flow hedge reserve	Amount of hedge income (loss) recognized in OCI*	Main account of profit or loss reclassified from Other components of equity	Amount of profit or loss reclassified from Other components of equity
Currency risk	¥ 355	¥2,861	Other–net	¥(3,000)
Interest rate risk	(212)	(404)	Interest expense	(30)
Commodity price risk	—	(152)	Revenues from sale of goods	11
Total	¥ 143	¥2,305		¥(3,019)

	Millions of Yen			
	2014			
Risk category	Amount of cash flow hedge reserve	Amount of hedge income (loss) recognized in OCI*	Main account of profit or loss reclassified from Other components of equity	Amount of profit or loss reclassified from Other components of equity
Currency risk	¥ 169	¥(9,562)	Other–net	¥ 4,677
Interest rate risk	(169)	(85)	Interest expense	22
Commodity price risk	(48)	1,593	Revenues from sale of goods	(1,985)
Total	¥ (48)	¥(8,054)		¥ 2,714

	Millions of U.S.Dollars			
	2015			
Risk category	Amount of cash flow hedge reserve	Amount of hedge income (loss) recognized in OCI*	Main account of profit or loss reclassified from Other components of equity	Amount of profit or loss reclassified from Other components of equity
Currency risk	$ 3	$23	Other–net	$(25)
Interest rate risk	(2)	(3)	Interest expense	(0)
Commodity price risk	—	(1)	Revenues from sale of goods	0
Total	$ 1	$19		$(25)

* OCI: Other Comprehensive Income

Note: The amount of hedge income (loss) in other comprehensive income, arising from the changes in the fair value of currency derivatives designated as the hedging instruments for the cash flow hedges, where the currency risk of borrowings in foreign currency is designated as the hedged items, for the years ended March 31, 2015 and 2014 were ¥25,816 million (US$215 million) (gain) and ¥12,861 million (gain) (before tax effect), respectively. These hedge income (loss) are reclassified from Other components of equity in the period in which the borrowings in foreign currencies designated as the hedged items are translated. These amounts are not included above.

27. The Financial Instruments Measured at Fair Value

The Company and its subsidiaries define, in accordance with IFRS 13 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. IFRS 13 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 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 the fair value using the quoted market prices and classify them as Level 2.

The inventories that are measured at fair value primarily consist of products which are principally acquired with the purpose of selling in the short-term and generating a profit from fluctuations in price. The Company and its subsidiaries measure the fair value using the price formula based on commodity transaction prices and classify them as Level 2.

The financial instruments classified as FVTPL and FVTOCI financial assets primarily consist of securities that are listed on exchanges and alternative investments. 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.

Stocks that are not listed on exchanges are measured at fair value based on comprehensive consideration of various unobservable inputs that are available to the Company and its subsidiaries, including expectation of future income of the investee, the net asset value of the subject stock, and the actual value of significant assets held by the said investee, and are then included in Level 3.

The alternative investments (securities classified as FVTPL or FVTOCI financial assets 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, are classified as Level 3.

The best available valuation technique and inputs are applied to measure the fair value of assets and liabilities by considering its nature, feature, and risk. The assets and liabilities that are classified as Level 3 are mainly measured by discounted cash flow and modified net assets method, etc.

The fair value of assets and liabilities that are measured by discounted cash flow fluctuate by the discount rates that are applied. These discount rates are applied to each financial asset by calculating the risk free rate, which includes country risk premium, etc. (Approximately 7–10%)

If the unobservable inputs have been altered to a reasonable assumption, the effect is insignificant.

The Company and its subsidiaries recognize transfers of assets or liabilities between levels of the fair value hierarchy as of the end of each reporting period when the transfers occur.

Derivative assets and derivative liabilities consist of currency derivatives, interest rate derivatives, and commodity derivatives. The derivative instruments that are traded in active markets 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.

