Brand-new Deal

FINANCIAL SECTION 2021

For the Fiscal Year Ended March 31, 2021

ITOCHU Corporation

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)
Fiscal years ended March 31	2021	2020	2019	2018	2017	2016	2021
P/L (For the year):							
Revenues	**¥10,362,628**	¥10,982,968	¥11,600,485	¥5,510,059	¥4,838,464	¥5,083,536	**$ 93,602**
Gross trading profit	**1,780,747**	1,797,788	1,563,772	1,210,440	1,093,462	1,069,711	**16,085**
Net profit attributable to ITOCHU	**401,433**	501,322	500,523	400,333	352,221	240,376	**3,626**
Comprehensive income attributable to ITOCHU	**655,259**	279,832	464,785	390,022	303,063	(144,777)	**5,919**
Per share (Yen and U.S. Dollars):							
Basic earnings attributable to ITOCHU (Note 1)	**269.83**	335.58	324.07	257.94	223.67	152.14	**2.44**
Cash dividends	**88.0**	85.0	83.0	70.0	55.0	50.0	**0.8**
Shareholders' equity (Note 1)	**2,232.84**	2,010.33	1,930.47	1,722.06	1,532.56	1,388.66	**20.17**
B/S (At year-end):							
Total assets	**¥11,178,432**	¥10,919,598	¥10,098,703	¥8,663,937	¥8,122,032	¥8,036,395	**$100,970**
Current interest-bearing debt	**710,213**	684,406	650,909	526,867	563,033	426,820	**6,415**
Long-term interest-bearing debt	**2,445,099**	2,192,557	2,332,928	2,252,606	2,381,620	2,769,345	**22,086**
Interest-bearing debt	**3,155,312**	2,876,963	2,983,837	2,779,473	2,944,653	3,196,165	**28,501**
Net interest-bearing debt	**2,601,358**	2,256,882	2,406,756	2,320,418	2,330,683	2,555,644	**23,497**
Total shareholders' equity	**3,316,281**	2,995,951	2,936,908	2,669,483	2,401,893	2,193,677	**29,954**
Cash flows (For the year):							
Cash flows from operating activities	**¥ 895,900**	¥ 878,133	¥ 476,551	¥ 388,212	¥ 389,693	¥ 419,404	**$ 8,092**
Cash flows from investing activities	**(207,296)**	(248,766)	201,149	(256,350)	(81,306)	(557,260)	**(1,872)**
Cash flows from financing activities	**(728,767)**	(575,482)	(538,318)	(296,136)	(335,396)	81,770	**(6,583)**
Cash and cash equivalents at the end of the year	**544,009**	611,223	572,030	432,140	605,589	632,871	**4,914**
Ratios:							
ROA (%)	**3.6**	4.5	5.3	4.8	4.4	2.9	—
ROE (%)	**12.7**	17.0	17.9	15.8	15.3	10.4	—
Ratio of shareholders' equity to total assets (%)	**29.7**	27.4	29.1	30.8	29.6	27.3	—
Net debt-to-equity ratio (times)	**0.78**	0.75	0.82	0.87	0.97	1.17	—
Interest coverage (times) (Note 2)	**13.2**	8.7	8.3	9.3	11.1	10.1	—
Common stock information (For the year):							
Stock price (Yen and U.S. Dollars):							
Opening price	**¥ 2,220.0**	¥ 2,018.5	¥ 2,063.0	¥ 1,577.0	¥ 1,380.0	¥ 1,282.0	**$ 20.05**
High	**3,653.0**	2,695.5	2,302.5	2,254.0	1,674.5	1,756.0	**33.00**
Low	**2,000.0**	1,873.5	1,740.0	1,478.0	1,135.5	1,170.0	**18.07**
Closing price	**3,587.0**	2,242.5	2,002.5	2,066.5	1,580.0	1,386.0	**32.40**
Market capitalization (Yen and U.S. Dollars in billions)	**5,328**	3,342	3,046	3,203	2,476	2,189	**48.12**
Trading volume (yearly, million shares)	**957**	1,129	1,155	1,240	1,604	1,886	—
Number of shares of common stock issued (at year-end, 1,000 shares)	**1,584,889**	1,584,889	1,584,889	1,662,889	1,662,889	1,662,889	—
Exchange rates into U.S. currency							
(Federal Reserve Bank of New York):							
At year-end	**¥ 110.61**	¥ 107.53	¥ 110.68	¥ 106.20	¥ 111.41	¥ 112.42	—
Average for the year	**106.09**	108.72	110.88	110.80	108.25	120.04	—
Range:							
Low	**110.61**	112.00	114.19	114.25	118.32	125.58	—
High	**102.70**	102.52	105.99	104.83	100.07	111.30	—
Number of employees (At year-end, consolidated)	**125,944**	128,146	119,796	102,086	95,944	105,800	—

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 fiscal year ended March 31, 2021, (Fiscal Year 2021 or the fiscal year), have been translated into U.S. dollars solely for the convenience of the reader at the rate of ¥110.71 = US$1, the exchange rate prevailing on March 31, 2021.

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 fiscal year ended March 31, 2021, (Fiscal Year 2021 or the fiscal year), have been translated into U.S. dollars solely for the convenience of the reader at the rate of ¥110.71 = US$1, the exchange rate prevailing on March 31, 2021.

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 fiscal year ending March 31, 2022, (Fiscal Year 2022), 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 2021. 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 the fiscal year 2022, although the Chinese economy will continue to recover and the effect of additional large-scale economic measures in the U.S. will be expected, the recovery in the global economy is likely to remain sluggish for some time as the COVID-19 pandemic continues to impact primarily in Europe and some emerging countries, coupled with lingering uncertainty over the effectiveness and the availability of vaccines. The delay in Japanese economy's recovery is also concerned with the spread of COVID-19 infection showing no signs of stopping. Amid such conditions, the U.S. dollar-yen exchange rate is expected to remain generally flat, while any increase in crude oil prices is likely to be limited due to an expected recovery in production volume by major oil-producing countries.

Promote New Medium-Term Management Plan "Brand-new Deal 2023"

ITOCHU Group established "Brand-new Deal 2023" as our next medium-term management plan aiming to improve corporate value by creating new business opportunities and solving social problems.

We will strongly transform industries, cope with diversified market needs and enhance our contribution to the achievement of SDGs in such ways as maintaining foundations of everyday life and protecting the environment through our business activities.

Basic Policies

The basic policies of "Brand-new Deal 2023" are as follows:
<Aiming to achieve consolidated net profit of ¥600.0 billion as outlined in the medium-term management plan>
ITOCHU aims to achieve consolidated net profit of ¥600.0 billion as outlined in the "medium-term management plan"

Management Plan

Basic Policy

Quantitative targets

Aiming to achieve consolidated net profit of ¥600.0 billion as outlined in the medium-term management plan

Qualitative targets

Realizing business transformation by shifting to a market-oriented perspective

Profit opportunities are shifting downstream
Profit sources are shifting from upstream to downstream. Breaking down the negative effects caused by silos is an urgent task. We will advance business model evolution and growth opportunity creation.

Enhancing our contribution to and engagement with the SDGs through business activities

***Sampo-yoshi* capitalism**
To realize a sustainable society, we embrace an approach to capitalism with greater emphasis on serving all stakeholders. Through our business activities, we will contribute to the achievement of SDGs in such ways as maintaining the foundations of everyday life and protecting the environment.

<Realizing business transformation by shifting to a market-oriented perspective>
To meet the explicit and implicit needs of diversified suppliers and buyers, and expand business growth through value chain reform from downstream to upstream, we will take the following measures:
- Evolution of FamilyMart's business, the largest consumer base in the ITOCHU Group
- Transformation of the entire value chain, starting from downstream
- Expansion of profit opportunities through data utilization and DX

<Enhancing our contribution to and engagement with the SDGs through business activities>
ITOCHU aims to lead the industry in realizing a decarbonized society and contribute to
SDGs by taking the following measures:
- Business expansion in accordance with a decarbonized society
- Leading development in the recycling business
- Sustained growth through strengthening the value chain

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

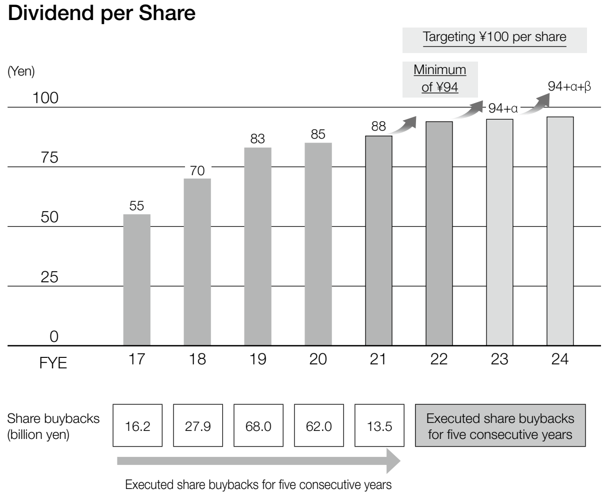
Shareholders Return Policy

We aim to reach a dividend of ¥100 per share during the medium-term management plan "Brand-new Deal 2023".

As in the past, we will actively and continuously execute buy-backs as appropriate in consideration of the cash allocation situation.

We have set a minimum dividend per share of ¥94 for Fiscal Year 2022 and will increase the dividend if we revise consolidated net profit upward during Fiscal Year 2022.

Dividend per Share



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, 2021.

(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, global economic trends including 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.

Further, ITOCHU has established a medium-term management plan that covers the period from Fiscal Year 2022 through to Fiscal Year 2024. The plan sets out two basic policies: Realizing business transformation by shifting to a market-oriented perspective as well as enhancing our contribution to and engagement with the Sustainable Development Goals (SDGs) through business activities. Further, ITOCHU will achieve new growth by powerfully advancing business format transformation and continue to promote sustained enhancement of corporate value.

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

ITOCHU Group may be impacted by the interest rate benchmark reform associated with the permanent discontinuation of Libor, holding financial instruments in reference to Libor. Towards a smooth transition to an alternate interest rate benchmark, ITOCHU Group carefully monitors regulatory developments and market trends.

For more details, please refer to “Interest rate risk management” in “Notes to Consolidated Financial Statements 25. 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 25. 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.

ITOCHU Group periodically tracks and monitors the amount of influence on consolidated shareholders’ equity, using “Value at Risk (VaR)”. 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 25. Financial Instruments.”

(3) Investment Risk

ITOCHU Group invests in various businesses and in these investment activities, there are risks such as being unable to achieve expected earnings due to changes in business conditions or deterioration in the business results of its partners and investees. The likelihood of investment recovery is lowered due to poor corporate results of investees, or stock prices may 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 25. 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 25. 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 Human Resources

ITOCHU Group conducts diverse business activities in various countries. In the advancement of individual businesses, important roles are played by personnel responsible for operational planning and execution as well as organizational direction and supervision. ITOCHU Group has secured a diverse workforce and is able to place the right people in the right positions through continuous skills development, which includes collaboration between ITOCHU and Group companies, and through the creation of rewarding work environments.

Going forward, however, the environment for securing human resources could change significantly due to such factors as further mobilization of the labor market or a business model change that results in the concentration of demand on personnel with advanced knowledge and experience in specific fields. Therefore, even if ITOCHU Group strengthens its efforts to secure and develop human resources, it cannot completely avoid the risk of being unable to fully respond to opportunities for new business creation and operational expansion due to shortages of the required human resources in certain business fields. Shortages of human resources could significantly affect the financial position and results of operations of ITOCHU Group.

(12) 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; conducting extensive sustainability studies of supply chains; identifying and evaluating the effects of businesses on human rights; and building human rights due diligence processes. 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.

(13) 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.

(14) 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.

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

ITOCHU Group prioritized ensuring employee and others' safety and the prevention of the spread of infections. In addition, ITOCHU, as a general trading company with strengths in the consumer sectors, has continued to carry out 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.

The degree of impact that the COVID-19 pandemic has had on the Group differs depending on the region, industry, and type of business. While some businesses increased sales by capturing new demand, many others were negatively impacted by the contraction of economic activity.

The global containment of the spread of COVID-19 remains difficult to predict. ITOCHU Group could be affected by fluctuations in foreign exchange rates, interest rates, commodity prices, and stock prices as well as by business environment changes in various fields. While continuing to closely monitor the business environment, ITOCHU Group will minimize risks and maintain stable operations by implementing even more rigorously the basic "earn, cut, prevent" principles of business, with a particular emphasis on the "cut, prevent" principles. In conjunction with these efforts, ITOCHU Group will take a positive view of changes in the business environment and move forward with the evolution of business models in anticipation of coexisting with COVID-19 and a post-COVID-19 society.

However, trends in the spread of infection could significantly affect the financial position and results of operations of ITOCHU Group.

