ITOCHU Corporation

FINANCIAL SECTION 2020

For the Year Ended March 31, 2020

Contents

Forward-Looking Statements

Data and projections contained in this Annual Report are based on the information available at the time of publication, and various factors 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 practice undue reliance on forward-looking statements, and further, that ITOCHU Corporation has no obligation to update any forward-looking statements as a result of new information, future events or other developments.

Summary

ITOCHU Corporation and its Subsidiaries

	Millions of Yen						Millions of U.S. Dollars (Note 3)
Years ended March 31	2020	2019	2018	2017	2016	2015	2020
P/L (For the year):							
Revenues	**¥10,982,968**	¥11,600,485	¥5,510,059	¥4,838,464	¥5,083,536	¥5,591,435	**$100,919**
Gross trading profit	**1,797,788**	1,563,772	1,210,440	1,093,462	1,069,711	1,089,064	**16,519**
Net profit attributable to ITOCHU	**501,322**	500,523	400,333	352,221	240,376	300,569	**4,606**
Comprehensive income attributable to ITOCHU	**279,832**	464,785	390,022	303,063	(144,777)	465,605	**2,571**
Per share (Yen and U.S. Dollars):							
Basic earnings attributable to ITOCHU (Note 1)	**335.58**	324.07	257.94	223.67	152.14	189.13	**3.08**
Cash dividends	**85.0**	83.0	70.0	55.0	50.0	46.0	**0.8**
Shareholders' equity (Note 1)	**2,010.33**	1,930.47	1,722.06	1,532.56	1,388.66	1,539.55	**18.47**
B/S (At year-end):							
Total assets	**¥10,919,598**	¥10,098,703	¥8,663,937	¥8,122,032	¥8,036,395	¥8,560,701	**$100,336**
Current interest-bearing debt	**684,406**	650,909	526,867	563,033	426,820	543,660	**6,289**
Long-term interest-bearing debt	**2,192,557**	2,332,928	2,252,606	2,381,620	2,769,345	2,548,504	**20,147**
Interest-bearing debt	**2,876,963**	2,983,837	2,779,473	2,944,653	3,196,165	3,092,164	**26,436**
Net interest-bearing debt	**2,256,882**	2,406,756	2,320,418	2,330,683	2,555,644	2,380,504	**20,739**
Total shareholders' equity	**2,995,951**	2,936,908	2,669,483	2,401,893	2,193,677	2,433,202	**27,529**
Cash flows (For the year):							
Cash flows from operating activities	**¥ 878,133**	¥ 476,551	¥ 388,212	¥ 389,693	¥ 419,404	¥ 403,629	**$ 8,069**
Cash flows from investing activities	**(248,766)**	201,149	(256,350)	(81,306)	(557,260)	(276,103)	**(2,286)**
Cash flows from financing activities	**(575,482)**	(538,318)	(296,136)	(335,396)	81,770	(97,896)	**(5,288)**
Cash and cash equivalents at the end of the year	**611,223**	572,030	432,140	605,589	632,871	700,292	**5,616**
Ratios:							
ROA (%)	**4.5**	5.3	4.8	4.4	2.9	3.7	**–**
ROE (%)	**17.0**	17.9	15.8	15.3	10.4	13.4	**–**
Ratio of shareholders' equity to total assets (%)	**27.4**	29.1	30.8	29.6	27.3	28.4	**–**
Net debt-to-equity ratio (times)	**0.75**	0.82	0.87	0.97	1.17	0.98	**–**
Interest coverage (times) (Note 2)	**8.7**	8.3	9.3	11.1	10.1	12.7	**–**
Common stock information (For the year):							
Stock price (Yen and U.S. Dollars):							
Opening price	**¥ 2,018.5**	¥ 2,063.0	¥ 1,577.0	¥ 1,380.0	¥ 1,282.0	¥ 1,222.0	**$ 18.55**
High	**2,695.5**	2,302.5	2,254.0	1,674.5	1,756.0	1,429.0	**24.77**
Low	**1,873.5**	1,740.0	1,478.0	1,135.5	1,170.0	1,118.0	**17.21**
Closing price	**2,242.5**	2,002.5	2,066.5	1,580.0	1,386.0	1,301.5	**20.61**
Market capitalization (Yen and U.S. Dollars in billions)	**3,342**	3,046	3,203	2,476	2,189	2,057	**30.71**
Trading volume (yearly, million shares)	**1,129**	1,155	1,240	1,604	1,886	1,782	**–**
Number of shares of common stock issued (at year-end, 1,000 shares)	**1,584,889**	1,584,889	1,662,889	1,662,889	1,662,889	1,662,889	**–**
Exchange rates into U.S. currency (Federal Reserve Bank of New York)**:**							
At year-end	**¥ 107.53**	¥ 110.68	¥ 106.20	¥ 111.41	¥ 112.42	¥ 119.96	**–**
Average for the year	**108.72**	110.88	110.80	108.25	120.04	109.75	**–**
Range:							
Low	**112.00**	114.19	114.25	118.32	125.58	121.50	**–**
High	**102.52**	105.99	104.83	100.07	111.30	101.26	**–**
Number of employees (At year-end, consolidated)	**128,146**	119,796	102,086	95,944	105,800	110,487	**–**

Notes: 1. Basic earnings attributable to ITOCHU and Shareholders' equity per share are calculated by using the number of shares outstanding for each year.
2. Interest coverage = (Gross trading profit + Selling, general and administrative expenses + Provision for doubtful accounts + Interest income + Dividends received) / Interest expense
3. Figures in yen for the year ended March 31, 2020, (Fiscal Year 2020 or the fiscal year), have been translated into U.S. dollars solely for the convenience of the reader at the rate of ¥108.83 = US$1, the exchange rate prevailing on March 31, 2020.

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, 2020, (Fiscal Year 2020 or the fiscal year), have been translated into U.S. dollars solely for the convenience of the reader at the rate of ¥108.83 = US$1, the exchange rate prevailing on March 31, 2020.

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

Descriptions of the outlook for the year ending March 31, 2021, (Fiscal Year 2021), 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 2020. 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.

Management Policy for the Future

Outlook for the Next Term

Regarding the business outlook for Fiscal Year 2021, COVID-19 has become a global pandemic and there are currently no effective treatment methods or other concrete prospects for an exit from this previously unknown virus. In China, while infections have been contained and business conditions are expected to gradually recover, there is still the risk of renewed spread. In Europe and the U.S., as strict restrictions on economic activity are being maintained to control infections, further major deterioration in economic conditions appears unavoidable. The Japanese economy will be impacted by further constraints on economic activities, and on personal consumption in particular, prompted by the government's state of emergency declaration. A severe slump is therefore expected to continue at least until the spread of COVID-19 infection can be contained. At present, it is difficult to predict the timing of a turnaround. The global economy is likely to go through a severe recession for the foreseeable future, and it will continue to be difficult to predict when it will bottom out. Amid such conditions, with regard to the U.S. dollar-yen exchange rate, the yen is expected to slightly continue appreciation against the U.S. dollar due to the impact of the low interest rate policy in the U.S. attributed to powerful monetary easing. Crude oil prices are expected to remain at low levels as demand declines significantly in connection with worsening economic conditions.

Fiscal Year 2021 Management Plan

ITOCHU Group, in the Medium-Term Management plan "Brand-new Deal 2020," has promoted various measures on both quantitative and qualitative targets such as "Entrenched consolidated net profit at the ¥500.0 billion level," "Progressive dividend policy," and "Actively promoted share buybacks" in quantitative targets and "Reinvention of Business" in qualitative targets. By a continuous proactive approach, we achieved all quantitative targets in the two years up to Fiscal Year 2020 and have also progressed steadily in various qualitative targets. As a result, we accomplished and completed "Brand-new Deal 2020" one year ahead of schedule.

Meanwhile, as the business environment is undergoing tumultuous change, and with the recognition that we are poised to move into a new management phase, we have positioned Fiscal Year 2021, which can be said as the beginning of the "global recession," as a year for consolidating our foothold. Therefore we formulated a management plan for the single Fiscal Year 2021, which does not belong to the Medium-Term Management plan.

Basic Policies

Based on the rapid changes in the business environment, in the management plan for Fiscal Year 2021, we will thoroughly instill the "earn, cut, prevent" principles as the core of our business.

Based on the fact that we are in an economic downturn phase, we will prevent unexpected loss by thoroughly implementing "prevent." In "cut," we will continue to make efforts not only to reduce costs but also to think more effectively about how to use funds. Through thoroughly instilling "earn, cut, prevent" principles anew, we will further promote highly efficient management.

And, we maintain "Medium- to Long-Term Shareholder Returns Policy" and will strive to continuously improve corporate value from a medium- to long-term perspective.

FY2021 Management Plan

FY2021 Management Plan		
Qualitative targets	**Thoroughly instilling the "earn, cut, prevent" principles as the core of our business**	
Quantitative targets	Consolidated net profit	¥400.0 billion
	Dividend per share	¥88 Maintain the progressive dividend policy
	Maintain "Medium- to Long-Term Shareholder Returns Policy"	

Shareholders Return Policy and Distribution of the Current Fiscal Year's Profit

Shareholders Return Policy

We maintain Medium- to Long-Term Shareholder Returns Policy.

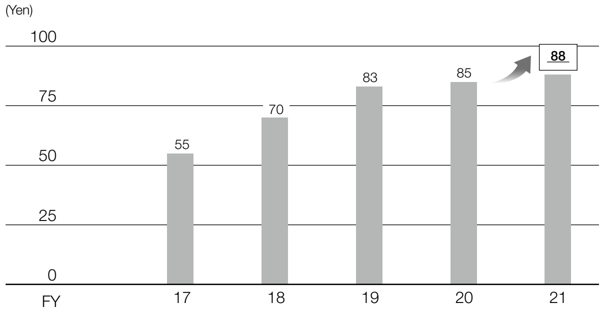
For Fiscal Year 2021, we plan to pay full-year dividend of ¥88 per share, which is the record high in ITOCHU Corporation and continue progressive dividend and target further increase in dividend amount and dividend payout ratio.

While being conscious of cash flow, we actively and continuously execute share buybacks.

Distribution of the Current Fiscal Year's Profit

ITOCHU plans to pay dividend of ¥85 per share for Fiscal Year 2020. (an interim dividend of ¥42.5 per share was already paid)

Dividend per Share



Share buybacks (billion yen) (Approx.)	16.0	28.0	68.0	62.0	Execute actively and continuously

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.

The risks described below are not exhaustive. Rather, these risks describe matters that may have a significant impact on investors' decisions from the perspective of materiality. In addition to the risks described here, ITOCHU Group's business may be affected by currently unknown risks, and risks that require no special mention or that are not considered material at this point. These risk factors may also affect investor decisions.

With respect to descriptions about future events, ITOCHU appropriately has determined its assumptions and estimates based on information currently available as of March 31, 2020.

(1) Risks Associated with Macroeconomic Factors and Business Model

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 sectors such as textiles and food. However, economic trends in the world have been more influential even on the consumer sectors, as economic globalization proceeds.

Furthermore, economic trends, not only overall worldwide economic trends but also specific regional trends, changes in industrial structures due to rapid technological innovation in recent years, increasing competition from companies in newly developing countries due to globalization, and changes in the business environment due to deregulation and entrants from other industries could significantly affect the existing business model and the competitiveness, financial position and results of operations of ITOCHU Group.

As the business environment is undergoing tumultuous change due to the outbreak of COVID-19, and with the recognition that ITOCHU is poised to move into a new management phase, ITOCHU have positioned Fiscal Year 2021, which can be considered as the beginning of the "global recession", as a year for consolidating our foothold. Therefore ITOCHU formulated a management plan for the single year, which does not belong to the Medium-Term Management plan. ITOCHU will thoroughly instill the "earn, cut, prevent" principles as the core of our business and will steadily advance the group management even in a difficult business environment.

(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 derivatives, such as foreign exchange forward contacts, 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.

For more details, please refer to "Foreign exchange rate risk management" in "Notes to Consolidated Financial Statements 24. Financial Instruments."

b) Interest Rate Risk

ITOCHU Group is 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. ITOCHU seeks to quantify the interest rate risk to control the fluctuation of gains and losses due to interest rate change properly.

In addition, ITOCHU Group periodically tracks interest rate trends and, using the Earnings at Risk (EaR), monitors the amount of influence on interest payments due to interest rate changes. However, interest rate trends could significantly affect the financial position and results of operations of ITOCHU Group.

For more details, please refer to "Interest rate risk management" in "Notes to Consolidated Financial Statements 24. Financial Instruments."

c) Commodity Price Risk

ITOCHU Group conducts actual demand transactions that are based on the back-to-back transactions of a variety of commodities. In some cases, the Group is exposed to commodity price fluctuation risk, because it holds long or short positions in consideration of market trends. Therefore, the Group analyzes 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 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.

ITOCHU Group uses "Value at Risk (VaR)" to ascertain and monitor risk in commodity transactions, which are susceptible to market fluctuations. The figures in this method are based on market fluctuation data for specific past periods, and statistical methods are used to estimate maximum loss amounts that may be incurred during specific future periods.

For more details, please refer to "Commodity price risk management" in "Notes to Consolidated Financial Statements 24. Financial Instruments."

d) Stock Price Risk

ITOCHU Group holds a variety of marketable equity securities, mainly to strengthen relationships with customers, suppliers, and other parties, and to secure business income, and to increase corporate value through means such as making a wide range of proposals to investees. These shares are exposed to stock price fluctuation risk and could significantly affect the financial position and results of operations of ITOCHU Group depending on stock price trends.

Using "Value at Risk (VaR)", ITOCHU Group periodically tracks and monitor the amount of influence on consolidated shareholders' equity. The figures in this method are based on market fluctuation data for specific past periods, and statistical methods are used to estimate maximum loss amounts that may be incurred during specific future periods.

For more details, please refer to "Stock price risk management" in "Notes to Consolidated Financial Statements 24. Financial Instruments."

(3) Investment Risk

ITOCHU Group invests in various businesses. Based on the rapid changes in the business environment due to the outbreak of COVID-19, in the management plan for the fiscal year ending March 31, 2021, ITOCHU Group actively promote strategic investments in areas of strength and asset replacement in a timely manner from the business in peak-out stage or low-returns. 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 is 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 are 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. To reduce these risks, ITOCHU Group works 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, management cannot completely avoid the investment risks, and such risks could significantly affect the financial position and results of operations of ITOCHU Group.

(4) Risks Associated with Impairment Loss on Fixed Assets

ITOCHU Group is exposed to the risk of impairment losses on fixed assets it holds and leases. These include real estate, assets related to natural resource development, aircraft and ships, and goodwill and intangible assets.

ITOCHU Group has recognized impairment losses that are currently necessary. However, new impairment losses might be recognized if stores, warehouses, and other assets were to become unable to recover their book value due to declining profitability. Impairment losses could also be recognized if a market slump were to occur due to price fluctuations on coal, iron ore, crude oil or other resources, or the R&D policies were to change and if a decline in asset prices or unplanned additional funding were to result in losses on all or some investments. Such losses could significantly affect the financial position and results of operations of ITOCHU Group.

ITOCHU Group sustains its strength, highly efficient management, through investment in developing the foundations for sustainable growth and by steadily implementing flexible asset replacement. In addition, we manage investments appropriately, making investment decisions after thoroughly deliberating the appropriateness of the acquisition price and then monitoring investments periodically.

(5) Credit Risk

Through trade receivables, loans, guarantees, 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 receivables becoming uncollectible due to the deteriorating credit status or insolvency of the Group's partners, and in relation to assuming responsibilities to fulfill contracts where 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 guarantees as needed. At the same time, the Group establishes an allowance for doubtful accounts by estimating expected credit losses 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.

For more details, please refer to "Credit risk management" in "Notes to Consolidated Financial Statements 24. Financial Instruments."

(6) 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.

To respond to these risks, we formulated the appropriate risk countermeasures by project. To control risk, from the standpoint of preventing ITOCHU Group from excessive concentrations of risk in specific countries or regions, we set limits for each country that are based on internal country ratings and maintain overall exposure at a level that is appropriate for the Group's financial strengths.

Although it strives to reduce risk through these measures, ITOCHU Group cannot completely avoid such risks and the actualization of such risk could delay or incapacitate debt collection or operational implementation, causing losses, and could significantly affect the financial position and results of operations of ITOCHU Group.

(7) Risks Associated with Fund-raising

ITOCHU Group procures the necessary funding for its businesses 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, there are risks that the Group may experience an inability to raise funds from financial institutions or investors when necessary or under desirable conditions and may consequently experience an increase in funding costs. Therefore, while securing adequate liquidity by utilizing cash deposits and commitment line, the Group has taken steps to diversify its sources of funds and methods of fundraising, however, cannot completely avoid such risks. The actualization of such risks could significantly affect the financial position and results of operations of ITOCHU Group.

For more details, please refer to "Liquidity risk management" in "Notes to Consolidated Financial Statements 24. Financial Instruments."

(8) Risks Associated with Taxes

ITOCHU Group has established the Group tax policy, whose basic principles are to comply with all applicable tax laws, rules, regulations, and tax treaties of each country and region where the ITOCHU Group conducts business. ITOCHU Group is committed to managing its business operations in full compliance with all applicable tax rules and not engaging in transactions that are intended to evade or avoid taxes. Also, ITOCHU Group strives to maintain a relationship of mutual trust with all tax authorities by engaging in constructive discussions in an accurate, timely and appropriate manner to ensure overall transparency of the ITOCHU Group's tax matters.

Despite such efforts, ITOCHU Group is unable to completely avoid all risks associated with taxes. Factors such as fluctuations in estimates of taxable income used in tax planning, changes in tax planning, revisions in tax rates and other changes to tax systems could significantly affect the financial position and results of operations of ITOCHU Group.

In addition, the amount of deferred tax assets recorded in the asset section of ITOCHU Group's consolidated statement of financial position is significant, and accounting judgements related to the valuation of deferred tax assets significantly impact ITOCHU Group's consolidated financial statements. For these reasons, ITOCHU Group takes future taxable income and viable tax planning into consideration, recording recoverable amounts of deferred tax assets.

(9) 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.

(10) 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, anti-bribery-related laws and the laws of each country in which ITOCHU Group conducts business overseas. ITOCHU Group has made every effort to observe 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.

(11) Risks Associated with the Environment and Society

ITOCHU Group positions the resolution of global issues related to the environment and society as one of the most important management issues. Accordingly, we have formulated a basic policy on sustainability and identified material sustainability issues. The Group takes an active approach to managing risks. These efforts include establishing an environmental policy and building an environmental management system 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, and conducting an extensive sustainability study for the supply chain. Specific actions include establishment of the Sustainability Committee, the formulation and revision of policies related to sustainability, and annual reviews of Companywide activities. We also promote environmental and social management activities in individual departments.

Recognizing climate change as a pressing issue, we concur with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). We participate in the TCFD Consortium, led by the Ministry of Economy, Trade and Industry, Ministry of the Environment, and Financial Services Agency. We analyze the impact of climate change-related risks on our business and operating performance, as well as countermeasures, based on the TCFD's recommendations. We disclose such information and calculate our greenhouse gas emissions.

However, despite such countermeasures the occurrence of environmental pollution and other environmental or social problems due to ITOCHU Group's business activities could lead to the delay or suspension of operations, the incurring of countermeasure expenses, or the lowering of society's evaluation of the Group and could significantly affect the financial position and results of operations of ITOCHU Group.

(12) Risks Associated with Natural Disasters

In the countries and regions in which ITOCHU Group conducts business activities, natural disasters, such as earthquakes, or the outbreak of infectious diseases 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 infectious disease, 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 natural disasters or the outbreak of infectious diseases, it cannot completely avoid such damage. Therefore, such occurrences could significantly affect the financial position and results of operations of ITOCHU Group.

(13) Risks Associated with Information Systems and Information Security

In ITOCHU Group, a code of conduct concerning the handling of information is enforced on all directors and employees and high priority is placed on maintaining a high information security level. ITOCHU Group leveraged digitalization and data, took measures to build and operate information systems that promote information sharing and operational efficiency, and established security guidelines that take cyber-security risks into consideration by ensuring the safe operation of information systems, ITOCHU Group is putting in place an IT environment, enhancing technological security countermeasures to malware, enhancing our structures through a cyber-security response team, and engaging in thorough ongoing measures to address crisis management.

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.

(14) Risks Associated with the Outbreak of COVID-19

Established the response headquarter and prioritized ensuring employee safety in response to the spread of infections and prevention of spread of infections, ITOCHU carried out strategies, considering the domestic work system such as working from home, as well as evacuating expatriates and family members from overseas regions with low medical standards. In addition, ITOCHU, as a general trading company with strengths in the consumer sectors, has continued to carry out important tasks while avoiding risks even during the outbreak period in order to contribute to the stability of social life by maintaining the supply chain in each field in addition to fulfilling our responsibilities for dealing with customers on-site, including group companies.

Due to the outbreak of COVID-19, the global economy is likely to go through a severe recession for the foreseeable future, and it will continue to be difficult to predict when it will bottom out. In ITOCHU Group, impacts due to reduced economic activity in various business areas are expected in addition to the impacts of fluctuations in exchange rates, interest rates, commodity prices, and stock prices. While continuing to monitor, ITOCHU Group will strive to minimize each risk by thoroughly instilling “earn, cut, prevent” principles, especially “cut, prevent” principles, as the core of our business.

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

Overview

In Fiscal Year 2020, there were mounting expectations that the global economy would recover from its slowdown, which was primarily caused by increased trade friction, in light of the U.S. and China reaching a phase one trade agreement in December 2019. However, this was only temporary as the global outbreak of COVID-19 triggered restrictions on movement of people and corporate activity, suppressing economic activity and sending the global economy into a tailspin toward the end of March 2020. Amid these developments, the WTI crude oil price temporarily increased from the US$60-65 per barrel range at the beginning of April 2019 due to tensions in the Middle East. Then, after trending downward in the midst of uncertainty surrounding the global economy, the price recovered to the US$60s level at one point toward the end of 2019 owing to the U.S.-China agreement, accelerated production cuts by major oil-producing countries, and other factors. However, at the end of March 2020, a failed agreement on production cuts and concerns over deterioration in the global economy had pushed the price down to close to US$20.

The Japanese economy stagnated initially due to a delayed recovery in exports and other factors, despite improved personal consumption in connection, partly, with a demand spike ahead of the consumption tax hike in October 2019. It further deteriorated after the tax increase due in part to damage sustained in major typhoons, and then slumped still further as the effects of COVID-19 became a factor after the start of 2020. With regard to the U.S. dollar-yen exchange rate, the yen initially appreciated against the dollar, from ¥111 at the beginning of April 2019 to near ¥105 in August 2019 primarily due to concerns over U.S.-China trade friction, and then depreciated to close to ¥112 in February 2020 on the back of the U.S.-China agreement. Thereafter, the effects of COVID-19 induced violent fluctuations, and the rate ended the fiscal year in the ¥108 level. The Nikkei Stock Average began the fiscal year at ¥21,500, dipped temporarily to around ¥20,000 level against a backdrop of yen appreciation and falling U.S. stock prices, and then recovered in January 2020 to the ¥24,000 level. Subsequently, however, the average fluctuated sharply, dropping as low as the ¥16,500 level at one point, but it ended the fiscal year at close to ¥19,000. The yield on 10-year Japanese government bonds declined from negative 0.07% at the beginning of April 2019 to near negative 0.3% at the end of August 2019 in anticipation of the European Central Bank and the U.S. Federal Reserve cutting interest rates. It then temporarily rose to positive territory on the U.S.-China agreement before trending around the zero percent line toward the end of March 2020.

ITOCHU Group, in the Medium-Term Management plan “Brand-new Deal 2020,” has promoted various measures on both quantitative and qualitative targets such as “Entrenched consolidated net profit at the ¥500.0 billion level,” “Progressive dividend policy,” and “Actively promoted share buybacks” in quantitative targets and “Reinvention of Business” in qualitative targets.

Specific results for Fiscal Year 2020 were as follows.

Textile Company

Further Diversification of Our Brand Business

We obtained exclusive import and distribution rights for the U.S.-based running shoes brand “Brooks” that has created many innovative features, including the world’s first 3D foot scanned, fully-customized running shoes. Meanwhile, we are promoting intellectual education and childcare-related content distribution and licensing business, and so forth, in China together with Shufunotomo Co., Ltd. and PPW Sports & Entertainment (HK) Limited. Amid the increasing diversification of consumer lifestyles and consumption behavior, we will continue to tackle diversification in the brand business from a “market-oriented perspective.”

Start of the “RENU” Project

We launched “RENU” as a project that aims to resolve excessive waste issues faced by the textile industry. As a first step, the project is rolling out recycled polyester made from old garments and textile. The material has been selected by the 2020 Borneo Charity collection of the U.S. luxury bag brand HUNTING WORLD. We will continue working to establish a business model that outpaces the competition, leveraging the Textile Company’s value chain that covers raw materials to products.

Machinery Company

Advancing the Environmental and Renewable Energy Businesses

As one of the highest priority business area, and we are promoting environmental and renewable projects globally that contribute to improving urban environments and reducing greenhouse gases. In the urban environment area, we’ve started construction of an energy-from-waste facility in partnership with the City of Belgrade, in a project supported by the Republic of Serbia as a measure to combat pollution. We also continue developing in renewable energy business in the U.S., moving ahead with initiatives that include participation in wind power projects at two new locations in the states of Minnesota and Nebraska.

Collaboration with Tokyo Century Corporation in the Construction and Construction Machinery Sectors

We have created a joint management structure with Tokyo Century Corporation, which has become a shareholder in ITOCHU CONSTRUCTION MACHINERY CO., LTD. The latter company, now known as ITOCHU TC CONSTRUCTION MACHINERY CO., LTD., aims to be a next-generation general solutions provider that not only conducts sales and rental of construction machinery and materials but also leverages the diverse service functions and the extensive domestic and overseas networks of ITOCHU Corporation and Tokyo Century Corporation to offer one-stop solutions to client needs involving software, services, financing, and more.

Metals & Minerals Company

Investment in the Longview Coking Coal Mine of U.S.-Based North Central Resources, LLC (NCR)

We have obtained a 25% stake in NCR, the owner of the Longview coking coal mine under development in the state of West Virginia, the U.S., and will participate in a new sales company with exclusive sales rights for the coking coal produced at the coal mine. The production volume of the coal mine is expected to be 4 million tons per annum, the highest among single coking coal mines in the U.S. With participation in the project and the establishment of the sales company, we aim to ensure a stable supply to customers particularly in Japan and other parts of Asia.

Energy & Chemicals Company

Taking Japan’s Top Share of Sales of Capacity with Our Own Branded Energy Storage System

In Energy Storage System -related business, one of our strengths, sales of our Smart Star L brand Energy Storage System exceeded 30,000 units in total, seizing the top market share in Japan (on a capacity basis). We made steady progress across a wide area of energy and chemicals sector in Fiscal Year 2020, establishing an Energy Storage System manufacturing joint venture, entering the automotive battery recycling business in China, and moving forward in markets in Europe, the U.S., and Australia. Ready to engage in even more comprehensive activities in Fiscal Year 2021 through organizational consolidation in the electricity supply-related business, we will further expand initiatives rooted in a “market-oriented perspective” and will contribute to the stable supply of electricity and the creation of a distributed energy-based society.

Building a Stronger Platform for Stable Mid- to Long-Term Revenue in the Energy Sector

We aim to create a strategic asset portfolio in the energy sector that can withstand changes in the business environment, including changes in oil prices. Specifically, we are improving existing upstream assets, including the Sakhalin-1, Eastern Siberia, and Ras Laffan LNG projects, while undertaking initiatives with a view to replacing oil and gas upstream assets, including our 2018 acquisition of an interest in the Iraqi West Qurna 1 Oil Field and the sale of a subsidiary holding assets in the U.K. North Sea. We will continue to strengthen our platform for stable medium- to long-term revenue that will contribute to our strategies.

Food Company

Dole Pineapple Production Business in the Republic of Sierra Leone

We have established Sierra Tropical Limited (“STL”) through our subsidiary Dole Asia Holdings Pte. Ltd. (“DAH”) to begin pineapple cultivation and commercial production of processed foods of pineapple in the Republic of Sierra Leone. We are securing funding support for investment while DAH carries out local operations. This will reinforce DAH’s global-scale processed foods operations through diversification of its production bases, while contributing to local communities by creating jobs and improving the living environment through the development of local industry.

NIPPON ACCESS, INC. Supports a Plentiful Diet

Our subsidiary NIPPON ACCESS, INC. is a top-class Japanese food wholesaler that stably and efficiently delivers products to supermarkets and convenience stores across Japan through more than 500 distribution points and about 10,000 contracted vehicles. In addition, through efforts to develop original products based on consumers’ needs, such as the Karada Smile Project series that offer convenient, delicious, and nutritionally balanced foods, NIPPON ACCESS is working to make people’s dining tables more vibrant.

General Products & Realty Company

Strategies to Increase the Earning Power and Corporate Value of Group Companies Through Acquisitions in the North American Construction Materials Business

We have acquired U.S.-based companies Jamieson Manufacturing Co. (“JMC”), a manufacturer and wholesaler of fences, and Reichert Shake & Fencing, Inc. (“RSF”), a manufacturer of wooden fences. We have also sold a portion of our interest in CIPA LUMBER CO. LTD. (“CIPA”) and Pacific Woodtech Corporation (“PWT”), manufacturers of veneer and LVL (laminated veneer lumber), to DAIKEN CORPORATION (“DAIKEN”), and have begun joint management with the latter company.

We have been reorganizing the North American construction materials industry, which is expected to deliver solid growth with stable population increase among principal advanced countries, starting with CIPA, PWT, and the fence manufacturer and wholesaler MASTER-HALCO, Inc. Following our acquisition of wooden fence manufacturer Alta Forest Products LLC and the subsequent acquisitions of JMC and RSF, we are now expanding the ITOCHU Group’s share of the industry through seven companies, including DAIKEN.

We are also making efforts toward improving the management and corporate value of group companies after acquisition and reorganization, with over 20 experienced staff currently stationed in these companies. Looking forward, we aim to further enhance our earning power and corporate value in the North American construction materials market by making combined effort with the whole ITOCHU Group, introducing the manufacturing expertise of leading Japanese construction materials manufacturer DAIKEN in addition to our own insight cultivated over many years.

ICT & Financial Business Company

Strategic Business Investment in WingArc1st Inc. (“WingArc”)

We acquired 24.5% of the issued shares of WingArc jointly with ITOCHU Techno-Solutions Corporation (“CTC”). By combining our business know-how with the industry-leading data utilization technology of WingArc, with which we have engaged in a capital and business alliance since September 2018, we have focused our efforts on the digital transformation (DX) business that supports companies’ digitalization. In alliance with WingArc and CTC, which boasts an extensive customer base, the additional investment will allow us to aim at further accelerating the DX business and expanding our business domains.