The information by level for assets and liabilities that were measured at fair value on a recurring basis as of March 31, 2015 and 2014 were as follows:

	Millions of Yen			
	2015			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	¥ —	¥ 3,000	¥ —	¥ 3,000
Inventories	—	28,509	—	28,509
Securities and other investments				
FVTPL financial assets	463	13,546	6,476	20,485
FVTOCI financial assets	315,820	—	679,938	995,758
Derivative assets	9,456	106,640	—	116,096
Liabilities				
Derivative liabilities	¥ 5,233	¥ 17,571	¥ —	¥ 22,804

	Millions of Yen			
	2014			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	¥ —	¥15,999	¥ —	¥ 15,999
Inventories	—	24,932	—	24,932
Securities and other investments				
FVTPL financial assets	357	13,107	7,406	20,870
FVTOCI financial assets	241,050	—	300,244	541,294
Derivative assets	3,200	69,526	—	72,726
Liabilities				
Derivative liabilities	¥ 4,677	¥10,107	¥ —	¥ 14,784

	Millions of U.S. Dollars			
	2015			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$ —	$ 25	$ —	$ 25
Inventories	—	237	—	237
Securities and other investments				
FVTPL financial assets	4	113	54	171
FVTOCI financial assets	2,628	—	5,658	8,286
Derivative assets	79	887	—	966
Liabilities				
Derivative liabilities	$ 44	$146	$ —	$ 190

The changes in Level 3 items for the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen	
	2015	
	FVTPL financial assets	FVTOCI financial assets
Beginning Balance	¥ 7,406	¥300,244
Total gains or losses	—	(1,330)
Included in gains on investments	—	—
Included in other comprehensive income (loss) (FVTOCI financial assets)	—	(1,330)
Purchases	1,047	4,808
Sales	—	(4,384)
Transfers into Level 3	—	—
Transfers out of Level 3	—	(2,317)
Others	(1,977)	382,917
Ending balance	6,476	679,938
The amount of gains on investments for the period relating to assets still held as of March 31, 2015	¥ —	¥ —

	Millions of Yen	
	2014	
	FVTPL financial assets	FVTOCI financial assets
Beginning Balance	¥12,363	¥230,407
Total gains or losses	1	(2,618)
Included in gains on investments	1	—
Included in other comprehensive income (loss) (FVTOCI financial assets)	—	(2,618)
Purchases	188	77,761
Sales	(5)	(5,509)
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Others	(5,141)	203
Ending balance	7,406	300,244
The amount of gains on investments for the period relating to assets still held as of March 31, 2014	¥ —	¥ —

	Millions of U.S. Dollars	
	2015	
	FVTPL financial assets	FVTOCI financial assets
Beginning Balance	$ 62	$2,498
Total gains or losses	—	(11)
Included in gains on investments	—	—
Included in other comprehensive income (loss) (FVTOCI financial assets)	—	(11)
Purchases	9	40
Sales	—	(36)
Transfers into Level 3	—	—
Transfers out of Level 3	—	(19)
Others	(17)	3,186
Ending balance	54	5,658
The amount of gains on investments for the period relating to assets still held as of March 31, 2015	$ —	$ —

The increase in Others of Level 3 items for the year ended March 31, 2015 are mainly due to the reclassification of Drummond International, LLC and TING HSIN (CAYMAN ISLANDS) HOLDING CORP. from associates to Other investments (FVTOCI financial asset).

The transfers out of Level 3 recognized for the year ended March 31, 2015 are due to nonmarketable equity securities becoming marketable equity securities.

28. Selling, General and Administrative Expenses

The breakdown of Selling, general and administrative expenses for the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Personnel expenses	¥420,125	¥386,126	$3,496
Depreciation	28,245	26,858	235
Amortization	12,948	12,951	108
Service charge	72,358	65,212	602
Distribution costs	58,997	56,665	491
Rent and operating lease expenses	60,820	53,815	506
Others	156,705	148,349	1,304
Total	¥810,198	¥749,976	$6,742

29. Gains on Investments

The breakdown of Gains on investments for the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Investments in subsidiaries, associates, and joint ventures	¥110,436	¥12,275	$919
FVTPL financial assets	2,165	2,447	18
Financial assets measured at amortized cost (Note)	(2,741)	277	(23)
Total	¥109,860	¥14,999	$914

Note: The Financial assets measured at amortized cost includes gains arising from the derecognition of financial assets measured at amortized cost of ¥107 million (US$1 million) for the year ended March 31, 2015, and ¥250 million for the year ended March 31, 2014.
Impairment loss regarding the financial assets measured at amortized cost was ¥2,848 million (US$24 million) for the year ended March 31, 2015.