Overview

In the fiscal year ended March 31, 2021, the global economy deteriorated significantly due to tighter restrictions on corporate activities and the movement of people to suppress the spread of COVID-19, but recovered slowly in general after restrictions were eased. While the Chinese economy kept recovering by managing the spread of infections, in other parts of the world, including the United States and Europe, the brakes were put on the economic recovery as the resurgence of infections and restrictions were tightened in quick succession. The WTI crude oil price temporarily fell sharply in late April from the US$20–25 per barrel range at the beginning of the fiscal year, but then rebounded, and stabilized at around US$40 per barrel, due to the recovering global economy. After mid-November, the price started to increase again due to raised expectations for economic recovery backed by the roll-out of COVID-19 vaccines and the signing into law of additional large-scale economic measures in the United States, generally trending in the low US$60 range in March.

The Japanese economy started to recover moderately as consumer spending, which had cooled significantly due to the impact of COVID-19, rebounded when the state of emergency declaration was rescinded in May, and exports began increasing after the global economy had bottomed out. However, since late November, the recovery has been tempered by the resurgence of COVID-19 and the state of emergency redeclarations in some parts of the area especially in Tokyo and Osaka. The U.S. dollar-yen exchange rate started at approximately ¥107 per dollar at the beginning of the fiscal year, and the yen depreciated against the dollar to approximately ¥109 per dollar in early June, then appreciated from late July to early January to approximately ¥102 per dollar based on expectations of additional financial easing in the U.S. The yen subsequently depreciated in line with rising interest rate in the U.S. and ended the fiscal year at approximately ¥110 per dollar. The Nikkei Stock Average began the fiscal year at approximately ¥18,000 and rose to approximately ¥23,000 in early June with expectations for economic improvement in Japan. Although subsequently weakening to approximately ¥21,000 for a period, the market gradually gained resilience, and in early November it eclipsed the ¥24,000 mark, before further strengthening against the backdrop of rising U.S. stock prices and the depreciation of the yen, to pass ¥30,000 in mid-February, ended the fiscal year at approximately ¥29,000. The yield on 10-year Japanese government bonds began the fiscal year at 0.02% and generally trended flat as the Bank of Japan provided ample liquidity to the market, but from mid-January onward, it bottomed out along with the U.S. interest rates, rising to 0.17% at the end of February, and ended the fiscal year at 0.10%.

ITOCHU Group, based on the tumultuous changes in the business environment, has formulated a separate management plan for strengthening foundations during Fiscal Year 2021, which does not belong to the Medium-Term Management Plan, and have worked to further promote high-efficiency management via the reinstilling of the “earn, cut, prevent” principles as the core of our business. We also maintained our “Medium- to Long-Term Shareholder Returns Policy” and strived to continuously improve corporate value from a medium- to long-term perspective.

Specific results for Fiscal Year 2021 were as follows.

Textile Company

Building a Value Chain Centered on Environmentally-Conscious Materials

We have started expansion of the “Kuura” brand with the launch of a joint pilot plant for the production of cellulose fiber derived from conifer, which was established with the Metsä Group, a major Finnish forest industry group. Efforts are also expanding for “RENU” fiber-derived recycled polyester, such as its adoption in the “Convenience Wear” range from FamilyMart Co., Ltd. We will continue to build a value chain from raw materials to end products, centered on environmentally-conscious materials.

Starting Expansion of “Slowear” in the Japanese Market

We have obtained exclusive distribution rights for the Japanese market to “Slowear,” an Italian apparel brand group that possesses brands such as “Incotex,” which is known for the highest quality trousers in the world. In addition to existing directly-managed stores, from the 2021 autumn/winter season, we will start deployment at locations throughout the nation, such as department stores and specialty stores. We will continue responding to diversifying consumer needs and will work toward further diversifying our brand business via a market-oriented perspective.

Machinery Company

Strengthening Renewable Energy Business

In December 2020, NAES Corporation (NAES), a subsidiary of ITOCHU in the United States, acquired Bay4 Energy Services, LLC, a leading operation and maintenance provider for solar power plants in the United States. NAES, which operates approximately 200 power plants in North America and the rest of the world, is the world largest independent operation and maintenance service company. Combined with the solar power development endeavor of Tyr Energy Inc., another subsidiary in the United States, we aim to contribute to realizing decarbonized society by providing comprehensive services throughout the solar power generation value chain from development to operation and maintenance.

Expanding Downstream Business in the Field of Construction Machinery

ITOCHU Corporation promotes a “construction machinery lifecycle strategy” focused on North America, which strengthens our business that responds to user needs with everything from the conventional sales of construction machinery to the rental and sale of used machinery. We will work to expand our downstream business via the online rental business of BigRentz, Inc., in which we acquired an equity stake in 2019, the expansion of after-services such as the maintenance and renewal of used machinery, and remote maintenance utilizing IoT via United States subsidiary MULTIQUIP INC., which has a high market share of sales in power generators and small construction machinery.

YANASE Aims to Realize a Luxuriant Car Life

ITOCHU Corporation’s subsidiary YANASE & CO., LTD. (YANASE) is Japan’s largest imported vehicle sales company, with a complete sales and service network of nearly 240 locations. YANASE is focused on creating the highest quality after-market services and customer support system for its more than 200,000 customers to access services at any shop nationwide smoothly. Additionally, to respond to the needs of customers with diverse values, it is focused on providing new products and services such as imported electric vehicles (EV), rental cars, welfare vehicles, and luxury classic cars. YANASE is working to expand and strengthen the bonds of trust with its customers even further.

Metals & Minerals Company

Utilizing Byproduct Hydrogen in the Hydrogen Engines of Ships

We have agreed to conduct a survey on the joint commercialization of a hydrogen business based on the local production for local consumption model in the Northern Kyushu region, together with Nippon Coke & Engineering Co., Ltd., one of our major customers, and Compagnie Maritime Belge B.V. (CMB), a major Belgian shipping company that we have been doing business with for many years regarding newly built ships. This project will aim to build a model for the local production and consumption of hydrogen by creating both supply and demand for hydrogen, based on the byproduct hydrogen from coke business and the hydrogen engines of CMB. We will also actively deploy this project to other regions in order to achieve the social implementation of hydrogen at the global scale, and thereby promote “Enhanced contribution and efforts for SDGs.”

Energy & Chemicals Company

Release of New Smart Star Next-Generation Energy Storage System Products

In May 2021, we launched the new “Smart Star 3” product as part of the Smart Star series, which is highly acclaimed for its AI optimized control function and being resilient in the event of power outages caused by a natural disaster. The new product builds the world’s first system for extracting the environmental value created by solar power generation via residential energy storage systems. By providing this environmental value to companies aiming to achieve a decarbonized society, also returning points usable for shopping to households that purchase the new product, it enables customers to feel familiar with their environmental contribution. As we aim for the further popularization of distributed energy, we will continue to strive to create new value and establish a new economy through our storage battery business.

Promoting the Popularization of Environmentally-Conscious Plastic Products

We have collected and cleaned plastic waste that washes ashore, promoted its reuse as the raw material for plastic products, and created products such as garbage bags and shopping baskets in collaboration with TerraCycle, Inc., headquartered in the United States. We have also entered a strategic agreement for sales in Japan with a major manufacturer of biomass plastic raw materials derived from renewable resources. This will enable us to contribute to the development and popularization of environmentally-conscious plastic containers and packages via collaboration with FamilyMart Co., Ltd. and other brand owners worldwide.

Food Company

Initiatives with FUJI OIL

FUJI OIL HOLDINGS INC. (FUJI OIL), one of ITOCHU Corporation’s major associated companies, is the world’s third-largest chocolate manufacturer, with Blommer Chocolate Company as a part of its group in North America. FUJI OIL is a leading company with cutting-edge technology in the fields of vegetable oil and soy protein. We contribute to FUJI OIL by promoting their sales of product, sourcing the raw materials, and developing the overseas business and the plant based food business. Particularly in recent years, FUJI OIL makes great efforts to promote soy meat with the interest due to an environmental and health-conscious food. Through “market-oriented perspective”, we utilize the ITOCHU Group’s retail and distribution network to the maximum to meet the expectations of our customers.

Conversion of French Company Provence Huiles to Fully-Owned Subsidiary

ITOCHU Corporation got the full ownership of Provence Huiles S.A.S. (PH), manufacturer of vegetable oil located in Europe, and will more flexibly and promptly strengthen our value chains of the functional vegetable oil that ITOCHU has improved actively since September 2015, the first investment in PH. PH handles high functional oil such as high oleic sunflower oil and the grapeseed oil, of which PH is the world’s largest producer and supplier. We will contribute to achieving SDGs with the efforts focusing on sustainable products such as organic oils requiring the strict control of the traceability.

NIPPON ACCESS Promotion of Digital Transformation in the Food Supply Chain

NIPPON ACCESS, INC., ITOCHU Corporation subsidiary, has started providing digital marketing services and automation-order service based on the analysis of store sales data to retailers. By providing digital services that require lower development fees and initial costs, we will assist digital transformation and contribute to effective sales promotion and improved productivity in the retail industry. Furthermore, linking such data with companies such as food manufacturers will contribute to the evolution of the entire food industry, from optimization of raw material procurement/ product inventory to more efficient distribution.

General Products & Realty Company

Making Natural Rubber a Sustainable Natural Resource

The natural rubber industry faces challenges including the human rights violations of local communities and illegal logging. We have developed a system that uses blockchain technology to track the procurement process of raw materials and enables the differentiation of natural rubber that is harmonized both with society and the environment. Our subsidiary P.T. ANEKA BUMI PRATAMA plans to utilize this system to sell traceable natural rubber as a high value-added product that complies with SDGs. Part of the profits will be returned to the producers in order to eliminate raw materials sourced with illegal logging and contribute to the popularization of sustainable natural rubber.

Production Increase Decided at Kemi Plant of METSA FIBRE OY

METSA FIBRE OY (MF) is the world’s largest manufacturer of commercial conifer pulp manufacturer for papermaking, and possesses robust technical ability and abundant good-quality forestry resources within Finland. We have decided to invest approximately ¥200 billion in increased production lines at the Kemi plant of MF to further solidify the company’s position as the largest in the world after completion in 2023. As demand for paper and pulp increases due to the increasing global population and the movement away from plastic, we will link with MF as the pulp trader dealing with the largest amount of pulp in the world, in order to ensure the stable supply of paper pulp, which is essential for society.

ICT & Financial Business Company

Capital Tie-up with Data Analytics Company BrainPad

ITOCHU Corporation has partnered with leading Japanese data analytics company BrainPad Inc. to start building infrastructure and creating examples of utilizing data in order to promote digital transformation, and we have accumulated know-how for solving problems in various industries. This capital tie-up will enable us to further promote digital transformation at the ITOCHU Group and assist digital transformation at client companies in various industries by linking ITOCHU expertise in various industries with the data analysis and utilization know-how of BrainPad.

Evolving Customer Service at HOKEN NO MADOGUCHI

With its management philosophy of "an excellent and the most caring company for customers," HOKEN NO MADOGUCHI GROUP Inc. (HOKEN NO MADOGUCHI) is Japan's largest insurance shop chain (nationwide network of 795 stores as of March 31, 2021). It is a pioneer as an insurance shop company, providing unparalleled customer satisfaction through its strong customer-focused services underpinned by a unique employee education system. Even amid restrictions on shop activities during the COVID-19 pandemic, HOKEN NO MADOGUCHI used digitalization to expand its customer service further by immediately launching online consultations to respond to its customers' consultation needs. We will continue to deepen our collaboration with HOKEN NO MADOGUCHI, with its extensive points of contact with consumers, and accelerate business expansion through market-oriented perspective.

The 8th Company

FamilyMart's Growth Strategy

FamilyMart Co., Ltd. (FM), for which ITOCHU Corporation executed a takeover bid (TOB) in July 2020, is one of our most important subsidiaries focused on lifestyle consumption, and going forward, we will thoroughly enhance the fundamentals of the convenience store business, "product strength, convenience, and friendliness." By streamlining distribution with group companies and creating new businesses including advertising and a financial business, we will provide new value to consumers, aiming to become an irreplaceable presence for all our stakeholders, including our business partners. In both name and substance, we will come together with FM to enhance its strategy rooted in market-oriented perspective.

Entering the Digital Advertising Market

ITOCHU Corporation has established Data One Corp., a digital advertising distribution company, in conjunction with FamilyMart Co., Ltd. (FM), NTT DOCOMO, Inc., and CyberAgent, Inc. Data One Corp. utilizes the purchasing data held by FM and the d POINT CLUB member attribute information held by NTT DOCOMO, Inc. to deliver ads based on an "ID" that reflects consumer needs. This eliminates user stress due to the appearance of unnecessary advertising, and will enable us to establish a new advertising distribution business that achieves highly precise marketing to advertisers.

Analysis of Results of Operations in Fiscal Year 2021

The analysis of the financial position and results of operations for Fiscal Year 2021 were as follows.