Conversion of HOKEN NO MADOGUCHI GROUP INC. (“HOKEN NO MADOGUCHI”) into a Consolidated Subsidiary

With its management philosophy of “an excellent and the most caring company for customers,” HOKEN NO MADOGUCHI is Japan’s largest insurance shop chain. As a leading insurance shop company, it has an unrivaled scale in the industry (nationwide network of 762 stores as of March 31, 2020) combined with service quality underpinned by a unique employee education system. Through the conversion of HOKEN NO MADOGUCHI into a consolidated subsidiary, we will support business growth and further improvements in the quality of customer services under the company’s corporate philosophy, will deepen our partnership with the company which holds extensive points of contact with consumers, and will expand the business of the ITOCHU Group through a “market-oriented perspective.”

The 8th Company

Joint Promotion of Digital Strategies with FamilyMart Co., Ltd.

In July 2019, our subsidiary FamilyMart Co., Ltd. released FamiPay, an all-in-one app with features that make everyday shopping at FamilyMart stores convenient and fun. The app has already been downloaded 5.15 million times. Together with FamilyMart Co., Ltd., we are moving forward with digital strategies that pursue convenience through points and payment based on FamiPay, and will develop and expand new businesses, including advertising, marketing, and financial services, that leverage purchasing information and consumer touchpoints.

Analysis of Results of Operations in Fiscal Year 2020

The analysis of the financial position and results of operations for Fiscal Year 2020 were as follows.

Revenues

Revenues for the fiscal year ended March 31, 2020 decreased by 5.3%, or ¥617.5 billion, compared with the previous fiscal year to ¥10,983.0 billion (US$100,919 million). This decrease was attributable to lower revenue from the Energy & Chemicals Company, due to the lower sales prices and transaction volume in energy-related companies and chemical-related transactions; lower revenue from the General Products & Realty Company, due to the lower transaction volume in domestic logistics-facility-development-projects and the conversion of foreign subsidiaries into investments accounted for by the equity method; lower revenue from the Textile Company, due to the unfavorable sales in apparel-related companies resulting from the effects of warm winter and COVID-19 and the stagnation in overall transactions including textile materials; and higher revenue from the Food Company, due to the conversion of Prima Meat Packers, Ltd. into a subsidiary, despite the decrease in provisions-related transactions. Furthermore, the breakdown of Revenues for the year ended March 31, 2020 was ¥9,739.0 billion (US$89,488 million) for Revenues from sale of goods, and ¥1,244.0 billion (US$11,431 million) for Revenues from rendering of services and royalties.

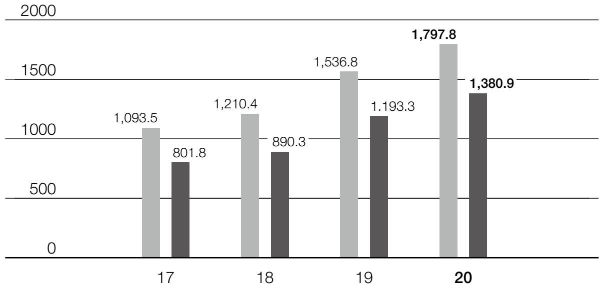
Gross Trading Profit

Gross trading profit increased by 15.0%, or ¥234.0 billion, compared with the previous fiscal year to ¥1,797.8 billion (US$16,519 million). Gross trading profits increased in The 8th Company due to the conversion of FamilyMart Co., Ltd. (Note) into a subsidiary in the second quarter of the previous fiscal year; in the ICT & Financial Business Company due to the stable performance in ITOCHU Techno-Solutions Corporation and the conversion of POCKET CARD CO., LTD. into a subsidiary in the second quarter of the previous fiscal year; in the Food Company due to the stable performance in NIPPON ACCESS, INC. and the conversion of Prima Meat Packers, Ltd. into a subsidiary, despite the lower sales prices in fresh products in Dole; and in the Machinery Company due to the higher iron ore prices, despite the lower coal prices.

(Note) FamilyMart Co., Ltd. changed its corporate name from FamilyMart UNY Holdings Co., Ltd. on September 1, 2019. In this business report, descriptions related to the previous fiscal year are also referred to as "FamilyMart Co., Ltd.," which is the current corporate name.

Gross Trading Profit; Selling, General and Administrative Expenses

(Billions of Yen)



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

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 15.7%, or ¥187.6 billion, compared with the previous fiscal year to ¥1,380.9 billion (US$12,689 million), due to the effects of the conversion of FamilyMart Co., Ltd. and POCKET CARD CO., LTD. into subsidiaries in the second quarter of the previous fiscal year, and the effects of the conversion of Prima Meat Packers, Ltd. into a subsidiary.

Provision for Doubtful Accounts

Provision for doubtful accounts increased by ¥8.4 billion compared with the previous fiscal year to a loss of ¥17.4 billion (US$160 million), due to the provision for foreign receivables and the conversion of POCKET CARD CO., LTD. into a subsidiary in the second quarter of the previous fiscal year.

Gains on Investments

Gains on investments decreased by 71.5%, or ¥145.2 billion, compared with the previous fiscal year to ¥57.8 billion (US$531 million), due to the absence of the revaluation gain accompanying the conversion of FamilyMart Co., Ltd. into a subsidiary and the gain on sales of a North Sea oil fields development company in the previous fiscal year, despite the gains accompanying partial sales of foreign companies in General Products & Realty Company and the revaluation gain accompanying the conversion of Prima Meat Packers, Ltd. into a subsidiary.

Losses on Property, Plant, Equipment and Intangible Assets

Losses on property, plant, equipment and intangible assets improved by ¥7.6 billion, compared with the previous fiscal year to a loss of ¥4.4 billion (US$40 million), due to the gains on sales of lands and logistics warehouses, despite impairment losses in FamilyMart Co., Ltd. and Dole.

Other–net

Other-net deteriorated by ¥12.1 billion, compared with the previous fiscal year to a loss of ¥1.4 billion (US$13 million), due mainly to the deterioration of foreign currency translation and a loss in a compensation for vendors.

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

Net interest expenses, which is the total of Interest income and Interest expense, deteriorated by ¥8.1 billion compared with the previous fiscal year to expenses of ¥22.3 billion (US$205 million), due to the effects of the application of new accounting standards (IFRS 16 "Leases") and the conversion of FamilyMart Co., Ltd. into a subsidiary in the second quarter of the previous fiscal year. Dividends received increased by 37.4%, or ¥18.1 billion, compared with the previous fiscal year to ¥66.5 billion (US$611 million), due to the increase in dividends from iron ore-related investments. Consequently, Net financial income, which is the total of Net interest expenses and Dividends received, increased by ¥10.0 billion compared with the previous fiscal year to a gain of ¥44.1 billion (US$406 million).

Equity in Earnings of Associates and Joint Ventures

Equity in earnings of associates and joint ventures increased by 109.9%, or ¥107.8 billion, compared with the previous fiscal year to ¥205.9 billion (US$1,891 million). This increase was attributable to an increase in the Others, Adjustments & Eliminations (Note), due to the absence of the impairment loss on investment in CITIC Limited in the previous fiscal year; a decrease in the General Product & Realty Company, due to the lower equity in earnings in ITOCHU FIBRE LIMITED (European pulp-related company) resulting from the lower pulp prices and the impairment loss in Japan Brazil Paper & Pulp Resources Development Co., Ltd.; and a decrease in The 8th Company, due to the conversion of FamilyMart Co., Ltd. into a subsidiary in the second quarter of the previous fiscal year.

(Note) "Others, Adjustments & Eliminations" includes gains and losses which do not belong to any operating segment and internal eliminations between operating segments.

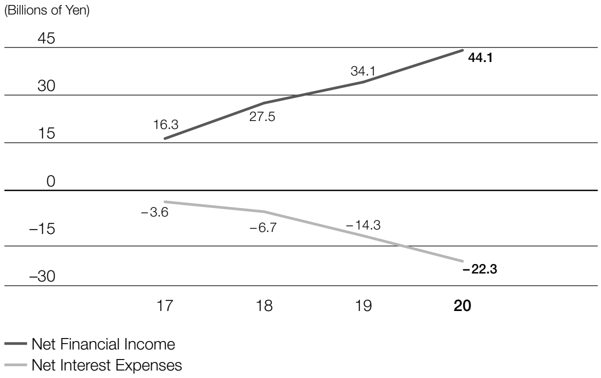
Net Profit Attributable to ITOCHU

Consequently, Profit before tax increased by 0.9%, or ¥6.0 billion, compared with the previous fiscal year to ¥701.4 billion (US$6,445 million). Income tax expense decreased by 5.0%, or ¥7.5 billion, compared with the previous fiscal year to ¥142.2 billion (US$1,307 million), due to lower tax expenses in natural-resource-projects and the absence of the increase resulting from the revaluation gain accompanying the conversion of FamilyMart Co., Ltd. into a subsidiary in the previous fiscal year, despite the stable growth in profits and the absence of the decrease in finance-related companies in the previous fiscal year. Net profit, which is calculated as profit before tax of ¥701.4 billion minus income tax expense of ¥142.2 billion, increased by 2.5%, or ¥13.5 billion, compared with the previous fiscal year to ¥559.2 billion (US$5,138 million). Net profit attributable to ITOCHU, which is calculated as Net profit minus Net profit attributable to non-controlling interests of ¥57.9 billion (US$532 million), increased by 0.2%, or ¥0.8 billion, compared with the previous fiscal year to ¥501.3 billion (US$4,606 million).

(Reference)

"Trading income" in accordance with Japanese accounting practices ("Trading income" = "Gross trading profit" + "Selling, general and administrative expenses" + "Provision for doubtful accounts") increased by 10.5%, or ¥37.9 billion, compared with the previous fiscal year to ¥399.4 billion (US$3,670 million). This increase was attributable to an increase in The 8th Company, due to the conversion of FamilyMart Co., Ltd. into a subsidiary in the second quarter of the previous fiscal year; an increase in the Metals & Minerals Company, due to the higher iron ore prices, despite the lower coal prices; and a decrease in the Textile Company, due to the unfavorable sales resulting from the effects of warm winter and COVID-19 in apparel-related companies, the stagnation in overall transactions including textile materials, and the provision for foreign receivables.

Net Financial Income



* For fiscal years

Net Financial Income = Net Interest Expenses + Dividends Received

Net Interest Expenses = Interest Income + Interest Expense

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. In addition, on July 1, 2019, ITOCHU established The 8th Company and changed its organizational structure from seven Division Companies to eight Division Companies. The amounts under “For the year ended March 31, 2019” and “Total assets on March 31, 2019” are presented post reclassification. Further, revenues of Division Companies exclude inter-segment transactions.

Textile

Revenues decreased by 9.5%, or ¥56.1 billion, to ¥537.4 billion (US$4,938 million), due to the unfavorable sales in apparel-related companies resulting from the effects of warm winter and COVID-19 and the stagnation in overall transactions including textile materials. Gross trading profit decreased by 9.6%, or ¥11.4 billion, to ¥107.5 billion (US$987 million), due to the same reason noted above. Net profit attributable to ITOCHU decreased by 69.5%, or ¥20.7 billion, to ¥9.1 billion (US$84 million), due to unfavorable sales resulting from the effects of warm winter and COVID-19 in apparel-related companies, the stagnation in overall transactions including textile materials, and the provision for foreign receivables, and the absence of the gain on sales of a foreign apparel-related company in the previous fiscal year. Total assets decreased by 14.4%, or ¥76.1 billion, to ¥451.1 billion (US$4,145 million), due to decrease in trade receivables accompanying unfavorable sales.

Machinery

Revenues decreased by 0.8%, or ¥10.3 billion, to ¥1,212.5 billion (US$11,141 million), due to the absence of the large-scale aircraft related transactions in the previous fiscal year, despite the stable performance in ship related-transactions. Gross trading profit increased by 0.6%, or ¥1.1 billion, to ¥194.9 billion (US$1,791 million), due to the improvement in profitability in YANASE & CO., LTD., and the stable performance in ship related-transactions, despite the conversion of ITOCHU TC CONSTRUCTION MACHINERY CO., LTD. into an investment accounted for by the equity method. Net profit attributable to ITOCHU increased by 20.5%, or ¥9.6 billion, to ¥56.7 billion (US$521 million), due to the improvement in profitability in YANASE & CO., LTD., the stable performance in ship related-transactions, and the absence of losses on North American IPP companies in the previous fiscal year, despite the impairment loss in a foreign company. Total assets increased by 2.3%, or ¥27.4 billion, to ¥1,207.7 billion (US$11,097 million), due to the increased inventories and the effects of the application of new accounting standards, despite decrease accompanying the conversion of ITOCHU TC CONSTRUCTION MACHINERY CO., LTD. into an investment accounted for by the equity method.

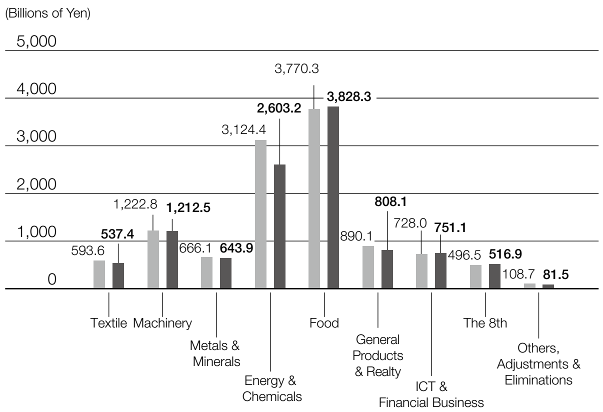
Metals & Minerals

Revenues decreased by 3.3%, or 22.2 billion, to ¥643.9 billion (US$5,917 million), due to the higher steel ore prices, despite the lower coal and steel scrap prices. Gross trading profit increased by 27.0%, or ¥22.4 billion, to ¥105.2 billion (US$967 million), due to the higher iron ore prices, despite the lower coal prices. Net profit attributable to ITOCHU increased by 41.4%, or ¥32.6 billion, to ¥111.4 billion (US$1,023 million), due to the higher iron ore prices, the increase in dividends received in a Brazilian iron ore company, and lower tax expenses in natural-resource-projects, despite the lower coal prices. Total assets decreased by 5.3%, or ¥44.4 billion, to ¥800.0 billion (US$7,351 million), due to decrease in foreign natural-resource-related assets accompanying the effect of the appreciation of the yen.

Energy & Chemicals

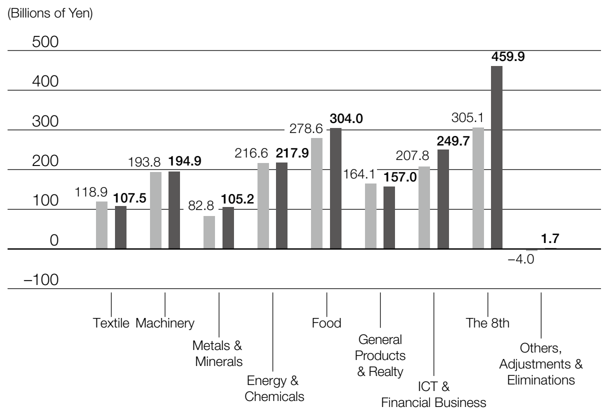
Revenues decreased by 16.7%, or ¥521.2 billion, to ¥2,603.2 billion (US$23,920 million), due to the lower sales prices and transaction volume in energy-related companies and chemical-related transactions. Gross trading profit increased by 0.6%, or ¥1.3 billion, to ¥217.9 billion (US$2,002 million), due to the increased vessel allocation in ITOCHU Oil Exploration (Azerbaijan) Inc. and the improvement in profitability in ITOCHU ENEX CO., LTD., despite the absence of the gain on sales of a North Sea oil fields development company in the previous fiscal year. Net profit attributable to ITOCHU decreased by 21.2%, or ¥16.6 billion, to ¥61.7 billion (US$567 million), due to the absence of the gain on sales of

Revenues by Operating Segment



2019 ■ 2020
* For fiscal years

Gross Trading Profit by Operating Segment



2019 ■ 2020
* For fiscal years

a North Sea oil fields development company in the previous fiscal year and the lower equity in earnings in petrochemical-related companies as well as Japan South Sakha Oil Co., Ltd., despite the increased vessel allocation in ITOCHU Oil Exploration (Azerbaijan) Inc. and the gain on sales of fixed assets in C.I. TAKIRON Corporation. Total assets decreased by 4.0%, or ¥51.5 billion, to ¥1,237.2 billion (US$11,368 million), due to the lower sales prices and transaction volume in chemical-related transactions and the decreased trade receivables in energy trading transactions resulting from the decline in oil prices, despite increase due to the effects of the application of new accounting standards.

Food

Revenues increased by 1.5%, or ¥58.1 billion, to ¥3,828.3 billion (US$35,177 million), due to the conversion of Prima Meat Packers, Ltd. into a consolidated subsidiary, despite the decrease in provisions-related transactions. Gross trading profit increased by 9.1%, or ¥25.4 billion, to ¥304.0 billion (US$2,793 million), due to the stable performance in NIPPON ACCESS, INC. and the conversion of Prima Meat Packers, Ltd. into a consolidated subsidiary, despite the lower sales prices in fresh products in Dole. Net profit attributable to ITOCHU increased by 7.8%, or ¥3.6 billion, to ¥49.9 billion (US$458 million), due to the stable performance in NIPPON ACCESS, INC. and the revaluation gain accompanying the conversion of Prima Meat Packers, Ltd. into a consolidated subsidiary, despite the lower sales prices in fresh products, the increase in costs in packaged products, and impairment losses in Dole in addition to the lower equity in earnings in North American grain-related companies resulting from weather factors. Total assets increased by 7.6%, or ¥124.9 billion, to ¥1,765.3 billion (US$16,220 million), due to the conversion of Prima Meat Packers, Ltd. into a consolidated subsidiary and the effects of the application of new accounting standards, despite the decreased trade receivables accompanying the absence of the effect of the last day of the previous fiscal year falling on a weekend.

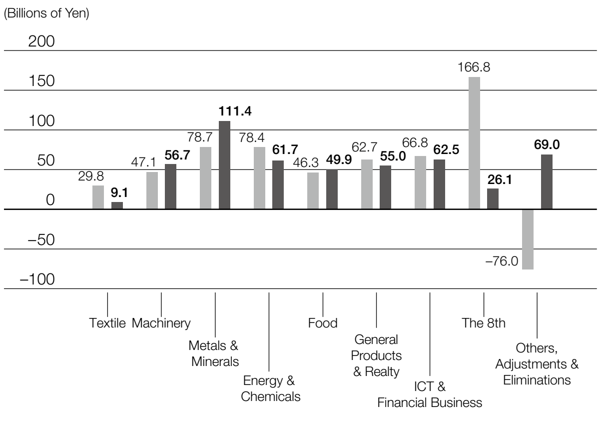
General Products & Realty

Revenues decreased by 9.2%, or ¥82.0 billion, to ¥808.1 billion (US$7,425 million), due to the lower transaction volume in domestic logistics-facility-development-projects and the conversion of foreign subsidiaries into investments accounted for by the equity method. Gross trading profit decreased by 4.3%, or ¥7.1 billion, to ¥157.0 billion (US$1,443 million), due to the lower transaction volume in domestic logistics-facility-development-projects and the conversion of foreign subsidiaries into investments accounted for by the equity method, despite the improvement in profitability in North American facility-materials-related companies. Net profit attributable to ITOCHU decreased by 12.2%, or ¥7.6 billion, to ¥55.0 billion (US$506 million), due to the lower pulp prices, the lower transaction volume in domestic logistics-facility-development-projects, and the impairment loss in Japan Brazil Paper & Pulp Resources Development Co., Ltd., despite the improvement in profitability in North American facility-materials-related companies, the stable performance in European Tyre Enterprise Limited (European tire-related company), the extraordinary gains accompanying the partial sales of foreign companies, and the extraordinary gains in ITOCHU LOGISTICS CORP. Total assets increased by 2.7%, or ¥26.8 billion, to ¥1,007.5 billion (US$9,257 million), due to the effects of the application of new accounting standards, despite the decreased trade receivables accompanying the absence of the effect of the last day of the previous fiscal year falling on a weekend and the effect of the appreciation of the yen.

ICT & Financial Business

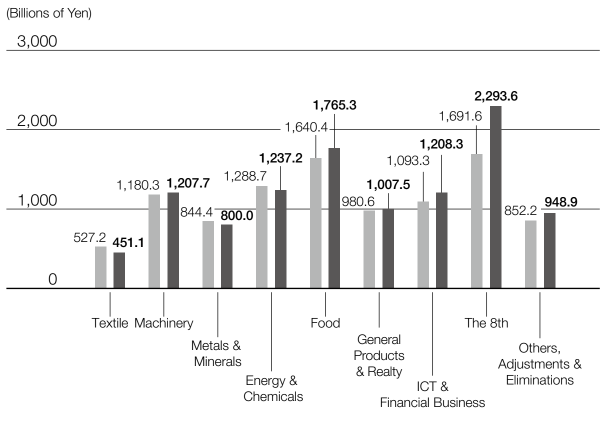
Revenues increased by 3.2%, or ¥23.0 billion, to ¥751.1 billion (US$6,902 million), due to the higher transaction volume in ITOCHU Techno-Solutions Corporation and the conversion of POCKET CARD CO.,LTD. into a consolidated subsidiary in the second quarter of the previous fiscal year. Gross trading profit increased by 20.2%, or ¥41.9 billion, to ¥249.7 billion (US$2,294 million), due to the stable performance in ITOCHU Techno-Solutions Corporation and the conversion of POCKET CARD CO., LTD. into a consolidated subsidiary in the second quarter of the previous fiscal year. Net profit attributable to ITOCHU decreased by 6.4%, or ¥4.3 billion, to ¥62.5 billion (US$574 million), due to the lower gains on fund operations and the absence of the extraordinary gains in the previous fiscal year, despite the stable performance in ITOCHU Techno-Solutions Corporation, the extraordinary gain accompanying the partial sales of a domestic company, and the revaluation gain accompanying the conversion of a domestic

Net Profit by Operating Segment



* For fiscal years

Total Assets by Operating Segment



* As of March 31

insurance-related company into a consolidated subsidiary. Total assets increased by 10.5%, or ¥115.1 billion, to ¥1,208.3 billion (US$11,103 million), due to the conversion of a domestic insurance-related company into a consolidated subsidiary and the effects of the application of new accounting standards.

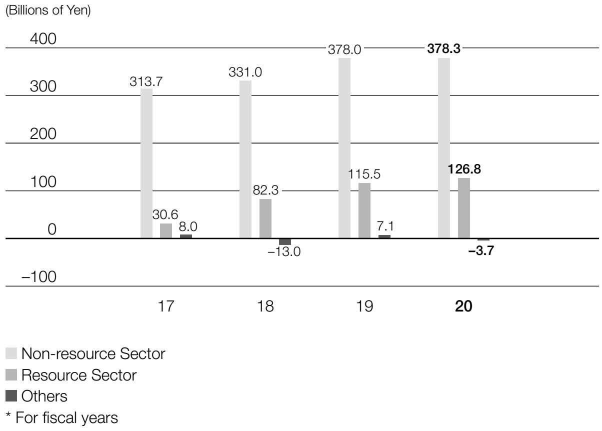
The 8th

Revenues increased by 4.1%, or ¥20.4 billion, to ¥516.9 billion (US$4,750 million), due to the conversion of FamilyMart Co., Ltd. into a consolidated subsidiary in the second quarter of the previous fiscal year. Gross trading profit increased by 50.7%, or ¥154.8 billion, to ¥459.9 billion (US$4,226 million), due to the same reason noted above. Net profit attributable to ITOCHU decreased by 84.4%, or ¥140.8 billion, to ¥26.1 billion (US$239 million), due to the absence of extraordinary gains in the previous fiscal year, the effect of the sale of UNY CO., LTD. in the fourth quarter of the previous fiscal year, and the cost for the early retirement plan, despite the stable performance and lower tax expenses in FamilyMart Co., Ltd. Total assets increased by 35.6%, or ¥602.0 billion, to ¥2,293.6 billion (US$21,076 million), mainly due to the effects of the application of new accounting standards.

Others, Adjustments & Eliminations

Net profit attributable to ITOCHU improved by ¥145.0 billion to ¥69.0 billion (US$634 million), due to the absence of the impairment loss on investment in CITIC Limited accounted for by the equity method in the previous fiscal year.

Earnings from Non-resource / Resource Sectors



Segment Information

Years ended March 31	Billions of Yen 2020	Billions of Yen 2019	Millions of U.S. Dollars 2020
Revenues:			
Textile	¥ 537.4	¥ 593.6	$ 4,938
Machinery	1,212.5	1,222.8	11,141
Metals & Minerals	643.9	666.1	5,917
Energy & Chemicals	2,603.2	3,124.4	23,920
Food	3,828.3	3,770.3	35,177
General Products & Realty	808.1	890.1	7,425
ICT & Financial Business	751.1	728.0	6,902
The 8th	516.9	496.5	4,750
Others, Adjustments & Eliminations	81.5	108.7	749
Total	¥10,983.0	¥11,600.5	$100,919
Gross trading profit:			
Textile	¥ 107.5	¥ 118.9	$ 987
Machinery	194.9	193.8	1,791
Metals & Minerals	105.2	82.8	967
Energy & Chemicals	217.9	216.6	2,002
Food	304.0	278.6	2,793
General Products & Realty	157.0	164.1	1,443
ICT & Financial Business	249.7	207.8	2,294
The 8th	459.9	305.1	4,226
Others, Adjustments & Eliminations	1.7	(4.0)	16
Total	¥ 1,797.8	¥ 1,563.8	$ 16,519
Net profit attributable to ITOCHU:			
Textile	¥ 9.1	¥ 29.8	$ 84
Machinery	56.7	47.1	521
Metals & Minerals	111.4	78.7	1,023
Energy & Chemicals	61.7	78.4	567
Food	49.9	46.3	458
General Products & Realty	55.0	62.7	506
ICT & Financial Business	62.5	66.8	574
The 8th	26.1	166.8	239
Others, Adjustments & Eliminations	69.0	(76.0)	634
Total	¥ 501.3	¥ 500.5	$ 4,606
Total assets as of March 31:			
Textile	¥ 451.1	¥ 527.2	$ 4,145
Machinery	1,207.7	1,180.3	11,097
Metals & Minerals	800.0	844.4	7,351
Energy & Chemicals	1,237.2	1,288.7	11,368
Food	1,765.3	1,640.4	16,220
General Products & Realty	1,007.5	980.6	9,257
ICT & Financial Business	1,208.3	1,093.3	11,103
The 8th	2,293.6	1,691.6	21,076
Others, Adjustments & Eliminations	948.9	852.2	8,719
Total	¥10,919.6	¥10,098.7	$100,336

Notes: 1. Others, Adjustments & Eliminations includes gains and losses which do not belong to any operating segment and internal eliminations between operating segments. The investments in CITIC Limited and C.P. Pokphand Co. Ltd. and the profits and losses from them are included in this segment.
2. Accompanying the establishment of The 8th Company, the amounts under “For the year ended March 31, 2019” and “Total assets on March 31, 2019” are presented post reclassification.

Performance of Subsidiaries, Associates, and Joint Ventures

Group Companies Reporting Profits / Losses

Billions of Yen

	2020			2019			Changes		
Years ended March 31	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total
Group companies (including overseas trading subsidiaries)	**¥471.1**	**¥(25.9)**	**¥445.2**	¥545.3	¥(107.4)	¥437.9	¥(74.2)	¥81.5	¥7.3

Share of Group Companies Reporting Profits

		2020			2019			Changes		
Years ended March 31		Profitable	Unprofitable	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total
Consolidated subsidiaries	No. of group companies	**181**	**22**	**203**	192	11	203	(11)	11	0
	Share	**89.2%**	**10.8%**	**100.0%**	94.6%	5.4%	100.0%	(5.4)%	5.4%	
Associates and Joint Ventures	No. of group companies	**75**	**11**	**86**	70	18	88	5	(7)	(2)
	Share	**87.2%**	**12.8%**	**100.0%**	79.5%	20.5%	100.0%	7.7%	(7.7)%	
Total	No. of group companies	**256**	**33**	**289**	262	29	291	(6)	4	(2)
	Share	**88.6%**	**11.4%**	**100.0%**	90.0%	10.0%	100.0%	(1.5)%	1.5%	

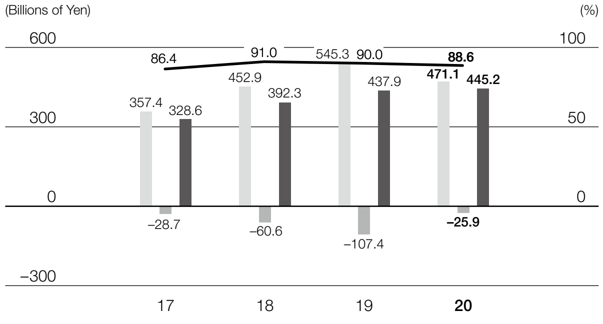
Note: Investment companies which are considered as part of the parent company (157 companies), and companies other than those which are directly invested by the Company and its overseas trading subsidiaries (520 companies) are not included in the number of companies.

In this fiscal year, net profit from subsidiaries, associates, and joint ventures increased by ¥7.3 billion to ¥445.2 billion (US$4,091 million).

The profit from Group companies reporting profits decreased by ¥74.2 billion to ¥471.1 billion (US$4,329 million), due to the absence of the revaluation gain accompanying the conversion of FamilyMart Co., Ltd. into a consolidated subsidiary in the previous fiscal year, despite the improvement of ITOCHU Minerals & Energy of Australia Pty Ltd as a result of the higher iron ore prices. Meanwhile, the loss from Group companies reporting losses decreased by ¥81.5 billion to ¥25.9 billion (US$238 million), due to the absence of the impairment loss on investment in CITIC Limited accounted for by the equity method in the previous fiscal year.

Share (%) of Group companies reporting profits decreased by 1.5 points, from 90.0% to 88.6%.