30. Gains and Losses on Property, Plant, Equipment and Intangible Assets

The breakdown of Gains and losses on property, plant, equipment and intangible assets for the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Gains on sales of property, plant and equipment	¥ 8,987	¥11,783	$ 75
Losses on disposal and sales of property, plant and equipment	(1,707)	(3,131)	(14)
Impairment losses on property, plant and equipment	(12,396)	(41,915)	(103)
Impairment losses on goodwill	—	(3,402)	—
Others	842	504	6
Total	¥ (4,274)	¥(36,161)	$ (36)

31. Other, Net

The breakdown of Other–net for the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Net foreign exchange gains (losses)	¥(1,609)	¥ 3,179	$(13)
Others	8,295	12,002	69
Total	¥ 6,686	¥15,181	$ 56

32. Financial Income (Loss)

The breakdown of Financial income (loss) for the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Interest income			
Financial assets measured at amortized cost	¥ 13,899	¥ 11,610	$ 116
Subtotal	13,899	11,610	116
Dividends received			
FVTPL financial assets	41	364	0
FVTOCI financial assets	34,845	36,827	290
Subtotal	34,886	37,191	290
Interest expense			
Financial liabilities measured at amortized cost	(32,853)	(26,411)	(274)
Derivatives	9,573	1,398	80
Others	(2,066)	(2,073)	(17)
Subtotal	(25,346)	(27,086)	(211)
Total	¥ 23,439	¥ 21,715	$ 195

33. Cash Flow Information

Supplemental cash flow information for the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Acquisitions of subsidiaries			
Fair value of assets acquired	¥ 71,729	¥180,377	$ 597
Fair value of liabilities assumed	(58,111)	(50,676)	(484)
Net assets, before deduction of cash acquired	13,618	129,701	113
Goodwill and Non-controlling interests	(3,768)	27,223	(31)
Fair value of consideration paid	9,850	156,924	82
Effect of exchange rate changes	—	(4,766)	—
Consideration paid in the previous fiscal year	—	(18,626)	—
Cash acquired	(18,899)	(4,215)	(157)
Acquisitions of subsidiaries, net of cash acquired (Negative figure indicates proceeds)	¥ (9,049)	¥129,317	$ (75)

The fair values of assets acquired and liabilities assumed upon the acquisition of subsidiaries are shown in Note 5 Business Combinations.

34. Parent's Ownership Interest in Subsidiaries

As of March 31, 2015, subsidiaries of the Company were as follows:

Name	Location	Voting shares (%)
Textile		
LEILIAN CO., LTD.	Setagaya-ku, Tokyo	99.2
SANKEI CO., LTD.	Koto-ku, Tokyo	100.0
JAVA HOLDINGS CO., LTD.	Chuo-ku, Kobe	65.0
EDWIN CO., LTD.	Arakawa-ku, Tokyo	98.5 (1.0)
JOI'X CORPORATION	Chuo-ku, Tokyo	100.0
ITOCHU Textile Prominent (ASIA) Ltd.	Hong Kong, China	100.0 (49.0)
ITOCHU TEXTILE (CHINA) CO., LTD.	Shanghai, China	100.0 (40.0)
88 other companies		
Machinery		
IMECS Co., Ltd.	Minato-ku, Tokyo	100.0
ITOCHU Plantech Inc.	Minato-ku, Tokyo	100.0
JAPAN AEROSPACE CORPORATION	Minato-ku, Tokyo	100.0
ITOCHU Automobile Corporation	Minato-ku, Tokyo	100.0
ITOCHU CONSTRUCTION MACHINERY CO., LTD.	Chuo-ku, Tokyo	100.0
ITOCHU AVIATION, CO., LTD.	Minato-ku, Tokyo	100.0
ITOCHU MACHINE-TECHNOS CORPORATION	Chiyoda-ku, Tokyo	100.0
Century Medical, Inc.	Shinagawa-ku, Tokyo	100.0
Toyo Advanced Technologies Co., Ltd.	Minami-ku, Hiroshima	70.0
I-Power Investment Inc.	Wilmington, Delaware, U.S.A.	100.0
ITOCHU Automobile America Inc.	Detroit, Michigan, U.S.A.	100.0
PT. SUZUKI Finance Indonesia	Jakarta, Indonesia	70.0 (15.0)
VEHICLES MIDDLE EAST FZCO	Dubai, U.A.E.	100.0 (20.0)
MULTIQUIP INC.	Carson, California, U.S.A.	100.0 (80.0)
Auto Investment Inc.	Birmingham, Alabama, U.S.A.	100.0
I-ENVIRONMENT INVESTMENTS LIMITED	London, U.K.	100.0 (30.0)
88 other companies		
Metals & Minerals		
ITOCHU Metals Corporation	Minato-ku, Tokyo	100.0
Brazil Japan Iron Ore Corporation	Minato-ku, Tokyo	67.5
ITOCHU Minerals & Energy of Australia Pty Ltd	Perth, W.A., Australia	100.0 (3.7)
ITC Platinum Development Ltd	London, U.K.	75.0
ITOCHU Coal Americas Inc.	Wilmington, Delaware, U.S.A.	100.0
5 other companies		
Energy & Chemicals		
ITOCHU ENEX CO., LTD.	Minato-ku, Tokyo	54.0
ITOCHU PLASTICS INC.	Shibuya-ku, Tokyo	100.0
ITOCHU CHEMICAL FRONTIER Corporation	Minato-ku, Tokyo	100.0
C.I. Kasei Co., Ltd.	Chuo-ku, Tokyo	98.3
ITOCHU Retail Link Corporation	Chuo-ku, Tokyo	100.0
ITOCHU PETROLEUM CO., (SINGAPORE) PTE. LTD.	Singapore	100.0
ITOCHU Oil Exploration (Azerbaijan) Inc.	Grand Cayman, Cayman Islands	100.0
IPC (USA), Inc.	Irvine, California, U.S.A.	100.0
IPC EUROPE LTD.	London, U.K.	100.0
JD Rockies Resources Limited	New Castle, Delaware, U.S.A.	100.0
ITOCHU Plastics Pte., Ltd.	Singapore	100.0 (30.0)
PTAGENT. CORPORATION	Shanghai, China	100.0 (40.0)
CIECO Exploration and Production (UK) Limited	London, U.K.	100.0
102 other companies		