Revenues

Revenues for the fiscal year ended March 31, 2021 decreased by 5.6%, or 620.3 billion yen, compared to the previous fiscal year to 10,362.6 billion yen (US$93,602 million). This decrease was attributable to lower revenue from the Energy & Chemicals Company, due to lower sales prices and transaction volume in energy-related companies and chemical-related transactions; lower revenue from the Machinery Company, due to lower sales volume in overseas automobile-related companies, automobile-related and aircraft-related transactions resulting from COVID-19, partially offset by sales recovery of YANASE & CO., LTD.; lower revenue from the Textile Company, due to the decline in sales in overall transactions, especially from sales in apparel-related companies resulting from COVID-19; and higher revenue from the Food Company, due to the conversion of Prima Meat Packers, Ltd. into a consolidated subsidiary in the third quarter of the previous fiscal year, partially offset by lower transaction volume in provisions-related companies. Furthermore, the breakdown of Revenues for the fiscal year ended March 31, 2021 was ¥9,156.2 billion (US$82,705 million) for Revenues from sale of goods, and ¥1,206.4 billion (US$10,897 million) for Revenues from rendering of services and royalties.

Gross Trading Profit

Gross trading profit decreased by 0.9%, or 17.0 billion yen, compared to the previous fiscal year to 1,780.7 billion yen (US$16,085 million). Gross trading profits decreased in The 8th Company due to lower daily sales in FamilyMart Co., Ltd. resulting from COVID-19; in the Machinery Company due to lower sales volume in overseas automobile-related companies, automobile-related and aircraft- related transactions resulting from COVID-19, partially offset by sales recovery of YANASE & CO., LTD.; in the Textile Company due to the decline in sales in overall transactions, especially from sales in apparel-related companies resulting from COVID-19; and increased in the ICT & Financial Business Company due to stable performance in ITOCHU Techno-Solutions Corporation and the conversion of HOKEN NO MADOGUCHI GROUP Inc. into a consolidated subsidiary in the third quarter of the previous fiscal year; in the Food Company due to the conversion of Prima Meat Packers, Ltd. into a consolidated subsidiary in the third quarter of the previous fiscal year, partially offset by lower transaction volume in provisions-related companies, and lower transaction volume in business for CVS and food service in NIPPON ACCESS, INC. resulting from COVID-19.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by 1.0%, or 14.5 billion yen, compared to the previous fiscal year to 1,366.5 billion yen (US$12,343 million), due to expense reduction and lower travel expenses resulting from COVID-19, partially offset by the increase as a result of the conversion of Prima Meat Packers, Ltd. and HOKEN NO MADOGUCHI GROUP Inc. into consolidated subsidiaries in the third quarter of the previous fiscal year.

Provision for Doubtful Accounts

Provision for doubtful accounts decreased by 6.6 billion yen compared to the previous fiscal year to a loss of 10.8 billion yen (US$98 million), due to the absence of the provisions for foreign receivables in the previous fiscal year.

Gains on Investments

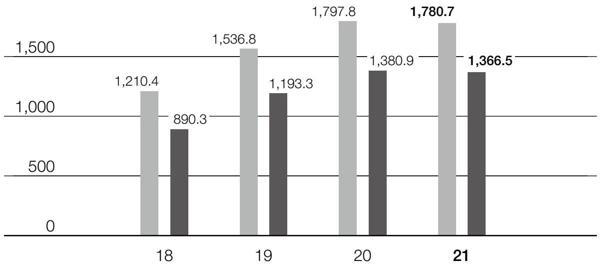
Gains on investments decreased by 92.9%, or 53.7 billion yen, compared to the previous fiscal year to 4.1 billion yen (US$37 million), due to an impairment loss in a foreign company of the Food, an impairment loss on Orient Corporation, the absence of the gain on the partial sale of the foreign business in the General Products & Realty and the revaluation gain resulting from the conversion of Prima Meat Packers, Ltd. into a consolidated subsidiary in the previous fiscal year, partially offset by the gain on the partial sale of eGuarantee, Inc. in the current fiscal year.

Losses on Property, Plant, Equipment and Intangible Assets

Losses on property, plant, equipment and intangible assets deteriorated by 153.1 billion yen, compared to the previous fiscal year to a loss of 157.5 billion yen (US$1,423 million), due to the impairment losses in FamilyMart Co., Ltd. and Australian coal-related company and the impairment loss on foreign companies of Machinery.

Gross Trading Profit;
Selling, General and Administrative Expenses

(Billions of Yen)



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

Other–net

Other-net deteriorated by 4.8 billion yen compared to the previous fiscal year to a loss of 6.2 billion yen (US$56 million), due to losses associated with long-term energy contracts, partially offset by improvement in foreign currency translation.

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, improved by 9.2 billion yen compared to the previous fiscal year to expenses of 13.1 billion yen (US$118 million), due to lower interest expense from falling U.S. dollar interest rates. Dividends received decreased by 13.3 billion yen compared to the previous fiscal year to 53.1 billion yen (US$480 million), due to a decrease in dividends from oil and LNG projects and the Brazilian iron ore company. Net financial income, which is the total of net interest expenses and dividends received, decreased by 4.1 billion yen compared to the previous fiscal year to a gain of 40.0 billion yen (US$362 million).

Equity in Earnings of Associates and Joint Ventures

Equity in earnings of associates and joint ventures increased by 11.1%, or 22.8 billion yen, compared to the previous fiscal year to 228.6 billion yen (US$2,065 million). This increase was attributable to an increase in the Others, Adjustments & Eliminations (Note), due to higher earnings of CITIC Limited and higher earnings of C.P. Pokphand Co. Ltd. resulting from higher pork prices and the gain on the group reorganization; a decrease in the Machinery Company, due to lower earnings in aircraft-related companies and industrial-machinery-related companies resulting from COVID-19; and a decrease in the Food Company, due to lower earnings of provisions-related companies resulting from COVID-19 and the decrease resulting from the conversion of Prima Meat Packers, Ltd. into a consolidated subsidiary in the third quarter of the previous fiscal year, partially offset by a stable performance in meat-products-related companies.

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

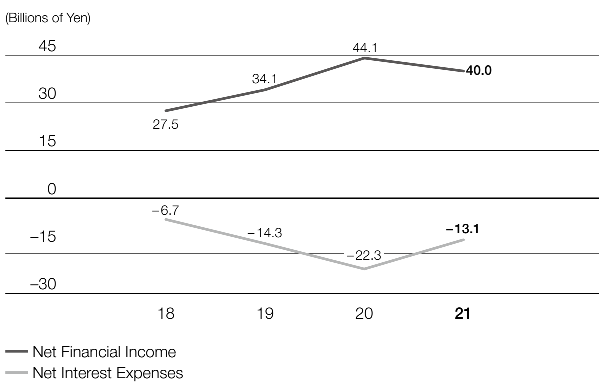
Net Profit Attributable to ITOCHU

Consequently, Profit before tax decreased by 26.9%, or 189.0 billion yen compared to the previous fiscal year to 512.5 billion yen (US$4,629 million). Income tax expense decreased by 49.7%, or 70.6 billion yen, compared to the previous fiscal year to 71.6 billion yen (US$647 million), due to lower profit before tax and improvements in tax expenses associated with FamilyMart Co., Ltd., partially offset by the absence of lower tax expenses in natural-resource-projects in the previous fiscal year. Net profit, which is calculated as profit before tax of 512.5 billion yen minus income tax expense of 71.6 billion yen, decreased by 21.2%, or 118.3 billion yen, compared to the previous fiscal year to 440.9 billion yen (US$3,982 million). Net profit attributable to ITOCHU, which is calculated as Net profit minus Net profit attributable to non-controlling interests of 39.5 billion yen (US$356 million), decreased by 19.9%, or 99.9 billion yen, compared to the previous fiscal year to 401.4 billion yen (US$3,626 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 1.0%, or 4.0 billion yen, compared to the previous fiscal year to 403.4 billion yen (US$3,644 million). This increase was attributable to an increase in the Energy & Chemicals Company, due to a stable performance in chemical-related companies, higher sales volume in hygiene products and electricity transactions, and expense reduction, partially offset by the deterioration in profitability in an oil-exploration-related company resulting from lower oil price; an increase in the Food Company, due to the conversion of Prima Meat Packers, Ltd. into a consolidated subsidiary in the third quarter of the previous fiscal year and expense reduction, partially offset by lower transaction volume in provisions-related companies, and lower transaction volume for CVS and food service in NIPPON ACCESS, INC. resulting from COVID-19; and a decrease in the Machinery Company, due to lower sales volume in overseas automobile-related companies, automobile-related and aircraft-related transactions resulting from COVID-19, partially offset by expense reduction and sales recovery of YANASE & CO., LTD.; a decrease in The 8th Company due to lower daily sales in FamilyMart Co., Ltd. resulting from COVID-19, partially offset by expense reduction and the absence of the cost for the early retirement plan in the previous fiscal year; a decrease in the General Products & Realty Company due to lower sales volume in European Tyre Enterprise Limited (European tire-related company) resulting from COVID-19, partially offset by a stable performance in North American construction materials business and expense reduction.

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.

Further, revenues of Division Companies exclude inter-segment transactions.

Textile

Revenues decreased by 19.1%, or ¥102.4 billion, to ¥435.0 billion (US$3,929 million), due to the decline in sales in overall transactions, especially from sales in apparel-related companies resulting from COVID-19. Gross trading profit decreased by 16.7%, or ¥17.9 billion, to ¥89.5 billion (US$809 million), due to the same reason noted above. Net profit attributable to ITOCHU decreased by 82.3%, or ¥7.5 billion, to ¥1.6 billion (US$15 million), due to the decline in sales in overall transactions, especially from sales in apparel-related companies resulting from COVID-19 and the impairment loss on Sankei Co., Ltd., partially offset by expense reduction and the absence of the extraordinary losses in the previous fiscal year. Total assets decreased by 7.2%, or ¥32.4 billion, to ¥418.7 billion (US$3,782 million), due to the decrease in trade receivables and in inventories due to the decline in sales resulting from COVID-19.

Machinery

Revenues decreased by 13.1%, or ¥159.1 billion, to ¥1,053.4 billion (US$9,515 million), due to lower sales volume in overseas automobile-related companies, automobile-related and aircraft-related transactions resulting from COVID-19 partially offset by sales recovery of YANASE & CO., LTD. Gross trading profit decreased by 10.9%, or ¥21.3 billion, to ¥173.6 billion (US$1,568 million), due to the same reason noted above. Net profit attributable to ITOCHU decreased by 59.7%, or ¥33.9 billion, to ¥22.8 billion (US$206 million), due to lower sales volume in overseas automobile-related companies, automobile-related transactions and aircraft-related transactions, as well as lower equity in earnings of associates and joint ventures resulting from COVID-19, and the impairment loss on foreign companies, partially offset by expense reduction and sales recovery of YANASE & CO., LTD.

Total assets decreased by 6.9%, or ¥82.8 billion, to ¥1,124.9 billion (US$10,160 million), due to the decrease in trade receivables and in inventories in automobile-related companies and automobile-related transactions resulting from COVID-19, and the impairment loss in foreign companies.

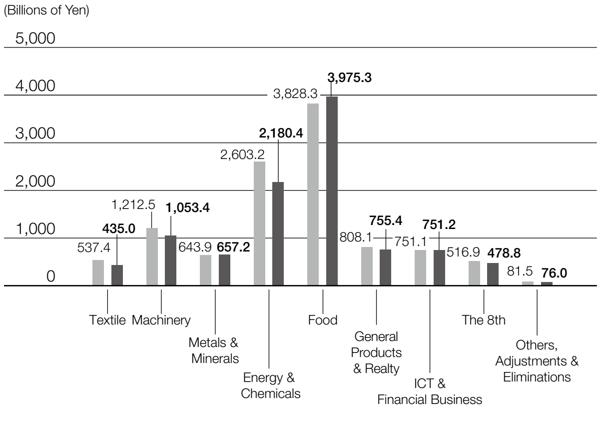
Metals & Minerals

Revenues increased by 2.1%, or 13.3 billion, to ¥657.2 billion (US$5,936 million), due to higher iron ore prices, partially offset by lower coal prices. Gross trading profit increased by 4.9%, or ¥5.2 billion, to ¥110.4 billion (US$997 million), due to the same reason noted above. Net profit attributable to ITOCHU decreased by 6.5%, or ¥7.3 billion, to ¥104.1 billion (US$940 million), due to lower coal prices, the decline in dividends received from a Brazilian iron ore company, lower equity in earnings of Marubeni-Itochu Steel, the impairment loss in the Australian coal-related business, and the absence of the extraordinary gains in the previous fiscal year, partially offset by higher iron ore prices. Total assets increased by 14.2%, or ¥113.6 billion, to ¥913.6 billion (US$8,252 million), due to the increase in Australian natural-resource-related assets due to the appreciation of the Australian dollar, and the increase related to the rise in the fair value of the investment in Brazilian iron ore company, partially offset by the decline in the fair value of stocks related to the investment in Colombian coal company.