Net Profit (Loss) from Subsidiaries and Equity-method Associated Companies



Companies reporting profits (left) Companies reporting losses (left)
Net profit (loss) from subsidiaries and equity-method associated companies (left)
— Share of Group companies reporting profits* (right)

* For fiscal years

* Number of Group companies reporting profits as a percentage of the number of companies included in consolidation

Major Group companies reporting profits or losses for the years ended March 31, 2020 and 2019 were as follows:

Major Group Companies

		Net income (loss) attributable to ITOCHU *1	
		Billions of Yen	
Years ended March 31	Shares	2020	2019
Textile			
JOI'X CORPORATION	100.0%	¥ 0.8	¥ 1.2
DESCENTE LTD.	40.0%	(1.4)	1.2
EDWIN CO.,LTD.	98.5%	(1.3)	(0.8)
Sankei Co., Ltd.	100.0%	1.5	1.9
ITOCHU Textile Prominent (ASIA) Ltd.	100.0%	0.4	1.1
ITOCHU TEXTILE (CHINA) CO., LTD.	100.0%	1.1	1.1
Machinery			
Tokyo Century Corporation	25.8%	14.2	12.6
I-Power Investment Inc.	100.0%	1.8	(5.8)
I-ENVIRONMENT INVESTMENTS LIMITED	100.0%	1.2	1.0
ITOCHU Plantech Inc. *2	100.0%	2.1	1.4
IMECS Co., Ltd.	100.0%	0.8	1.6
JAMCO Corporation	33.4%	0.1	0.6
JAPAN AEROSPACE CORPORATION	100.0%	1.6	1.2
YANASE & CO., LTD.	66.0%	3.0	1.1
Auto Investment Inc.	100.0%	0.5	0.3
ITOCHU TC CONSTRUCTION MACHINERY CO., LTD. *3	50.0%	0.3	0.6
ITOCHU MACHINE-TECHNOS CORPORATION	100.0%	1.4	1.4
Century Medical, Inc.	100.0%	0.6	0.7
MULTIQUIP INC.	100.0%	2.8	2.8
Metals & Minerals			
ITOCHU Minerals & Energy of Australia Pty Ltd	100.0%	83.4	60.1
JAPÃO BRASIL MINÉRIO DE FERRO PARTICIPAÇÕES LTDA. *4	77.3%	9.4	1.7
ITOCHU Coal Americas Inc.	100.0%	1.1	2.0
Marubeni-Itochu Steel Inc.	50.0%	11.2	12.1
ITOCHU Metals Corporation *2	100.0%	1.8	1.6
Energy & Chemicals			
ITOCHU Oil Exploration (Azerbaijan) Inc.	100.0%	4.9	3.3
ITOCHU PETROLEUM CO., (SINGAPORE) PTE. LTD.	100.0%	0.7	0.5
ITOCHU ENEX CO., LTD.	54.0%	6.9	6.5
Japan South Sakha Oil Co., Ltd.	25.0%	7.7	9.1
ITOCHU CHEMICAL FRONTIER Corporation	100.0%	4.4	5.2
ITOCHU PLASTICS INC. *2	100.0%	4.1	3.8
C. I. TAKIRON Corporation	51.4%	6.4	2.9
Food			
Dole International Holdings, Inc.	100.0%	(0.2)	7.8
NIPPON ACCESS, INC. *2	100.0%	13.8	11.6
FUJI OIL HOLDINGS INC.	34.5%	5.1	3.0
Prima Meat Packers, Ltd.	42.5%	3.9	3.2
ITOCHU-SHOKUHIN Co.,Ltd.	52.2%	2.0	1.7
HYLIFE GROUP HOLDINGS LTD.	49.9%	3.0	2.7
General Products & Realty			
European Tyre Enterprise Limited	100.0%	6.2	4.2
ITOCHU FIBRE LIMITED	100.0%	1.9	16.1
Japan Brazil Paper & Pulp Resources Development Co., Ltd.	33.3%	(7.1)	7.3
ITOCHU PULP & PAPER CORPORATION *2	100.0%	1.1	0.9
ITOCHU CERATECH CORPORATION	100.0%	0.5	0.7
ITOCHU LOGISTICS CORP. *2	100.0%	5.1	3.1
ITOCHU KENZAI CORPORATION	100.0%	2.9	2.9
DAIKEN CORPORATION	35.0%	1.9	1.3
ITOCHU PROPERTY DEVELOPMENT, LTD.	100.0%	2.4	2.9

		Net income (loss) attributable to ITOCHU *1	
		Billions of Yen	
Years ended March 31	Shares	2020	2019
ICT & Financial Business			
ITOCHU Techno-Solutions Corporation	58.2%	16.6	14.2
BELLSYSTEM24 Holdings, Inc.	40.8%	1.8	1.2
CONEXIO Corporation	60.3%	4.0	4.0
ITOCHU Fuji Partners, Inc. *5	63.0%	0.2	1.4
HOKEN NO MADOGUCHI GROUP INC.	59.0%	2.8	2.0
POCKET CARD CO., LTD. *2, 6	63.1%	4.2	3.9
Orient Corporation	16.5%	3.7	4.2
First Response Finance Ltd.	100.0%	1.4	1.1
ITOCHU FINANCE (ASIA) LTD.	100.0%	3.5	2.7
The 8th			
FamilyMart Co., Ltd. *7	50.2%	17.5	17.3
Others, Adjustments & Eliminations			
Orchid Alliance Holdings Limited *8	100.0%	66.4	(85.0)
C.P. Pokphand Co. Ltd.	23.8%	7.1	5.5
Chia Tai Enterprises International Limited *9	23.8%	0.4	(2.9)
(Reference) Overseas Subsidiaries *10			
ITOCHU International Inc.	100.0%	10.8	12.9
ITOCHU Europe PLC	100.0%	3.5	6.9
ITOCHU (CHINA) HOLDING CO., LTD.	100.0%	2.7	4.6
ITOCHU Hong Kong Ltd.	100.0%	5.6	6.1
ITOCHU Singapore Pte. Ltd.	100.0%	0.1	2.9

*1. Net income (losses) attributable to ITOCHU is the figure after adjusting to IFRS, which may be different from the figures each company announces.
*2. The figures include net profits in The 8th.
*3. ITOCHU transferred 50% of the outstanding shares of the company to Tokyo Century Corporation on July 1, 2019. Also, ITOCHU TC CONSTRUCTION MACHINERY CO., LTD. changed its corporate name from ITOCHU CONSTRUCTION MACHINERY CO., LTD. on the same date.
*4 ITOCHU previously owned JAPÃO BRASIL MINÉRIO DE FERRO PARTICIPAÇÕES LTDA ("JBMF") indirectly via Brazil Japan Iron Ore Corporation ("BJIOC") and owns directly from the third quarter of the year ended March 31, 2020. The figure in the "Net income (loss) attributable to ITOCHU for 2019" column of JBMF is net profit in BJIOC, and the figure in the "Net income (loss) attributable to ITOCHU for 2020" column of JBMF is the sum of the net profit of the first half of the year ended March 31, 2020 in BJIOC and the second half of the year ended March 31, 2020 in JBMF.
*5 The figure in the "Net income (loss) attributable to ITOCHU for 2020" column of ITOCHU Fuji Partners, Inc. includes the impairment loss on investment accounted for by the equity method in SKY Perfect JSAT Holdings Inc. held by ITOCHU Fuji Partners, Inc.
*6 ITOCHU holds shares of POCKET CARD CO., LTD. through Money Communications Inc. (The company's name changed to PCH INC. on April 1, 2020) and FamilyMart Co., Ltd. which are subsidiaries of ITOCHU. The figures include net profit through FamilyMart Co., Ltd.
*7 The figure in the "Net income (loss) attributable to ITOCHU for 2019" column of FamilyMart Co., Ltd. doesn't include the revaluation gain, which is ¥141.2 billion, net of tax, accompanying the conversion into a consolidated subsidiary. The figures include net profit from POCKET CARD CO., LTD.
*8. The figures of Orchid Alliance Holdings Limited include related tax effects and other factors. The figure in the "Net income (loss) attributable to ITOCHU for 2019" column of Orchid Alliance Holdings Limited includes the impairment loss on investment in CITIC Limited accounted for by the equity method.
*9. The figure in the "Net income (loss) attribute to ITOCHU for 2019" column of Chia Tai Enterprise International Limited includes the impairment loss on investment accounted for by the equity method.
*10. Net profits of each overseas trading subsidiary included in each segment are presented for reference.

Liquidity and Capital Resources

Basic Funding Policy

The Company aims to ensure flexibility in funding in response to changes in financial conditions and to take advantage of opportunities to lower its overall financing costs. Also, as a means of enhancing 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 and a domestic Group Finance managing 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, funding by the parent Company, domestic and overseas Group Finance managing companies accounted for approximately 59% of consolidated interest-bearing debt.

Due to global spread of COVID-19, uncertainty regarding the global economy has been increasing. However, the Company has enough reserves for liquidity including commitment lines.

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 enables 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 2019 to August 2021, 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 Group Finance managing companies have registered a total of US$5,000 million in a Euro Medium Term Note Programme (Euro MTN).

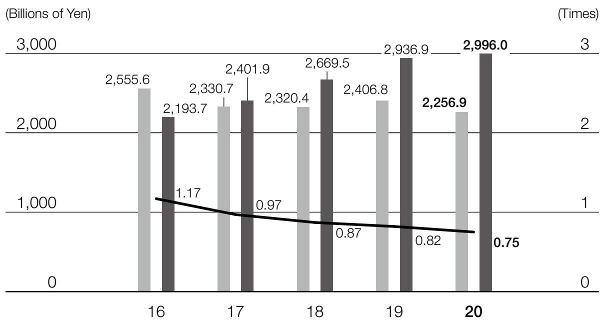
Ratings of the Company's long-term debt and short-term debt as of March 31, 2020 were as follows. Aiming to secure even higher ratings, the Company will strengthen profitability, improve financial position, and implement a thorough risk management.

Credit Rating Agency	Long-term Debt	Short-term Debt
Japan Credit Rating Agency (JCR)	AA / Stable	J-1+
Rating & Investment Information (R&I)	AA– / Stable	a-1+
Moody's Investors Service	A3 / Stable	P-2
Standard & Poor's (S&P)	A / Stable	A-1

Interest-Bearing Debt

Interest-bearing debt as of March 31, 2020 decreased by 3.6%, or ¥106.9 billion, compared with March 31, 2019 to ¥2,877.0 billion (US$26,436 million). Net interest-bearing debt (Interest-bearing debt after deducting Cash and cash equivalents and Time deposits) decreased by 6.2%, or ¥149.9 billion, to ¥ 2,256.9 billion (US$20,739 million). NET DER (debt-to-equity ratio) improved to 0.75 times from 0.82. Furthermore, the ratio of long-term interest-bearing debt to total interest-bearing debt was 76%, down 2 points from 78% as of March 31, 2019.

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



* For fiscal years

Details of interest-bearing debt as of March 31, 2020 and 2019 were as follows:

	Billions of Yen		Millions of U.S. Dollars
Years ended March 31	2020	2019	2020
Short-term debentures and borrowings			
Short-term and current maturities of long-term loans mainly from banks	¥ 574.1	¥ 548.7	$ 5,276
Commercial paper	32.0	30.5	294
Current maturities of debentures	78.3	71.7	719
Short-term total	684.4	650.9	6,289
Long-term debentures and borrowings			
Long-term loans mainly from banks, less current maturities	1,953.6	2,023.4	17,951
Debentures	239.0	309.5	2,196
Long-term total	2,192.6	2,332.9	20,147
Total interest-bearing debt	2,877.0	2,983.8	26,436
Cash and cash equivalents, time deposits	620.1	577.1	5,698
Net interest-bearing debt	¥2,256.9	¥2,406.8	$20,738

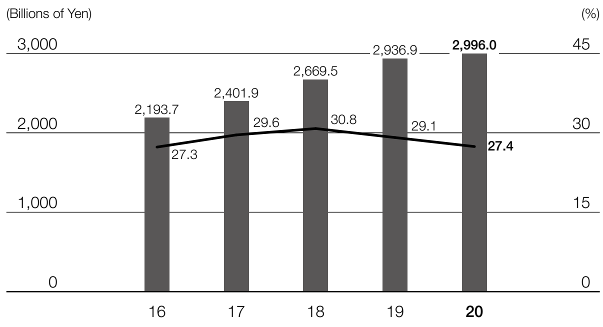
Financial Position

Total assets as of March 31, 2020 increased by 8.1%, or ¥820.9 billion, compared with March 31, 2019 to ¥10,919.6 billion (US$100,336 million), due to the effects of the application of new accounting standards and the conversion of Prima Meat Packers, Ltd. into a consolidated subsidiary, despite the effect accompanying the appreciation of the yen and the decreased trade receivables accompanying the absence of the effect of the last day of the previous fiscal year falling on a weekend.

Total shareholders' equity increased by 2.0%, or ¥59.0 billion, compared with March 31, 2019 to ¥2,996.0 billion (US$27,529 million), due to Net profit attributable to ITOCHU during this fiscal year, despite the decrease resulting from dividend payments, the repurchase of own shares, the effect accompanying the appreciation of the yen, and the decline in the fair value of stocks. As a result, the Ratio of shareholders' equity to total assets decreased by 1.6 points compared with March 31, 2019 to 27.4%.

Total equity, or the sum of Total shareholders' equity and Non-controlling interests, increased by 4.1%, or ¥150.5 billion, compared with March 31, 2019 to ¥3,840.6 billion (US$35,290 million).

Ratio of Shareholders' Equity to Total Assets



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

Reserves for Liquidity

ITOCHU Group 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, 2020, against the necessary liquidity amount, which is the total of short-term interest-bearing debt and contingent liabilities of ¥846.3 billion (US$7,776 million), the amount of reserves, which is the sum of cash, cash equivalents, time deposits (¥620.1 billion), and the unutilized commitment line (yen: ¥200.0 billion, multiple currency: US$1,700 million) was ¥1,005.1 billion (US$9,235 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 ¥604.6 billion (US$5,556 million).

	Billions of Yen	Millions of U.S. Dollars
	2020	2020
Years ended March 31	Liquidity Reserves	Liquidity Reserves
Cash and cash equivalents, time deposits	¥ 620.1	$5,698
Commitment line	¥ 385.0	$3,538
Total primary liquidity reserves	¥1,005.1	$9,236

	Billions of Yen	Millions of U.S. Dollars
Years ended March 31	2020	2020
Short-term debentures and borrowings	¥684.4	$6,289
Long-term debentures and borrowings (Note)	52.6	483
Contingent liabilities		
(Financial guarantees (substantial risk) of associates and joint ventures, customers)	109.3	1,004
Total	¥846.3	$7,776

Note: 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

Main funding needs in ITOCHU Group are working capital for operating activity, as well as funds for investment and acquisition of tangible assets.

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.

In the presence of the rapid changes in the operating environment associated with COVID-19 pandemic, we are viewing Fiscal Year 2021 as a year for consolidating our foothold and allocating cash flows conservatively.

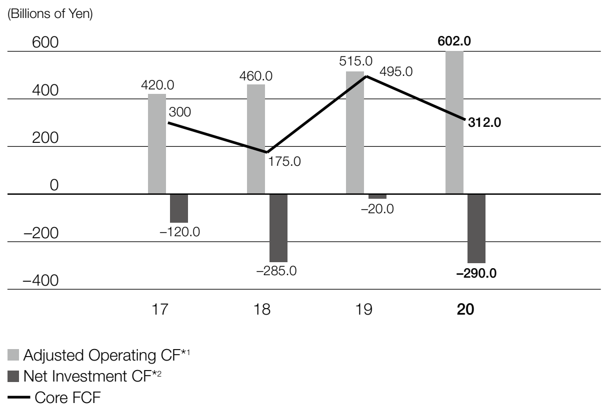
Cash flows from operating activities for the year ended March 31, 2020 was a net cash-inflow of ¥878.1 billion (US$8,069 million), resulting from the stable performance in operating revenues in The 8th, Metals & Minerals, Energy & Chemicals, and Food Companies. Cash flows from operating activities for the year ended March 31, 2019 was a net cash-inflow of ¥476.6 billion.

Cash flows from investing activities was a net cash-outflow of ¥248.8 billion (US$2,286 million), due to the investments in The 8th Company, the underwriting of the third party allocation of new shares implemented by Tokyo Century Corporation in Machinery Company, the investment in a North American facility-materials-related company in General Products & Realty Company, and the investment in a software-related company in ICT & Financial Business Company. Cash flows from investing activities for the year ended March 31, 2019 was a net cash-inflow of ¥201.1 billion.

Cash flows from financing activities was a net cash-outflow of ¥575.5 billion (US$5,288 million), due to the repayment of borrowings and lease liabilities, dividend payments, and the repurchase of own shares. Cash flows from financing activities for the year ended March 31, 2019 was a net cash-outflow of ¥538.3 billion.

Cash and cash equivalents as of March 31, 2020 increased by 6.9%, or ¥39.2 billion, to ¥611.2 billion (US$5,616 million), compared with March 31, 2019.

Core Free Cash Flows



* For fiscal years

*1. "Operating Cash Flows" minus "increase/decrease of working capital" (excluding the effects of lease accounting)

*2. Payments and collections for substantive investment and capital expenditure. "Investment Cash Flows" plus "Equity transactions with non-controlling interests" minus "changes in loan receivables", etc.

A summary of cash flows for the years ended March 31, 2020 and 2019 were as follows:

	Billions of Yen		Millions of U.S. Dollars
Years ended March 31	2020	2019	2020
Cash flows from operating activities	¥ 878.1	¥ 476.6	$ 8,069
Cash flows from investing activities	(248.8)	201.1	(2,286)
Cash flows from financing activities	(575.5)	(538.3)	(5,288)
Net change in cash and cash equivalents	53.9	139.4	495
Cash and cash equivalents at the beginning of the year	572.0	432.1	5,256
Effect of exchange rate changes on cash and cash equivalents	(14.7)	0.5	(135)
Cash and cash equivalents at the end of the year	¥ 611.2	¥ 572.0	$ 5,616

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 assumptions also take into account the impact of COVID-19. The Company expects that in Fiscal Year 2021, the impact would be major in the first quarter, become milder in the second quarter, and thereafter, it will recover to some extent in the third quarter, although the impact will vary depending on region and industry.

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

Please refer to the Notes 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 equity instruments

Among financial assets measured at fair value, the fair value of unlisted equity instruments 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 unlisted equity instruments in the future accounting periods.

Estimates of expected credit losses on financial assets measured at amortized cost and debt FVTOCI financial assets

Expected credit losses on financial assets measured at amortized cost and debt FVTOCI financial assets are estimated based on the difference between contractual cash flows and the expected amount of recoverable cash flows for the assets. The expected amount of recoverable cash flows for the assets may be affected by changes in future uncertain economic conditions and, as a result, there may be material adjustments to the amount of impairment losses on such assets in 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, 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.

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 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 areas where the judgment on application of accounting policies significantly affects the amounts of assets, liabilities, income, and expenses are mainly as follows:

- 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
- Judgment about whether credit risks on financial assets measured at amortized cost and debt FVTOCI financial assets have increased significantly
- Identification 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, 2020 and 2019
Prepared in conformity with IFRSs

	Millions of Yen		Millions of U.S. Dollars
Assets	2020	2019	2020
Current assets			
Cash and cash equivalents	¥ 611,223	¥ 572,030	$ 5,616
Time deposits	8,858	5,051	81
Trade receivables (Note 6)	2,113,746	2,397,608	19,422
Other current receivables (Note 6)	176,691	168,968	1,624
Other current financial assets (Note 12)	45,315	43,132	416
Inventories (Note 7)	952,029	937,183	8,748
Advances to suppliers	89,425	98,081	822
Other current assets	135,774	185,767	1,248
Total current assets	4,133,061	4,407,820	37,977
Non-current assets			
Investments accounted for by the equity method (Note 13)	1,640,286	1,559,280	15,072
Other investments (Note 12)	816,518	857,261	7,503
Non-current receivables (Note 6)	660,578	618,762	6,070
Non-current financial assets other than investments and receivables	172,417	270,116	1,584
Property, plant and equipment (Notes 8 and 16)	2,137,474	1,077,874	19,641
Investment property (Note 9)	58,595	32,524	538
Goodwill (Note 11)	403,940	391,560	3,711
Intangible assets (Note 11)	759,167	736,200	6,976
Deferred tax assets (Note 19)	61,051	65,609	561
Other non-current assets	76,511	81,697	703
Total non-current assets	6,786,537	5,690,883	62,359
Total assets (Note 4)	¥10,919,598	¥10,098,703	$100,336

Refer to Notes to Consolidated Financial Statements.

Liabilities and Equity	Millions of Yen 2020	Millions of Yen 2019	Millions of U.S. Dollars 2020
Current liabilities			
Short-term debentures and borrowings (Notes 15 and 33)	¥ 684,406	¥ 650,909	$ 6,289
Lease liabilities (short-term) (Notes 2 and 16)	242,076	—	2,224
Trade payables (Note 14)	1,707,472	1,942,037	15,689
Other current payables (Note 14)	215,175	234,518	1,977
Other current financial liabilities	35,699	27,073	328
Current tax liabilities (Note 19)	67,074	48,014	616
Advances from customers	81,799	88,480	752
Other current liabilities (Note 18)	368,163	350,343	3,383
Total current liabilities	3,401,864	3,341,374	31,258
Non-current liabilities			
Long-term debentures and borrowings (Notes 15 and 33)	2,192,557	2,332,928	20,147
Lease liabilities (long-term) (Notes 2 and 16)	937,345	—	8,613
Other non-current financial liabilities (Note 14)	68,900	215,609	633
Non-current liabilities for employee benefits (Note 17)	133,138	124,418	1,223
Deferred tax liabilities (Note 19)	200,912	251,489	1,846
Other non-current liabilities (Note 18)	144,273	142,769	1,326
Total non-current liabilities	3,677,125	3,067,213	33,788
Total liabilities	7,078,989	6,408,587	65,046
Equity			
Common stock (Note 21)	253,448	253,448	2,329
Capital surplus (Note 21)	50,677	49,584	466
Retained earnings (Notes 21 and 22)	2,948,135	2,608,243	27,089
Other components of equity (Note 23)			
Translation adjustments	(37,836)	81,037	(347)
FVTOCI financial assets (Note 12)	(31,972)	49,764	(294)
Cash flow hedges (Note 25)	(19,163)	433	(176)
Total other components of equity	(88,971)	131,234	(817)
Treasury stock (Note 21)	(167,338)	(105,601)	(1,538)
Total shareholders' equity	2,995,951	2,936,908	27,529
Non-controlling interests	844,658	753,208	7,761
Total equity	3,840,609	3,690,116	35,290
Total liabilities and equity	¥10,919,598	¥10,098,703	$100,336

Consolidated Statement of Comprehensive Income

ITOCHU Corporation and its Subsidiaries
Years ended March 31, 2020 and 2019
Prepared in conformity with IFRSs

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Revenues (Notes 4 and 27)			
Revenues from sale of goods	¥ 9,738,983	¥ 10,570,925	$ 89,488
Revenues from rendering of services and royalties	1,243,985	1,029,560	11,431
Total revenues	10,982,968	11,600,485	100,919
Cost			
Cost of sale of goods	(8,575,102)	(9,427,881)	(78,794)
Cost of rendering of services and royalties	(610,078)	(608,832)	(5,606)
Total cost	(9,185,180)	(10,036,713)	(84,400)
Gross trading profit (Note 4)	1,797,788	1,563,772	16,519
Other gains (losses)			
Selling, general and administrative expenses (Notes 17 and 28)	(1,380,944)	(1,193,301)	(12,689)
Provision for doubtful accounts	(17,406)	(8,979)	(160)
Gains on investments (Notes 5, 29 and 34)	57,801	203,034	531
Losses on property, plant, equipment and intangible assets (Notes 8, 11 and 30)	(4,396)	(12,041)	(40)
Other–net (Note 31)	(1,414)	10,734	(13)
Total other losses	(1,346,359)	(1,000,553)	(12,371)
Financial income (loss) (Note 32)			
Interest income	35,267	40,128	324
Dividends received	66,474	48,372	611
Interest expense	(57,600)	(54,388)	(529)
Total financial income	44,141	34,112	406
Equity in earnings of associates and joint ventures (Notes 4 and 13)	205,860	98,052	1,891
Profit before tax	701,430	695,383	6,445
Income tax expense (Note 19)	(142,221)	(149,694)	(1,307)
Net profit	559,209	545,689	5,138
Net profit attributable to ITOCHU (Note 4)	¥ 501,322	¥ 500,523	$ 4,606
Net profit attributable to non-controlling interests	57,887	45,166	532

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Other comprehensive income net of tax (Note 23)			
Items that will not be reclassified to profit or loss			
FVTOCI financial assets (Note 26)	¥ (67,643)	¥ 20,040	$ (622)
Remeasurement of net defined pension liability (Note 17)	(3,835)	(3,174)	(35)
Other comprehensive income in associates and joint ventures (Note 13)	(7,761)	9,143	(71)
Items that will be reclassified to profit or loss			
Translation adjustments (Note 26)	(92,645)	(8,803)	(851)
Cash flow hedges (Note 25)	(6,074)	(3,641)	(56)
Other comprehensive income in associates and joint ventures (Note 13)	(43,307)	(47,668)	(398)
Total other comprehensive income net of tax	(221,265)	(34,103)	(2,033)
Total comprehensive income	337,944	511,586	3,105
Total comprehensive income attributable to ITOCHU	¥ 279,832	¥464,785	$ 2,571
Total comprehensive income attributable to non-controlling interests	58,112	46,801	534

	Yen		U.S. Dollars
	2020	2019	2020
Basic earnings per share attributable to ITOCHU (Note 20)	¥335.58	¥324.07	$3.08
Diluted earnings per share attributable to ITOCHU (Note 20)	¥335.58	¥324.07	$3.08

Refer to Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

ITOCHU Corporation and its Subsidiaries
Years ended March 31, 2020 and 2019
Prepared in conformity with IFRSs

	Millions of Yen							
	Shareholders' equity							
	Common stock	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total shareholders' equity	Non-controlling interests	Total equity
Balance on April 1, 2019	¥253,448	¥49,584	¥2,608,243	¥ 131,234	¥(105,601)	¥2,936,908	¥753,208	¥3,690,116
Cumulative effects of the application of new accounting standards (Note 2)			(26,501)			(26,501)	(5,295)	(31,796)
Net Profit			501,322			501,322	57,887	559,209
Other comprehensive income (Note 23)				(221,490)		(221,490)	225	(221,265)
Total comprehensive income			501,322	(221,490)		279,832	58,112	337,944
Cash dividends to shareholders (Note 22)			(133,537)			(133,537)		(133,537)
Cash dividends to non-controlling interests							(27,295)	(27,295)
Net change in acquisition (disposition) of treasury stock (Note 21)					(61,737)	(61,737)		(61,737)
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests		1,093		(107)		986	65,928	66,914
Transfer to retained earnings			(1,392)	1,392		—		—
Balance on March 31, 2020	¥253,448	¥50,677	¥2,948,135	¥ (88,971)	¥(167,338)	¥2,995,951	¥844,658	¥3,840,609

	Millions of Yen							
	Shareholders' equity							
	Common stock	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total shareholders' equity	Non-controlling interests	Total equity
Balance on April 1, 2018	¥253,448	¥ 160,271	¥2,324,766	¥ 81,206	¥(150,208)	¥2,669,483	¥314,868	¥2,984,351
Cumulative effects of the application of new accounting standards			(14,097)			(14,097)	5	(14,092)
Net Profit			500,523			500,523	45,166	545,689
Other comprehensive income (Note 23)				(35,738)		(35,738)	1,635	(34,103)
Total comprehensive income			500,523	(35,738)		464,785	46,801	511,586
Cash dividends to shareholders (Note 22)			(116,437)			(116,437)		(116,437)
Cash dividends to non-controlling interests							(20,829)	(20,829)
Net change in acquisition (disposition) of treasury stock (Note 21)					(59,456)	(59,456)		(59,456)
Cancellation of treasury stock (Note 21)		(104,063)			104,063	—		—
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests		(6,624)		(746)		(7,370)	412,363	404,993
Transfer to retained earnings			(86,512)	86,512		—		—
Balance on March 31, 2019	¥253,448	¥ 49,584	¥2,608,243	¥131,234	¥(105,601)	¥2,936,908	¥753,208	¥3,690,116

	Millions of U.S. Dollars							
	Shareholders' equity							
	Common stock	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total shareholders' equity	Non-controlling interests	Total equity
Balance on April 1, 2019	$2,329	$456	$23,966	$ 1,206	$ (971)	$26,986	$6,921	$33,907
Cumulative effects of the application of new accounting standards (Note 2)			(243)			(243)	(49)	(292)
Net Profit			4,606			4,606	532	5,138
Other comprehensive income (Note 23)				(2,035)		(2,035)	2	(2,033)
Total comprehensive income			4,606	(2,035)		2,571	534	3,105
Cash dividends to shareholders (Note 22)			(1,227)			(1,227)		(1,227)
Cash dividends to non-controlling interests							(251)	(251)
Net change in acquisition (disposition) of treasury stock (Note 21)					(567)	(567)		(567)
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests		10		(1)		9	606	615
Transfer to retained earnings			(13)	13		—		—
Balance on March 31, 2020	$2,329	$466	$27,089	$ (817)	$(1,538)	$27,529	$7,761	$35,290

Refer to Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

ITOCHU Corporation and its Subsidiaries
Years ended March 31, 2020 and 2019
Prepared in conformity with IFRSs

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Cash flows from operating activities			
Net profit	¥ 559,209	¥ 545,689	$ 5,138
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation and amortization	422,624	154,944	3,883
(Gains) losses on investments	(57,801)	(203,034)	(531)
(Gains) losses on property, plant, equipment and intangible assets	4,396	12,041	40
Financial (income) loss	(44,141)	(34,112)	(406)
Equity in earnings of associates and joint ventures	(205,860)	(98,052)	(1,891)
Income tax expense	142,221	149,694	1,307
Provision for doubtful accounts and other provisions	22,154	1,394	203
Change in trade receivables	252,470	(11,645)	2,320
Change in inventories	(11,349)	(32,287)	(104)
Change in trade payables	(222,887)	(30,051)	(2,048)
Other–net	5,340	36,245	49
Proceeds from interest	34,460	37,525	317
Proceeds from dividends	152,862	140,146	1,405
Payments for interest	(62,775)	(56,365)	(577)
Payments for income taxes	(112,790)	(135,581)	(1,036)
Net cash provided by (used in) operating activities	878,133	476,551	8,069
Cash flows from investing activities			
Payments for purchase of investments accounted for by the equity method	(70,164)	(170,012)	(645)
Proceeds from sale of investments accounted for by the equity method	19,249	63,900	177
Payments for purchase of other investments	(171,729)	(84,399)	(1,578)
Proceeds from sale of other investments	88,412	94,693	812
Acquisitions of subsidiaries, net of cash acquired (Note 33)	13,935	134,455	128
Sales of subsidiaries, net of cash held by subsidiaries (Note 33)	—	208,274	—
Origination of loans receivable	(34,335)	(32,486)	(315)
Collections of loans receivable	55,746	60,209	512
Payments for purchase of property, plant, equipment and intangible assets	(199,527)	(113,572)	(1,833)
Proceeds from sale of property, plant, equipment and intangible assets	51,839	17,900	476
Net change in time deposits	(2,192)	22,187	(20)
Net cash provided by (used in) investing activities	(248,766)	201,149	(2,286)
Cash flows from financing activities			
Proceeds from debentures and loans payable (Note 33)	851,842	1,022,401	7,827
Repayments of debentures and loans payable (Note 33)	(1,001,359)	(1,278,272)	(9,201)
Repayments of lease liabilities (Notes 2 and 33)	(267,193)	—	(2,455)
Net change in other loans payable (Note 33)	69,791	(89,176)	641
Equity transactions with non-controlling interests	(5,774)	18,947	(53)
Cash dividends (Note 22)	(133,537)	(116,437)	(1,227)
Cash dividends to non-controlling interests	(27,236)	(27,081)	(250)
Net change in treasury stock	(62,016)	(68,700)	(570)
Net cash provided by (used in) financing activities	(575,482)	(538,318)	(5,288)
Net change in cash and cash equivalents	53,885	139,382	495
Cash and cash equivalents at the beginning of the year	572,030	432,140	5,256
Effect of exchange rate changes on cash and cash equivalents	(14,692)	508	(135)
Cash and cash equivalents at the end of the year	¥ 611,223	¥ 572,030	$ 5,616

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.