Name	Location	Voting shares (%)
Food		
ITOCHU Sugar Co., Ltd.	Hekinan, Aichi	100.0
ITOCHU Feed Mills Co., Ltd.	Koto-ku, Tokyo	99.9 (0.0)
ITOCHU Food Sales & Marketing Co., Ltd.	Minato-ku, Tokyo	100.0
ITOCHU-SHOKUHIN Co., Ltd.	Chuo-ku, Osaka	51.7 (0.1)
NIPPON ACCESS, INC.	Shinagawa-ku, Tokyo	93.8
Dole International Holdings, Inc.	Chiyoda-ku, Tokyo	100.0
90 other companies		
ICT, General Products & Realty		
ITOCHU Kenzai Corp.	Chuo-ku, Tokyo	100.0
ITOCHU Pulp & Paper Corp.	Chuo-ku, Tokyo	100.0
ITOCHU Techno-Solutions Corporation	Chiyoda-ku, Tokyo	58.3 (0.0)
CONEXIO Corporation	Shinjuku-ku, Tokyo	60.3
Excite Japan Co., Ltd.	Minato-ku, Tokyo	58.0 (0.6)
ITOCHU Fuji Partners, Inc.	Minato-ku, Tokyo	63.0
ITOCHU LOGISTICS CORP.	Minato-ku, Tokyo	99.0
ITOCHU Property Development, Ltd.	Minato-ku, Tokyo	99.8
RUBBERNET (ASIA) PTE LTD.	Singapore	80.0
P.T. ANEKA BUMI PRATAMA	Palembang, Indonesia	100.0
European Tyre Enterprise Limited	Letchworth, U.K.	100.0 (20.0)
ITOCHU FIBRE LIMITED	London, U.K.	100.0 (10.0)
109 other companies		
Headquarters		
Orchid Alliance Holdings Limited	BR. Virgin Islands	100.0
ITOCHU TREASURY CENTRE ASIA PTE. LTD.	Singapore	100.0
ITOCHU TREASURY CENTRE EUROPE PLC	London, U.K.	100.0
ITOCHU Treasury Center Americas Inc.	Delaware, U.S.A.	100.0
8 other companies		
Overseas Trading Subsidiaries		
ITOCHU International Inc.	New York, N.Y., U.S.A.	100.0
ITOCHU Europe PLC	London, U.K.	100.0
ITOCHU Singapore Pte Ltd	Singapore	100.0
ITOCHU Korea LTD.	Seoul, Korea	100.0
ITOCHU (Thailand) Ltd.	Bangkok, Thailand	100.0
ITOCHU Hong Kong Ltd.	Hong Kong, China	100.0
ITOCHU Latin America, S.A.	Panama, Republic of Panama	100.0
ITOCHU BRASIL S.A.	Sao Paulo, Brazil	100.0
ITOCHU Australia Ltd.	Sydney, N.S.W., Australia	100.0
ITOCHU MIDDLE EAST FZE	Dubai, U.A.E.	100.0
ITOCHU (China) Holding Co., Ltd.	Beijing, China	100.0
ITOCHU TAIWAN CORPORATION	Taipei, Taiwan	100.0
28 other companies		

Notes: 1. The above numbers of subsidiaries do not include investment companies considered part of the parent (130 companies).
2. Figures in parentheses are indirect voting share percentages.