Energy & Chemicals

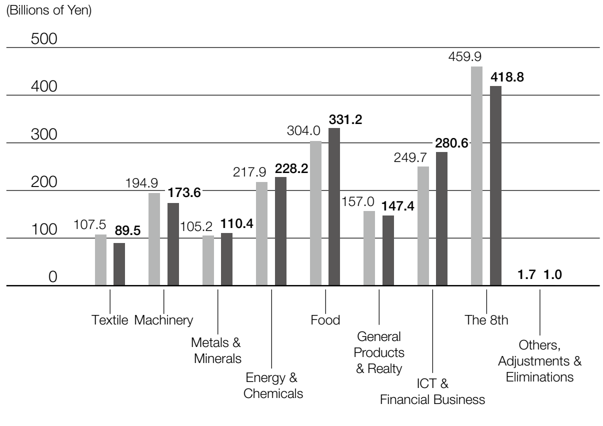
Revenues decreased by 16.2%, or ¥422.8 billion, to ¥2,180.4 billion (US$19,694 million), due to lower sales prices and transaction volume in energy-related companies and chemical-related transactions. Gross trading profit increased by 4.8%, or ¥10.4 billion, to ¥228.2 billion (US$2,061 million), due to a stable performance in chemical-related companies, higher sales volume in hygiene products and electricity transactions, partially offset by the deterioration in profitability in an oil-exploration-related company resulting from lower oil prices. Net profit attributable to ITOCHU decreased by 41.6%, or ¥25.7 billion, to ¥36.1 billion (US$326 million), due to the deterioration in profitability in oil-exploration-related companies resulting from lower oil prices, the decline in dividends received, the

Revenues by Operating Segment



■ 2020 ■ 2021
* For fiscal years

Gross Trading Profit by Operating Segment



■ 2020 ■ 2021
* For fiscal years

loss from long-term energy contract, and the absence of the extraordinary gains in C.I. TAKIRON Corporation. in the previous fiscal year, partially offset by a stable performance in chemical-related companies, higher transaction volume in hygiene products and electricity transactions, and expense reduction. Total assets increased by 3.4%, or ¥42.0 billion, to ¥1,279.2 billion (US$11,555 million), due to the increase in trade receivables in chemical-related transactions and the increase in inventories in chemical-related companies.

Food

Revenues increased by 3.8%, or ¥147.0 billion, to ¥3,975.3 billion (US$35,908 million), due to the conversion of Prima Meat Packers, Ltd. into a consolidated subsidiary in the third quarter of the previous fiscal year, partially offset by lower transaction volume in provisions-related companies. Gross trading profit increased by 8.9%, or ¥27.2 billion, to ¥331.2 billion (US$2,992 million), due to the conversion of Prima Meat Packers, Ltd. into a consolidated subsidiary in the third quarter of the previous fiscal year, partially offset by lower transaction volume in provisions-related companies, and lower transaction volume in business for CVS and food service in NIPPON ACCESS, INC. resulting from COVID-19. Net profit attributable to ITOCHU decreased by 49.8%, or ¥24.9 billion, to ¥25.0 billion (US$226 million), due to lower transaction volume in business for CVS and food service in NIPPON ACCESS, INC. and in provisions-related companies resulting from COVID-19, the impairment loss in a foreign company, and the absence of the extraordinary gains in the previous fiscal year, partially offset by a stable performance in meat-products-related companies and expense reduction. Total assets increased by 1.9%, or ¥34.0 billion, to ¥1,799.3 billion (US$16,252 million), due to the increase in trade receivables in food-distribution-related transactions and the increase in inventories in packaged foods business in Dole.

General Products & Realty

Revenues decreased by 6.5%, or ¥52.7 billion, to ¥755.4 billion (US$6,824 million), due to lower sales volume in European Tyre Enterprise Limited (European tire-related company) resulting from COVID-19, partially offset by a stable performance in North American construction materials business. Gross trading profit decreased by 6.1%, or ¥9.6 billion, to ¥147.4 billion (US$1,332 million), due to the same reason noted above. Net profit attributable to ITOCHU decreased by 61.3%, or ¥33.8 billion, to ¥21.3 billion (US$192 million), due to lower sales volume resulting from COVID-19 and the impairment loss in European Tyre Enterprise Limited, lower pulp prices, temporary expense from the construction of manufacturing lines in ITOCHU FIBRE LIMITED (European pulp-related company), and the absence of the extraordinary gains in the previous fiscal year, partially offset by a stable performance in North American construction materials business. Total assets increased by 2.9%, or ¥29.2 billion, to ¥1,036.7 billion (US$9,364 million), due to the increase due to the appreciation of the Euro and the Great Britain Pound, partially offset by the decrease in inventories in real estate for sale.

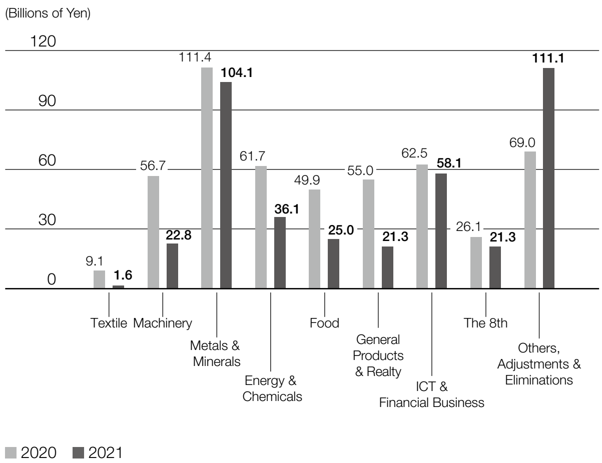
ICT & Financial Business

Revenues remained consistent at ¥751.2 billion (US$6,786 million) compared to the same period of the previous fiscal year, due to the conversion of HOKEN NO MADOGUCHI GROUP INC. into a consolidated subsidiary in the third quarter of the previous fiscal year, partially offset by lower sales volume of CONEXIO Corporation. Gross trading profit increased by 12.4%, or ¥30.9 billion, to ¥280.6 billion (US$2,534 million), due to a stable performance in ITOCHU Techno-Solutions Corporation and the conversion of HOKEN NO MADOGUCHI GROUP INC. into a consolidated subsidiary in the third quarter of the previous fiscal year. Net profit attributable to ITOCHU decreased by 6.9%, or ¥4.3 billion, to ¥58.1 billion (US$525 million), due to the impairment loss on Orient Corporation and the absence of the extraordinary gains in the previous fiscal year, partially offset by a stable performance in ICT sector and the gain on the partial sale of eGuarantee, Inc. Total assets increased by 2.4%, or ¥28.5 billion, to ¥1, 236.8 billion (US$11,171 million), due to the increase in trade receivables and in inventories resulting from seasonal factors.

The 8th

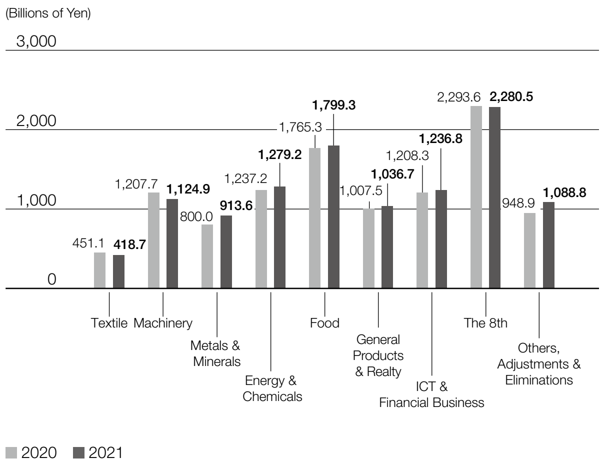
Revenues decreased by 7.4%, or ¥38.1 billion, to ¥478.8 billion (US$4,324 million), due to lower daily sales in FamilyMart Co., Ltd. resulting from COVID-19. Gross trading profit decreased by 8.9%, or ¥41.1 billion, to ¥418.8 billion (US$3,783 million), due to

Net Profit by Operating Segment



* For fiscal years

Total Assets by Operating Segment



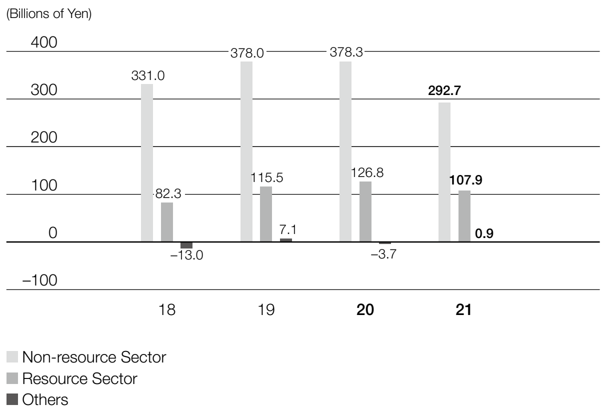
* As of March 31

the same reason noted above. Net profit attributable to ITOCHU decreased by 18.4%, or ¥4.8 billion, to ¥21.3 billion (US$192 million), due to lower daily sales resulting from COVID-19 and the impairment losses on fixed assets, partially offset by the improvement in tax expenses related to FamilyMart Co., Ltd., expense reduction, and the absence of the cost for the early retirement plan in the previous fiscal year in FamilyMart Co., Ltd. Total assets decreased by 0.6%, or ¥13.2 billion, to ¥2,280.5billion (US$20,599 million), due to the decrease in fixed asset in FamilyMart Co., Ltd., partially offset by the additional investment in Pan Pacific International Holdings Corporation and its rise in the fair value.

Others, Adjustments & Eliminations

Net profit attributable to ITOCHU increased by 61.1%, or ¥42.2 billion, to ¥111.1 billion (US$1,004 million), due to higher equity in earnings of CITIC Limited as well as the higher equity in earnings of C.P. Pokphand Co. Ltd. resulting from higher pork prices and the gain on the group reorganization.

Earnings from Non-resource / Resource Sectors



* For fiscal years

Segment Information

Fiscal years ended March 31	Billions of Yen 2021	Billions of Yen 2020	Millions of U.S. Dollars 2021
Revenues:			
Textile	¥ 435.0	¥ 537.4	$ 3,929
Machinery	1,053.4	1,212.5	9,515
Metals & Minerals	657.2	643.9	5,936
Energy & Chemicals	2,180.4	2,603.2	19,694
Food	3,975.3	3,828.3	35,908
General Products & Realty	755.4	808.1	6,824
ICT & Financial Business	751.2	751.1	6,786
The 8th	478.8	516.9	4,324
Others, Adjustments & Eliminations	76.0	81.5	686
Total	¥10,362.6	¥10,983.0	$ 93,602
Gross trading profit:			
Textile	¥ 89.5	¥ 107.5	$ 809
Machinery	173.6	194.9	1,568
Metals & Minerals	110.4	105.2	997
Energy & Chemicals	228.2	217.9	2,061
Food	331.2	304.0	2,992
General Products & Realty	147.4	157.0	1,332
ICT & Financial Business	280.6	249.7	2,534
The 8th	418.8	459.9	3,783
Others, Adjustments & Eliminations	1.0	1.7	9
Total	¥ 1,780.7	¥ 1,797.8	$ 16,085
Net profit attributable to ITOCHU:			
Textile	¥ 1.6	¥ 9.1	$15
Machinery	22.8	56.7	206
Metals & Minerals	104.1	111.4	940
Energy & Chemicals	36.1	61.7	326
Food	25.0	49.9	226
General Products & Realty	21.3	55.0	192
ICT & Financial Business	58.1	62.5	525
The 8th	21.3	26.1	192
Others, Adjustments & Eliminations	111.1	69.0	1,004
Total	¥ 401.4	¥ 501.3	$ 3,626
Total assets as of March 31:			
Textile	¥ 418.7	¥ 451.1	$ 3,782
Machinery	1,124.9	1,207.7	10,160
Metals & Minerals	913.6	800.0	8,252
Energy & Chemicals	1,279.2	1,237.2	11,555
Food	1,799.3	1,765.3	16,252
General Products & Realty	1,036.7	1,007.5	9,364
ICT & Financial Business	1,236.8	1,208.3	11,171
The 8th	2,280.5	2,293.6	20,599
Others, Adjustments & Eliminations	1,088.8	948.9	9,835
Total	¥11,178.4	¥10,919.6	$100,970

Note: 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.

Performance of Subsidiaries, Associates, and Joint Ventures

Group Companies Reporting Profits / Losses

Billions of Yen

	2021			2020			Changes		
Fiscal years ended March 31	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total
Group companies (including overseas trading subsidiaries)	**¥463.8**	**¥(104.2)**	**¥359.6**	¥471.1	¥(25.9)	¥445.2	¥(7.2)	¥(78.3)	¥(85.5)

Share of Group Companies Reporting Profits

		2021			2020			Changes		
Fiscal years ended March 31		Profitable	Unprofitable	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total
Consolidated subsidiaries	No. of group companies	**164**	**35**	**199**	181	22	203	(17)	13	(4)
	Share	**82.4%**	**17.6%**	**100.0%**	89.2%	10.8%	100.0%	(6.8)%	6.8%	
Associates and Joint Ventures	No. of group companies	**66**	**14**	**80**	75	11	86	(9)	3	(6)
	Share	**82.5%**	**17.5%**	**100.0%**	87.2%	12.8%	100.0%	(4.7)%	4.7%	
Total	No. of group companies	**230**	**49**	**279**	256	33	289	(26)	16	(10)
	Share	**82.4%**	**17.6%**	**100.0%**	88.6%	11.4%	100.0%	(6.1)%	6.1%	

Note: Investment companies which are considered as part of the parent company (151 companies), and companies other than those which are directly invested by the Company and its overseas trading subsidiaries (505 companies) are not included in the number of companies.