By leveraging these comprehensive capabilities and via global networks spanning eight Division Companies, the Company operates in a wide range of industries.

The Consumer-Related Sector covers textiles, food, general products & realty and ICT & financial business; the Basic Industry-Related Sector includes machinery, chemicals, petroleum products and steel products; and the Natural Resource-Related Sector includes metal and energy resources.

On July 1, 2019, the Company established The 8th Company and changed its organizational structure from seven Division Companies to eight Division Companies.

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 and SIC Interpretations.

(2) Basis of Measurement

The Company prepares the 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 the 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, 2020 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥108.83 = US$1, the exchange rate prevailing on March 31, 2020.

(4) Changes 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, 2020.

The Application of IFRS 16 “Leases”

The Company and its subsidiaries previously applied IAS 17 “Leases” (hereinafter referred to as “IAS 17”). From the fiscal year ended March 31, 2020, the Company and its subsidiaries have applied IFRS 16 “Leases” (hereinafter referred to as “IFRS 16”).

This standard introduces a single lessee accounting model so that for all leases, in principle, it requires a lessee to recognize in the Consolidated Statement of Financial Position, right-of-use assets representing its rights to use the underlying leased assets and lease liabilities representing its obligations to make lease payments for all leases. Moreover, it requires a lessee to recognize in the Consolidated Statement of Comprehensive Income, depreciation of right-of-use assets and interest on lease liabilities. In addition, in the Consolidated Statement of Cash Flows, lease payments for the principal portion of lease liabilities are considered cash-outflows from financing activities.

The Company and its subsidiaries recognized the cumulative effects of initially applying the standard as an adjustment to the opening balance of retained earnings of the fiscal year ended March 31, 2020 in accordance with the transitional method provided by the standard.

For leases as lessee previously classified as operating leases when applying IAS 17, right-of-use assets and lease liabilities are recognized as of the date of the initial application of IFRS 16. Lease liabilities are measured at the present value of the remaining lease payments discounted using the lessee’s incremental borrowing rate at the date of initial application. The weighted average lessee’s incremental borrowing rate is 1.3%.

For leases that were previously classified as finance leases as a lessee applying IAS 17, the carrying amounts of right-of-use assets and lease liabilities as of the date of initial application have been measured based on the carrying amounts of lease assets and lease obligations, respectively, under IAS 17 as of the day immediately before that date.

The following shows the reconciliation between the value after discounting of future minimum lease payments under non-cancellable operating leases disclosed at the end of the previous fiscal year and lease liabilities recognized in the Consolidated Statement of Financial Position at the date of initial application.

	Amount (Millions of Yen)
Non-cancellable operating lease contracts at the end of the previous fiscal year	¥ 467,000
Non-cancellable operating lease contracts at the end of the previous fiscal year (after discounting)	427,877
Finance lease liabilities recognized at the end of the previous fiscal year	188,333
Discounted present value of cancellable operating lease contracts, etc.	637,719
Lease liabilities at the date of initial application	¥1,253,929

As a result of applying IFRS 16, the opening balance of assets increased by ¥1,027,687 million and liabilities increased by ¥1,059,482 million at the beginning of the fiscal year ended March 31, 2020. In addition, retained earnings decreased by ¥26,501 million.

The Company and its subsidiaries used the following practical expedients in the application of IFRS 16.

- The pre-existing assessment is used when deciding whether a lease is included in the contracts existing on the date of initial application.
- A single discount rate is applied to portfolios of leases with reasonably similar characteristics.
- A lessee may rely on its assessment of whether leases are onerous applying IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” immediately before the date of initial application as an alternative to performing an impairment review.
- Leases for which the lease term ends within 12 months of the date of initial application are accounted for in the same way as short-term leases.
- Initial direct costs are excluded from the measurement of right-of-use assets at the date of initial application.
- Hindsight is used to calculate the lease term for lease contracts including options to extend or cancel the lease.

(5) Changes in Presentation

Consolidated Statement of Financial Position

In the Consolidated Statement of Financial Position, lease liabilities, which are included in “Other current payables” and “Other non-current financial liabilities” account, are presented independently due to the application of IFRS 16 and the amounts of lease liabilities at the end of the previous fiscal year are not reclassified.

Consolidated Statement of Cash Flows

In the Consolidated Statement of Cash Flows, “Repayments of lease liabilities”, which is included in “Repayments of debentures and loans payable” account, is presented independently in Cash flows from financing activities due to the application of IFRS 16 and the amount of “Repayments of lease liabilities” the year ended March 31, 2019 is not reclassified.

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 “Business Combinations”. 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 and the liabilities assumed from 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 is remeasured at acquisition-date fair value and non-controlling interest is remeasured at acquisition-date fair value or at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets. Goodwill is then recognized as of the acquisition date, measured as the excess of the aggregate of the consideration transferred, 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 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.

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 shareholders' 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 ventures 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.

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 equity instruments 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 Instruments”, the Company and its subsidiaries initially recognize financial assets other than derivatives on the accrual date for trade receivables and other receivables, and on the transaction date for sales and purchase of other financial assets. An overview of the classification and measurement models of financial assets other than derivatives is as follows.

At the point of initial recognition of the financial assets, those that meet both of the two conditions below are categorized as financial assets measured at amortized cost, and others are categorized as financial assets measured at fair value:

- Those assets are held under a business model whose objective is to collect contractual cash flows; and
- The contractual cash flows associated with those 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 initial recognition are recorded in profit or loss (FVTPL financial assets) and those for which changes in fair value after initial recognition are recorded in other comprehensive income (FVTOCI financial assets).

As for equity instruments measured at fair value, those with the objective of obtaining gains on short-term sales are categorized as FVTPL financial assets, and the others, primarily held long-term with the objective of strengthening transaction relationships, are categorized as FVTOCI financial assets. As for debt instruments measured at fair value, those which meet both of the conditions below are categorized as FVTOCI financial assets, and the others are categorized as FVTPL financial assets:

- Those assets are under a business model whose objectives are both collecting contractual cash flows and selling the financial assets; and
- The contractual cash flows associated with those assets comprise only payments of principal and interest on the outstanding principal balance, and the dates of those cash flows are specified.

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

Financial assets measured at fair value are subsequently measured 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 equity FVTOCI financial assets. For debt FVTOCI financial assets, changes in fair value after deducting foreign exchange gain or loss and impairment loss (and its reversal) are recognized in other comprehensive income. For both FVTPL financial assets and FVTOCI financial assets, dividends received on equity instruments are recognized in profit or loss.

When an equity FVTOCI financial asset is sold, the difference between the carrying amount and the consideration received is recognized in other comprehensive income (FVTOCI financial assets), and the accumulated other comprehensive income on the equity FVTOCI financial asset recognized before the derecognition (accumulated FVTOCI financial assets) is reclassified to retained earnings. When a debt FVTOCI financial asset is sold, the difference between the carrying amount and the consideration received is recognized in profit or loss, and the accumulated other comprehensive income on the debt FVTOCI financial asset before the derecognition (accumulated FVTOCI financial assets) is reclassified to profit or loss.

A financial asset is derecognized when the contractual rights to the cash flows from the 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 foreign exchange forward 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, wherein the hedging relationship meets the hedge effectiveness requirements, such as the existence of an economic relationship between the hedged item and the hedging instrument, 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 equity FVTOCI financial assets 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, wherein the hedging relationship meets the hedge effectiveness requirements, such as the existence of an economic relationship between the hedged item and the hedging instrument, 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.

In applying the rules above for fair value hedges, cash flow hedges, and hedges of a net investment in foreign operations, in order to assess the economic relationship between the hedged item and the hedging instrument, the Company and its subsidiaries evaluate at the inception of the hedge, and on an ongoing basis, 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 prospectively from the point at which the hedging relationship no longer meets the qualifying criteria.

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 presented 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 required until completion.

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

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

Property, plant and equipment other than right-of-use assets, except for items that are not subject to depreciation, such as land, are mainly depreciated using the straight-line method or the unit-of-production method over their estimated useful lives (buildings and structures: 2–60 years, machinery and vehicles: 2–33 years, fixtures, fittings and office equipment: 2–20 years) from the time when they become available for use. Right-of-use assets are depreciated using the straight-line method 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.

Investment properties other than right-of-use assets, except for items that are not subject to depreciation, such as land, are depreciated mainly using the straight-line method over its estimated useful life (2–50 years) from the time when it becomes available for use. Right-of-use assets are depreciated using the straight-line method over the shorter of the lease period or the estimated useful life.

(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: 5–42 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

In accordance with IFRS 16, the Company and its subsidiaries decides whether or not a contract is a lease. Whether or not a contract includes a lease is decided based on examination of the economic nature of transactions, regardless of whether or not a contract's legal form is that of a lease contract.

1) Leases as lessee

If a contract is, or contains, a lease, right-of-use assets and lease liabilities are recognized at the commencement date of the lease.

Lease liabilities are measured using the present value of unpaid lease payments. Lease payments are allocated to finance costs and repayments of lease liabilities based on the effective interest method with finance costs presented in "Interest expense" in the Consolidated Statement of Comprehensive Income.

The cost model is applied to measure right-of-use assets, and the value, measured at acquisition cost less accumulated depreciation and accumulated impairment losses, is presented in Consolidated Statement of Financial Position by including it under "Property, plant and equipment" and "Investment property." The acquisition cost includes the initial direct costs and other items in addition to the amount initially measured for the lease liability. Right-of-use assets are depreciated over the underlying asset's estimated useful life if ownership rights of the underlying asset are transferred to the lessee before the termination of the lease term or if exercise of a bargain purchase option is expected, and in other cases right-of-use assets are depreciated using the straight-line method over the shorter of the lease period or the estimated useful life.

2) Leases as lessor

If the contract is a lease or it contains a lease, and the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset, it is classified as a finance lease and any lease other than finance leases is classified as an operating lease.

For finance leases, net investments in the leases are recognized as lease receivables. Lease payments receivable are allocated to finance income and lease receivables based on the effective interest method with finance income presented in "Interest income" in the Consolidated Statement of Comprehensive Income. Further, if the main purpose of the finance lease is the sale of goods and the finance lease 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 "Revenues" in the Consolidated Statement of Comprehensive Income, and the purchase price of the assets subject to leases is recognized as "Cost of sale of goods" in the Consolidated Statement of Comprehensive Income.

For operating leases, except in cases where another systematic basis is more representative of the pattern of the lessee's benefit, lease payments receivable are recognized in profit or loss on a straight-line basis over the lease term.

(9) Impairment

1) Financial assets measured at amortized cost and debt FVTOCI financial assets

For financial assets measured at amortized cost and debt FVTOCI financial assets, an impairment loss is recognized in profit or loss by estimating expected credit losses.

If, at the end of the reporting period, the credit risk on a financial instrument has not increased significantly since its initial recognition, the amount of loss allowance is calculated based on expected credit losses resulting from default that are possible within 12 months after the end of the reporting period (12-month expected credit losses). If at the end of the reporting period the credit risk on a financial instrument has increased significantly since its initial recognition, the amount of loss allowance is calculated based on the expected credit losses resulting from default that are possible over the entire expected life of the instrument (lifetime expected credit losses). The assessment of whether the credit risk has increased significantly is made based on reasonable and supportable information including past-due information as well as whether or not any credit event occurs.

For trade receivables, contract assets, and lease receivables, notwithstanding the foregoing, the amount of loss allowance is always calculated based on the lifetime expected credit losses.

Expected credit losses are estimated based on the difference between contractual cash flows and the expected amount of recoverable cash flows. In this estimation, past credit loss experience, current financial positions of debtors, and reasonable and supportable information available on future forecasts have been incorporated.

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 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 related 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 and joint ventures 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 expected credit 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.

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

The Company and its subsidiaries recognize revenue in accordance with the following five-step model based on IFRS 15 “Revenue from Contracts with Customers”.

Step 1: Identify the contract
Step 2: Identify performance obligations
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations
Step 5: Recognize revenue when or as a performance obligation is satisfied

“Revenue on product sales transactions” and “revenue on rendering of services and royalty transactions” are recognized when performance obligations in contracts with customers are satisfied, i.e., when control of goods or services provided by the Company and its subsidiaries is transferred to customers. In addition, if consideration includes a variable amount, the consideration is included in the transaction price to the extent that it is highly probable that there will be no significant reversal in the cumulative amount of revenue recognized. The specific criteria for revenue recognition for each type of transaction are as follows:

1) Product sales transactions

Revenues from product sales transactions include wholesale, retail sales, manufactured product sales, and processed product sales. For these transactions, performance obligations are satisfied and revenue is recognized at the time the delivery conditions agreed to with customers are met, such as delivery of products to customers, issuance of warehouse receipt, and receipt of acceptance certificate. In work contract transactions and production of software to order, since performance obligations are satisfied according to the progress of the contract work or production to order, revenue is recognized in accordance with the progress of satisfaction of the performance obligations. In addition, revenues are recognized based on the accumulated actual cost incurred at the end of the period as a percentage of estimated total costs if the total costs required until completion can be estimated reliably, while if 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.

2) Rendering of services and royalty transactions

Revenues from rendering of services include software maintenance and other services. Revenues from these transactions are recorded when performance obligations identified from the contract are satisfied. For transactions in which performance obligations are satisfied over a period of time, revenues are recognized in accordance with the progress of satisfaction of the performance obligations.

For royalty transactions, if the right of access to the entity's intellectual property that exists over the license period is granted, revenues are recognized over the license period because performance obligations are satisfied over a period of time.

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

With regards to the presentation of revenue on a gross or a net basis, revenue from transactions with a customer in which the control of goods or services is obtained by a company before the goods or services are transferred to the customer, are presented on a gross basis.

(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 taxable losses expected to be paid or refunded. These tax amounts are calculated based on tax rates enacted, or substantially enacted, 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.

(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 excluding bearer plants 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.

For bearer plants which are classified as property, plant and equipment, the cost model is applied, and bearer plants 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.

The assumptions also take into account the impact of COVID-19. The Company expects that in Fiscal Year 2021, the impact would be major in the first quarter, become milder in the second quarter, and thereafter, it will recover to some extent in the third quarter, although the impact will vary depending on region and industry.

Assumptions and estimates that have a risk of resulting in material adjustments in the future accounting periods are mainly as follows. Also, please refer to 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 equity instrument

Among financial assets measured at fair value, the fair value of unlisted equity instrument 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 unlisted equity instrument in the future accounting periods. (Refer to Note 12 Securities and Other Investments and Note 26 Financial Instruments Measured at Fair Value)

Estimates of expected credit losses on financial assets measured at amortized cost and debt FVTOCI financial assets

Expected credit losses on financial assets measured at amortized cost and debt FVTOCI financial assets are estimated based on the difference between contractual cash flows and the expected amount of recoverable cash flows for the assets. The expected amount of recoverable cash flows for the assets may be affected by changes in future uncertain economic conditions and, as a result, there may be material adjustments to the amount of impairment losses on such assets in future accounting periods. (Refer to Note 24 Financial Instruments)

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. (Refer to Note 8 Property, Plant and Equipment, Note 9 Investment Property, Note 11 Goodwill and Intangible Assets, and Note 13 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 present value of defined benefit obligations net of the fair value of plan assets are recognized as either 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 future accounting periods. (Refer to Note 17 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. (Refer to Note 18 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. (Refer to Note 19 Income Taxes)

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

- Scope of subsidiaries or associates and joint ventures (Refer to Note 13 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 (Refer to Note 12 Securities and Other Investments)
- Judgment about whether, in light of their economic nature, transactions are lease transactions (Refer to Note 16 Leases)
- Judgement about whether credit risks on financial assets measured at amortized cost and debt FVTOCI financial assets have increased significantly (Refer to Note 24 Financial Instrument)
- Identification 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 (Refer to Note 8 Property, Plant and Equipment, Note 9 Investment Property, Note 11 Goodwill and Intangible Assets, and Note 13 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 (Refer to Note 8 Property, Plant and Equipment, Note 9 Investment Property, Note 11 Goodwill and Intangible Assets, and Note 13 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 (Refer to Note 8 Property, Plant and Equipment, Note 9 Investment Property, Note 11 Goodwill and Intangible Assets, and Note 13 Associates and Joint Ventures)
- Recognition of provisions (Refer to Note 18 Provisions)
- Judgment about the timing of revenue recognition and whether to present revenue as gross basis or net basis (Refer to Note 4 Segment Information and Note 13 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.

By leveraging these comprehensive capabilities and via global networks spanning eight Division Companies, the Company and its subsidiaries operate in a wide range of industries. The Consumer-Related Sector covers textiles, food, general products & realty, and ICT & financial business; 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 in these diverse business activities, the Company has established a system of eight Division Companies organized in line with their respective industries, principal products, and services—Textile, Machinery, Metals & Minerals, Energy & Chemicals, Food, General Products & Realty, ICT & Financial Business , and The 8th. 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 management determines 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 is presented below, with these eight Division Companies comprising the reportable segments.

In addition, on July 1, 2019, ITOCHU established The 8th Company and changed its organizational structure from seven division companies to eight division companies.

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 the production and sales of all stages of the textile business from raw materials, threads, textiles to the final products for garments, home furnishings, and industrial materials, 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; power generation, electricity sales 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 trading of biomass fuel 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, trading in iron ore, coal, pig iron and ferrous raw materials, non-ferrous and light metals, steel products, nuclear fuels in Japan and overseas, and trading in greenhouse gas emissions.

Energy & Chemicals

The Energy & Chemicals segment is engaged in trading of energy-related products such as oil, petroleum products, LPG, LNG, natural gas, and electric power, as well as related projects, the exploration, development, and production of petroleum and gas-related projects, heat supply business, the business and trading in organic chemicals, inorganic chemicals, pharmaceutical products, plastics, fine chemicals, electronic materials, and storage batteries.

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.

General Products & Realty

The General Products & Realty segment is engaged in the general products and distribution sector such as pulp and paper business, natural rubber business, tire business, and logistics business; in the construction and real estate sector such as development, sales, lease, and operation of real estate and building products & materials business.

ICT & Financial Business

The ICT & Financial Business segment is engaged in the ICT sector such as IT solutions, internet-related services, and distribution of mobile phone devices and after-sales services; and in the finance and insurance sector such as various financial services and insurance business.

The 8th

The 8th segment collaborates with the seven existing Division Companies to fully leverage various business platforms, particularly in the consumer sector, which is an area of our strength. By accelerating cross-industrial integrations and cross-Division Company initiatives, The 8th Company develops new business fields and cultivates new partners with a market-oriented perspective for catering to market and consumer needs.

The Company's segment information was as follows. Intersegment transactions are priced with reference to prices applicable to transactions with unaffiliated parties. There were no significant transactions that generated revenue with any single external customer for the years ended March 31, 2020 and 2019.

	Millions of Yen									
	2020									
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total
Revenues from external customers	¥537,445	¥1,212,478	¥643,912	¥2,603,205	¥3,828,309	¥ 808,103	¥ 751,084	¥ 516,893	¥ 81,539	¥10,982,968
Intersegment revenues	68	20	—	36,774	5,127	23,134	13,360	195	(78,678)	—
Total revenues	537,513	1,212,498	643,912	2,639,979	3,833,436	831,237	764,444	517,088	2,861	10,982,968
Gross trading profit	107,462	194,905	105,204	217,859	303,999	157,023	249,715	459,899	1,722	1,797,788
Equity in earnings of associates and joint ventures	3,675	30,709	22,275	11,071	15,636	5,114	40,686	1,463	75,231	205,860
Net profit attributable to ITOCHU	9,082	56,717	111,357	61,745	49,882	55,032	62,470	26,056	68,981	501,322
Reportable segment assets	¥451,137	¥1,207,681	¥800,022	¥1,237,169	¥1,765,292	¥1,007,467	¥1,208,310	¥2,293,647	¥948,873	¥10,919,598

	Millions of Yen									
	2019									
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total
Revenues from external customers	¥593,553	¥1,222,821	¥666,109	¥3,124,420	¥3,770,252	¥890,057	¥ 728,043	¥ 496,536	¥ 108,694	¥11,600,485
Intersegment revenues	73	9,479	—	33,740	11,782	24,089	10,070	24,007	(113,240)	—
Total revenues	593,626	1,232,300	666,109	3,158,160	3,782,034	914,146	738,113	520,543	(4,546)	11,600,485
Gross trading profit	118,905	193,830	82,845	216,554	278,639	164,079	207,824	305,097	(4,001)	1,563,772
Equity in earnings of associates and joint ventures	8,404	30,051	20,114	13,401	17,476	30,904	42,147	13,365	(77,810)	98,052
Net profit attributable to ITOCHU	29,764	47,080	78,744	78,381	46,285	62,679	66,767	166,827	(76,004)	500,523
Reportable segment assets	¥527,204	¥1,180,268	¥844,399	¥1,288,711	¥1,640,440	¥980,618	¥1,093,255	¥1,691,617	¥ 852,191	¥10,098,703

	Millions of U.S.Dollars									
	2020									
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total
Revenues from external customers	$4,938	$11,141	$5,917	$23,920	$35,177	$7,425	$ 6,902	$ 4,750	$ 749	$100,919
Intersegment revenues	1	0	—	338	47	213	123	1	(723)	—
Total revenues	4,939	11,141	5,917	24,258	35,224	7,638	7,025	4,751	26	100,919
Gross trading profit	987	1,791	967	2,002	2,793	1,443	2,294	4,226	16	16,519
Equity in earnings of associates and joint ventures	34	282	205	102	143	47	374	13	691	1,891
Net profit attributable to ITOCHU	84	521	1,023	567	458	506	574	239	634	4,606
Reportable segment assets	$4,145	$11,097	$7,351	$11,368	$16,220	$9,257	$11,103	$21,076	$8,719	$100,336

Notes: 1. Others, Adjustments & Eliminations includes gains and losses which do not belong to any operating segment and internal eliminations between operating segments. The investments in CITIC Limited and C.P. Pokphand Co. Ltd. and the profits and losses from them are included in this segment.
2. Accompanying the establishment of The 8th Company, the amounts under "For the year ended March 31, 2019" and "Total assets on March 31, 2019" are presented post reclassification.

(2) Information about Geographical Areas

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

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Japan	¥ 8,686,037	¥ 8,996,916	$ 79,813
United States	588,588	712,571	5,408
Singapore	534,239	668,072	4,909
China	287,017	327,769	2,637
Australia	222,383	196,390	2,044
Others	664,704	698,767	6,108
Total	¥10,982,968	¥11,600,485	$100,919

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
	2020	2019	2020
Japan	¥2,700,139	¥1,651,383	$24,811
Australia	147,523	163,078	1,355
United Kingdom	140,485	101,600	1,291
Singapore	140,054	127,718	1,287
United States	104,572	90,216	961
Others	195,485	180,561	1,796
Total	¥3,428,258	¥2,314,556	$31,501

Notes: 1. Information about geographical areas above was grouped taking into consideration the actual conditions of transactions 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 combinations for the year ended March 31, 2020 were as follows:

(Acquisition of Prima Meat Packers, Ltd.)

ITOCHU, along with its subsidiary, ITOCHU-SHOKUHIN Co., Ltd. (hereinafter, "ITOCHU-SHOKUHIN"), held 42.63% of voting rights in Prima Meat Packers, Ltd. (hereinafter, "This Company") as of the end of the first half of Fiscal Year 2020. Accordingly, equity method was applied to This Company as an associated company for the first half of Fiscal Year 2020. After that point and until October 18, 2019 (hereinafter, the "Acquisition Date"), ITOCHU-SHOKUHIN purchased additional common shares of This Company in the market, increasing the percentage of voting rights held by the ITOCHU Group, including ITOCHU's portion, to 44.37%. Although the ITOCHU Group does not hold majority voting rights in This Company, ITOCHU deems that This Company corresponds to a subsidiary, given the dispersion of voting rights and past patterns in the exercise of voting rights. Shares were purchased for consideration of ¥2,120 million (US$19 million) all of which was paid in cash. No contingent considerations exist.

ITOCHU-SHOKUHIN's primary businesses are the wholesaling of alcoholic beverages and food products, the storage and transport of these items, the provision of information on these products, and merchandising and other activities related to product distribution. ITOCHU-SHOKUHIN purchased shares in This Company to strengthen its wholesale function as part of its growth strategy, expand its field of business, and broaden and deepen its existing core businesses.

ITOCHU has positioned This Company as a core company in its livestock value chain. By now converting This Company to a subsidiary, we will contribute to further increases in This Company's corporate value by leveraging our management know-how and global sourcing and sales systems.

The following table summarizes the consideration paid, previously held equity interests, assets acquired and liabilities assumed, as measured at fair value, as well as non-controlling interests assumed, at the Acquisition Date. No contingent consideration was recognized.

	Millions of Yen	Millions of U.S. Dollars
Fair value of consideration paid (Note 1)	¥ 2,120	$ 19
Fair value of previously held equity interests	52,723	484
Non-controlling interests (Note 2)	64,136	590
Total	118,979	1,093
Fair value of assets acquired and liabilities assumed		
Trade receivables	42,467	390
Other current assets	42,837	394
Property, plant and equipment	91,006	836
Intangible assets	27,056	249
Other non-current assets	6,788	62
Trade payables	(46,047)	(423)
Other current liabilities	(23,588)	(217)
Other non-current liabilities	(34,304)	(315)
Net assets	¥106,215	$ 976
Goodwill	¥ 12,764	$ 117
Total	¥118,979	$1,093

Notes: 1. All consideration was paid in cash.
2. Non-controlling interests have been calculated by multiplying the total net assets by the non-controlling interest ratio on the Acquisition Date.

As of the Acquisition Date, the amount of intercompany transactions included in Trade receivables and Trade payables in the above table was ¥4,109 million (US$38 million) and ¥25,193 million (US$231 million) respectively, which were eliminated in the consolidated statement of financial position against Trade payables and Trade receivables which the Company held with Prima Meat Packers.

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 Group and the acquired businesses. This goodwill is not deductible for tax purposes and is included in the Food operating segment.

Upon remeasuring its previously held equity interest at its Acquisition Date fair value, the Company recorded a gain of ¥11,983 million (US$110 million) in Gains on investments.

The following table presents operating performance included in the Consolidated Statement of Comprehensive Income for the year ended March 31, 2020 of Prima Meat Packers from the Acquisition Date.

	Millions of Yen	Millions of U.S. Dollars
Total revenues	¥209,097	$1,921
Net profit	4,622	42
Net profit attributable to ITOCHU	1,732	16

(Pro forma information)
The unaudited pro forma results of operations, as if the business combination involving Prima Meat Packers had occurred on April 1, 2019, is not presented as the impact is immaterial.

Major business combinations for the year ended March 31, 2019 were as follows:

(Acquisition of RICARDO PÉREZ, S.A.)
On April 13, 2018 (the Acquisition Date) the Company acquired from Grupo Corporativo Pérez, S.A. 70.0% of the shares of RICARDO PÉREZ, S.A. ("RICARDO PÉREZ"), which is an exclusive distributor for Toyota and Lexus in Panama. As a result, RICARDO PÉREZ has become a subsidiary of the Company. Consideration of ¥20,860 million was paid in cash. The amount of ¥ 20,549 million paid in the Consolidated Statement of Comprehensive Income for the year ended March 31, 2018 is included in Payments for purchase of other investments in the Consolidated Statement of Cash Flows.

Since becoming an exclusive distributor for Toyota cars in 1956, RICARDO PÉREZ maintained the top position for more than 20 years in the Panamanian market for new cars. The Company has been operating automobile distributors in many countries around the world since the 1970s. By leveraging this experience, it will seek to further popularize the Toyota and Lexus brand in Panama, while at the same time gaining support from Toyota Motor Corporation.

The Company, a controlling shareholder with experience in developing a wide range of businesses globally, aims to further enhance its corporate value by leveraging synergies and opportunities for further development of next-generation businesses.

The following table summarizes the fair values of consideration paid, non-controlling interests, assets acquired and liabilities assumed at the Acquisition Date. No contingent consideration was recognized.

	Millions of Yen
Fair value of consideration paid (Note)	¥ 20,860
Fair value of non-controlling interests	6,257
Total	27,117
Fair value of assets acquired and liabilities assumed	
Inventories	9,079
Other current assets	7,536
Intangible assets	25,071
Other non-current assets	2,054
Trade payables	(5,947)
Other current liabilities	(10,433)
Non-current liabilities	(6,458)
Net assets	¥ 20,902
Goodwill	¥ 6,215
Total	¥ 27,117

Note: All consideration was paid in cash.

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 Machinery operating segment.

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.

The operating performance included in the Consolidated Statements of Comprehensive Income for the year ended March 31, 2019 of RICARDO PÉREZ from the Acquisition Date is not presented as the impact is immaterial.

(Acquisition of FamilyMart Co., Ltd.)
On August 16, 2018 (the Acquisition Date), the Company acquired 8.6% of voting rights in FamilyMart Co., Ltd. ("FamilyMart"), an associated company accounted for by the equity method, through the issuing of a tender offer for the ordinary shares through ITOCHU RETAIL INVESTMENT, LLC, the Company's subsidiary. These rights, added to its previously held equity interest, raised the Company's ownership of FamilyMart to 50.29%, of voting rights. As a result, FamilyMart became a subsidiary of the Company. The shares were acquired for ¥119,684 million, all of which was paid in cash.

FamilyMart engages in the convenience store business. Given the increasingly severe competition in the retail sector, we will enhance marketing at FamilyMart, upgrade to a next-generation supply chain, and create greater efficiency in store operations. By broadly applying this experience and knowledge to our other businesses, we will aim to further boost value across the entire Group.

The following table summarizes the consideration paid, previously held equity interests, assets acquired and liabilities assumed, as measured at fair value, as well as non-controlling interests assumed, at the Acquisition Date. No contingent consideration was recognized.