35. Structured Entities

Structured entity, as defined in IFRS 12 Disclosure of Interests in Other Entities, is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. The Company and its subsidiaries are involved in structured entities which are funded in the aim of running business such as ocean plying vessels, asset management, and leasing through investments, loans and guarantees.

As of March 31, 2015 and 2014, the total assets of unconsolidated structured entities, for which it is possible for the Company and its subsidiaries to bear additional losses exceeding the total amount of investments and loans from the Company and its subsidiaries (the unconsolidated structured entities), were ¥246,314 million (US$2,050 million), and ¥145,859 million, respectively. The unconsolidated structured entities primarily raise funds through loans from banks.

The book values of assets in the Consolidated Statement of Financial Position as of March 31, 2015 and 2014 which the Company and its subsidiaries recognized associated with the involvement in the unconsolidated structured entities were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Other current receivables	¥ 1,241	¥ 1,213	$ 10
Investments accounted for by the equity method	9,380	5,029	78
Non-current receivables	7,578	4,934	63
Total	¥18,199	¥11,176	$151

In addition, as of March 31, 2015 and 2014, the maximum exposure to losses in relation to the unconsolidated structured entities were ¥85,711 million (US$713 million) and ¥40,384 million, respectively. The differences between the maximum exposure to losses and the amounts of assets recognized in the Consolidated Statement of Financial Position were mainly due to guarantees.

36. Contingent Liabilities

The Company and its subsidiaries issue various guarantees for indebtedness of associates, joint ventures, 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 as of March 31, 2015 and 2014 were as follows:

The maximum potential amount of future payments represents the amounts that the Company and its subsidiaries could be obliged to pay if there were defaults.

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 may be reassured from third parties have been excluded in determining the amount of substantial risk.

	Millions of Yen		
	2015		
	Guarantees for monetary indebtedness	Other guarantees	Total
Guarantees for associates and joint ventures:			
Maximum potential amount of future payments	¥ 81,274	¥20,414	¥101,688
Amount of substantial risk	68,826	16,249	85,075
Guarantees for customers:			
Maximum potential amount of future payments	57,103	8,656	65,759
Amount of substantial risk	45,093	3,576	48,669
Total:			
Maximum potential amount of future payments	¥138,377	¥29,070	¥167,447
Amount of substantial risk	113,919	19,825	133,744

	Millions of Yen		
	2014		
	Guarantees for monetary indebtedness	Other guarantees	Total
Guarantees for associates and joint ventures:			
Maximum potential amount of future payments	¥ 80,946	¥19,393	¥100,339
Amount of substantial risk	64,211	15,327	79,538
Guarantees for customers:			
Maximum potential amount of future payments	52,168	12,228	64,396
Amount of substantial risk	45,854	7,968	53,822
Total:			
Maximum potential amount of future payments	¥133,114	¥31,621	¥164,735
Amount of substantial risk	110,065	23,295	133,360

	Millions of U.S. Dollars		
	2015		
	Guarantees for monetary indebtedness	Other guarantees	Total
Guarantees for associates and joint ventures:			
Maximum potential amount of future payments	$ 676	$170	$ 846
Amount of substantial risk	573	135	708
Guarantees for customers:			
Maximum potential amount of future payments	475	72	547
Amount of substantial risk	375	30	405
Total:			
Maximum potential amount of future payments	$1,151	$242	$1,393
Amount of substantial risk	948	165	1,113

As of March 31, 2015, the Company and its subsidiaries are not required to perform significant guarantees, nor does the Company expect an increase of guarantee amounts due to the deterioration of business conditions of the guaranteed parties for these guarantees.

The Company guarantees housing loans of its employees and those of certain subsidiaries as a part of the employee benefits. These guarantees are included in the guarantees above. 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 ¥5,413 million (US$45 million) and ¥5,904 million as of March 31, 2015 and 2014, respectively. No provisions relating to the guarantees have been recognized in the Consolidated Financial Statements.

Within the maximum potential amount of future payments, the amounts that may be reassured from third parties were ¥17,267 million (US$144 million) and ¥11,197 million as of March 31, 2015 and 2014, respectively.

There are currently no significant pending lawsuits, arbitrations, or other legal proceedings that may materially affect the financial position or results of operations of the Company and its subsidiaries.