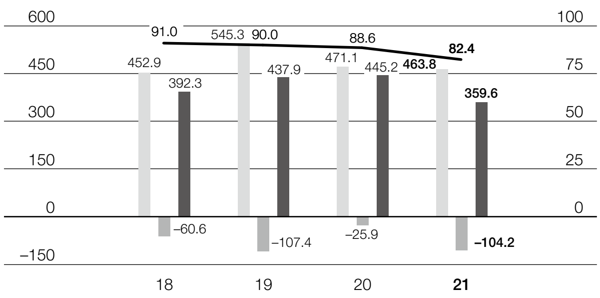
In this fiscal year, net profit from subsidiaries, associates, and joint ventures decreased by ¥85.5 billion to ¥359.6 billion (US$3,248 million).

The profit from Group companies reporting profits decreased by ¥7.2 billion to ¥463.8 billion (US$4,189 million), due to lower earnings of overall companies resulting from COVID-19 and lower market price, partially offset by higher earnings of C.P. Pokphand Co. Ltd. and ITOCHU Minerals & Energy of Australia Pty Ltd.

Meanwhile, the loss from Group companies reporting losses increased by ¥78.3 billion to ¥104.2 billion (US$941 million), due to lower daily sales resulting from COVID-19 and the impairment losses on fixed assets in FamilyMart Co., Ltd.

Ownership (%) of Group companies reporting profits decreased by 6.1 points, from 88.6% to 82.4%.

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 fiscal years ended March 31, 2021 and 2020 were as follows:

Major Group Companies

Fiscal years ended March 31	Ownership %	Net income (loss) attributable to ITOCHU *1 Billions of Yen 2021	2020
Textile			
JOI'X CORPORATION	100.0%	¥ (0.8)	¥ 0.8
DESCENTE LTD.	40.0%	1.6	(1.4)
EDWIN CO., LTD.	98.5%	(1.7)	(1.3)
Sankei Co., Ltd.	100.0%	(8.2)	1.5
ITOCHU Textile Prominent (ASIA) Ltd.	100.0%	0.9	0.4
ITOCHU TEXTILE (CHINA) CO., LTD.	100.0%	1.1	1.1
Machinery			
Tokyo Century Corporation	30.1%	13.5	14.2
I-Power Investment Inc.	100.0%	2.5	1.8
I-ENVIRONMENT INVESTMENTS LIMITED	100.0%	0.6	1.2
ITOCHU Plantech Inc. *2	100.0%	1.4	2.1
IMECS Co., Ltd.	100.0%	1.1	0.8
JAMCO Corporation	33.4%	(5.0)	0.1
JAPAN AEROSPACE CORPORATION	100.0%	1.5	1.6
YANASE & CO., LTD.	66.0%	4.6	3.0
Auto Investment Inc.	100.0%	1.2	0.5
ITOCHU TC CONSTRUCTION MACHINERY CO., LTD.	50.0%	0.2	0.3
ITOCHU MACHINE-TECHNOS CORPORATION	100.0%	0.5	1.4
Century Medical, Inc.	100.0%	0.6	0.6
MULTIQUIP INC.	100.0%	2.4	2.8
Metals & Minerals			
ITOCHU Minerals & Energy of Australia Pty Ltd	100.0%	90.6	83.4
JAPÃO BRASIL MINÉRIO DE FERRO PARTICIPAÇÕES LTDA. *3	77.3%	5.5	9.4
ITOCHU Coal Americas Inc.	100.0%	(3.2)	1.1
Marubeni-Itochu Steel Inc.	50.0%	8.7	11.2
ITOCHU Metals Corporation *2	100.0%	1.5	1.8
Energy & Chemicals			
ITOCHU Oil Exploration (Azerbaijan) Inc.	100.0%	1.8	4.9
ITOCHU PETROLEUM CO., (SINGAPORE) PTE. LTD.	100.0%	1.1	0.7
ITOCHU ENEX CO., LTD.	54.0%	6.6	6.9
Japan South Sakha Oil Co., Ltd.	25.0%	4.8	7.7
ITOCHU CHEMICAL FRONTIER Corporation	100.0%	4.7	4.4
ITOCHU PLASTICS INC. *2	100.0%	4.3	4.1
C. I. TAKIRON Corporation	55.7%	2.8	6.4
Food			
Dole International Holdings, Inc.	100.0%	(3.3)	(0.2)
NIPPON ACCESS, INC. *2	100.0%	7.1	13.8
FUJI OIL HOLDINGS INC.	39.9%	2.4	5.1
Prima Meat Packers, Ltd.	46.8%	5.6	3.9
ITOCHU-SHOKUHIN Co., Ltd.	52.2%	2.0	2.0
HYLIFE GROUP HOLDINGS LTD.	49.9%	4.5	3.0
General Products & Realty			
European Tyre Enterprise Limited	100.0%	(3.6)	6.2
ITOCHU FIBRE LIMITED	100.0%	(1.2)	1.9
Japan Brazil Paper & Pulp Resources Development Co., Ltd.	36.8%	(1.3)	(7.1)
ITOCHU PULP & PAPER CORPORATION *2	100.0%	1.2	1.1
ITOCHU CERATECH CORPORATION	100.0%	0.5	0.5
ITOCHU LOGISTICS CORP. *2	100.0%	3.0	5.1
ITOCHU KENZAI CORPORATION	100.0%	2.7	2.9
DAIKEN CORPORATION	36.4%	2.0	1.9
ITOCHU PROPERTY DEVELOPMENT, LTD.	100.0%	3.1	2.4

Fiscal years ended March 31	Ownership %	Net income (loss) attributable to ITOCHU *1 Billions of Yen 2021	2020
ICT & Financial Business			
ITOCHU Techno-Solutions Corporation	58.2%	17.8	16.6
BELLSYSTEM24 Holdings, Inc.	40.8%	1.9	1.8
CONEXIO Corporation	60.3%	4.3	4.0
ITOCHU Fuji Partners, Inc. *4	63.0%	1.9	0.2
HOKEN NO MADOGUCHI GROUP INC.	65.4%	3.4	2.8
POCKET CARD CO., LTD. *2, 5	78.2%	2.6	4.2
Orient Corporation*6	16.5%	(9.5)	3.7
First Response Finance Ltd.	100.0%	1.5	1.4
ITOCHU FINANCE (ASIA) LTD.	100.0%	4.0	3.5
The 8th			
FamilyMart Co., Ltd. *7	94.7%	(16.7)	17.5
Others, Adjustments & Eliminations			
Orchid Alliance Holdings Limited *8	100.0%	72.5	66.4
C.P. Pokphand Co. Ltd.	23.8%	40.2	7.1
Chia Tai Enterprises International Limited *9	23.8%	(0.2)	0.4
(Reference) Overseas Subsidiaries *10			
ITOCHU International Inc.	100.0%	13.1	10.8
ITOCHU Europe PLC	100.0%	(0.8)	3.5
ITOCHU (CHINA) HOLDING CO., LTD.	100.0%	4.2	2.7
ITOCHU Hong Kong Ltd.	100.0%	6.1	5.6
ITOCHU Singapore Pte. Ltd.	100.0%	3.2	0.1

*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 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 fiscal year ended March 31, 2020. 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 fiscal year ended March 31, 2020 in BJIOC and the second half of the fiscal year ended March 31, 2020 in JBMF.
*4. The figures in the "Net income (loss) attributable to ITOCHU for 2020" column of ITOCHU Fuji Partners, Inc. include the impairment loss on investment accounted for by the equity method in SKY Perfect JSAT Holdings Inc. held by ITOCHU Fuji Partners, Inc.
*5. The figures of POCKET CARD CO., LTD. include net profits through FamilyMart Co., Ltd. ITOCHU's ownership percentage is 63.1% in the first half, 68.3% in the third quarter and 78.2% in the fiscal year end March 31, 2021.
*6. The figures in the "Net income (loss) attributable to ITOCHU for 2021" column of Orient Corporation include the impairment loss on investment accounted for by the equity method.
*7. The figures of FamilyMart Co., Ltd. include net profits from POCKET CARD CO., LTD. ITOCHU's ownership percentage is 50.2% in the first half, 65.6% in the third quarter and 94.7% in the fiscal year ended March 31, 2021.
*8. The figures of Orchid Alliance Holdings Limited include related tax effects and other factors.
*9. The figures in the "Net income (loss) attributable to ITOCHU for 2021" column of Chia Tai Enterprise International Limited include 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 68% of consolidated interest-bearing debt.

Regarding funding methods, the Company uses indirect financing such as bank loans and direct financing such as bond issuance. As to indirect financing, the Company maintains favorable and wide-ranging relationships with various financial institutions, which 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). In addition, the Company has established SDGs Bond Framework (Sustainability Bond Framework) in March 2021 and SDGs Bonds were issued based on the Framework.

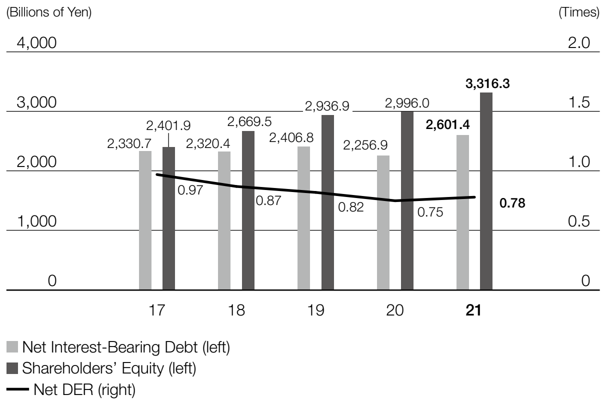
Ratings of the Company's long-term debt and short-term debt as of March 31, 2021 were as follows. Aiming to secure even higher ratings, the Company will strengthen profitability, improve financial position, and implement a thorough risk management.

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, 2021 increased by 9.7%, or ¥278.3 billion, compared to March 31, 2020 to ¥3,155.3 billion (US$28,501 million). Net interest-bearing debt (Interest-bearing debt after deducting Cash and cash equivalents and Time deposits) increased by 15.3%, or ¥344.5 billion, to ¥2,601.4 billion (US$23,497 million). NET DER (debt-to-equity ratio) slightly increased to 0.78 times from 0.75. Furthermore, the ratio of long-term interest-bearing debt to total interest-bearing debt was 77%, up 1 points from 76% as of March 31, 2020.

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, 2021 and 2020 were as follows:

Fiscal Years ended March 31	Billions of Yen 2021	Billions of Yen 2020	Millions of U.S. Dollars 2021
Short-term debentures and borrowings			
Short-term and current maturities of long-term loans mainly from banks	¥ 584.9	¥ 574.1	$ 5,284
Commercial paper	15.0	32.0	135
Current maturities of debentures	110.3	78.3	996
Short-term total	710.2	684.4	6,415
Long-term debentures and borrowings			
Long-term loans mainly from banks, less current maturities	2,252.6	1,953.6	20,347
Debentures	192.5	239.0	1,739
Long-term total	2,445.1	2,192.6	22,086
Total interest-bearing debt	3,155.3	2,877.0	28,501
Cash and cash equivalents, time deposits	554.0	620.1	5,004
Net interest-bearing debt	¥2,601.4	¥2,256.9	$23,497

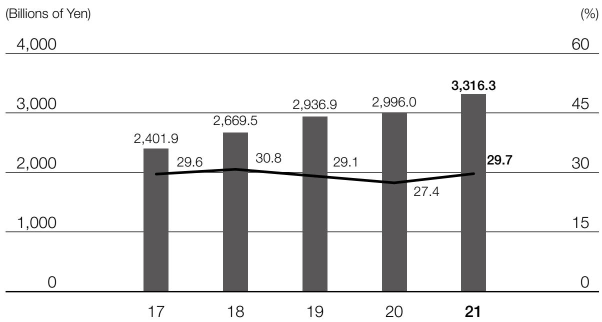
Financial Position

Total assets as of March 31, 2021 increased by 2.4%, or ¥258.8 billion, compared to March 31, 2020 to ¥11,178.4 billion (US$100,970 million), due to the increase resulting from the effect accompanying the depreciation of the yen at the end of the fiscal year, and the increase in investments accounted for by the equity method, partially offset by the decrease in property, plant and equipment.

Total shareholders' equity increased by 10.7%, or ¥320.3 billion, compared to March 31, 2020 to ¥3,316.3 billion (US$29,954 million), due to net profit attributable to ITOCHU during this fiscal year and the effect accompanying the depreciation of the yen at the end of the fiscal year, partially offset by the decrease of capital surplus due to the additional investment in shares in FamilyMart Co., Ltd. and dividend payments. As a result, the ratio of shareholders' equity to total assets increased by 2.2 points compared to March 31, 2020 to 29.7%.