	Millions of Yen
Fair value of consideration paid (Note 1)	¥ 119,684
Fair value of previously held equity interests	494,699
Non-controlling interests (Note 2)	401,579
Total	1,015,962
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	250,849
Trade receivables	261,960
Other current assets	145,608
Property, plant and equipment	374,692
Intangible assets	493,752
Other non-current assets	451,147
Trade payables	(359,134)
Other current liabilities	(254,540)
Long term debentures and borrowings	(312,785)
Other non-current liabilities	(297,037)
Net assets	¥ 754,512
Goodwill	¥ 261,450
Total	¥1,015,962

Notes: 1. All consideration was paid in cash.
2. Non-controlling interests have been calculated by multiplying the total net assets by the non-controlling interest ratio on the Acquisition Date.

As of the Acquisition Date, the amount of intercompany transactions included in Trade receivables and Trade payables in the above table was ¥11,979 million and ¥137,496 million respectively, which were eliminated in the consolidated statement of financial position against Trade payables and Trade receivables which the Company held with FamilyMart.

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 Group and the acquired businesses. This goodwill is not deductible for tax purposes and is included in the Food operating segment.

In this acquisition, the fair value of the previously held equity interest was calculated by taking into account the control premium included in the tender offer price and the market value. Upon remeasuring its previously held equity interest at its Acquisition Date fair value, the Company recorded a gain of ¥167,900 million in Gains on investments. With regard to this gain, the Company recorded Income tax expense of ¥26,697 million.

The Company recorded the acquisition costs of ¥335 million in Selling general and administrative expenses related to this business combination.

The following table presents operating performance included in the Consolidated Statement of Comprehensive Income for the year ended March 31, 2019 of FamilyMart from the Acquisition Date.

	Millions of Yen
Total revenues	¥520,543
Net profit	12,485
Net profit attributable to ITOCHU	4,333

(Acquisition of POCKET CARD CO., LTD.)

ITOCHU had held 46% of voting rights in POCKET CARD CO., LTD. (POCKET CARD) through Money Communications Inc. (The company's name changed to PCH INC. on April 1, 2020), a subsidiary of the Company, which it had recognized as an associated company accounted for by the equity method. FamilyMart became a subsidiary on August 16, 2018 (Acquisition Date), and, as a result, the company acquired an additional 34% of voting rights. These rights, added to the Company's equity interest previously held (46%), raised the Company's ownership of POCKET CARD to 80% of voting rights. As a result, POCKET CARD has become a subsidiary of the Company.

POCKET CARD engaged in Famima T card businesses, including credit card and financing operations. Through this business combination, the Company will provide expertise in financial business and business operations, take advantage of the Group's diverse value chains to continue attracting members and cooperate in new business development with the aim of further enhancing corporate value. FamilyMart will recruit members of Famima T card and support the marketing of Famima T card by leveraging its own FamilyMart store network in Japan and further providing an infrastructure function.

The following table summarizes the consideration paid, previously held equity interests, assets acquired and liabilities assumed, as measured at fair value, as well as non-controlling interests assumed, at the Acquisition Date.

	Millions of Yen
Fair value of previously held equity interests (Note 1)	¥ 37,927
Non-controlling interests (Note 2)	9,481
Total	47,408
Fair value of assets acquired and liabilities assumed	
Current assets	261,379
Non-current assets	9,635
Current liabilities	(87,168)
Non-current liabilities	(136,438)
Net assets	¥ 47,408

Notes: 1. All consideration was paid in cash.
2. Non-controlling interests have been calculated by multiplying the total net assets by the non-controlling interest ratio on the Acquisition Date.

Upon remeasuring its previously held equity interest at its Acquisition Date fair value, the Company recorded a gain of ¥1,006 million in Gains on investments in the Consolidated Statement.

The operating performance included in the Consolidated Statements of Comprehensive Income for the year ended March 31, 2019, of POCKET CARD CO., LTD. from the Acquisition Date is not presented as the impact is immaterial.

6. Trade and Other Receivables

The breakdown of trade receivables as of March 31, 2020 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Notes receivable	¥ 139,644	¥ 194,317	$ 1,283
Trade accounts receivable	1,717,066	1,936,827	15,777
Service fees receivable	274,989	283,418	2,527
Allowance for doubtful accounts (current)	(17,953)	(16,954)	(165)
Total	¥2,113,746	¥2,397,608	$19,422

The breakdown of other current receivables as of March 31, 2020 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Short-term loans receivable	¥ 70,846	¥ 57,223	$ 651
Other accounts receivable	21,763	25,060	200
Allowance for doubtful accounts (current)	(1,495)	(1,736)	(14)
Others	85,577	88,421	787
Total	¥176,691	¥168,968	$1,624

The breakdown of non-current receivables as of March 31, 2020 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Long-term loans receivable	¥650,686	¥617,294	$5,979
Others	40,675	24,196	374
Allowance for doubtful accounts (non-current)	(30,783)	(22,728)	(283)
Total	¥660,578	¥618,762	$6,070

7. Inventories

The breakdown of Inventories as of March 31, 2020 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Merchandise	¥630,428	¥621,008	$5,793
Finished goods	73,616	76,540	677
Real estate for sale	169,692	160,079	1,559
Raw materials and supplies	46,581	49,416	428
Work in progress	31,712	30,140	291
Total	¥952,029	¥937,183	$8,748

The write-downs of inventories to net realizable value were ¥6,884 million (US$63 million) and ¥4,157 million as of March 31, 2020 and 2019, respectively. The write-down is included in Cost of sale of goods in the Consolidated Statement of Comprehensive Income.

8. Property, Plant and Equipment

The cost, accumulated depreciation and accumulated impairment losses, and carrying amount of property, plant and equipment, for the years ended March 31, 2020 and 2019 were as follows:

	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, 2020								
Cost	¥395,091	¥1,635,176	¥ 635,590	¥ 288,382	¥129,536	¥46,524	¥ 21,164	¥ 3,151,463
Accumulated depreciation and accumulated impairment losses	(35,752)	(445,930)	(347,078)	(130,427)	(43,104)	(764)	(10,934)	(1,013,989)
Carrying amount	359,339	1,189,246	288,512	157,955	86,432	45,760	10,230	2,137,474

	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, 2019								
Cost	¥177,362	¥ 595,045	¥ 613,569	¥243,961	¥140,054	¥37,544	¥20,321	¥1,827,856
Accumulated depreciation and accumulated impairment losses	(5,701)	(248,449)	(343,926)	(95,307)	(45,972)	(704)	(9,923)	(749,982)
Carrying amount	171,661	346,596	269,643	148,654	94,082	36,840	10,398	1,077,874

	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, 2020								
Cost	$3,630	$15,026	$ 5,840	$ 2,650	$1,190	$427	$ 194	$28,957
Accumulated depreciation and accumulated impairment losses	(328)	(4,097)	(3,189)	(1,199)	(396)	(7)	(100)	(9,316)
Carrying amount	3,302	10,929	2,651	1,451	794	420	94	19,641

The changes in the carrying amount of property, plant and equipment for the years ended March 31, 2020 and 2019 were as follows:

	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, 2019	¥171,661	¥ 346,596	¥269,643	¥148,654	¥94,082	¥ 36,840	¥10,398	¥1,077,874
Effects of the application of new accounting standards	**173,806**	**842,125**	**32,028**	**1,677**	**—**	**—**	**—**	**1,049,636**
Acquisitions through business combinations	**18,060**	**57,694**	**18,318**	**¥4,992**	**—**	**8,200**	**1,938**	**109,202**
Individual acquisitions	**22,376**	**141,552**	**34,668**	**53,871**	**3**	**69,918**	**3,327**	**325,715**
Disposals and decreases through divestitures	**(19,890)**	**(36,936)**	**(12,968)**	**(7,829)**	**—**	**(14,300)**	**(415)**	**(92,338)**
Depreciation	**(30,953)**	**(207,578)**	**(61,143)**	**(45,763)**	**(2,958)**	**—**	**(2,877)**	**(351,272)**
Impairment losses recognized in profit or loss	**(124)**	**(6,559)**	**(1,960)**	**(4,306)**	**—**	**(60)**	**(1,190)**	**(14,199)**
Effect of foreign currency exchange differences	**(69)**	**(8,478)**	**(16,523)**	**(472)**	**(4,729)**	**(4,503)**	**(933)**	**(35,707)**
Others (Note)	**24,472**	**60,830**	**26,449**	**7,131**	**34**	**(50,335)**	**(18)**	**68,563**
Balance as of March 31, 2020	**¥359,339**	**¥1,189,246**	**¥288,512**	**¥157,955**	**¥86,432**	**¥ 45,760**	**¥10,230**	**¥2,137,474**

	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, 2018	¥158,780	¥225,657	¥262,980	¥ 34,585	¥93,163	¥ 27,142	¥10,987	¥ 813,294
Acquisitions through business combinations	67,186	164,700	24,309	118,500	—	1,908	46	376,649
Individual acquisitions	1,293	43,703	20,483	45,886	19	54,820	3,059	169,263
Disposals and decreases through divestitures	(58,979)	(60,875)	(6,947)	(4,501)	(12)	(4,919)	(344)	(136,577)
Depreciation	—	(38,009)	(49,120)	(48,476)	(2,814)	—	(2,769)	(141,188)
Impairment losses recognized in profit or loss	(516)	(6,743)	(1,026)	(478)	—	(9)	(874)	(9,646)
Effect of foreign currency exchange differences	119	1,167	(2,827)	(174)	2,331	(1,233)	(23)	(640)
Others	3,778	16,996	21,791	3,312	1,395	(40,869)	316	6,719
Balance as of March 31, 2019	¥171,661	¥346,596	¥269,643	¥148,654	¥94,082	¥ 36,840	¥10,398	¥1,077,874

	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, 2019	$1,577	$ 3,185	$2,478	$1,365	$864	$ 339	$ 96	$ 9,904
Effects of the application of new accounting standards	**1,597**	**7,738**	**294**	**15**	**—**	**—**	**—**	**9,644**
Acquisitions through business combinations	**166**	**530**	**168**	**46**	**—**	**75**	**18**	**1,003**
Individual acquisitions	**206**	**1,301**	**319**	**495**	**0**	**642**	**31**	**2,994**
Disposals and decreases through divestitures	**(183)**	**(339)**	**(119)**	**(72)**	**—**	**(131)**	**(4)**	**(848)**
Depreciation	**(284)**	**(1,907)**	**(562)**	**(420)**	**(27)**	**—**	**(27)**	**(3,227)**
Impairment losses recognized in profit or loss	**(1)**	**(60)**	**(18)**	**(40)**	**—**	**(1)**	**(11)**	**(131)**
Effect of foreign currency exchange differences	**(1)**	**(78)**	**(152)**	**(4)**	**(43)**	**(41)**	**(9)**	**(328)**
Others (Note)	**225**	**559**	**243**	**66**	**0**	**(463)**	**0**	**630**
Balance as of March 31, 2020	**$3,302**	**$10,929**	**$2,651**	**$1,451**	**$794**	**$ 420**	**$ 94**	**$19,641**

Depreciation of property, plant and equipment 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.

The amount of the impairment losses during the year ended March 31, 2020 was ¥14,199 million (US$131 million).

The amount of the impairment losses during the year ended March 31, 2019 was ¥9,646 million.

The impairment losses were recognized in Losses on property, plant, equipment and intangible assets in the Consolidated Statement of Comprehensive Income.

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 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 (approximately 4–12%).

9. Investment Property

The cost, accumulated depreciation and accumulated impairment losses, and carrying amount of investment property for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen
	Investment property
Balance as of March 31, 2020	
Cost	¥ 83,923
Accumulated depreciation and accumulated impairment losses	(25,328)
Carrying amount	58,595

	Millions of Yen
	Investment property
Balance as of March 31, 2019	
Cost	¥ 51,910
Accumulated depreciation and accumulated impairment losses	(19,386)
Carrying amount	32,524

	Millions of U.S. Dollars
	Investment property
Balance as of March 31, 2020	
Cost	$ 771
Accumulated depreciation and accumulated impairment losses	(233)
Carrying amount	538

The changes in the carrying amount of investment property for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Beginning of the year	¥32,524	¥ 19,134	$299
Effects of the application of new accounting standards	28,106	—	259
Acquisitions through business combinations	1,722	137,843	16
Individual acquisitions	10,128	389	93
Disposals and decreases through divestitures	(991)	(123,138)	(9)
Depreciation	(6,482)	(1,088)	(60)
Impairment losses recognized in profit or loss	(169)	(207)	(2)
Effect of foreign currency exchange differences	(283)	198	(3)
Transfers to and from property, plant and equipment	(1,397)	29	(13)
Others	(4,563)	(636)	(42)
End of the year	¥58,595	¥ 32,524	$538

Fair values of investment property for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Fair Value	¥59,744	¥35,456	$549

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, 2020 and 2019 were ¥10,066 million (US$92 million) and ¥14,182 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, 2020 and 2019 were ¥7,488 million (US$69 million) and ¥7,373 million, respectively, and were included mainly in Cost in the Consolidated Statements of Comprehensive Income.

10. Pledged Assets

The following assets were pledged as collateral as of March 31, 2020 and 2019:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Time deposits	¥ 5	¥ —	$ 0
Trade receivables and others	10,906	9,453	100
Inventories	71,278	58,720	655
Investments and Non-current receivables	155,948	124,617	1,433
Property, plant and equipment, and others	16,438	16,712	151
Total	¥254,575	¥209,502	$2,339

Collateral was pledged to secure the following obligations as of March 31, 2020 and 2019:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Short-term borrowings (Note 1)	¥ 2,331	¥ 2,339	$ 22
Trade payables and others	70,341	46,201	646
Long-term borrowings	9,682	16,043	89
Lease liabilities (short-term and long-term) (Note 2)	123,426	—	1,134
Total	¥205,780	¥64,583	$1,891

Notes: 1. Short-term borrowings as of March 31, 2020 and 2019 included the current portion of Long-term borrowings of ¥1,372 million (US$13 million) and ¥1,300 million, respectively.

2. As the Company and its subsidiaries have applied IFRS 16, Lease liabilities (short-term and long-term) were recognized as the secured obligation which the security deposit pledged as collateral included in Investments and Non-current receivables from the fiscal year ended March 31, 2020.

In addition, merchandise imported and / or sales proceeds resulting from 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.

11. Goodwill and Intangible Assets

(1) Goodwill

The cost, accumulated impairment losses, and carrying amount of goodwill for the years ended March 31, 2020 and 2019 were as follows:

Millions of Yen	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total
Balance as of March 31, 2020										
Cost	¥ 9,319	¥ 21,503	¥—	¥902	¥ 58,244	¥ 65,867	¥58,663	¥261,911	¥ 1,657	¥478,066
Accumulated impairment losses	(1,772)	(11,542)	—	(85)	(24,859)	(31,433)	(1,188)	(1,590)	(1,657)	(74,126)
Carrying amount	7,547	9,961	—	817	33,385	34,434	57,475	260,321	—	403,940

Millions of Yen	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total
Balance as of March 31, 2019										
Cost	¥ 9,325	¥21,777	¥—	¥924	¥ 46,244	¥ 68,590	¥45,884	¥264,256	¥ 1,690	¥458,690
Accumulated impairment losses	(1,778)	(6,789)	—	(87)	(22,379)	(34,182)	(225)	—	(1,690)	(67,130)
Carrying amount	7,547	14,988	—	837	23,865	34,408	45,659	264,256	—	391,560

Millions of U.S. Dollars	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total
Balance as of March 31, 2020										
Cost	$ 86	$ 197	$—	$ 8	$ 535	$ 605	$539	$2,407	$ 15	$4,392
Accumulated impairment losses	(16)	(106)	—	(1)	(228)	(289)	(11)	(15)	(15)	(681)
Carrying amount	70	91	—	7	307	316	528	2,392	—	3,711

The changes in the carrying amount of goodwill for the years ended March 31, 2020 and 2019 were as follows:

Millions of Yen	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total
Balance as of April 1, 2019	¥7,547	¥14,988	¥—	¥837	¥23,865	¥34,408	¥45,659	¥264,256	¥—	¥391,560
Acquisitions through business combinations	—	—	—	—	12,764	2,451	13,960	—	—	29,175
Decrease through divestitures	—	—	—	—	—	—	—	(2,341)	—	(2,341)
Impairment losses recognized in profit or loss	—	(4,857)	—	—	(2,971)	—	(1,000)	(1,590)	—	(10,418)
Effect of foreign currency exchange differences, and others	—	(170)	—	(20)	(273)	(2,425)	(1,144)	(4)	—	(4,036)
Balance as of March 31, 2020	¥7,547	¥ 9,961	¥—	¥817	¥33,385	¥34,434	¥57,475	¥260,321	¥—	¥403,940

Millions of Yen	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total
Balance as of April 1, 2018	¥7,547	¥ 8,421	¥—	¥803	¥23,485	¥34,761	¥45,896	¥ 8,370	¥—	¥129,283
Acquisitions through business combinations	—	6,215	—	—	—	—	—	261,450	—	267,665
Decrease through divestitures	—	—	—	—	—	—	—	(5,564)	—	(5,564)
Impairment losses recognized in profit or loss	—	—	—	—	—	—	(225)	—	—	(225)
Effect of foreign currency exchange differences, and others	—	352	—	34	380	(353)	(12)	—	—	401
Balance as of March 31, 2019	¥7,547	¥14,988	¥—	¥837	¥23,865	¥34,408	¥45,659	¥264,256	¥—	¥391,560

	Millions of U.S. Dollars									
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total
Balance as of April 1, 2019	$70	$138	$—	$ 7	$219	$315	$420	$2,428	$—	$3,597
Acquisitions through business combinations	—	—	—	—	117	23	128	—	—	268
Decrease through divestitures	—	—	—	—	—	—	—	(21)	—	(21)
Impairment losses recognized in profit or loss	—	(45)	—	—	(27)	—	(9)	(15)	—	(96)
Effect of foreign currency exchange differences, and others	—	(2)	—	0	(2)	(22)	(11)	(0)	—	(37)
Balance as of March 31, 2020	$70	$ 91	$—	$ 7	$307	$316	$528	$2,392	$—	$3,711

Note: As ITOCHU established The 8th Company, the amounts for the year ended March 31, 2019 and the changes for the year ended March 31, 2019 are presented post reclassification.

The goodwill balance as of March 31, 2020 included ¥251,951 million (US$2,315 million) recognized as a result of the conversion of FamilyMart Co., Ltd. into a subsidiary of The 8th segment and ¥26,449 million (US$243 million) recognized as a result of the acquisition of the Kwik-Fit Group of European Tyre Enterprise Limited of the General Products & Realty segment.

The goodwill balance as of March 31, 2019 included ¥255,886 million recognized as a result of the conversion of FamilyMart Co., Ltd. into a subsidiary of The 8th segment, ¥28,762 million recognized as a result of the acquisition of the Kwik-Fit Group of European Tyre Enterprise Limited of the General Products & Realty segment and ¥8,378 million recognized as a result of the acquisition of the Dole business of Dole International Holdings, Inc. of the Food segment.

As a result of impairment tests for goodwill, the amount of the impairment losses during the year ended March 31, 2020 was ¥10,418 million (US$96 million).

As a result of impairment tests for goodwill, the amount of the impairment losses during the year ended March 31, 2019 was ¥225million.

The impairment losses were recognized in Losses on property, plant, equipment and intangible assets in the Consolidated Statement of Comprehensive Income.

The recoverable amounts used in impairment tests for goodwill are based on value in use calculated with the support of 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 4–17%).

Of the goodwill allocated to cash-generating units, goodwill recognized in relation to the conversion of FamilyMart Co., Ltd., in The 8th Segment, as a subsidiary, is the main amount of goodwill. For the impairment testing of this goodwill, the main area where judgement is used is in the determination of the value in use, which is based on the assumption that the increase of trading income through maintaining or increasing the number of stores, raising daily sales, and bolstering operational efficiency. These assumptions reflect past experience, industry trends and the expected effect of improvement measure on store profitability. The growth rate of future cash flows beyond the target period of the business plan are calculated by taking into consideration the long-term growth rate of the markets and countries to which cash-generating units belong. For the impairment test conducted in the year ended March 31, 2020, this rate is taken to be zero. In the event that the assumed numbers of the stores were significantly decreased, the assumed increase in the percentage of daily sales were to be revised significantly downward compared to past results, or the discount rate were to be revised significantly upward, the recoverable amount could fall below book value.

(2) Intangible Assets

The cost, accumulated amortization and accumulated impairment losses, and carrying amount of intangible assets for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of March 31, 2020				
Cost	¥513,259	¥149,300	¥303,463	¥ 966,022
Accumulated amortization and accumulated impairment losses	(45,636)	(86,728)	(74,491)	(206,855)
Carrying amount	467,623	62,572	228,972	759,167

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of March 31, 2019				
Cost	¥487,275	¥132,128	¥276,290	¥ 895,693
Accumulated amortization and accumulated impairment losses	(32,419)	(75,257)	(51,817)	(159,493)
Carrying amount	454,856	56,871	224,473	736,200

	Millions of U.S. Dollars			
	Trademarks	Software	Others	Total
Balance as of March 31, 2020				
Cost	**$4,716**	**$1,372**	**$2,788**	**$ 8,876**
Accumulated amortization and accumulated impairment losses	**(419)**	**(797)**	**(684)**	**(1,900)**
Carrying amount	**4,297**	**575**	**2,104**	**6,976**

The changes in the carrying amount of intangible assets for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of April 1, 2019	¥454,856	¥ 56,871	¥224,473	¥736,200
Acquisitions through business combinations	**32,719**	**2,506**	**25,793**	**61,018**
Individual acquisitions	**407**	**25,228**	**3,972**	**29,607**
Disposals	**(711)**	**(941)**	**(2,336)**	**(3,988)**
Decrease through divestitures	**—**	**(754)**	**(11)**	**(765)**
Amortization expenses	**(12,409)**	**(19,897)**	**(23,211)**	**(55,517)**
Impairment losses recognized in profit or loss	**(1,163)**	**(158)**	**(1,462)**	**(2,783)**
Effect of foreign currency exchange differences, and others	**(6,076)**	**(283)**	**1,754**	**(4,605)**
Balance as of March 31, 2020	**¥467,623**	**¥ 62,572**	**¥228,972**	**¥759,167**

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of April 1, 2018	¥127,827	¥ 41,640	¥ 63,821	¥233,288
Acquisitions through business combinations	334,537	15,782	171,254	521,573
Individual acquisitions	60	18,012	2,782	20,854
Disposals	(1)	(329)	(291)	(621)
Decrease through divestitures	—	(3,177)	(581)	(3,758)
Amortization expenses	(6,531)	(16,232)	(11,102)	(33,865)
Impairment losses recognized in profit or loss	(3,158)	(135)	(3,200)	(6,493)
Effect of foreign currency exchange differences, and others	2,122	1,310	1,790	5,222
Balance as of March 31, 2019	¥454,856	¥ 56,871	¥224,473	¥736,200

	Millions of U.S. Dollars			
	Trademarks	Software	Others	Total
Balance as of April 1, 2019	$4,180	$ 523	$2,062	$6,765
Acquisitions through business combinations	**301**	**23**	**237**	**561**
Individual acquisitions	**4**	**232**	**36**	**272**
Disposals	**(7)**	**(9)**	**(21)**	**(37)**
Decrease through divestitures	**—**	**(7)**	**0**	**(7)**
Amortization expenses	**(114)**	**(183)**	**(213)**	**(510)**
Impairment losses recognized in profit or loss	**(11)**	**(2)**	**(13)**	**(26)**
Effect of foreign currency exchange differences, and others	**(56)**	**(2)**	**16**	**(42)**
Balance as of March 31, 2020	**$4,297**	**$ 575**	**$2,104**	**$6,976**

Amortization expenses for intangible assets are 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.

The amount of impairment losses during the year ended March 31, 2020 was ¥2,783 million (US$26 million).

The amount of impairment losses during the year ended March 31, 2019 was ¥6,493 million.

The impairment losses were recognized in Losses on property, plant, equipment and intangible assets in the Consolidated Statement of Comprehensive Income.

The amount of acquisitions through business combinations during the year ended March 31, 2019 included ¥493,752 million due to the conversion of FamilyMart Co., Ltd., into a consolidated subsidiary, of which the majority of the balance related to ¥334,531 million of trademarks and ¥139,982 million of customer relationships with remaining amortization periods of 17 years to 33 years.

The carrying amount of “Others” as of March 31, 2020 included ¥136,381 million (US$1,253 million) of customer relationships in FamilyMart Co., Ltd., ¥22,533 million (US$207 million) of contract-based intangible assets in RICARDO PÉREZ, S.A., ¥10,357 million (US$95 million) of customer relationships in TMI Forest Products Inc., and ¥9,817 million (US$90 million) of customer relationships in HOKEN NO MADOGUCHI GROUP INC.

The carrying amount of “Others” as of March 31, 2019 included ¥142,521 million of customer relationships in FamilyMart Co., Ltd., ¥24,129 million of contract-based intangible assets in RICARDO

PÉREZ, S.A., ¥10,869 million of customer relationships in TMI Forest Products Inc., ¥9,229 million of sales network in CONEXIO Corporation, and ¥7,802 million of customer relationships in Dole International Holdings, Inc.

The carrying amounts of intangible assets with indefinite useful lives for the years ended March 31, 2020 and 2019 were ¥97,246 million (US$894 million) and ¥102,587 million, respectively. The balance of intangible assets with indefinite useful lives for the year ended March 31, 2020 included ¥56,617 million (US$520 million) of trademarks of Dole International Holdings, Inc. and ¥37,113 million (US$341 million) of trademarks of European Tyre Enterprise Limited. The balance of intangible assets with indefinite useful lives for the year ended March 31, 2019 included ¥57,725 million of trademarks of Dole International Holdings, Inc. and ¥40,359 million of trademarks of European Tyre Enterprise Limited. The fluctuation in the balance of trademarks of Dole International Holdings, Inc. and European Tyre Enterprise Limited are mainly due to foreign currency exchange differences. These trademarks were acquired through mainly 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 amounts used in impairment tests for intangible assets are based on value in use calculated with the support of 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 4–21%).

12. Securities and Other Investments

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
	2020	2019	2020
Securities:			
FVTPL financial assets	¥ 66	¥ 65	$ 1
FVTOCI financial assets	—	—	—
Amortized cost*	7	7	0
Total	¥ 73	¥ 72	$ 1
Other Investments:			
FVTPL financial assets	68,425	56,016	629
FVTOCI financial assets	744,112	788,339	6,837
Amortized cost (Note)	3,981	12,906	37
Total	¥816,518	¥857,261	$7,503

Note: Of the securities included in Other current financial assets and Other investments, financial assets measured at amortized cost are primarily public and corporate bonds for which the fair values approximate their carrying amounts.

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

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Marketable equity securities	¥330,109	¥315,467	$3,033
Non-marketable equity securities	414,003	472,872	3,804
Total	¥744,112	¥788,339	$6,837

The Non-marketable equity securities mainly consisted of investments in natural resource sectors, such as metal and mineral resources, petroleum, and natural gas. The total fair value of the investments in such natural resource sectors as of March 31, 2020 and 2019 were ¥304,453 million (US$2,798 million) and ¥327,933 million, respectively. These investments included BHP Iron Ore (Jimblebar) Pty Ltd, Drummond International, LLC, Sakhalin Oil and Gas Development Co., Ltd., CSN Mineração S.A., RAS LAFFAN LIQUEFIED NATURAL GAS COMPANY LIMITED, and Ivanplats Proprietary Limited.

The main marketable equity securities that the Company and its subsidiaries owned as FVTOCI financial assets as of March 31, 2020 and 2019 were as follows:

March 31, 2020

Stock	Millions of Yen	Millions of U.S. Dollars
Pan Pacific International Holdings Corporation	**¥92,732**	**$852**
NISSIN FOODS HOLDINGS CO., LTD.	**49,024**	**450**
ISUZU MOTORS LIMITED	**37,867**	**348**
Seven & i Holdings Co., Ltd.	**11,824**	**109**
Advance Residence Investment Corporation	**11,035**	**101**
Shandong Longda Meat Foodstuff Co.,Ltd.	**10,633**	**98**
Showa Sangyo Co., Ltd.	**8,153**	**75**
Internet Initiative Japan Inc.	**6,920**	**64**
Nippon Flour Mills Co., Ltd.	**3,862**	**35**
Mazda Motor Corporation	**3,461**	**32**
ITOCHU Advance Logistics Investment Corporation	**3,374**	**31**
CHUBUSHIRYO CO., LTD.	**3,051**	**28**
Aeon Co., Ltd.	**2,987**	**27**
Seibu Holdings Inc.	**2,769**	**25**
Solasia Pharma K.K.	**2,491**	**23**

March 31, 2019

Stock	Millions of Yen
ISUZU MOTORS LIMITED	¥76,972
NISSIN FOODS HOLDINGS CO., LTD.	41,398
Shandong Longda Meat Foodstuff Co.,Ltd.	16,266
Seven & i Holdings Co., Ltd.	13,377
Advance Residence Investment Corporation	10,859
Ryohin Keikaku Co., Ltd.	8,523
Showa Sangyo Co., Ltd.	7,615
Mazda Motor Corporation	7,494
FreakOut Holdings, inc.	6,156
Benefit One Inc.	5,333
Honma Golf Limited	4,493
Internet Initiative Japan Inc.	4,371
Nippon Flour Mills Co., Ltd.	4,344
Seibu Holdings Inc.	4,237
VIETNAM NATIONAL TEXTILE AND GARMENT GROUP	3,897

FVTOCI financial assets which the Company derecognized in the years ended March 31, 2020 and 2019 were as follows:

Millions of Yen						Millions of U.S. Dollars		
2020			2019			2020		
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
¥28,313	**¥2,497**	**¥426**	¥82,211	¥(128,269)	¥280	**$260**	**$23**	**$4**

Cumulative gains (losses) (net of tax) reclassified from other comprehensive income (loss) (FVTOCI financial assets) to retained earnings for the years ended March 31, 2020 and 2019 due to derecognition of FVTOCI financial assets were ¥1,951 million (US$18million) (gain) and ¥86,593 million (loss), respectively. The reclassification was mainly due to the derecognition of FVTOCI financial assets caused by sale of equity securities as a result of reconsideration of business relationships and the change in classification of equity securities from FVTOCI financial assets to investments in subsidiaries or associates.

13. Associates and Joint Ventures

(1) The Total Carrying Amounts of Investments in 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, 2020 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Investment			
Associates	¥1,137,732	¥1,152,413	$10,454
Joint ventures	502,554	406,867	4,618
Total	¥1,640,286	¥1,559,280	$15,072

The differences between the carrying amounts of the investments in associates and joint ventures and the Company and its subsidiaries' equity interest in the underlying net assets of such associates and joint ventures were ¥292,994 million (US$2,692 million) and ¥292,280 million as of March 31, 2020 and 2019, 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.