However, there is no assurance that domestic or overseas business activities of the Company and its subsidiaries may not become subject to any such lawsuits, arbitrations, or other legal proceedings in the future that could have adverse effects on the financial position or result of operations of the Company and its subsidiaries.

37. Approval of Consolidated Financial Statements

The consolidated financial statements were approved at the Board of Directors meeting held on June 10, 2015.

38. Material Subsequent Events

The Company evaluated subsequent events through June 19, 2015, when the consolidated financial statements are available to be issued. Subsequent events were as follows:

As indicated in the announcement released on January 20, 2015, Chia Tai Bright Investment Company Limited (CTB), in which the group of companies led by Charoen Pokphand Group Company Limited (CP Group) and the Company each hold a 50% ownership interest, acquired approximately 2,490 million ordinary shares of CITIC Limited (10% of current voting rights) for a total of HK$34,367 million (share price of HK$13.8) from CITIC Polaris Limited, a wholly-owned subsidiary of CITIC Group Corporation, on April 30, 2015.

For the acquisition of CITIC Limited shares by CTB, the Company and the CP Group will mainly provide shareholder loans to CTB, in proportion to the investment percentage in CTB (50%/50%). However, on April 28, 2015, the Company initially provided a shareholder loan to CTB for the acquisition that includes the funding portion of the CP Group, totaling US$4,031 million, procured by loans from financial institutions. The CP Group portion will be repaid by a shareholder loan provided by the CP Group to CTB within 6 months following the completion of this share acquisition.

Deloitte.

Deloitte Touche Tohmatsu LLC
Shinagawa Intercity
2-15-3, Konan
Minato-ku, Tokyo 108-6221
Japan

Tel:+81 (3) 6720 8200
Fax:+81 (3) 6720 8205
www.deloitte.com/jp

INDEPENDENT AUDITOR'S 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, which comprise the consolidated statement of financial position as at March 31, 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, 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 International Financial Reporting Standards, 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 International Standards on Auditing. Those standards require that we comply with ethical requirements and 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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ITOCHU Corporation and its subsidiaries as at March 31, 2015, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 38 to the consolidated financial statements which describes the material subsequent event related to the acquisition of ordinary shares of CITIC Limited by Chia Tai Bright Investment Company Limited, in which ITOCHU Corporation holds a 50% ownership interest. Our opinion is not modified in respect of this matter.

Convenience Translation

Our audit 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 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Report on Management's Report on Internal Control over Financial Reporting

Notwithstanding the second paragraph of the "Auditor's Responsibility" section, we have 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 our report is included within this annual report as information for readers.

Deloitte Touche Tohmatsu LLC

June 19, 2015

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, 2015 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, 2015, we concluded that its internal control system over financial reporting as of March 31, 2015 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.

(TRANSLATION)

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

Masahiro Okafuji, president & Chief Executive Officer and Tsuyoshi Hachimura, 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, 2015, 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 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 associated companies, carrying amount of investments in associated companies), and "Profit before tax" before elimination of inter-company transactions for the year ended March 31, 2015. The Company and 123 consolidated subsidiaries and associated companies (the "123 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 123 entities, we reasonably determined the required scope of assessment of internal controls over business processes.

(Note) The 123 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 123 entities, however we included major special purpose entities into the scope of assessment. Regarding entities other than the 123 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 38 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, 2015. 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.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

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

June 19, 2015

To the Board of Directors of ITOCHU Corporation:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Masahiro Ishizuka

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

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Hiroyuki Yamada

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Tadashi Nakayasu

[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 statement of financial position as of March 31, 2015 of ITOCHU Corporation (the "Company") and its consolidated subsidiaries, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from April 1, 2014 to March 31, 2015, and the related notes to the consolidated financial statements.

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 International Financial Reporting Standards pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements, 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 consolidated subsidiaries as of March 31, 2015, and the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to the note to the consolidated financial statements which describes the material subsequent event related to the acquisition of ordinary shares of CITIC Limited by Chia Tai Bright Investment Company Limited, in which the Company holds a 50% ownership interest. Our opinion is not modified in respect of this matter.

[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, 2015.

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, 2015 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.

ITOCHU Corporation

5-1, Kita-Aoyama 2-chome,
Minato-ku, Tokyo 107-8077, Japan
Telephone : 81 (3) 3497-2121
Website : http://www.itochu.co.jp/en/

MIX
Paper from responsible sources
FSC® C006410

TOYO INK
non VOC

Printed in Japan