Total equity, or the sum of Total shareholders' equity and Non-controlling interests, increased by 0.8%, or ¥29.6 billion, compared to March 31, 2020 to ¥3,870.2 billion (US$34,958 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, 2021, against the necessary liquidity amount, which is the total of short-term interest-bearing debt and contingent liabilities of ¥905.6 billion (US$8,180 million), the amount of reserves, which is the sum of cash, cash equivalents, time deposits (¥554.0 billion), and the unutilized commitment line (yen: ¥200.0 billion, multiple currency: US$1,700 million) was ¥942.2 billion (US$8,511 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 was ¥854.6 billion (US$7,719 million).

	Billions of Yen	Millions of U.S. Dollars
	2021	2021
Fiscal Years ended March 31	Liquidity Reserves	Liquidity Reserves
Cash and cash equivalents, time deposits	¥554.0	$5,004
Commitment line	¥388.2	$3,507
Total primary liquidity reserves	¥942.2	$8,511

	Billions of Yen	Millions of U.S. Dollars
Fiscal Years ended March 31	2021	2021
Short-term debentures and borrowings	¥710.2	$6,415
Long-term debentures and borrowings (Note)	90.6	818
Contingent liabilities (Financial guarantees (substantial risk) of associates and joint ventures, customers)	104.8	947
Total	¥905.6	$8,180

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.

Further, during the Medium-Term Management plan “Brand-new Deal 2023,” which covers the three-year period from Fiscal Year 2022 through to Fiscal Year 2024, the ITOCHU Group will continue to balance three factors, namely, growth investments, control of interest-bearing debt, and shareholder returns, and conduct cash allocation based on the consistent maintenance of positive core free cash flows after deducting shareholder returns.*

* “Core operating cash flows” minus “Net investment” minus “Dividends and share buybacks”
* “Core operating cash flows” equals “Operating cash flows” minus “Change in working capital” (excluding the effect of lease accounting)
* “Net investment” equals “Investment cash flows” plus “Equity transactions with non-controlling interests” minus “Changes in loan receivables”, etc

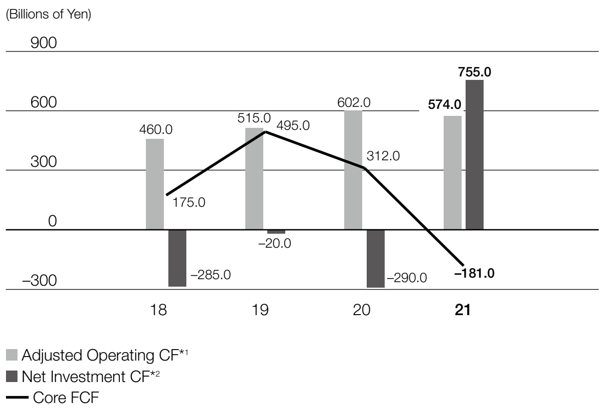
Cash flows from operating activities for the fiscal year ended March 31, 2021 was a net cash-inflow of ¥895.9 billion (US$8,092 million), due to a stable performance in operating revenues in The 8th, the Metals & Minerals, the ICT & Financial Business, and the Energy & Chemicals Companies. Cash flows from operating activities for the fiscal year ended March 31, 2020 was a net cash-inflow of ¥878.1 billion.

Cash flows from investing activities was a net cash-outflow of ¥207.3 billion (US$1,872 million), due to the additional investment in shares in Tokyo Century Corporation by the Machinery Company and in FUJI OIL HOLDINGS INC. by the Food Company, the investments by The 8th Company, and the purchase of fixed assets by The 8th, the Food, the Energy & Chemicals, and the Metals & Minerals Companies. Cash flows from investing activities for the fiscal year ended March 31, 2020 was a net cash-outflow of ¥248.8 billion.

Cash flows from financing activities was a net cash-outflow of ¥728.8 billion (US$6,583 million), due to the additional investment in shares in FamilyMart Co., Ltd., the repayment of lease liabilities and dividend payments, partially offset by the increase in debentures and loans payable. Cash flows from financing activities for the fiscal year ended March 31, 2020 was a net cash-outflow of ¥575.5 billion.

Cash and cash equivalents as of March 31, 2021 decreased by 11.0%, or ¥67.2 billion, to ¥544.0 billion (US$4,914 million), compared to March 31, 2020.

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 fiscal years ended March 31, 2021 and 2020 were as follows:

	Billions of Yen		Millions of U.S. Dollars
Fiscal Years ended March 31	2021	2020	2021
Cash flows from operating activities	¥ 895.9	¥ 878.1	$ 8,092
Cash flows from investing activities	(207.3)	(248.8)	(1,872)
Cash flows from financing activities	(728.8)	(575.5)	(6,583)
Net change in cash and cash equivalents	(40.2)	53.9	(363)
Cash and cash equivalents at the beginning of the year	611.2	572.0	5,521
Effect of exchange rate changes on cash and cash equivalents	17.3	(14.7)	156
Cash and cash equivalents included in assets held for sale	(44.3)	—	(400)
Cash and cash equivalents at the end of the year	¥ 544.0	¥ 611.2	$ 4,914

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, judgements 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, judgements and assumptions based on the available information that is considered to be reasonable, judging from historical experiences and circumstances. These estimates, judgements 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.

With regards to the impacts of COVID-19, uncertainties remain because the impacts vary depending on the situation of the resurgence of infection, supply of vaccines, and the length of self-restraint from going outside. For the fiscal year ending March 31, 2022, the magnitude of the impact by business area is expected to be clearer and it will take certain time to recover in some business areas where the appetite for consumption has a significant impact on the business, while the impact will be less in many other business areas. On the whole, we expect that the impacts will be reduced compared to the fiscal year ended March 31, 2021 because some business will be significantly affected in the first half of the year and certain impact will remain through the fourth quarter, while some other businesses have already returned to normal.

Estimates and assumptions 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 regarding the balances of assets and liabilities related to each of the following items.

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 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 their 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. The recoverable amounts used in impairment tests of goodwill and intangible assets are based on the value in use calculated with the support of independent appraisers. The 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, the business plans are limited to a period of five years and formulated in a manner that reflects past results and are consistent with external information. The growth rate is determined by considering the long-term average growth rate of the markets or countries to which the cash-generating unit belongs. The discount rate is determined based on the weighted average cost of capital and other factors for each cash-generating unit. 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 judgements 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 estimates and judgements 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, judgements 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 judgement on the 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
- Judgements regarding the transfer of significant risks and economic values associated with contracts containing lease as a lessor
- Judgement about whether credit risks on financial assets measured at amortized cost and debt FVTOCI financial assets have increased significantly
- Identification of cash-generating units, evaluation of whether there are indications of impairment or reversals of impairment in conducting impairment tests for property, plant and equipment, investment property, goodwill, intangible assets, and investments in associates and joint ventures
- Assessments regarding the existence of current obligations arising from past events and the likelihood of an outflow of resources to settle such obligations in recognizing provisions

Consolidated Statement of Financial Position

ITOCHU Corporation and its Subsidiaries
As of March 31, 2021 and 2020
Prepared in conformity with IFRSs

Assets	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Current assets			
Cash and cash equivalents	¥ 544,009	¥ 611,223	$ 4,914
Time deposits	9,945	8,858	90
Trade receivables (Note 6)	2,122,815	2,113,746	19,174
Other current receivables (Note 6)	166,282	176,691	1,502
Other current financial assets (Note 13)	44,930	45,315	406
Inventories (Note 7)	898,692	952,029	8,117
Advances to suppliers	80,521	89,425	727
Other current assets	161,256	135,774	1,457
Assets held for sale (Note 8)	248,861	—	2,248
Total current assets	4,277,311	4,133,061	38,635
Non-current assets			
Investments accounted for by the equity method (Note 14)	1,867,777	1,640,286	16,871
Other investments (Note 13)	952,374	816,518	8,603
Non-current receivables (Note 6)	658,658	660,578	5,949
Non-current financial assets other than investments and receivables	166,611	172,417	1,505
Property, plant and equipment (Notes 9 and 17)	1,939,791	2,137,474	17,521
Investment property (Note 10)	50,665	58,595	458
Goodwill (Note 12)	396,869	403,940	3,585
Intangible assets (Note 12)	728,967	759,167	6,584
Deferred tax assets (Note 20)	60,446	61,051	546
Other non-current assets	78,963	76,511	713
Total non-current assets	6,901,121	6,786,537	62,335
Total assets (Note 4)	¥11,178,432	¥10,919,598	$100,970

Refer to Notes to Consolidated Financial Statements.

Liabilities and Equity	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Current liabilities			
Short-term debentures and borrowings (Notes 16 and 34)	¥ 710,213	¥ 684,406	$ 6,415
Lease liabilities (short-term) (Notes 17)	238,446	242,076	2,154
Trade payables (Note 15)	1,628,766	1,707,472	14,712
Other current payables (Note 15)	199,757	215,175	1,804
Other current financial liabilities	40,172	35,699	363
Current tax liabilities (Note 20)	57,370	67,074	518
Advances from customers (Note 28)	84,699	81,799	765
Other current liabilities (Notes 19 and 28)	374,489	368,163	3,383
Liabilities held for sale (Note 8)	220,722	—	1,994
Total current liabilities	3,554,634	3,401,864	32,108
Non-current liabilities			
Long-term debentures and borrowings (Notes 16 and 34)	2,445,099	2,192,557	22,086
Lease liabilities (long-term) (Notes 17)	825,170	937,345	7,453
Other non-current financial liabilities	53,483	68,900	483
Non-current liabilities for employee benefits (Note 18)	116,631	133,138	1,054
Deferred tax liabilities (Note 20)	150,275	200,912	1,357
Other non-current liabilities (Note 19)	162,900	144,273	1,471
Total non-current liabilities	3,753,558	3,677,125	33,904
Total liabilities	7,308,192	7,078,989	66,012
Equity			
Common stock (Note 22)	253,448	253,448	2,289
Capital surplus (Note 22)	(155,210)	50,677	(1,402)
Retained earnings (Notes 22 and 23)	3,238,948	2,948,135	29,256
Other components of equity (Note 24)			
Translation adjustments	131,612	(37,836)	1,189
FVTOCI financial assets (Note 13)	38,740	(31,972)	350
Cash flow hedges (Note 26)	(9,897)	(19,163)	(90)
Total other components of equity	160,455	(88,971)	1,449
Treasury stock (Note 22)	(181,360)	(167,338)	(1,638)
Total shareholders' equity	3,316,281	2,995,951	29,954
Non-controlling interests (Note 35)	553,959	844,658	5,004
Total equity	3,870,240	3,840,609	34,958
Total liabilities and equity	¥11,178,432	¥10,919,598	$100,970

Consolidated Statement of Comprehensive Income

ITOCHU Corporation and its Subsidiaries
Fiscal years ended March 31, 2021 and 2020
Prepared in conformity with IFRSs

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Revenues (Notes 4 and 28)			
Revenues from sale of goods	¥ 9,156,193	¥ 9,738,983	$ 82,705
Revenues from rendering of services and royalties	1,206,435	1,243,985	10,897
Total revenues	10,362,628	10,982,968	93,602
Cost			
Cost of sale of goods	(7,989,246)	(8,575,102)	(72,164)
Cost of rendering of services and royalties	(592,635)	(610,078)	(5,353)
Total cost	(8,581,881)	(9,185,180)	(77,517)
Gross trading profit (Note 4)	1,780,747	1,797,788	16,085
Other gains (losses)			
Selling, general and administrative expenses (Notes 18 and 29)	(1,366,489)	(1,380,944)	(12,343)
Provision for doubtful accounts	(10,844)	(17,406)	(98)
Gains on investments (Notes 5 and 30)	4,105	57,801	37
Losses on property, plant, equipment and intangible assets (Notes 9, 12 and 31)	(157,524)	(4,396)	(1,423)
Other–net (Note 32)	(6,197)	(1,414)	(56)
Total other losses	(1,536,949)	(1,346,359)	(13,883)
Financial income (loss) (Note 33)			
Interest income	23,114	35,267	209
Dividends received	53,145	66,474	480
Interest expense	(36,218)	(57,600)	(327)
Total financial income	40,041	44,141	362
Equity in earnings of associates and joint ventures (Notes 4 and 14)	228,636	205,860	2,065
Profit before tax	512,475	701,430	4,629
Income tax expense (Note 20)	(71,592)	(142,221)	(647)
Net profit	440,883	559,209	3,982
Net profit attributable to ITOCHU (Note 4)	¥ 401,433	¥ 501,322	$ 3,626
Net profit attributable to non-controlling interests	39,450	57,887	356