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

(2) The Share of Profit and Other Comprehensive Income of Associates and Joint Ventures

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, 2020 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Associates			
Share of profit or loss	¥103,471	¥144,210	$ 951
Share of other comprehensive income	(16,620)	(13,793)	(153)
Subtotal	86,851	130,417	798
Joint ventures			
Share of profit or loss	102,389	(46,158)	941
Share of other comprehensive income	(34,448)	(24,732)	(317)
Subtotal	67,941	(70,890)	624
Share of comprehensive income			
Total share of profit or loss of associates and joint ventures	205,860	98,052	1,892
Total share of other comprehensive income of associates and joint ventures	(51,068)	(38,525)	(470)
Total	¥154,792	¥ 59,527	$1,422

In Investments accounted for by the equity method, the Company recognized impairment losses which were included in Gains on investments in the Consolidated Statement of Comprehensive Income of ¥9,402 million (US$86 million) and ¥20,115 million for the years ended March 31, 2020 and 2019, respectively.

In addition, Chia Tai Bright Investment Company Limited (hereinafter referred to as "CTB"), a company in which the Company and Charoen Pokphand Group Company Limited each invested 50%, owns 20% of CITIC Limited ordinary shares. Accordingly, CTB applied the equity method to account for the investment in CITIC Limited. The Company conducts assessments of equity method investments on a quarterly basis in order to determine whether an indicator of impairment exists, and various factors such as expected future profitability, stock price, economic environment, and industry trends are considered in the assessment.

As of the second quarter of the year ended March 31, 2019, in light of the status of the trade conflicts between the U.S. and China, the Company considered the uncertainty of the economic outlook of China, where CITIC Limited conducts its primary business activities, as increasing. Also, the Company judged the stock price of CITIC Limited, which is listed on the Hong Kong Stock Exchange, as unlikely to recover to its carrying amount of the investment accounted for by the equity method of CITIC Limited held by CTB in the short term. Given the above factors, the recoverable amount calculated based on the expected future cash flows was less than the carrying amount of the investment accounted for by the equity method, the Company recognized an impairment loss of ¥145,677 million in the second quarter of the year ended March 31, 2019. (The impact on Net profit attributable to ITOCHU was ¥143,346 million (loss).)

The recoverable amounts used in impairment tests for investments in associates and joint ventures are calculated by comprehensive consideration, referencing value in use calculated with the support of independent appraisers or stock prices. 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 (approximately 3–11%).

(3) The Balances of Receivables and Payables Involving Associates and Joint Ventures

For investments in associates and joint ventures, the balances of receivables and payables for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Balance of receivables			
Associates	¥ 67,615	¥ 97,466	$ 621
Joint ventures	534,375	553,311	4,910
Total	¥601,990	¥650,777	$5,531
Balance of payables			
Associates	88,307	102,524	811
Joint ventures	3,580	2,377	33
Total	¥ 91,887	¥104,901	$ 844

(4) Total Revenues and Total Purchases from Associates and Joint Ventures

For investments in associates and joint ventures, total revenues and total purchases included in Cost for the years ended March 31, 2020 and 2019 as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Revenues			
Associates	¥139,936	¥439,648	$1,286
Joint ventures	36,642	26,570	337
Total	¥176,578	¥466,218	$1,623
Purchases			
Associates	291,988	383,750	2,683
Joint ventures	19,588	23,615	180
Total	¥311,576	¥407,365	$2,863

(5) Others

(Investments in associates and joint ventures with a reporting period end that differs from that of the Company)

The Consolidated Financial Statements include investments in associates and joint ventures with a reporting period end that differs from that of the Company because it is impracticable to unify the reporting period ends, due to reasons including the existence of a shareholder that has control over the associates and joint ventures for which the reporting period is different from that of the Company, or the impossibility of doing so under the legal system of regions in which the associates and joint ventures are located. 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 CITIC Limited (reporting period ends in December).

(Financial information about the material joint ventures and associates)

Chia Tai Bright Investment Company Limited (CTB), a company in which ITOCHU and Charoen Pokphand Group Company Limited each invested 50%, owns 20% of ordinary shares in CITIC Limited and applies the equity method to CITIC Limited.

The difference between the consideration paid for CITIC Limited shares acquired by CTB and CTB's share of the book value of CITIC Limited's net assets at the time of share acquisition was appropriately allocated to CITIC Limited's assets and liabilities based on those fair values and the amount of the difference was HK$9,502 million as of March 31, 2020.

The summarized financial information of CITIC Limited based on the disclosed financial statements as of December 31, 2019 and 2018 were as follows:

	Millions of HK Dollars	
	2019	2018
Total assets	$8,289,924	$7,660,713
Total liabilities	$7,395,433	$6,850,053
Total equity	$ 894,491	$ 810,660

	Millions of HK Dollars	
	2019	2018
Total revenues	$566,497	$533,285
Net profit	$ 78,188	$ 75,025
Total other comprehensive income for the year, net of tax	$ (16,121)	$ (25,068)
Total comprehensive income for the year	$ 62,067	$ 49,957

(Judgment on significant influence)
While the Company holds 16.53% of voting rights in Orient Corporation, the Company participates in the determination of sales and financial directions by dispatching its Directors, including its Representative Directors, to the Board of Directors of Orient Corporation. Accordingly, the Company exercises significant influence and applies the equity method to Orient Corporation.

The Company, through a subsidiary, holds 20% interest in Drummond International, LLC (DIL), which conducts 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.

14. Trade and Other Payables

The breakdown of trade payables as of March 31, 2020 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Notes payable	¥ 190,029	¥ 265,496	$ 1,746
Trade accounts payable	1,345,230	1,513,276	12,361
Other accounts payable	172,213	163,265	1,582
Total	¥1,707,472	¥1,942,037	$15,689

The breakdown of other current payables as of March 31, 2020 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Other accounts payable	¥ 26,184	¥ 18,807	$ 241
Lease liabilities (short-term)	—	42,441	—
Deposits received	188,991	173,270	1,736
Total	¥215,175	¥234,518	$1,977

The breakdown of other non-current financial liabilities as of March 31, 2020 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Lease liabilities (long-term)	¥ —	¥145,892	$ —
Others	68,900	69,717	633
Total	¥68,900	¥215,609	$633

"Lease Obligations" included in "Other current payables" and "Other non-current financial liabilities" in the past were re-named and separately presented on the Consolidated Statement of Financial Position upon the application of IFRS 16 from Fiscal Year 2020.

15. Debentures and Borrowings

The breakdown of Short-term debentures and borrowings as of March 31, 2020 and 2019 were as follows:

	Millions of Yen	Interest rate (%)	Millions of Yen	Interest rate (%)	Millions of U.S. Dollars
	2020		2019		2020
Current loans from financial institutions	¥286,411	0.6%	¥235,045	1.3%	$2,632
Commercial paper	32,000	0.1%	30,500	0.1%	294
Subtotal	318,411	—	265,545	—	2,926
Current portion of long-term debentures and borrowings	365,995	—	385,364	—	3,363
Total	¥684,406	—	¥650,909	—	$6,289

Note: Interest rates represent the weighted average interest rates based on balances as of March 31, 2020 and 2019. 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, 2020 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Borrowings			
Secured			
Due 2020–2033, interest rate mainly 0.0%–3.3%	¥ 11,054	¥ 17,343	$ 102
Unsecured			
Due 2019–2033, interest rate mainly 0.0%–9.1%	2,222,446	2,309,875	20,420
Debentures			
Unsecured bonds and notes			
Year of issuance, Coupon, Type of bond, Maturity			
Issued in 2009–2015, 0.5%–1.9% Yen Bonds due 2019–2027	200,000	245,000	1,838
Issued in 2012, floating rate Yen Bonds due 2022	10,000	10,000	92
Issued in 2014, floating rate U.S. Dollar Bonds due 2019	—	11,099	—
Issued in and after 2012, debentures and others issued by subsidiaries, maturing through 2024	103,352	108,863	950
Subtotal	2,546,852	2,702,180	23,402
Fair value hedge and discontinuation of hedge adjustment	11,700	16,112	108
Total	2,558,552	2,718,292	23,510
Less: Current portion of long-term debentures and borrowings	(365,995)	(385,364)	(3,363)
Long-term debentures and borrowings	¥2,192,557	¥2,332,928	$20,147

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 business operations, or through 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.

16. Leases

(The year ended March 31, 2019)

(1) Lessor

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

The schedule of future minimum lease payments receivable under non-cancelable operating leases as of March 31, 2019 was as follows:

	Millions of Yen
	2019
Less than 1 year	¥ 16,860
1–5 years	47,051
More than 5 years	39,031
Total	¥102,942

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 as of March 31, 2019 was as follows:

	Millions of Yen	
	Gross investment in the lease	Present value of minimum lease payments receivable
	2019	2019
Less than 1 year	¥11,425	¥10,457
1–5 years	27,469	25,241
More than 5 years	10,771	8,862
Total	49,665	¥44,560
[Unguaranteed residual value]	[408]	
Less: Unearned finance income	(4,816)	
Less: Present value of unguaranteed residual value	(289)	
Present value of minimum lease payments receivable	¥44,560	

There are contracts which contain a clause that amends the amount of lease payment to be received to move in tandem with the Libor rate every 6 months. However, contingent rents recognized as income were immaterial.

(2) Lessee

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

The schedule of future minimum lease payments under non-cancelable operating leases as of March 31, 2019 was as follows:

	Millions of Yen
	2019
Less than 1 year	¥110,492
1–5 years	213,943
More than 5 years	142,565
Total	¥467,000

As of March 31, 2019, the total of future minimum lease payments to be received under non-cancelable subleases were ¥98,316 million (US$886 million).

For the year ended March 31, 2019, lease payments under operating leases recognized as an expense were ¥201,376 million (US$1,814 million) and sublease payments received were ¥20,483 million (US$185 million).

The Company and its subsidiaries lease fixtures and fittings, buildings, machinery and equipment, and certain other assets under finance leases. The cost, accumulated depreciation and accumulated impairment losses, and carrying amount of such leased assets by class as of March 31, 2019 was as follows:

	Millions of Yen		
	2019		
	Cost	Accumulated depreciation and Accumulated impairment losses	Carrying amount
Buildings and structures	¥ 58,888	¥(30,666)	¥ 28,222
Machinery and equipment	37,286	(13,688)	23,598
Fixtures and fittings	98,038	(13,086)	84,952
Others	1,191	(173)	1,018
Total	¥195,403	¥(57,613)	¥137,790

The present value of future minimum lease payments, and the amount of future financial cost as of March 31, 2019 was as follows:

	Millions of Yen	
	Future minimum lease payments	Present value of future minimum lease payments
	2019	2019
Less than 1 year	¥ 45,490	¥ 42,441
1–5 years	114,429	109,596
More than 5 years	38,345	36,296
Total	198,264	¥188,333
Less: Future financial cost	(9,931)	
Present value of future minimum lease payments	¥188,333	

As of March 31, 2019, the total future minimum lease payments to be received under non-cancelable subleases was ¥31,357 million (US$283 million).

There are lease contracts as a lessee 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 amends the amount of lease payment to be received to move in tandem with the Libor rate every 6 months. However, contingent rents recognized as an expense were immaterial.

(The year ended March 31, 2020)

(1) Lessor

The Company and its subsidiaries lease real estate and certain other assets under operating leases.

The schedule of future lease payments receivable under operating leases as of March 31, 2020 was as follows:

	Millions of Yen	Millions of U.S. Dollars
	2020	2020
Less than 1 year	**¥ 6,934**	**$ 64**
1–5 years	**10,806**	**99**
More than 5 years	**6,970**	**64**
Total	**¥24,710**	**$227**

The Company and its subsidiaries lease buildings, ICT-related equipment, and certain other assets under finance leases. The schedule of gross investment in the lease and net investment in the lease as of March 31, 2020 was as follows:

	Millions of Yen	Millions of U.S. Dollars
	2020	2020
Less than 1 year	¥ 31,091	$ 286
1–5 years	59,294	545
More than 5 years	24,176	222
Total	114,561	1,053
Present value of unguaranteed residual value	216	2
Less: Unearned finance income	(9,747)	(90)
Net investment in the lease	¥105,030	$ 965

For the year ended March 31, 2020, the finance income on the net investment in the lease was ¥3,459 million (US$32 million).

(2) Lessee

The Company and its subsidiaries lease buildings, land, and certain other assets under leases.

The changes in the carrying amount of right-of-use assets (except for those included in "Investment property") for the year ended March 31, 2020 were as follows:

	Millions of Yen				
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Total
Balance as of April 1, 2019	¥173,806	¥ 870,347	¥ 55,626	¥ 86,629	¥1,186,408
Individual acquisitions	15,562	107,865	8,231	12,701	144,359
Depreciation	(30,953)	(175,224)	(14,900)	(24,208)	(245,285)
Others (Note)	15,459	30,240	(3,176)	(8,742)	33,781
Balance as of March 31, 2020	¥173,874	¥ 833,228	¥ 45,781	¥ 66,380	¥1,119,263

	Millions of U.S.Dollars				
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Total
Balance as of April 1, 2019	$1,597	$ 7,997	$ 511	$ 796	$10,901
Individual acquisitions	143	991	76	117	1,327
Depreciation	(284)	(1,610)	(137)	(222)	(2,253)
Others (Note)	142	278	(29)	(81)	310
Balance as of March 31, 2020	$1,598	$ 7,656	$ 421	$ 610	$10,285

Note: Adjustments to right-of-use assets are included due to lease modifications, mid-term terminations, business combinations and other factors.

The schedule of future lease payments under leases in the Company and its subsidiaries as of March 31, 2020 was as follows:

	Millions of Yen	Millions of U.S. Dollars
	2020	2020
Less than 1 year	¥ 248,854	$ 2,287
1–5 years	662,410	6,087
More than 5 years	353,722	3,250
Total	¥1,264,986	$11,624

For the year ended March 31, 2020, the interest expense on lease liabilities was ¥16,311 million (US$150 million).
In addition, for the year ended March 31, 2020, the total cash outflow for leases was ¥291,702 million (US$2,680 million).

As of March 31, 2020, there are lease agreements for stores and certain other assets not yet commenced to which the lease is committed. The total lease payments under this agreement are expected to be approximately ¥100 billion (US$1 billion).

17. Retirement and Severance Benefits

The Company and certain subsidiaries have defined benefit pension plans (e.g., the Corporate Pension Fund) 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, the balance of prior service liability is recognized as a liability, and subsequently, that liability is reversed when the special premium is paid.

As of March 31, 2019, the ITOCHU United Pension Fund was underfunded by ¥5,573 million. The ITOCHU United Pension Fund obtained 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 underfunded will be supplemented by the revised premium.

The amount of contributions of participating subsidiaries to the ITOCHU United Pension Fund were ¥2,172 million (US$20 million) and ¥2,176 million for the years ended March 31, 2020 and 2019, respectively. The planned amount of contributions in the year ending March 31, 2021 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, 2020.

Changes in the defined benefit obligations were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Projected benefit obligations at the beginning of the year	**¥443,046**	¥393,405	**$4,071**
Service cost	**16,095**	14,656	**148**
Current service cost	**15,924**	14,832	**146**
Prior service cost	**171**	(176)	**2**
Interest cost	**2,846**	3,114	**26**
Plan participants' contributions	**625**	628	**6**
Remeasurements	**653**	1,814	**6**
Benefits paid from plan assets	**(19,467)**	(20,899)	**(179)**
Benefits paid by employer	**(6,129)**	(4,744)	**(56)**
Foreign currency translation adjustments	**(2,692)**	941	**(25)**
Acquisitions and divestitures	**8,305**	54,372	**76**
Settlements	**(683)**	(241)	**(6)**
Projected benefit obligations at the end of the year	**¥442,599**	¥443,046	**$4,067**

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

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Fair value of plan assets at the beginning of the year	¥331,772	¥309,476	$3,049
Interest income	1,961	2,427	18
Remeasurements	(4,863)	(2,948)	(45)
Employer contributions	11,419	7,122	105
Plan participants' contributions	625	628	6
Benefits paid from plan assets	(19,467)	(20,899)	(179)
Foreign currency translation adjustments	(1,162)	(375)	(11)
Acquisitions and divestitures	12,187	36,578	112
Settlements	—	(237)	—
Fair value of plan assets at the end of the year	¥332,472	¥331,772	$3,055

As of March 31, 2020 and 2019, plan assets held by the Company and its subsidiaries by category were as follows. For information used to measure fair value, please refer to Note 26 Financial Instruments Measured at Fair Value.

	Millions of Yen		
	2020		
	Level 1	Level 2	Total
Equity instruments:			
Domestic	¥25,504	¥ 27,392	¥ 52,896
Overseas	897	22,098	22,995
Debt instruments:			
Domestic	35,150	61,397	96,547
Overseas	5,780	52,012	57,792
Other assets:			
Cash and cash equivalents	30,959	—	30,959
Life insurance company general accounts	—	33,548	33,548
Others	—	37,735	37,735
Total	¥98,290	¥234,182	¥332,472

	Millions of Yen		
	2019		
	Level 1	Level 2	Total
Equity instruments:			
Domestic	¥ 23,008	¥ 38,894	¥ 61,902
Overseas	5,213	21,695	26,908
Debt instruments:			
Domestic	28,622	70,855	99,477
Overseas	8,991	32,718	41,709
Other assets:			
Cash and cash equivalents	36,215	—	36,215
Life insurance company general accounts	—	32,140	32,140
Others	—	33,421	33,421
Total	¥102,049	¥229,723	¥331,772

	Millions of U.S. Dollars		
	2020		
	Level 1	Level 2	Total
Equity instruments:			
Domestic	$234	$ 252	$ 486
Overseas	8	203	211
Debt instruments:			
Domestic	323	564	887
Overseas	53	478	531
Other assets:			
Cash and cash equivalents	285	—	285
Life insurance company general accounts	—	308	308
Others	—	347	347
Total	$903	$2,152	$3,055

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 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 60% in domestic and overseas debt securities, approximately 25% in domestic and overseas equity securities, and approximately 15% 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 life insurance company general accounts be conducted in a manner that provides a specific assumed interest rate and a principal guarantee.

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

The Projected benefit obligation is calculated based on the estimated amount of future benefits that have been incurred as of the present. The amount of those future payments is discounted back from the expected time of future payment to the present. Accordingly, the timing of benefit payments influences the amounts of the projected benefit obligation and service costs, and consequently, disclosure of information regarding the distribution of the timing of benefit payments 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 12 years.

The Company and certain subsidiaries have plans that are underfunded, 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, 2021 is approximately ¥11,200 million.

The assumptions regarding the defined benefit obligation were as follows:

	2020	2019
Discount rate	0.6%	0.5%
Rate of compensation increase	3.7%	3.7%
Mortality rate	0.02–0.73%	0.02–0.73%
Retirement rate	0.4–15.4%	0.4–15.4%
Lump sum election rate	31.4%	30.2%

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, 2020, a movement of 1% in the discount rate would have an effect of ¥21,861 million (US$201 million) on the defined benefit obligation and an effect of ¥644 million (US$6 million) (before tax effect) 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, 2020 and 2019 were ¥7,852 million (US$72 million) and ¥7,272 million, respectively.

Details of Compensation

Details of compensation and bonuses for the Company's directors in the year ended March 31, 2020 were as follows:

		Millions of Yen	Millions of U.S.Dollars	
Type	Number of people	Amount paid	Amount paid	Details
Directors (Outside directors)	10 (4)	¥2,298 ¥ (59)	21 (1)	(1) Monthly compensation: ¥591 million (2) Performance-linked bonuses: ¥1,273 million (3) Share price-linked bonuses: ¥105 million (4) Spesial benefits: ¥180 million (5) Stock remuneration: ¥149 million

Notes: 1. Maximum compensation paid to all directors: ¥0.8 billion per year as total monthly compensation (including ¥0.1 billion per year as a portion to the outside directors) and ¥2.0 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 21, 2019).

2. Following deliberation by the Governance and Remuneration Committee, at a meeting of the Board of Directors held on May 13, 2020 ITOCHU Corporation resolved to pay special benefits. This will be paid separately from bonuses for Directors, and is based on ITOCHU Corporation's record profits despite the increasingly severe business environment.

3. The introduction of performance-linked and share-based remuneration for Directors (Board Incentive Plan Trust "BIP") was approved at the 92nd Ordinary General Meeting of Shareholders held on June 24, 2016. The total amount of share-based remuneration in the table is the recorded amount of expenses involving share granted points granted during this fiscal year related to BIP.

4. 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.

18. Provisions

The changes in provisions in Other current liabilities and Other non-current liabilities for the year ended March 31, 2020 were as follows:

	Millions of Yen		
	Provisions for asset retirement obligations	Other provisions	Total
Balance as of April 1, 2019	¥ 93,702	¥27,294	¥120,996
Provisions increased for the year	9,890	7,880	17,770
Provisions charged-off	(2,956)	(7,307)	(10,263)
Provisions reversed	(1,836)	(4,480)	(6,316)
Accretion expense	1,429	28	1,457
The effect of changing in the discount rate	4,721	—	4,721
Others	(3,018)	(454)	(3,472)
Balance as of March 31, 2020	¥101,932	¥22,961	¥124,893

	Millions of U.S. Dollars		
	Provisions for asset retirement obligations	Other provisions	Total
Balance as of April 1, 2019	$861	$251	$1,112
Provisions increased for the year	91	72	163
Provisions charged-off	(27)	(67)	(94)
Provisions reversed	(17)	(41)	(58)
Accretion expense	13	0	13
The effect of changing in the discount rate	43	—	43
Others	(27)	(4)	(31)
Balance as of March 31, 2020	$937	$211	$1,148

The provisions for asset retirement obligations are related to the costs of restoring stores with real estate lease contracts of subsidiaries and the costs of dismantlement of coal mining, iron-ore mining, and crude oil drilling facilities of subsidiaries. Other provisions include provision for loss on guarantees and provision for loss on interest repayments. In the changes in provisions above, Provisions increased for the year include the increase of ¥2,012 million (US$18 million) from the new consolidations, and Others include the decrease of ¥241 million (US$2 million) related to the de-consolidations.

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

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Other current liabilities	¥ 6,890	¥ 7,829	$ 63
Other non-current liabilities	118,003	113,167	1,085
Total	¥124,893	¥120,996	$1,148

19. 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 rate for the fiscal years ended March 31, 2020 and 2019, which have been calculated based on the statutory tax rate, is 31.0%.

Commencing with 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.

Amounts provided for income taxes for the years ended March 31, 2020 and 2019 were allocated as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Income tax expense			
Current tax expense	¥(143,297)	¥(105,693)	$(1,317)
Deferred tax expense (Note)	1,076	(44,001)	10
Total	(142,221)	(149,694)	(1,307)
Income taxes recognized directly in equity	46	361	0
Total	46	361	0
Income tax related to each component of other comprehensive income			
Translation adjustments	1,937	1,565	18
Remeasurement of net defined pension liability	1,681	1,588	15
FVTOCI financial assets	31,055	(3,412)	285
Cash flow hedges	764	1,387	7
Other comprehensive income in associates and joint ventures	2,416	1,790	22
Total	¥ 37,853	¥ 2,918	$ 347

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, 2020 and 2019 were ¥16,169 million (US$149 million) (expense) and ¥51,954 million (expense), respectively.
2. Deferred tax expense relating to the reassessment of the realizability of deferred tax assets for the years ended March 31, 2020 and 2019 were ¥17,245 million (US$158 million) (income) and ¥7,953 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, 2020 and 2019 were as follows:

	2020	2019
Statutory effective tax rate	**31.0%**	31.0%
Items not deductible or not taxable for tax purposes	**0.6**	0.7
Difference of tax rates for foreign subsidiaries	**(0.3)**	0.2
Tax effect on dividends received	**(0.7)**	(0.6)
Change in temporary differences for which no deferred tax asset is recognized	**(2.5)**	(1.1)
Equity in earnings of associates and joint ventures	**(9.1)**	(4.4)
Tax effect on equity interests in subsidiaries, associates and joint ventures	**1.2**	(4.3)
Others	**0.1**	0.0
Effective tax rate in the Consolidated Statement of Comprehensive Income	**20.3%**	21.5%

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, 2020 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Deductible temporary differences	**¥396,897**	¥382,100	**$3,647**
Tax loss carryforwards / tax credit carryforwards	**112,766**	207,368	**1,036**
Total	**¥509,663**	¥589,468	**$4,683**

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
	2020	2019	2020
Within 1 year	**¥ 13,733**	¥ 870	**$ 126**
Within 2 years	**4,822**	15,903	**44**
Within 3 years	**6,048**	4,356	**56**
Within 4 years	**13,747**	6,146	**126**
Within 5 years	**4,308**	9,785	**40**
After 5 to 10 years	**52,226**	149,431	**480**
After 10 years (or no expiration date)	**17,882**	20,877	**164**
Total	**¥112,766**	¥207,368	**$1,036**

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, 2020 and 2019, were immaterial.

Significant components of deferred tax assets and deferred tax liabilities for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Deferred tax assets:			
Inventories and Property, plant and equipment	¥ 79,426	¥ 64,856	$ 730
Allowance for doubtful accounts	9,380	8,607	86
Tax loss carryforwards	52,079	51,262	479
Non-current liabilities for employee benefits	71,090	67,027	653
Securities and investments	26	46	0
Others	79,227	69,683	728
Total deferred tax assets	291,228	261,481	2,676
Deferred tax liabilities:			
Non-current liabilities for employee benefits	(37,238)	(35,743)	(342)
Securities and investments	(55,778)	(91,093)	(513)
Equity interests in subsidiaries, associates, and joint ventures	(109,575)	(97,849)	(1,007)
Property, plant and equipment and Intangible assets	(224,985)	(210,871)	(2,067)
Others	(3,513)	(11,805)	(32)
Total deferred tax liabilities	(431,089)	(447,361)	(3,961)
Net deferred tax assets (liabilities)	¥(139,861)	¥(185,880)	$(1,285)

Among the above changes of deferred tax assets and deferred tax liabilities for the years ended March 31, 2020 and 2019, the changes recognized through other comprehensive income are mainly FVTOCI financial assets, which are included in Securities and investments.

The details of changes in deferred tax assets and deferred tax liabilities for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Net deferred tax assets (liabilities)			
Balance at the beginning of the year	¥(185,880)	¥ (67,320)	$(1,708)
Effects of the application of new accounting standards	10,770	—	99
Deferred tax expense for the current period	1,076	(44,001)	10
Deferred taxes recognized directly in equity			
Capital surplus	3	361	0
Deferred tax related to each component of other comprehensive income			
Translation adjustments	1,955	1,557	18
Remeasurement of net defined pension liability	1,681	1,588	15
FVTOCI financial assets	32,760	(14,174)	302
Cash flow hedges	764	1,387	7
Other comprehensive income in associates and joint ventures	2,416	1,790	22
Changes in deferred tax assets (liabilities) accompanying business combination	(5,406)	(67,068)	(50)
Balance at the end of the year	¥(139,861)	¥(185,880)	$(1,285)

The changes in deferred tax assets (liabilities) accompanying business combination for the years ended March 31, 2019 are mainly caused by the conversion of FamilyMart Co., Ltd. into a subsidiary.

20. Earnings per Share Attributable to ITOCHU

The basic and diluted earnings per share attributable to ITOCHU for the years ended March 31, 2020 and 2019 were as follows:

	Yen		U.S. Dollars
	2020	2019	2020
Earnings per share			
Basic earnings per share attributable to ITOCHU	¥335.58	¥324.07	$3.08
Diluted earnings per share attributable to ITOCHU	¥335.58	¥324.07	$3.08

The base data to calculate the basic and diluted earnings per share attributable to ITOCHU for March 31, 2020 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
(Numerator)	2020	2019	2020
Net profit attributable to ITOCHU	¥501,322	¥500,523	$4,606
Effect of dilutive securities	—	—	—
Diluted net profit attributable to ITOCHU	¥501,322	¥500,523	$4,606

	Number of Shares	
(Denominator)	2020	2019
Weighted-average number of common shares outstanding	1,493,881,221	1,544,498,372

21. Equity

(1) Common Stock

The number of shares authorized and issued were as follows:

	Number of Shares	
	2020	2019
Authorized		
Common stock	3,000,000,000	3,000,000,000
Issued		
Balance at the beginning of the year	1,584,889,504	1,662,889,504
Net changes in the year	—	(78,000,000)
Balance at the end of the year	1,584,889,504	1,584,889,504

The number of shares of treasury stock included in the number of shares issued above as of March 31, 2020 and 2019 were 94,612,062 shares and 63,547,182 shares, respectively. The number of shares of treasury stock as of March 31, 2020 includes 801,111 shares of the Company held in the trust account for the benefit share ESOP and 586,932 shares of the Company held in the BIP trust account for officer remuneration, and the number of shares of treasury stock as of March 31, 2019 includes 868,649 shares of the Company held in the trust account for the benefit share ESOP and 700,740 shares of the Company held in the BIP trust account for officer remuneration. In the year ended March 31, 2019, the Company cancelled 78,000,000 shares of treasury stock based on the resolution at a meeting of its board of directors.

The issued shares stated above are fully paid, and the common stock issued has no par value.

(2) Capital Surplus and Retained Earnings

The Companies Act of Japan (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 a limit to the amount that can be distributed as dividends and the amount available for the purchase of treasury stock. This amount is based on the amount recorded in the Company's statutory stand-alone 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 stock under the Companies Act. The amount available as dividends or for the purchase of treasury stock under the Companies Act was ¥729,174 million (US$6,700 million) as of March 31, 2020. This amount available as dividends or for the purchase of treasury stock might change as a result of certain actions, such as the purchase of treasury stock 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 being 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.

22. Dividends

(1) Dividends paid during the years ended March 31, 2020 and 2019 were as follows:

		Millions of Yen		Yen		
		(Millions of U.S. Dollars)		(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 22, 2018	Ordinary shares	¥58,995	Retained earnings	¥38.00	March 31, 2018	June 25, 2018
Board of Directors' meeting held on November 2, 2018	Ordinary shares	¥57,442	Retained earnings	¥37.00	September 30, 2018	December 3, 2018
Ordinary general meeting of shareholders held on June 21, 2019	Ordinary shares	¥70,099 ($644)	Retained earnings	¥46.00 ($0.42)	March 31, 2019	June 24, 2019
Board of Directors' meeting held on November 1, 2019	Ordinary shares	¥63,438 ($583)	Retained earnings	¥42.50 ($0.39)	September 30, 2019	December 2, 2019

(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		Yen		
		(Millions of U.S. Dollars)		(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, 2020	Ordinary shares	¥63,438 ($583)	Retained earnings	¥42.50 ($0.39)	March 31, 2020	June 22, 2020

23. 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
	2020	2019	2020
Translation adjustments			
Balance at the beginning of the year	¥ 81,037	¥136,729	$ 745
Adjustment for the year	(118,873)	(55,692)	(1,092)
Balance at the end of the year	(37,836)	81,037	(347)
FVTOCI financial assets			
Balance at the beginning of the year	49,764	(61,484)	457
Adjustment for the year	(77,941)	30,768	(716)
Transfer to retained earnings	(3,795)	80,480	(35)
Balance at the end of the year	(31,972)	49,764	(294)
Cash flow hedges			
Balance at the beginning of the year	433	5,961	4
Adjustment for the year	(19,596)	(5,528)	(180)
Balance at the end of the year	(19,163)	433	(176)
Remeasurement of net defined pension liability			
Balance at the beginning of the year	—	—	—
Adjustment for the year	(5,187)	(6,032)	(48)
Transfer to retained earnings	5,187	6,032	48
Balance at the end of the year	—	—	—
Total other components of equity			
Balance at the beginning of the year	131,234	81,206	1,206
Adjustment for the year	(221,597)	(36,484)	(2,036)
Transfer to retained earnings	1,392	86,512	13
Balance at the end of the year	¥ (88,971)	¥131,234	$ (817)

The amount of Transfer to retained earnings in FVTOCI financial assets for the year ended March 31, 2019 is mainly consisted of the sale of TING HSIN (CAYMAN ISLANDS) HOLDING CORP.