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Other comprehensive income net of tax (Notes 20 and 24)			
Items that will not be reclassified to profit or loss			
FVTOCI financial assets (Note 27)	**¥ 80,764**	¥ (67,643)	**$ 730**
Remeasurement of net defined pension liability (Note 18)	**12,449**	(3,835)	**112**
Other comprehensive income in associates and joint ventures (Note 14)	**13,474**	(7,761)	**122**
Items that will be reclassified to profit or loss			
Translation adjustments (Note 27)	**114,879**	(92,645)	**1,038**
Cash flow hedges (Note 26)	**3,470**	(6,074)	**31**
Other comprehensive income in associates and joint ventures (Note 14)	**63,660**	(43,307)	**575**
Total other comprehensive income net of tax	**288,696**	(221,265)	**2,608**
Total comprehensive income	**729,579**	337,944	**6,590**
Total comprehensive income attributable to ITOCHU	**¥655,259**	¥ 279,832	**$5,919**
Total comprehensive income attributable to non-controlling interests	**74,320**	58,112	**671**

	Yen		U.S. Dollars
	2021	2020	2021
Basic earnings per share attributable to ITOCHU (Note 21)	**¥269.83**	¥335.58	**$2.44**
Diluted earnings per share attributable to ITOCHU (Note 21)	**¥269.83**	¥335.58	**$2.44**

Refer to Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

ITOCHU Corporation and its Subsidiaries
Fiscal years ended March 31, 2021 and 2020
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, 2020	¥253,448	¥ 50,677	¥2,948,135	¥ (88,971)	¥(167,338)	¥2,995,951	¥ 844,658	¥3,840,609
Net Profit			**401,433**			**401,433**	**39,450**	**440,883**
Other comprehensive income (Note 24)				**253,826**		**253,826**	**34,870**	**288,696**
Total comprehensive income			**401,433**	**253,826**		**655,259**	**74,320**	**729,579**
Cash dividends to shareholders (Note 23)			**(129,008)**			**(129,008)**		**(129,008)**
Cash dividends to non-controlling interests						**—**	**(27,832)**	**(27,832)**
Net change in acquisition (disposition) of treasury stock (Note 22)					**(14,022)**	**(14,022)**		**(14,022)**
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests (Notes 22 and 35)		**(205,887)**		**13,988**		**(191,899)**	**(337,187)**	**(529,086)**
Transfer to retained earnings			**18,388**	**(18,388)**		**—**		**—**
Balance on March 31, 2021	**¥253,448**	**¥(155,210)**	**¥3,238,948**	**¥160,455**	**¥(181,360)**	**¥3,316,281**	**¥ 553,959**	**¥3,870,240**

	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			(26,501)			(26,501)	(5,295)	(31,796)
Net Profit			501,322			501,322	57,887	559,209
Other comprehensive income (Note 24)				(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 23)			(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 22)					(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 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, 2020	$2,289	$ 458	$26,629	$ (804)	$(1,511)	$27,061	$ 7,629	$34,690
Net Profit			**3,626**			**3,626**	**356**	**3,982**
Other comprehensive income (Note 24)				**2,293**		**2,293**	**315**	**2,608**
Total comprehensive income			**3,626**	**2,293**		**5,919**	**671**	**6,590**
Cash dividends to shareholders (Note 23)			**(1,165)**			**(1,165)**		**(1,165)**
Cash dividends to non-controlling interests						**—**	**(251)**	**(251)**
Net change in acquisition (disposition) of treasury stock (Note 22)					**(127)**	**(127)**		**(127)**
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests (Notes 22 and 35)		**(1,860)**		**126**		**(1,734)**	**(3,045)**	**(4,779)**
Transfer to retained earnings			**166**	**(166)**		**—**		**—**
Balance on March 31, 2021	**$2,289**	**$(1,402)**	**$29,256**	**$1,449**	**$(1,638)**	**$29,954**	**$ 5,004**	**$34,958**

Refer to Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

ITOCHU Corporation and its Subsidiaries
Fiscal years ended March 31, 2021 and 2020
Prepared in conformity with IFRSs

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Cash flows from operating activities			
Net profit	¥ 440,883	¥ 559,209	$ 3,982
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation and amortization	424,297	422,624	3,833
(Gains) losses on investments	(4,105)	(57,801)	(37)
(Gains) losses on property, plant, equipment and intangible assets	157,524	4,396	1,423
Financial (income) loss	(40,041)	(44,141)	(362)
Equity in earnings of associates and joint ventures	(228,636)	(205,860)	(2,065)
Income tax expense	71,592	142,221	647
Provision for doubtful accounts and other provisions	30,504	22,154	276
Change in trade receivables	(4,876)	252,470	(44)
Change in inventories	38,527	(11,349)	348
Change in trade payables	(47,115)	(222,887)	(426)
Other–net	72,440	5,340	654
Proceeds from interest	24,142	34,460	218
Proceeds from dividends	144,732	152,862	1,307
Payments for interest	(39,412)	(62,775)	(356)
Payments for income taxes	(144,556)	(112,790)	(1,306)
Net cash provided by (used in) operating activities	895,900	878,133	8,092
Cash flows from investing activities			
Payments for purchase of investments accounted for by the equity method	(66,364)	(70,164)	(599)
Proceeds from sale of investments accounted for by the equity method	45,670	19,249	413
Payments for purchase of other investments	(86,458)	(171,729)	(781)
Proceeds from sale of other investments	35,545	88,412	321
Acquisitions of subsidiaries, net of cash acquired (Note 34)	—	13,935	—
Origination of loans receivable	(34,796)	(34,335)	(314)
Collections of loans receivable	58,096	55,746	525
Payments for purchase of property, plant, equipment and intangible assets	(165,022)	(199,527)	(1,491)
Proceeds from sale of property, plant, equipment and intangible assets	12,439	51,839	112
Net change in time deposits	(6,406)	(2,192)	(58)
Net cash provided by (used in) investing activities	(207,296)	(248,766)	(1,872)
Cash flows from financing activities			
Proceeds from debentures and loans payable (Note 34)	1,019,577	851,842	9,209
Repayments of debentures and loans payable (Note 34)	(729,386)	(1,001,359)	(6,588)
Repayments of lease liabilities (Note 34)	(277,493)	(267,193)	(2,507)
Net change in other loans payable (Note 34)	(38,585)	69,791	(349)
Equity transactions with non-controlling interests (Note 35)	(531,774)	(5,774)	(4,803)
Cash dividends (Note 23)	(129,008)	(133,537)	(1,165)
Cash dividends to non-controlling interests	(27,832)	(27,236)	(251)
Net change in treasury stock	(14,266)	(62,016)	(129)
Net cash provided by (used in) financing activities	(728,767)	(575,482)	(6,583)
Net change in cash and cash equivalents	(40,163)	53,885	(363)
Cash and cash equivalents at the beginning of the year	611,223	572,030	5,521
Effect of exchange rate changes on cash and cash equivalents	17,280	(14,692)	156
Cash and cash equivalents included in assets held for sale (Note 8)	(44,331)	—	(400)
Cash and cash equivalents at the end of the year	¥ 544,009	¥ 611,223	$ 4,914

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.

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 fiscal year ended March 31, 2021 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥110.71 = US$1, the exchange rate prevailing on March 31, 2021.

(4) Changes in Accounting Policies

The Company and its subsidiaries have applied standards or interpretations of IFRSs which are required to be applied from the fiscal year ended March 31, 2021.

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. Determining 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 the 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 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) Non-Current Assets Held for Sale

Non-current assets and disposal groups are classified as non-current assets or disposal groups held for sale when a commitment has been made for the execution of a sale plan and the recovery is expected to arise from the sale rather than continuing use. Such assets are classified as current assets if it is highly probable that the asset will be sold within one year and it is available for immediate sale in its present condition. Non-current assets or disposal groups classified as held for sale are measured using the lower of the carrying amounts, or the fair values less costs to sell.

(10) 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 the 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, the 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.

(11) 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.

(12) 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

Regarding provisions for losses that could be incurred as a result of fulfilling debt guarantees or other contracts, the expected credit loss is recognized relating to an contract in which there is a promise to repay the debt or to provide monetary compensation if the guaranteed party has defaulted on a specified debt, or the estimated loss is recognized if it is probable that the costs of meeting the contractual obligation arising from prior to the end of the fiscal year exceed the economic benefits expected to be received under the contract.

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.

(13) 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.

(14) 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. Consideration for goods or services does not include a significant financing arrangements if the period between payment from customers and the transfer of goods or services to customers would be one year or less, as a practical expedient. In addition, if the 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 by eight operating segments: Textile, Machinery, Metals & Minerals, Energy & Chemicals, Food, General Products & Realty, ICT & Financial Business, and The 8th. Performance obligations for these transactions are satisfied and revenues are recognized at a point in time when 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. Revenues from work contract transactions in Machinery and software development in ICT & Financial Business and others are recognized in accordance with the progress of satisfaction of the performance obligations, since performance obligations are satisfied over a period of time of the contract work or production to order. Revenues are recognized on a measurement of the progress 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 determined to be recoverable are recognized.

2) Rendering of services and royalty transactions

Revenues from rendering of services include royalty transactions on franchise contract in The 8th, software maintenance in ICT & Financial Business, and other services. Revenues from royalty transactions are mainly recognized over a period of time of franchise contract by a method calculating gross margin multiplied by a certain percentage. Revenues from software maintenance are mainly recognized over a period of time of maintenance contract by allocating the consideration agreed with customer on the contract or others. Revenues from other services include agent businesses in import/export trades in Machinery, General Products & Realty and others, which are recognized at a point of time when the delivery of services is completed.

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.

(15) 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.

(16) 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.

(17) 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.

(18) 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.

(19) 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, the 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.

(20) Significant Accounting Estimates

To prepare the Consolidated Financial Statements, the Company and its subsidiaries make a variety of estimates and assumptions. These estimates and assumptions affect disclosures of amounts recognized for assets, liabilities, income, and expenses.

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.

With regards to the impacts of COVID-19, uncertainties remain because the impacts vary depending on the situation of the resurgence of infection, supply of vaccines, and the length of self-restraint from going outside. For the fiscal year ending March 31, 2022, the magnitude of the impact by business area is expected to be clearer and it will take certain time to recover in some business areas where the appetite for consumption has a significant impact on the business, while the impact will be less in many other business areas. On the whole, we expect that the impacts will be reduced compared to the fiscal year ended March 31, 2021 because some business will be significantly affected in the first half of the year and certain impact will remain through the fourth quarter, while some other businesses have already returned to normal.

Estimates and assumptions 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 regarding the balances of assets and liabilities related to each of the following items.

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 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 their 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. (Refer to Note 13 Securities and Other Investments and Note 27 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 25 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. The recoverable amounts used in impairment tests of goodwill and intangible assets are based on the value in use calculated with the support of independent appraisers. The 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, the business plans are limited to a period of five years and formulated in a manner that reflects past results and are consistent with external information. The growth rate is determined by considering the long-term average growth rate of the markets or countries to which the cash-generating unit belongs. The discount rate is determined based on the weighted average cost of capital and other factors for each cash-generating unit. 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 9 Property, Plant and Equipment, Note 10 Investment Property, Note 12 Goodwill and Intangible Assets, and Note 14 Associates and Joint Ventures)

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

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

Measurement of provisions

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

Estimates of income taxes

To calculate income taxes, estimates and judgements 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 estimates and judgements 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, judgements 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 20 Income Taxes)

(21) Judgements made in the process of applying the accounting policies

Accounting areas where the judgement on the 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 14 Associates and Joint Ventures and Note 35 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 13 Securities and Other Investments)
- Judgements regarding the transfer of significant risks and economic values associated with contracts containing lease as a lessor (Refer to Note 17 Leases)
- Judgement about whether credit risks on financial assets measured at amortized cost and debt FVTOCI financial assets have increased significantly (Refer to Note 25 Financial Instrument)
- Identification of cash-generating units, evaluation of whether there are indications of impairment or reversals of impairment in conducting impairment tests for property, plant and equipment, investment property, goodwill, intangible assets, and investments in associates and joint ventures (Refer to Note 9 Property, Plant and Equipment, Note 10 Investment Property, Note 12 Goodwill and Intangible Assets, and Note 14 Associates and Joint Ventures)
- Assessments regarding the existence of current obligations arising from past events and the likelihood of an outflow of resources to settle such obligations in recognizing provisions (Refer to Note 19 Provisions)

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.

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

Textile
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
Machinery segment is engaged in business activities for plants, bridges, railways, and other infrastructures; power generation and transmission-transformation, and electricity sales; water, environment and waste-related business; trading of ships, aircraft, automobiles, construction machinery, industrial machinery, machine tools, environmental equipment, electronic devices, and related equipment; environmentally friendly business such as renewable and alternative energy, and waste recycling. In addition, the segment engages in medical device transactions in medical-related business areas.

Metals & Minerals
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
Energy & Chemicals segment is engaged in trading and business relating to energy, chemical, and power including renewable energy.

Food
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
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
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 other seven 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 fiscal years ended March 31, 2021 and 2020.