(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					
	2020			2019		
	Before tax effects	Tax effects	Net of tax effects	Before tax effects	Tax effects	Net of tax effects
Items that will not be reclassified to profit or loss						
FVTOCI financial assets						
Amount arising during the year on FVTOCI financial assets	¥ (98,698)	¥31,055	¥ (67,643)	¥ 23,452	¥(3,412)	¥ 20,040
Adjustment for the year	(98,698)	31,055	(67,643)	23,452	(3,412)	20,040
Remeasurement of net defined pension liability						
Amount arising during the year on net defined pension liability	(5,516)	1,681	(3,835)	(4,762)	1,588	(3,174)
Adjustment for the year	(5,516)	1,681	(3,835)	(4,762)	1,588	(3,174)
Other comprehensive income in associates and joint ventures						
Amount arising during the year	(8,637)	876	(7,761)	8,641	502	9,143
Adjustment for the year	(8,637)	876	(7,761)	8,641	502	9,143
Items that will be reclassified to profit or loss						
Translation adjustments						
Amount arising during the year on translation adjustment	(93,145)	1,901	(91,244)	(4,323)	1,233	(3,090)
Reclassification to profit or loss for the year	(1,437)	36	(1,401)	(6,045)	332	(5,713)
Adjustment for the year	(94,582)	1,937	(92,645)	(10,368)	1,565	(8,803)
Cash flow hedges						
Amount arising during the year on derivative instruments for cash flow hedges	(13,199)	2,637	(10,562)	(11,742)	3,366	(8,376)
Reclassification to profit or loss for the year	6,361	(1,873)	4,488	6,714	(1,979)	4,735
Adjustment for the year	(6,838)	764	(6,074)	(5,028)	1,387	(3,641)
Other comprehensive income in associates and joint ventures						
Amount arising during the year	(45,055)	1,529	(43,526)	(50,026)	1,481	(48,545)
Reclassification to profit or loss for the year	208	11	219	1,070	(193)	877
Adjustment for the year	(44,847)	1,540	(43,307)	(48,956)	1,288	(47,668)
Total other comprehensive income for the year, net of tax	¥(259,118)	¥37,853	¥(221,265)	¥(37,021)	¥ 2,918	¥(34,103)

	Millions of U.S. Dollars		
	2020		
	Before tax effects	Tax effects	Net of tax effects
Items that will not be reclassified to profit or loss			
FVTOCI financial assets			
Amount arising during the year on FVTOCI financial assets	$ (907)	$285	$ (622)
Adjustment for the year	(907)	285	(622)
Remeasurement of net defined pension liability			
Amount arising during the year on net defined pension liability	(50)	15	(35)
Adjustment for the year	(50)	15	(35)
Other comprehensive income in associates and joint ventures			
Amount arising during the year	(79)	8	(71)
Adjustment for the year	(79)	8	(71)
Items that will be reclassified to profit or loss			
Translation adjustments			
Amount arising during the year on translation adjustment	(856)	18	(838)
Reclassification to profit or loss for the year	(13)	0	(13)
Adjustment for the year	(869)	18	(851)
Cash flow hedges			
Amount arising during the year on derivative instruments for cash flow hedges	(121)	24	(97)
Reclassification to profit or loss for the year	58	(17)	41
Adjustment for the year	(63)	7	(56)
Other comprehensive income in associates and joint ventures			
Amount arising during the year	(414)	14	(400)
Reclassification to profit or loss for the year	2	0	2
Adjustment for the year	(412)	14	(398)
Total other comprehensive income for the year, net of tax	$(2,380)	$347	$(2,033)

Note: The amounts 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, 2020 and 2019 were ¥1,931 million (US$18 million) (income) and ¥4,174 million (income) (before tax effect), respectively (¥1,332 million (US$12 million) (income) and ¥2,880 million (income) (net of tax), respectively). These amounts were reclassified from Other components of equity 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.

24. 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 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, 2020 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Interest-bearing debt	¥2,876,963	¥2,983,837	$26,436
Cash and cash equivalents	611,223	572,030	$5,616
Time deposit	8,858	5,051	$81
Net Interest-bearing debt	2,256,882	2,406,756	20,739
Shareholders' equity	¥2,995,951	¥2,936,908	$27,529
NET DER (times)	0.75	0.82	—

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 foreign exchange rate risk, interest rate risk, commodity price risk, stock price risk, credit risk, and liquidity risk. The Company and its subsidiaries utilize periodic monitoring and other means to manage these risks.

1) 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 foreign exchange forward contracts.

The net exposures to foreign exchange rate risk of the Company and its subsidiaries as of March 31, 2020 and 2019 were as follows:

	Millions of Yen							
	2020							
	U.S. dollar	Euro	Pound	Yuan	Australian dollar	Brazilian real	Other	Total
Short-term balance	¥26,927	¥(1,254)	¥ 7,153	¥2,512	¥(4,851)	¥633	¥(13,750)	¥17,370
Long-term balance	8,490	146	(6,485)	68	1,190	—	3,787	7,196
Total	¥35,417	¥(1,108)	¥ 668	¥2,580	¥(3,661)	¥633	¥ (9,963)	¥24,566

	Millions of Yen							
	2019							
	U.S. dollar	Euro	Pound	Yuan	Australian dollar	Brazilian real	Other	Total
Short-term balance	¥(18,415)	¥ 3,237	¥(1,187)	¥ 925	¥(4,988)	¥903	¥21,394	¥ 1,869
Long-term balance	25,442	(2,197)	2,443	93	—	—	1,800	27,581
Total	¥ 7,027	¥ 1,040	¥ 1,256	¥1,018	¥(4,988)	¥903	¥23,194	¥29,450

Notes: 1. The balance of positions exposed to foreign exchange rate risk are the amounts 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 classified into short-term balances, and balances with a settlement period of more than one year are classified into long-term balances.
2. Positive balances indicate a receivable position, and negative balances indicate a payable position.

For the Company's and its subsidiaries' short-term and long-term balances of positions exposed to foreign exchange rate risk as of March 31, 2020, the effect (loss) from a 1% increase in the Japanese yen would be ¥246 million (US$2 million) for the Company's and its subsidiaries' profit before tax. This analysis is based on the assumption that other variable factors such as balances and interest rates were constant.

The Company's 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.

2) 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 portion 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, 2020, the interest rate mismatch amount was ¥728,349 million (US$6,693 million), and the effect on interest expense from a 1% increase in interest rate would be ¥7,283 million (US$67 million) (profit before tax). This amount was calculated by multiplying the interest mismatch balance of the Company and its subsidiaries as of March 31, 2020, by 1%. This analysis was made without consideration of factors, such as future changes in the balance, foreign exchange rate fluctuations, and dispersing effects of floating-rate borrowings derived from the interest rate reset date, and was based on the assumption that all other variable factors were constant.

In addition, the Company and its subsidiaries periodically track interest rate trends and, using the Earnings at Risk (EaR), monitor the amount of influence on interest payments due to interest rate changes.

3) Commodity price risk management

The Company and its subsidiaries conduct actual demand transactions that are based on the back-to-back transactions of a variety of commodities. In some cases, the Company and its subsidiaries are exposed to commodity price fluctuation risk, because they hold long or short positions in consideration of market trends. 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.

To reduce commodity price risks, the Company and its subsidiaries use such hedges as futures and forward contracts.

Commodity price risk exposures as of March 31, 2020 and 2019 were as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2020		2019		2020	
	Long	Short	Long	Short	Long	Short
Commodity	**¥9,408**	**¥81**	¥12,755	¥341	**$86**	**$1**

Commodity price sensitivity analysis

The Company and its subsidiaries use the Value at Risk (VaR) 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, 2020 and 2019. (Method: variance-covariance method / confidence interval 99% / holding period: 5 days / measurement frequency: weekly)

	Millions of Yen				Millions of U.S. Dollars	
	2020		2019		2020	
	March 31	Average	March 31	Average	March 31	Average
Commodity	**¥169**	**¥242**	¥269	¥460	**$2**	**$2**

4) 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 to increase corporate value through means such as making a wide range of proposals to investees, and consequently are exposed to stock price fluctuation risk.

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

The fair values of marketable equity securities (total of FVTOCI and FVTPL financial assets) held as of March 31, 2020 and 2019 were ¥330,175 million (US$3,034 million) and ¥315,619 million, respectively.

Stock price sensitivity analysis

The Company and its subsidiaries use the VaR to measure stock price risk. The following table shows year-end VaR figures as of March 31, 2020 and 2019. (Method: variance-covariance method / confidence interval 99% / holding period: 10 days / measurement frequency: monthly)

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Marketable equity securities	**¥22,901**	¥19,047	**$210**

The Company and its subsidiaries periodically conduct back-testing in which VaR is compared with actual gains or losses.

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.

5) Credit risk management

Through trade receivables, loans, guarantees, and other formats, the Company and its subsidiaries grant credit to their trading partners, both domestically and overseas. The Company and its subsidiaries, therefore, bear credit risk in relation to such receivables becoming uncollectible due to the deteriorating credit status or insolvency of the Company's and its subsidiaries' partners, and in relation to assuming responsibilities to fulfill contracts 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 guarantees as needed. At the same time, the Company and its subsidiaries establish an allowance for doubtful accounts by estimating the expected credit losses based on the creditworthiness, the status of receivable 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 any individual counterparty.

The Company and its subsidiaries classify financial instruments into the following three stages below by the degree of their credit risk and the estimated expected credit losses accordingly.

- Stage 1: Financial instruments in which credit risk has not increased significantly since initial recognition
- Stage 2: Financial instruments in which credit risk has increased significantly since initial recognition
- Stage 3: Financial instruments in which credit has been impaired

The Company and its subsidiaries deem those to be a significant increase in credit risk and classify a financial instrument in Stage 2 when contractual payments are more than 30 days past due, a request is made to extend contractual payment as of the end of the fiscal year, or when other credit events causing concern occur. (except when the credit event is temporary, the risk of default is low, and the debtor is assumed to be capable of providing the contractual cash flows in the near future.) The Company and its subsidiaries deem those to be a default event and a credit impairment accordingly, and classify a financial instrument in Stage 3 when the Company and its subsidiaries identify concerns over the likelihood of recovering the cash flows. Those default events include, but are not limited to, events where contractual payments are more than 90 days past due or a request is made to extend contractual payment because of serious financial difficulties as of the end of the fiscal year.

The Company and its subsidiaries calculate the allowance for doubtful accounts according to the following methods for financial instruments in each stages. For financial instruments in Stage 1, the Company and its subsidiaries calculate the 12-month expected credit losses based on an allowance ratio taking future outlook into consideration, which also utilizes factors such as past credit loss experience for each credit risk rating, current financial status of debtors, and other factors specific to them. For financial instruments in Stage 2, the Company and its subsidiaries calculate the lifetime expected credit losses based on an allowance ratio, taking future outlook into consideration, which also utilizes factors such as past credit loss experience for each credit risk rating, current financial status of debtors, and other factors specific to them. For financial instruments in Stage 3, the Company and its subsidiaries calculate the lifetime expected credit losses based on the difference between the contractual cash flows and the cash flows that the Company and its subsidiaries expect to receive.

However, for trade receivables, contract assets, and lease receivables, the Company and its subsidiaries do not distinguish between Stages 1 and 2, and always calculate the allowance for doubtful accounts based on lifetime expected credit losses.

The Company and its subsidiaries write off the relevant amount of a financial instrument when the Company and its subsidiaries have no prospects of recovering cash flows in their entirety or a portion there of.

The carrying amounts of financial assets, net of impairment, which is presented in the Consolidated Financial Statements, as well as the contract amounts of guarantees and financing commitments represent the maximum credit risk exposure associated with the Company's and its subsidiaries' financial assets without taking account of the valuation of any collateral.

The credit risk exposures related to trade receivables, contract assets, and lease receivables as of March 31, 2020 and 2019 were as follows:

	Millions of Yen				Millions of U.S.Dollars	
	2020		2019		2020	
	Stage 1 and 2	Stage 3	Stage 1 and 2	Stage 3	Stage 1 and 2	Stage 3
Operating receivables and contract assets	¥2,113,039	¥51,596	¥2,393,340	¥40,072	$19,416	$474
lease receivables	104,828	202	44,458	102	963	2

The credit risk exposures related to loans, financial guarantee contracts, and other financial instruments as of March 31, 2020 and 2019 were as follows:

	Millions of Yen						Millions of U.S.Dollars		
	2020			2019			2020		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Loan	¥627,457	¥1,499	¥9,734	¥642,437	¥1,540	¥8,870	$5,766	$14	$89
Financial guarantee contract (substantial risk)	128,642	—	9,154	124,936	—	9,699	1,182	—	84
Other	322,478	584	6,232	423,993	250	2,814	2,964	5	57

The credit risk exposures for each operating segment as of March 31, 2020 and 2019 were as follows:

	Millions of Yen						
	2020						
	Trade receivables and contract assets	Lease receivables	Loans	Financial guarantee contracts (substantial risk)	Other	Allowance for doubtful accounts	Total
Textile	¥ 128,995	¥ 898	¥ 2,567	¥ 109	¥ 10,760	¥ (8,928)	¥ 134,401
Machinery	183,446	41,228	45,089	77,211	21,552	(9,227)	359,299
Metals & Minerals	84,270	—	3,044	—	15,505	(2,726)	100,093
Energy & Chemicals	434,446	6,105	3,268	5,968	61,668	(4,086)	507,369
Food	635,413	—	2,134	20,151	46,940	(5,829)	698,809
General Products & Realty	183,267	13,978	22,015	22,960	15,007	(1,787)	255,440
ICT & Financial Business	444,436	20,156	56,723	3,000	22,828	(16,371)	530,772
The 8th	111,815	30,593	931	3,579	139,175	(2,333)	283,760
Other	(41,453)	(7,928)	502,919	4,818	(4,141)	(638)	453,577
Total	¥2,164,635	¥105,030	¥638,690	¥137,796	¥329,294	¥(51,925)	¥3,323,520

	Millions of Yen						
	2019						
	Trade receivables and contract assets	Lease receivables	Loans	Financial guarantee contracts (substantial risk)	Other	Allowance for doubtful accounts	Total
Textile	¥ 160,203	¥ 25	¥ 3,875	¥ 388	¥ 10,552	¥ (1,913)	¥ 173,130
Machinery	237,328	27,328	38,051	69,613	26,140	(10,213)	388,247
Metals & Minerals	102,664	—	3,101	3,679	17,613	(1,259)	125,798
Energy & Chemicals	546,306	3,071	3,884	6,005	44,316	(4,459)	599,123
Food	695,296	—	170	19,924	41,167	(5,341)	751,216
General Products & Realty	225,173	4,663	24,766	23,400	14,825	(1,670)	291,157
ICT & Financial Business	432,597	17,050	56,870	3,000	20,618	(14,844)	515,291
The 8th	124,339	348	1,148	3,678	255,395	(2,164)	382,744
Other	(90,494)	(7,925)	520,982	4,948	(3,569)	(1,014)	422,928
Total	¥2,433,412	¥44,560	¥652,847	¥134,635	¥427,057	¥(42,877)	¥3,649,634

	Millions of U.S.Dollars						
	2020						
	Trade receivables and contract assets	Lease receivables	Loans	Financial guarantee contracts (substantial risk)	Other	Allowance for doubtful accounts	Total
Textile	$ 1,185	$ 8	$ 24	$ 1	$ 99	$ (82)	$ 1,235
Machinery	1,686	379	414	709	198	(85)	3,301
Metals & Minerals	775	—	28	—	142	(25)	920
Energy & Chemicals	3,992	56	30	55	567	(38)	4,662
Food	5,839	—	20	185	431	(54)	6,421
General Products & Realty	1,684	128	202	211	138	(16)	2,347
ICT & Financial Business	4,084	185	521	28	210	(150)	4,878
The 8th	1,026	281	9	33	1,279	(21)	2,607
Other	(381)	(72)	4,621	44	(38)	(6)	4,168
Total	$19,890	$965	$5,869	$1,266	$3,026	$(477)	$30,539

Note: As ITOCHU established The 8th Company, the amounts for the year ended March 31, 2019 are presented post reclassification.

The Company and its subsidiaries hold collateral of ¥1,342 million (US$12 million) and ¥4,646 milllion as security for the loans included above as of March 31, 2020 and 2019. Properties and other credit enhancements held by the Company and its subsidiaries as collateral are measured at fair value.

As of March 31, 2020 and 2019, the amount of allowances for doubtful accounts reduced by collateral or other credit enhancement, was immaterial in relation to credit-impaired financial assets.

In addition, as of March 31, 2020 and 2019, a finance-related subsidiary of the Company holds ¥2,732,232 million (US$25,106 million) and ¥2,568,018 million as loan commitments classified in Stage 1 relating to unused credit line for shopping and cashing granted to credit card holders, but not all of the amount will necessarily be withdrawn. Allowance for doubtful accounts for the loan commitment is recognized together with the allowance for doubtful accounts for the trade receivables and loans related to the commitment.

The changes in allowance for doubtful accounts related to trade receivables, contract assets, and lease receivables for the year ended March 31, 2020 and 2019 were as follows:

	Millions of Yen				Millions of U.S.Dollars	
	2020		2019		2020	
	Stage 1 and 2	Stage 3	Stage 1 and 2	Stage 3	Stage 1 and 2	Stage 3
Balance at the end of the previous year	¥(10,329)	¥(19,567)	¥ (3,614)	¥(13,717)	$(95)	$(180)
Adjustment for the application of IFRS 9 (revised July 2014)	—	—	(807)	(66)	—	—
Provision	(1,637)	(11,871)	(2,884)	(3,580)	(15)	(108)
Reversal	535	845	346	2,484	5	8
Charge-offs	1,321	4,725	1,007	2,951	12	43
Reclassification of credit risk stage	653	(653)	84	(84)	6	(6)
Increase, decrease due to foreign currency translation and others	232	(189)	(4,461)	(7,555)	2	(2)
Balance at the end of the year	¥ (9,225)	¥(26,710)	¥(10,329)	¥(19,567)	$(85)	$(245)

The changes in allowance for doubtful accounts related to loans and other financial instruments for the year ended March 31, 2020 and 2019 were as follows:

	Millions of Yen						Millions of U.S.Dollars		
	2020			2019			2020		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Balance at the end of the previous year	¥(2,591)	¥ (776)	¥ (9,614)	¥ (849)	¥ (56)	¥(7,999)	$(24)	$ (7)	$ (88)
Adjustment for the application of IFRS 9 (revised July 2014)	—	—	—	(1,197)	(52)	(3)	—	—	—
Provision	(30)	(544)	(4,097)	(277)	(276)	(2,105)	0	(5)	(38)
Reversal	945	65	384	30	(20)	790	9	1	4
Charge-offs	300	244	1,501	3	105	542	3	2	14
Reclassification of credit risk stage	153	100	(253)	553	(268)	(285)	1	1	(2)
Increase, decrease due to foreign currency translation and others	(1,977)	(148)	348	(854)	(209)	(554)	(18)	(2)	2
Balance at the end of the year	¥(3,200)	¥(1,059)	¥(11,731)	¥(2,591)	¥(776)	¥(9,614)	$(29)	$(10)	$(108)

The contractual amount outstanding on financial assets that have been written off but still subject to enforcement activities was immaterial for the year ended March 31, 2020 and 2019.

6) 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 regards to liquidity, in addition to Cash and cash equivalents, and Time deposits of ¥620,081 million (US$5,698 million) as of March 31, 2020, the Company and its subsidiaries have the unutilized commitment line (Yen: ¥200,000 million; multiple currency: US$1,700 million).

As of March 31, 2020 and 2019, the remaining contractual maturities of the Company's 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) were as follows:

	Millions of Yen			
	2020			
	Less than 1 year	1–5 years	More than 5 years	Total
Debentures and borrowings (Short-term and Long-term)	¥ 684,406	¥1,549,790	¥642,767	¥2,876,963
Trade payables, other current payables, and other financial liabilities (Short-term and Long-term)	1,982,991	30,549	13,706	2,027,246
Contingent liabilities	33,359	63,714	23,776	120,849

	Millions of Yen			
	2019			
	Less than 1 year	1–5 years	More than 5 years	Total
Debentures and borrowings (Short-term and Long-term)	¥ 650,909	¥1,676,475	¥656,453	¥2,983,837
Trade payables, other current payables, and other financial liabilities (Short-term and Long-term)	2,232,926	133,705	52,606	2,419,237
Contingent liabilities	26,091	71,839	22,419	120,349

	Millions of U.S. Dollars			
	2020			
	Less than 1 year	1–5 years	More than 5 years	Total
Debentures and borrowings (Short-term and Long-term)	$ 6,290	$14,240	$5,906	$26,436
Trade payables, other current payables, and other financial liabilities (Short-term and Long-term)	18,220	281	126	18,627
Contingent liabilities	307	585	218	1,110

The remaining contractual maturities of derivatives for the Company and its subsidiaries as of March 31, 2020 and 2019 were as follows: The amounts for derivatives that will be net settled with other contracts are also presented in gross amounts.

		Millions of Yen			
		2020			
		Less than 1 year	1–5 years	More than 5 years	Total
Currency derivatives	Income	¥ 6,093	¥ 870	¥ 15	¥ 6,978
	Expenditures	(7,439)	(636)	—	(8,075)
Interest rate derivatives	Income	53	1,457	2,842	4,352
	Expenditures	(35)	(5,583)	(415)	(6,033)
Commodity derivatives	Income	26,725	101	—	26,826
	Expenditures	(22,398)	(106)	—	(22,504)

		Millions of Yen			
		2019			
		Less than 1 year	1–5 years	More than 5 years	Total
Currency derivatives	Income	¥ 3,489	¥ 1,261	¥ 21	¥ 4,771
	Expenditures	(5,014)	(1,584)	—	(6,598)
Interest rate derivatives	Income	1,147	3,496	2,968	7,611
	Expenditures	(11)	(473)	(420)	(904)
Commodity derivatives	Income	12,719	576	—	13,295
	Expenditures	(12,377)	(59)	—	(12,436)

		Millions of U.S. Dollars			
		2020			
		Less than 1 year	1–5 years	More than 5 years	Total
Currency derivatives	Income	$ 57	$ 8	$ 0	$ 65
	Expenditures	(68)	(6)	—	(74)
Interest rate derivatives	Income	0	13	27	40
	Expenditures	0	(51)	(4)	(55)
Commodity derivatives	Income	245	1	—	246
	Expenditures	(206)	(1)	—	(207)

(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 a certain counterparty or a 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, 2020 and 2019 were as follows (For fair value and valuation techniques of Short-term investments and Other investments, refer to Note 12 Securities and Other Investments and Note 26 Financial Instruments Measured at Fair Value, respectively. For fair value and valuation techniques of derivative asset / liability, refer to Note 26 Financial Instruments Measured at Fair Value.):

	Millions of Yen	
	2020	
	Carrying amount	Fair value
Financial assets:		
Non-current receivables and Non-current financial assets other than investments and receivables (excluding derivative assets)	¥ 327,438	¥ 329,124
Financial liabilities:		
Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative liabilities)	¥2,254,717	¥2,254,066

	Millions of Yen	
	2019	
	Carrying amount	Fair value
Financial assets:		
Non-current receivables and Non-current financial assets other than investments and receivables (excluding derivative assets)	¥ 363,695	¥ 367,335
Financial liabilities:		
Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative liabilities)	¥2,546,002	¥2,543,695

	Millions of U.S. Dollars	
	2020	
	Carrying amount	Fair value
Financial assets:		
Non-current receivables and Non-current financial assets other than investments and receivables (excluding derivative assets)	$ 3,009	$ 3,024
Financial liabilities:		
Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative liabilities)	$20,718	$20,712

Note: Of the "Non-current receivables" reflected on the Consolidated Statement of Financial Position, the shareholder loan to Chia Tai Bright Investment Company Limited ("CTB") accompanying the acquisition of CITIC Limited shares is not included above, and the information concerning the said financial instrument is described in 2) below.

1) Valuation techniques for fair values of financial instruments

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

The fair values of Non-current receivables and Non-current financial assets other than investments and receivables (excluding derivative assets) 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 (excluding derivative liabilities) are as follows:

The fair values of Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative 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.

2) Shareholder loan to CTB accompanying the acquisition of CITIC Limited shares

CTB, a company in which the Company and Charoen Pokphand Group Company Limited each invested 50%, owns 5,818 million CITIC Limited shares, which equates to 20% of that company's ordinary shares, and CTB applied the equity method. In order for CTB to procure the necessary funds for the acquisition of CITIC Limited shares, the Company provided investment and a shareholder loan to CTB.

As of March 31, 2020 and 2019, the balance of the investment to CTB accompanying the acquisition of CITIC Limited shares amounted to US$514 million (¥55,905 million) and US$514 million (¥57,014 million), respectively. The shareholder loan to CTB accompanying the acquisition of CITIC Limited shares amounted to US$4,597 million (¥500,272 million) and US$4,657 million (¥516,861 million), respectively. The balance of the shareholder loan is presented under "Non-current receivables" on the Consolidated Statement of Financial Position. As of March 31, 2020 and 2019, the closing price of CITIC Limited shares on the Hong Kong Stock Exchange were HK$8.11 and HK$11.72 per share, respectively. The value obtained by multiplying the number of CITIC Limited shares that CTB owns by the said share prices are HK$47,184 million (¥662,505 million) and HK$68,188 million (¥964,172 million), respectively. In addition, the amount obtained by multiplying this value by 50%, which is the Company's ownership interest in CTB, are HK$23,592 million (¥331,253 million) and HK$34,094 million (¥482,086 million), respectively.

(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, 2020 and 2019.

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
The amount of financial assets	¥4,657,271	¥4,975,805	$42,794
The amount of possible offsetting under master netting arrangement or similar arrangement (including cash collateral)	(160,779)	(158,023)	(1,477)
Net	¥4,496,492	¥4,817,782	$41,317

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
The amount of financial liabilities	¥6,083,630	¥5,403,074	$55,900
The amount of possible offsetting under master netting arrangement or similar arrangement (including cash collateral)t	(153,910)	(157,191)	(1,414)
Net	¥5,929,720	¥5,245,883	$54,486

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 immaterial.

25. 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, 2020 and 2019, amounts of the net profit (losses) related to hedge ineffectiveness and the portion excluded from the assessment of hedge effectiveness were immaterial.

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, 2020 and 2019, amounts of the net profit (losses) related to hedge ineffectiveness and the portion excluded from the assessment of hedge effectiveness were immaterial.

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, 2020 and2019, the amounts reclassified from other comprehensive income into profit or loss, because it is no longer probable that forecasted transactions would occur, were immaterial.

The fair values of hedging instruments as of March 31, 2020 and 2019 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		
		2020		
Type of hedge accounting	Hedging instruments	Notional amounts	Assets	Liabilities
Fair value hedges	Currency derivatives	¥ 71,490	¥ 588	¥ 562
	Interest rate derivatives	77,881	4,172	5
	Commodity derivatives	212,496	7,732	3,844
Cash flow hedges	Currency derivatives	¥212,400	¥2,480	¥5,258
	Interest rate derivatives	382,655	180	6,027
	Commodity derivatives	22,810	948	48

		Millions of Yen		
		2019		
Type of hedge accounting	Hedging instruments	Notional amounts	Assets	Liabilities
Fair value hedges	Currency derivatives	¥ 64,797	¥ 609	¥ 449
	Interest rate derivatives	126,500	5,214	—
	Commodity derivatives	173,200	1,497	1,664
Cash flow hedges	Currency derivatives	¥170,779	¥ 729	¥3,934
	Interest rate derivatives	382,188	2,395	900
	Commodity derivatives	26,511	—	1,201

	Millions of U.S. Dollars			
	2020			
Type of hedge accounting	Hedging instruments	Notional amounts	Assets	Liabilities
Fair value hedges	Currency derivatives	$ 657	$ 5	$ 5
	Interest rate derivatives	716	38	0
	Commodity derivatives	1,953	71	35
Cash flow hedges	Currency derivatives	$1,952	$23	$48
	Interest rate derivatives	3,516	2	55
	Commodity derivatives	210	9	0

In the years ended March 31, 2020 and 2019, the amounts of hedged items designated as fair value hedges were as follows:

	Millions of Yen		
	2020		
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	¥ 2,630	¥ 110
	Trade payables	3,453	9
	Other current assets	436	436
	Other current liabilities	563	563
Interest rate risk	Debentures and borrowings	¥81,667	¥4,167
Commodity price risk	Inventories	¥19,325	¥ (646)
	Other current assets	3,747	3,747
	Other current liabilities	6,989	6,989

	Millions of Yen		
	2019		
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	¥ 913	¥ 64
	Trade payables	4,352	1
	Other current assets	376	376
	Other current liabilities	599	599
Interest rate risk	Debentures and borrowings	¥131,714	¥5,214
Commodity price risk	Inventories	¥ 17,417	¥ (34)
	Other current assets	1,024	1,024
	Other current liabilities	822	822

	Millions of U.S. Dollars		
	2020		
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	$ 24	$ 1
	Trade payables	32	0
	Other current assets	4	4
	Other current liabilities	5	5
Interest rate risk	Debentures and borrowings	$750	$38
Commodity price risk	Inventories	$178	$ (6)
	Other current assets	34	34
	Other current liabilities	64	64

Note: In the years ended March 31, 2020, and 2019, the accumulated amounts of fair value hedge adjustments related to the hedged items on which the hedging transactions have been ceased totaled ¥7,533 million (US$69 million) and ¥10,898 million, respectively. These amounts are included in Short-term debentures and borrowings and Long-term debentures and borrowings.

In the years ended March 31, 2020 and 2019, 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			
	2020			
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	**¥ (682)**	**¥ (95)**	Other–net	**¥(1,555)**
Interest rate risk	**(5,280)**	**(7,302)**	Interest expense	**13**
Commodity price risk	**624**	**(5,802)**	Revenues from sale of goods	**7,903**
Total	**¥(5,338)**	**¥(13,199)**		**¥ 6,361**

	Millions of Yen			
	2019			
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	¥ 209	¥ 166	Other–net	¥1,555
Interest rate risk	902	(3,134)	Interest expense	35
Commodity price risk	(805)	(8,774)	Revenues from sale of goods	5,124
Total	¥ 306	¥(11,742)		¥6,714

	Millions of U.S. Dollars			
	2020			
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	**$ (6)**	**$ (1)**	Other–net	**$(14)**
Interest rate risk	**(49)**	**(67)**	Interest expense	**0**
Commodity price risk	**6**	**(53)**	Revenues from sale of goods	**72**
Total	**$(49)**	**$(121)**		**$ 58**

The amounts 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, 2020 and 2019 were ¥1,931 million (US$18 million) (income) and ¥4,174 million (income) (before tax effect), respectively. These amounts were 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.

26. Financial Instruments Measured at Fair Value

IFRS 13 Fair Value Measurements defines 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 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 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 paper 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 for 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 consist of securities 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 classified as Level 1. On the other hand, instruments that are measured at quoted prices in markets in which there are relatively few transactions are classified as Level 2.

Securities that are not listed on exchanges are measured mainly using the discounted cash flow and modified net assets methods based on comprehensive consideration of various 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. If the amount affected by unobservable inputs covers a significant proportion of the fair value, the security is classified as Level 3, and if the amount affected by unobservable inputs does not cover a significant proportion of fair value, the security is classified as Level 2.

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

Based on the policies and procedures defined by the Company, the Company and its subsidiaries apply the best available valuation techniques and inputs to measure the fair value of assets and liabilities by considering their nature, features, and risk. The assets and liabilities that are classified as Level 3 are mainly measured by the discounted cash flow and modified net assets methods. In addition, the result of the measurement of the fair value has been approved by the appropriate authority in each division company.

The fair value of assets and liabilities that are measured by discounted cash flow fluctuates depending on 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 6–12%)

If the unobservable inputs have been changed to reflect reasonably possible alternative assumptions, the effect is expected to be 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 quarterly reporting period when the transfer occurs.

The information by level for assets and liabilities that were measured at fair value on a recurring basis as of March 31, 2020 and 2019 was as follows:

For the years ended March 31, 2020 and 2019, there were no significant transfers between Level 1 and 2.

	Millions of Yen			
	2020			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	¥ —	¥ —	¥ —	¥ —
Inventories	—	2,733	—	2,733
Securities and other investments				
FVTPL financial assets	66	13,828	54,597	68,491
FVTOCI financial assets	330,109	—	414,003	744,112
Derivative assets	8,482	29,674	—	38,156
Liabilities				
Derivative liabilities	¥ 4,545	¥32,067	¥ —	¥ 36,612

	Millions of Yen			
	2019			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	¥ —	¥ —	¥ —	¥ —
Inventories	—	11,215	—	11,215
Securities and other investments				
FVTPL financial assets	152	12,367	43,562	56,081
FVTOCI financial assets	315,467	—	472,872	788,339
Derivative assets	2,810	22,867	—	25,677
Liabilities				
Derivative liabilities	¥ 1,889	¥18,049	¥ —	¥ 19,938

	Millions of U.S. Dollars			
	2020			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$ —	$ —	$ —	$ —
Inventories	—	25	—	25
Securities and other investments				
FVTPL financial assets	1	126	502	629
FVTOCI financial assets	3,033	—	3,804	6,837
Derivative assets	78	273	—	351
Liabilities				
Derivative liabilities	$ 42	$294	$ —	$ 336

The changes in Level 3 items for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen	
	2020	
	FVTPL financial assets	FVTOCI financial assets
Beginning Balance	¥ 43,562	¥472,872
Total gains or losses	2,033	(65,131)
Included in gains on investments	2,033	—
Included in other comprehensive income (loss) (FVTOCI financial assets)	—	(40,670)
Included in other comprehensive income (loss) (Translation adjustments)	—	(24,461)
Purchases	20,323	15,067
Sales	(700)	(6,064)
Transfers into Level 3	—	—
Transfers out of Level 3	—	(636)
Others	(10,621)	(2,105)
Ending balance	54,597	414,003
The amount of gains (losses) on investments for the period relating to assets still held as of March 31, 2020	¥ 1,262	¥ —

	Millions of Yen	
	2019	
	FVTPL financial assets	FVTOCI financial assets
Beginning Balance	¥39,952	¥425,291
Total gains or losses	4,107	49,304
Included in gains on investments	4,107	—
Included in other comprehensive income (loss) (FVTOCI financial assets)	—	50,388
Included in other comprehensive income (loss) (Translation adjustments)	—	(1,084)
Purchases	6,057	42,660
Sales	(1,121)	(50,904)
Transfers into Level 3	—	196
Transfers out of Level 3	(250)	(163)
Others	(5,183)	6,488
Ending balance	43,562	472,872
The amount of gains (losses) on investments for the period relating to assets still held as of March 31, 2019	¥ 4,115	¥ —

	Millions of U.S. Dollars	
	2020	
	FVTPL financial assets	FVTOCI financial assets
Beginning Balance	$400	$4,345
Total gains or losses	19	(598)
Included in gains on investments	19	—
Included in other comprehensive income (loss) (FVTOCI financial assets)	—	(373)
Included in other comprehensive income (loss) (Translation adjustments)	—	(225)
Purchases	187	138
Sales	(6)	(56)
Transfers into Level 3	—	—
Transfers out of Level 3	—	(6)
Others	(98)	(19)
Ending balance	502	3,804
The amount of gains (losses) on investments for the period relating to assets still held as of March 31, 2020	$ 12	$ —

The transfers out of Level 3 recognized for the years ended March 31, 2020 and 2019 were due to the fact that the fair value of equity securities becoming measurable using the quoted market price resulting from listing on exchanges. The transfers into Level 3 recognized for the year ended March 31, 2019 were due to the fact that the fair value of equity securities becoming unobservable resulting from delisting from exchanges.

27. Revenue

(1) Contract Balances

The breakdown of contract balances for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen				Millions of U.S. Dollars
	2020		2019		2020
	Beginning Balance	Ending Balance	Beginning Balance	Ending Balance	Ending Balance
Receivables from Contracts with Customers	¥2,397,608	¥2,113,746	¥2,173,594	¥2,397,608	$19,422
Contract Assets	18,500	18,493	19,532	18,500	170
Contract Liabilities	119,843	116,363	166,041	119,843	1,069

Revenues recognized for the years ended March 31, 2020 and 2019 include ¥98,572 million (US$906 million) and ¥150,854 million respectively, recognized from contract liabilities at the opening balance of the years ended March 31, 2020 and 2019. The balance of contract liabilities decreased mainly due to the completion of performance obligations. Revenues recognized for the years ended March 31, 2020 and 2019 arising from performance obligations fulfilled in past periods, is immaterial.

(2) Remaining Performance Obligations

As of March 31, 2020, the Company and its subsidiaries have total transaction price of ¥464,770 million (US$4,271 million), mainly in iron ore, system development, ships, and energy transactions, allocated to remaining performance obligations. As of March 31, 2019, the Company and its subsidiaries have total transaction price of ¥547,203 million, mainly in iron ore, energy, ships, and system development transactions, allocated to remaining performance obligations. The Company and its subsidiaries expect almost these transactions to take place over the next 3 years, and to be recognized as revenues once the contracts are executed. The Company and its subsidiaries use the practical expedients, pursuant to IFRS 15, "Revenue from Contracts with Customers", and only disclose individual transactions with anticipated contract lengths exceeding 1 year. The total transaction price above includes estimated amount of variable consideration to the extent that a significant reversal in the amount of revenue will not occur. The amount not included in the transaction price is immaterial.

(3) Assets Recognized from Costs Incurred to Acquire or Execute Customer Contracts

The Company and its subsidiaries do not recognize any significant amount of assets or their depreciation arising from costs incurred to acquire or execute customer contracts.

28. Selling, General and Administrative Expenses

The breakdown of Selling, general and administrative expenses for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Personnel expenses	¥ 586,943	¥ 538,414	$ 5,393
Depreciation	275,022	63,722	2,527
Amortization	36,490	24,086	335
Service charge	107,643	98,720	989
Distribution costs	82,352	78,107	757
Rent	49,685	167,987	457
Others	242,809	222,265	2,231
Total	¥1,380,944	¥1,193,301	$12,689

Note: "Rent and operating lease expenses" is presented as "Rent" due to the application of IFRS 16 from the year ended March 31, 2020. The amount for the year ended March 31, 2019 is not reclassified, including operating lease expenses before the application of IFRS 16.

29. Gains on Investments

The breakdown of Gains on investments for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Investments in subsidiaries, associates and joint ventures	¥54,003	¥190,436	$496
FVTPL financial assets	3,827	12,566	35
Financial assets measured at amortized cost (Note)	(29)	32	(0)
Total	¥57,801	¥203,034	$531

Note: The Financial assets measured at amortized cost includes losses arising from impairment loss on the financial assets measured at amortized cost of ¥27 million (US$0 million) for the year ended March 31, 2020, and ¥6 million for the year ended March 31, 2019, and gains and losses arising from the derecognition of financial assets measured at amortized cost of ¥2 million (US$0 million) (loss) and ¥38 million (gain), respectively.

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

The breakdown of Losses on property, plant, equipment and intangible assets for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Gains on sales of property, plant and equipment	¥ 28,361	¥ 6,795	$ 261
Losses on disposal and sales of property, plant and equipment	(5,158)	(2,251)	(47)
Impairment losses on property, plant and equipment	(18,579)	(17,139)	(171)
Impairment losses on goodwill	(10,418)	(225)	(96)
Others	1,398	779	13
Total	¥ (4,396)	¥(12,041)	$ (40)

31. Other–Net

The breakdown of Other–net for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Net foreign exchange gains (losses)	¥ 306	¥ 2,920	$ 3
Others	(1,720)	7,814	(16)
Total	¥(1,414)	¥10,734	$(13)

32. Financial Income (Loss)

The breakdown of Financial income (loss) for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Interest income			
Financial assets measured at amortized cost	¥ 35,267	¥ 40,128	$ 324
Subtotal	35,267	40,128	324
Dividends received			
FVTPL financial assets	7	361	0
FVTOCI financial assets	66,467	48,011	611
Subtotal	66,474	48,372	611
Interest expense			
Financial liabilities measured at amortized cost			
Lease liabilities	(14,681)	—	(135)
Others	(44,209)	(57,049)	(406)
Derivatives	3,604	4,663	33
Others	(2,314)	(2,002)	(21)
Subtotal	(57,600)	(54,388)	(529)
Total	¥ 44,141	¥ 34,112	$ 406

Note: The interest expense from lease liabilities is presented in the breakdown of financial liabilities measured at amortized cost due to the application of IFRS 16 from the year ended March 31, 2020 and the amount as of March 31, 2019 is not reclassified.

33. Cash Flow Information

(1) Acquisitions and Sales of Subsidiaries

(Acquisitions of subsidiaries)

The acquisition of major subsidiaries for the year ended March 31, 2020 was that of Prima Meat Packers, Ltd.

The acquisitions of major subsidiaries for the year ended March 31, 2019 were that of RICARDO PEREZ, S.A., FamilyMart Co., Ltd., and POCKET CARD CO., LTD.

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Acquisitions of subsidiaries			
Fair value of assets acquired	¥ 210,154	¥ 2,292,762	$1,931
Fair value of liabilities acquired	(103,939)	(1,469,940)	(955)
Net assets, before deduction of cash	106,215	822,822	976
Fair value of previously held equity interests	(52,723)	(532,626)	(484)
Goodwill and Non-controlling interests	(51,372)	(149,652)	(473)
Fair value of consideration	2,120	140,544	19
Effect of exchange rate changes	—	(56)	—
Consideration paid in the previous fiscal year	—	(20,549)	—
Payment of outstanding balance as of the end of the previous fiscal year	—	4,213	—
Cash acquired	(16,055)	(258,607)	(147)
Acquisitions of subsidiaries, net of cash acquired (Negative figure indicates proceeds)	¥ (13,935)	¥ (134,455)	$ (128)

(Sales of subsidiaries)

There was no sale of major subsidiaries for the year ended March 31, 2020.

The sales of major subsidiaries for the year ended March 31, 2019 were that of North Sea oil fields development company and UNY CO., LTD. in FamilyMart Co., Ltd.

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Sales of subsidiaries			
Fair value of assets sold	¥—	¥ 548,346	$—
Fair value of liabilities sold	—	(487,768)	—
Net assets, before deduction of cash	—	60,578	—
Fair value of consideration	—	79,479	—
Loans receivable collected in conjunction with the sales (Note)	—	160,860	—
Cash included in assets sold	—	(32,065)	—
Sales of subsidiaries, net of cash held by subsidiaries	¥—	¥ 208,274	$—

Note: FamilyMart Co., Ltd. received repayment of loans receivable from UNY CO., LTD. and its subsidiaries in conjunction with the sale of UNY CO., LTD.

(2) Changes in Liabilities Arising from Financing Activities

Changes in liabilities arising from financing activities for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen		
	2020		
	Debentures and Borrowings	Lease liabilities and the others	Total
Beginning of the year	¥2,983,837	¥ 188,369	¥3,172,206
Effects of the application of new accounting standards	—	1,065,596	1,065,596
Cash flow	(77,381)	(269,538)	(346,919)
Non-cash changes			
Increase through acquisitions	26,906	9,869	36,775
Decrease through divestitures	(14,728)	(3,760)	(18,488)
New leases	—	158,731	158,731
Effect of foreign currency exchange differences	(33,414)	(3,777)	(37,191)
Fair value changes	(4,407)	—	(4,407)
Others	(3,850)	34,073	30,223
End of the year	¥2,876,963	¥1,179,563	¥4,056,526

	Millions of Yen		
	2019		
	Debentures and Borrowings	Lease liabilities and the others	Total
Beginning of the year	¥2,779,473	¥ 79,248	¥2,858,721
Cash flow	(310,270)	(34,777)	(345,047)
Non-cash changes			
Increase through acquisitions	545,625	121,735	667,360
Decrease through divestitures	(70,641)	(17)	(70,658)
New leases	—	21,313	21,313
Effect of foreign currency exchange differences	42,989	375	43,364
Fair value changes	(3,061)	—	(3,061)
Others	(278)	492	214
End of the year	¥2,983,837	¥188,369	¥3,172,206

	Millions of U.S. Dollars		
	2020		
	Debentures and Borrowings	Lease liabilities and the others	Total
Beginning of the year	$27,417	$ 1,731	$29,148
Effects of the application of new accounting standards	—	9,791	9,791
Cash flow	(711)	(2,477)	(3,188)
Non-cash changes			
Increase through acquisitions	247	91	338
Decrease through divestitures	(135)	(35)	(170)
New leases	—	1,459	1,459
Effect of foreign currency exchange differences	(308)	(34)	(342)
Fair value changes	(40)	—	(40)
Others	(35)	313	278
End of the year	$26,435	$10,839	$37,274

Note: Lease obligations has changed its name to lease liabilities due to the application of IFRS 16 from the year ended March 31, 2020.

34. Parent's Ownership Interest in Subsidiaries

Subsidiaries of the Company as of March 31, 2020 were as follows:

Name	Location	Voting shares (%)
Textile		
Sankei Co., Ltd.	Koto-ku, Tokyo	100.0
EDWIN CO.,LTD.	Arakawa-ku, Tokyo	98.5
JOI'X CORPORATION	Chiyoda-ku, Tokyo	100.0
LEILIAN CO.,LTD.	Setagaya-ku, Tokyo	100.0
ITOCHU Textile Prominent (ASIA) Ltd.	Hong Kong, China	100.0 (50.0)
ITOCHU TEXTILE (CHINA) CO., LTD.	Shanghai, China	100.0 (40.0)
48 other companies		
Machinery		
IMECS CO., LTD.	Minato-ku, Tokyo	100.0
ITOCHU AVIATION, CO., LTD.	Minato-ku, Tokyo	100.0
ITOCHU Plantech Inc.	Minato-ku, Tokyo	100.0
JAPAN AEROSPACE CORPORATION	Minato-ku, Tokyo	100.0
YANASE & CO., LTD.	Minato-ku, Tokyo	66.1
ITOCHU MACHINE-TECHNOS CORP.	Chiyoda-ku, Tokyo	100.0
Century Medical, Inc.	Shinagawa-ku, Tokyo	100.0
ITOCHU SysTech Corporation	Chuo-ku, Osaka	100.0
I-Power Investment, Inc.	Wilmington, Delaware, U.S.A.	100.0
I-ENVIRONMENT INVESTMENTS LIMITED	London, U.K.	100.0 (30.0)
Auto Investment Inc.	Pelham, Alabama, U.S.A.	100.0
ITOCHU Automobile America Inc.	Farmington Hills, Michigan, U.S.A.	100.0
RICARDO PÉREZ, S.A.	Panama, Republic of Panama	70.0
VEHICLES MIDDLE EAST FZE	Dubai, U.A.E.	100.0
MULTIQUIP INC.	Carson, California, U.S.A.	100.0 (80.0)
87 other companies		
Metals & Minerals		
ITOCHU Metals Corporation	Minato-ku, Tokyo	100.0
ITC Platinum Development Ltd	London, U.K.	75.0
ITOCHU Coal Americas Inc.	Wilmington, Delaware, U.S.A.	100.0
JAPÃO BRASIL MINÉRIO DE FERRO PARTICIPAÇÕES LTDA.	Sao Paulo, Brazil	77.3
ITOCHU Minerals & Energy of Australia Pty Ltd	Perth, W.A., Australia	100.0 (3.7)
6 other companies		
Energy & Chemicals		
ITOCHU ENEX CO., LTD.	Chiyoda-ku, Tokyo	54.0
ITOCHU PLASTICS INC.	Chiyoda-ku, Tokyo	100.0
ITOCHU CHEMICAL FRONTIER Corporation	Minato-ku, Tokyo	100.0
C.I. TAKIRON Corporation	Kita-ku, Osaka	51.4 (0.2)
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.	Santa Ana, California, U.S.A.	100.0
CIECO West Qurna Limited	London, U.K.	60.0
ITOCHU Plastics Pte., Ltd.	Singapore	100.0 (30.0)
114 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 and Marketing Co., Ltd.	Minato-ku, Tokyo	100.0
Prima Meat Packers, Ltd.	Shinagawa-ku, Tokyo	44.7 (4.5)
Dole International Holdings, Inc.	Minato-ku, Tokyo	100.0
ITOCHU-SHOKUHIN Co., Ltd.	Chuo-ku, Osaka	52.3 (0.1)
NIPPON ACCESS, INC.	Shinagawa-ku, Tokyo	100.0
ITOCHU TAIWAN INVESTMENT CORPORATION	Taipei, Taiwan	100.0
112 other companies		
General Products & Realty		
ITOCHU PULP & PAPER CORPORATION	Chuo-ku, Tokyo	100.0
ITOCHU CERATECH CORPORATION	Seto, Aichi	100.0
ITOCHU LOGISTICS CORP.	Minato-ku, Tokyo	100.0
ITOCHU HOUSING CO., LTD.	Minato-ku, Tokyo	100.0
ITOCHU KENZAI CORPORATION	Chuo-ku, Tokyo	100.0
ITOCHU Urban Community Ltd.	Chuo-ku, Tokyo	100.0
ITOCHU PROPERTY DEVELOPMENT, LTD.	Minato-ku, Tokyo	100.0
P.T. ANEKA BUMI PRATAMA	Palembang, Indonesia	100.0 (0.5)
European Tyre Enterprise Limited	Letchworth, U.K.	100.0 (25.0)
ITOCHU FIBRE LIMITED	London, U.K.	100.0 (25.0)
TMI Forest Products Inc.	Chehalis, Washington, U.S.A.	100.0
61 other companies		
ICT & Financial Business		
ITOCHU Techno-Solutions Corporation	Chiyoda-ku, Tokyo	58.3
CONEXIO Corporation	Shinjuku-ku, Tokyo	60.4
ITOCHU Fuji Partners, Inc.	Minato-ku, Tokyo	63.0
HOKEN NO MADOGUCHI GROUP INC.	Chiyoda-ku, Tokyo	59.0
POCKET CARD CO., LTD.	Minato-ku, Tokyo	80.0 (80.0)
GCT MANAGEMENT (THAILAND) LTD.	Bangkok, Thailand	100.0 (67.3)
First Response Finance Ltd.	Nottingham, U.K.	100.0 (100.0)
ITOCHU FINANCE (ASIA) LTD.	Hong Kong, China	100.0 (100.0)
39 other companies		
The 8th		
FamilyMart Co., Ltd.	Minato-ku, Tokyo	50.4 (8.8)
TAIWAN DISTRIBUTION CENTER CO., LTD.	New Taipei City, Taiwan	100.0 (75.0)
21 other companies		
Headquarters		
ITOCHU Treasury Corporation	Minato-ku, Tokyo	100.0
Orchid Alliance Holdings Limited	BR. Virgin Islands	100.0
16 other companies		

Name	Location	Voting shares (%)
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
17 other companies		

Notes: 1. The above numbers of subsidiaries do not include investment companies considered part of the parent (157 companies).
2. Figures in parentheses are indirect voting share percentages.

(The loss of control of subsidiaries)

There were no major losses of control of subsidiaries for the years ended March 31, 2020.

In the year ended March 31, 2019, profits and losses accompanying the loss of control of subsidiaries due to sales transactions recognized in Gains on investments in the Consolidated Statement of Comprehensive Income were ¥18,851 million (gain).

(Subsidiaries with material non-controlling interests)

The Company recognized material non-controlling interests related to FamilyMart Co., Ltd as follows.

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Shares held by non-controlling interests (%)	**49.8%**	49.8%	**—**
Accumulated non-controlling interests	**¥363,346**	¥354,669	**$3,339**
Net profit attributable to Non-controllinginterests	**18,904**	4,295	**174**
Dividends paid to Non-controlling interests	**10,108**	3,999	**93**

The summarized financial information of FamilyMart Co., Ltd. for the years ended March 31, 2020 and 2019 were as follows. The figures in summarized financial information represents figures before elimination of intercompany transactions.

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Current Assets	**¥ 480,124**	¥625,527	**$ 4,412**
Non-current Assets	**1,685,486**	991,255	**15,487**
Current Liabilities	**638,558**	490,046	**5,867**
Non-current Liabilities	**795,597**	400,894	**7,310**
Equity	**731,455**	725,842	**6,721**

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Total revenues	**¥517,060**	¥520,543	**$4,751**
Net profit (Note 1)	**37,984**	8,631	**349**
Total conprehensive income (Note 1)	**38,228**	6,853	**351**

Notes: 1. Amounts of attributable to non-controlling interests is deducted.
2. Amounts of the year ended March 31, 2019 were from the acquisition date.

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Cash flows from operating activities	¥ 249,455	¥ 79,869	$ 2,292
Cash flows from investing activities	(135,646)	151,353	(1,246)
Cash flows from financing activities	(156,484)	(251,151)	(1,438)

Note: Amounts of the year ended March 31, 2019 were from the acquisition date.

35. Structured Entities

A 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. If a structured entity is substantively controlled by the Company and its subsidiaries, the Company and its subsidiaries consolidate the structured entity.

The structured entities are funded in the aim of running businesses such as ocean plying vessels, real estate-related businesses, and infrastructure-related businesses, and the Company and its subsidiaries are involved through investments, loans and others.

Meanwhile, as of March 31, 2020 and 2019, the total assets of unconsolidated structured entities were ¥853,329 million (US$7,841 million), and ¥621,172 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, 2020 and 2019 which the Company and its subsidiaries recognized with regard to the involvement in the unconsolidated structured entities were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Other current receivables	¥ —	¥ 2,718	$ —
Investments accounted for by the equity method	11,717	26,929	108
Non-current receivables	19,438	11,496	178
Total	¥31,155	¥41,143	$286

In addition, as of March 31, 2020 and 2019, the maximum exposure to losses in relation to the unconsolidated structured entities were ¥65,798 million (US$605 million) and ¥115,930 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. 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, 2020 and 2019 were as follows:

	Millions of Yen		
	2020		
	Financial guarantees	Guarantees for performance transactions	Total
Guarantees for associates and joint ventures:			
Maximum potential amount of future payments	¥110,253	¥ 5,524	¥115,777
Amount of substantial risk	92,390	5,524	97,914
Guarantees for customers:			
Maximum potential amount of future payments	27,543	36,576	64,119
Amount of substantial risk	16,871	6,064	22,935
Total:			
Maximum potential amount of future payments	¥137,796	¥42,100	¥179,896
Amount of substantial risk	109,261	11,588	120,849

	Millions of Yen		
	2019		
	Financial guarantees	Guarantees for performance transactions	Total
Guarantees for associates and joint ventures:			
Maximum potential amount of future payments	¥ 98,088	¥ 9,151	¥107,239
Amount of substantial risk	87,125	9,151	96,276
Guarantees for customers:			
Maximum potential amount of future payments	36,547	34,546	71,093
Amount of substantial risk	19,122	4,951	24,073
Total:			
Maximum potential amount of future payments	¥134,635	¥43,697	¥178,332
Amount of substantial risk	106,247	14,102	120,349

	Millions of U.S. Dollars		
	2020		
	Financial guarantees	Guarantees for performance transactions	Total
Guarantees for associates and joint ventures:			
Maximum potential amount of future payments	**$1,013**	**$ 51**	**$1,064**
Amount of substantial risk	**849**	**51**	**900**
Guarantees for customers:			
Maximum potential amount of future payments	**253**	**336**	**589**
Amount of substantial risk	**155**	**55**	**210**
Total:			
Maximum potential amount of future payments	**$1,266**	**$387**	**$1,653**
Amount of substantial risk	**1,004**	**106**	**1,110**

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.

Within the maximum potential amount of future payments, the amounts that may be reassured from third parties were ¥32,989 million (US$303 million) and ¥37,369 million as of March 31, 2020 and 2019, respectively.

Under these guarantees, adequate allowance to cover losses expected from probable performance is recognized as liabilities. As of March 31, 2020, 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, except for those recognized as liabilities.

JAPÃO BRASIL MINÉRIO DE FERRO PARTICIPAÇÕES LTDA ("JBMF")*, a subsidiary of the Company, currently holds CSN Mineração S.A. ("CM") which is recorded in Other investments accompanying the merger of Nacional Minérios S.A. ("NAMISA"), which was a joint venture of the Company, and the Casa de Pedra Mine and railway company shares and port facility usage rights owned by Companhia Siderúrgica Nacional, the major Brazilian steel producer which is the parent company of NAMISA, in November 2015. NAMISA received a tax assessment notice in December 2012 from the Brazilian tax authorities relating to corporation tax and social contributions attributable to income for the period from 2009 to 2011 related to the deductibility of the amortization of goodwill for tax purposes over the period from August 2009 to July 2014. CM, which took over this tax assessment, filed suit in Brazilian federal court in September 2017 upon exhausting the administrative appeal procedures. CM received a tax assessment notice in December 2018 from the Brazilian tax authorities relating to corporation tax and social contributions attributable to income for the period from 2013 to 2014, and proceeded with the administrative appeal procedures in January 2019. With regards to the tax assessment, the impact on Brazil Japan Iron Ore Corporation will be ¥26,297 million (US$242 million) in the event that the amortization of goodwill for tax purposes is not deductible. The Company's proportionate interest related to the tax assessment is ¥18,315 million (US$168 million), including interest and penalties of ¥13,135 million (US$121 million). CM, which took over the tax litigation, recorded no liabilities related to this assessment.

* ITOCHU previously owned JBMF indirectly via Brazil Japan Iron Ore Corporation and owns directly from the third quarter of the fiscal year ended March 31, 2020.

Other than the above, 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 results 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 12, 2020.

38. Material Subsequent Events

The Company evaluated subsequent events through June 19, 2020, when the consolidated financial statements are available to be issued. A material subsequent event is as follows:

By the resolution at the Board of Directors' meeting held on June 12, 2020, the Company decided to repurchase its own shares in accordance with Article 156 of the Companies Act of Japan, as applied pursuant to paragraph 3, Article 165 of the Companies Act of Japan, and decided the specific repurchase method. The details of the repurchase of its own shares are as follows.

(1) Reason for repurchasing of own shares

The Company will repurchase the own shares to execute the flexible capital strategy based on the Medium to Long Term Shareholders Return Policy announced on October 1, 2018.

(2) Repurchase details

Type of shares repurchased: Common stock of the Company
Total number of shares repurchased: 35,000,000 shares (maximum) (Proportion of the total number of shares issued excluding treasury stock: approximately 2.3%)
Total amount: ¥70,000 million (US$643 million) (maximum)
Date of repurchase: From June 12, 2020 to June 11, 2021

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of ITOCHU Corporation:

Opinion

We have audited the consolidated financial statements of ITOCHU Corporation and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of March 31, 2020, 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).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRSs and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with IFRSs, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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

Notwithstanding the second bullet point in the second paragraph of the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" 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, 2020

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, 2020 in accordance with "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" 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, 2020, we concluded that its internal control system over financial reporting as of March 31, 2020 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]

Yoshihisa Suzuki, President & Chief Operating 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 "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" 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]

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: "Revenues", "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, 2020. The Company and 107 consolidated subsidiaries and associated companies (the "107 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 107 entities, we reasonably determined the required scope of assessment of internal controls over business processes.

(Note) The 107 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 107 entities, however we included major special purpose entities into the scope of assessment. Regarding entities other than the 107 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 40 entities as "significant locations and/or business units". We verified that combined revenue and gross trading profit of entities in scope exceeded two thirds of totals for the year ended March 31, 2020. 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, 2020

To the Board of Directors of ITOCHU Corporation:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant: Koichi Okubo

Designated Engagement Partner,
Certified Public Accountant: Hiroyuki Yamada

Designated Engagement Partner,
Certified Public Accountant: Tadashi Nakayasu

Designated Engagement Partner,
Certified Public Accountant: Susumu Nakamura

Audit of Financial Statements

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of ITOCHU Corporation and its consolidated subsidiaries (the "Group") included in the Financial Section, namely, the consolidated statement of financial position as of March 31, 2020, 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, 2019 to March 31, 2020, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with International Financial Reporting Standards.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with International Financial Reporting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Audit of Internal Control

Opinion

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, 2020.

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, 2020, 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.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Internal Control Audit section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of Management and Audit & Supervisory Board for 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. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit

Our objectives are to obtain reasonable assurance about whether management's report on internal control over financial reporting is free from material misstatement and to issue an auditor's report that includes our opinion.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence regarding 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.

- Examine 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.

- Obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting. We are responsible for the direction, supervision and performance of the internal control audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the internal control audit, result of the internal control audit, including any identified material weakness which should be disclosed and the result of remediation.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report
This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.

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