	Millions of Yen									
	2021									
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total
Revenues from external customers	¥435,026	¥1,053,415	¥657,165	¥2,180,359	¥3,975,295	¥ 755,419	¥ 751,225	¥ 478,758	¥ 75,966	¥10,362,628
Intersegment revenues	87	50	—	37,145	5,003	18,764	12,908	1,971	(75,928)	—
Total revenues	435,113	1,053,465	657,165	2,217,504	3,980,298	774,183	764,133	480,729	38	10,362,628
Gross trading profit	89,521	173,596	110,380	228,225	331,192	147,440	280,579	418,819	995	1,780,747
Equity in earnings of associates and joint ventures	2,003	25,621	22,612	11,010	12,276	5,206	39,134	(443)	111,217	228,636
Net profit attributable to ITOCHU	1,609	22,830	104,078	36,066	25,032	21,270	58,134	21,267	111,147	401,433
Reportable segment assets	¥418,720	¥1,124,873	¥913,582	¥1,279,210	¥1,799,320	¥1,036,682	¥1,236,777	¥2,280,472	¥1,088,796	¥11,178,432

	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 U.S. Dollars									
	2021									
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total
Revenues from external customers	**$3,929**	**$ 9,515**	**$5,936**	**$19,694**	**$35,908**	**$6,824**	**$ 6,786**	**$ 4,324**	**$ 686**	**$ 93,602**
Intersegment revenues	**1**	**1**	**—**	**336**	**45**	**169**	**116**	**18**	**(686)**	**—**
Total revenues	**3,930**	**9,516**	**5,936**	**20,030**	**35,953**	**6,993**	**6,902**	**4,342**	**—**	**93,602**
Gross trading profit	**809**	**1,568**	**997**	**2,061**	**2,992**	**1,332**	**2,534**	**3,783**	**9**	**16,085**
Equity in earnings of associates and joint ventures	**18**	**231**	**204**	**99**	**111**	**47**	**354**	**(4)**	**1,005**	**2,065**
Net profit attributable to ITOCHU	**15**	**206**	**940**	**326**	**226**	**192**	**525**	**192**	**1,004**	**3,626**
Reportable segment assets	**$3,782**	**$10,160**	**$8,252**	**$11,555**	**$16,252**	**$9,364**	**$11,171**	**$20,599**	**$9,835**	**$100,970**

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. Revenues from external customers include revenues resulting from contracts with customers and other sources of revenue. Revenues resulting from other sources of revenue mainly include revenues from energy trading transactions such as oil and gas and lease contracts, which are immaterial in terms of amount.

(2) Information about Geographical Areas

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

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Japan	**¥ 8,351,737**	¥ 8,686,037	**$75,438**
Singapore	**490,685**	534,239	**4,432**
United States	**463,046**	588,588	**4,182**
China	**292,667**	287,017	**2,644**
Australia	**262,344**	222,383	**2,370**
Others	**502,149**	664,704	**4,536**
Total	**¥10,362,628**	¥10,982,968	**$93,602**

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
	2021	2020	2021
Japan	**¥2,432,543**	¥2,700,139	**$21,972**
Australia	**178,571**	147,523	**1,613**
United Kingdom	**152,001**	140,485	**1,373**
Singapore	**138,957**	140,054	**1,255**
United States	**114,752**	104,572	**1,037**
Others	**167,196**	195,485	**1,510**
Total	**¥3,184,020**	¥3,428,258	**$28,760**

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

There were no major business combinations for the fiscal year ended March 31, 2021.

Major business combinations for the fiscal year ended March 31, 2020 was as follow:

(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 ITOCHU and its subsidiaries, including ITOCHU's portion, to 44.37%. Although ITOCHU and its subsidiaries do 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, 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
Fair value of consideration paid (Note 1)	¥ 2,120
Fair value of previously held equity interests	52,723
Non-controlling interests (Note 2)	64,136
Total	118,979
Fair value of assets acquired and liabilities assumed	
Trade receivables	42,467
Other current assets	42,837
Property, plant and equipment	91,006
Intangible assets	27,056
Other non-current assets	6,788
Trade payables	(46,047)
Other current liabilities	(23,588)
Other non-current liabilities	(34,304)
Net assets	¥106,215
Goodwill	¥ 12,764
Total	¥118,979

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 and ¥25,193 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 with 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 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
Total revenues	¥209,097
Net profit	4,622
Net profit attributable to ITOCHU	1,732

6. Trade and Other Receivables

The breakdown of trade receivables as of March 31, 2021 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Notes receivable	¥ 126,990	¥ 139,644	$ 1,147
Trade accounts receivable	1,740,044	1,717,066	15,717
Service fees receivable	274,216	274,989	2,477
Allowance for doubtful accounts (current)	(18,435)	(17,953)	(167)
Total	¥2,122,815	¥2,113,746	$19,174

The breakdown of other current receivables as of March 31, 2021 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Short-term loans receivable	¥ 61,764	¥ 70,846	$ 558
Other accounts receivable	22,233	21,763	201
Allowance for doubtful accounts (current)	(2,044)	(1,495)	(19)
Others	84,329	85,577	762
Total	¥166,282	¥176,691	$1,502

The breakdown of non-current receivables as of March 31, 2021 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Long-term loans receivable	¥650,657	¥650,686	$5,877
Others	39,328	40,675	355
Allowance for doubtful accounts (non-current)	(31,327)	(30,783)	(283)
Total	¥658,658	¥660,578	$5,949

7. Inventories

The breakdown of Inventories as of March 31, 2021 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Merchandise	¥568,506	¥630,428	$5,135
Finished goods	78,561	73,616	710
Real estate for sale	164,061	169,692	1,482
Raw materials and supplies	54,399	46,581	491
Work in progress	33,165	31,712	300
Total	¥898,692	¥952,029	$8,118

The write-downs of inventories to net realizable value were ¥6,666 million (US$60 million) and ¥6,884 million as of March 31, 2021 and 2020, respectively. The write-down is included in Cost of sale of goods in the Consolidated Statement of Comprehensive Income.

8. Assets Classified as Held for Sale and Liabilities Directly Associated with Assets Classified as Held for Sale

With respect to the Company's subsidiary FamilyMart Co., Ltd. ("FamilyMart"), a meeting of the Board of Directors on July 8, 2020, approved a resolution to transfer part of Taiwan FamilyMart Co., Ltd., which is owned by FamilyMart, to a joint venture established by Pan Pacific International Holdings Corporation or a subsidiary of Pan Pacific International Holdings Corporation and FamilyMart Co., Ltd.

As a result, assets and liabilities related to Taiwan FamilyMart Co., Ltd., and its subsidiaries have been reclassified as Assets held for sale and Liabilities held for sale. The aforementioned primarily comprise cash and cash equivalents; property, plant and equipment; trade payables; and lease liabilities (long-term).

9. Property, Plant and Equipment

The cost, accumulated depreciation and accumulated impairment losses, and carrying amount of property, plant and equipment as of March 31, 2021 and 2020 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, 2021								
Cost	**¥404,632**	**¥1,729,280**	**¥ 743,367**	**¥ 298,082**	**¥142,867**	**¥57,772**	**¥ 23,947**	**¥ 3,399,947**
Accumulated depreciation and accumulated impairment losses	**(74,105)**	**(695,997)**	**(433,589)**	**(175,706)**	**(67,930)**	**(827)**	**(12,002)**	**(1,460,156)**
Carrying amount	**330,527**	**1,033,283**	**309,778**	**122,376**	**74,937**	**56,945**	**11,945**	**1,939,791**

	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 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, 2021								
Cost	**$3,655**	**$15,620**	**$ 6,714**	**$ 2,693**	**$1,291**	**$521**	**$ 216**	**$ 30,710**
Accumulated depreciation and accumulated impairment losses	**(669)**	**(6,287)**	**(3,916)**	**(1,588)**	**(614)**	**(7)**	**(108)**	**(13,189)**
Carrying amount	**2,986**	**9,333**	**2,798**	**1,105**	**677**	**514**	**108**	**17,521**

The changes in the carrying amount of property, plant and equipment for the fiscal years ended March 31, 2021 and 2020 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, 2020	¥359,339	¥1,189,246	¥288,512	¥157,955	¥ 86,432	¥ 45,760	¥10,230	¥2,137,474
Acquisitions through business combinations	**179**	**3,936**	**832**	**120**	**—**	**—**	**52**	**5,119**
Individual acquisitions	**9,941**	**150,071**	**37,526**	**37,308**	**—**	**51,701**	**3,247**	**289,794**
Disposals and decreases through divestitures	**(3,676)**	**(8,779)**	**(502)**	**(1,588)**	**—**	**(1,611)**	**(281)**	**(16,437)**
Depreciation	**(32,619)**	**(217,930)**	**(59,744)**	**(43,762)**	**(3,118)**	**—**	**(3,184)**	**(360,357)**
Impairment losses recognized in profit or loss	**(6,428)**	**(65,839)**	**(11,996)**	**(8,315)**	**(12,552)**	**(63)**	**(151)**	**(105,344)**
Effect of foreign currency exchange differences	**2,236**	**21,687**	**23,910**	**1,774**	**4,172**	**8,517**	**1,760**	**64,056**
Reclassification to Assets held for sale	**(10,230)**	**(113,146)**	**(342)**	**(25,080)**	**—**	**(2,186)**	**—**	**(150,984)**
Others (Note)	**11,785**	**74,037**	**31,582**	**3,964**	**3**	**(45,173)**	**272**	**76,470**
Balance as of March 31, 2021	**¥330,527**	**¥1,033,283**	**¥309,778**	**¥122,376**	**¥ 74,937**	**¥ 56,945**	**¥11,945**	**¥1,939,791**

	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 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, 2020	$3,246	$10,743	$2,606	$1,426	$ 781	$ 413	$ 92	$19,307
Acquisitions through business combinations	**2**	**35**	**8**	**1**	**—**	**—**	**—**	**46**
Individual acquisitions	**90**	**1,356**	**339**	**337**	**—**	**467**	**29**	**2,618**
Disposals and decreases through divestitures	**(33)**	**(79)**	**(5)**	**(14)**	**—**	**(14)**	**(3)**	**(148)**
Depreciation	**(295)**	**(1,968)**	**(540)**	**(395)**	**(28)**	**—**	**(29)**	**(3,255)**
Impairment losses recognized in profit or loss	**(58)**	**(596)**	**(108)**	**(75)**	**(113)**	**(1)**	**(1)**	**(952)**
Effect of foreign currency exchange differences	**20**	**196**	**216**	**16**	**37**	**77**	**17**	**579**
Reclassification to Assets held for sale	**(92)**	**(1,022)**	**(3)**	**(227)**	**—**	**(20)**	**—**	**(1,364)**
Others (Note)	**106**	**668**	**285**	**36**	**—**	**(408)**	**3**	**690**
Balance as of March 31, 2021	**$2,986**	**$ 9,333**	**$2,798**	**$1,105**	**$ 677**	**$ 514**	**$108**	**$17,521**

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 fiscal year ended March 31, 2021 was ¥105,344 million (US$952 million). In the 8th operating segment, FamilyMart Co., Ltd. recognized an impairment loss of ¥66,258 million on mainly Buildings and structures and Fixtures, fittings, and office equipment caused by a decline in profitability of certain stores associated with sluggish domestic consumption due to the impact of COVID-19. The recoverable amount is recognized as the higher of the fair value less costs to sell or the value in use. The discount rate used to estimate value in use is 5.6%. Fair value is measured mainly by an evaluation conducted by independent appraisers, and classified as Level 3 under IFRS 13 Fair Value Measurement. In Metals and Minerals operating segment, in Australian coal business, the Company recorded an impairment loss of ¥12,552 million on mineral rights related to this business as a result of mainly reviewing the future business plan considering its current progress. In Energy & Chemicals segment, as a result of calculating the estimated future cash flows from the asset by reviewing the future business plan due to market downturn of the LNG long-term contract, the Company recognized an impairment loss of ¥9,484 million on Machinery and vehicles and the provision was also recognized.

The amount of the impairment losses during the fiscal year ended March 31, 2020 was ¥14,199 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 the impairment tests for property, plant and equipment are calculated based on the higher of the value in use or fair value less costs to sell with the support of an independent expert. The recoverable amount, in principle, is calculated based on the value in use with the support of an independent expert. The 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, the business plans are limited to five years and are formulated in a manner that reflects the past results and are consistent with external information. The growth rate is determined by consideration of the long-term average growth rate of markets or countries to which the cash-generating unit belongs. The discount rate is determined considering such factors as the weighted average cost of capital for each cash generating unit (pre-tax, approximately 5–12%).

10. Investment Property

The cost, accumulated depreciation and accumulated impairment losses, and carrying amount of investment property as of March 31, 2021 and 2020 were as follows:

	Millions of Yen
	Investment property
Balance as of March 31, 2021	
Cost	**¥ 84,952**
Accumulated depreciation and accumulated impairment losses	**(34,287)**
Carrying amount	**50,665**

	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 U.S. Dollars
	Investment property
Balance as of March 31, 2021	
Cost	**$ 767**
Accumulated depreciation and accumulated impairment losses	**(309)**
Carrying amount	**458**

The changes in the carrying amount of investment property for the fiscal years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Beginning of the year	¥ 58,595	¥32,524	$529
Effects of the application of new accounting standards	—	28,106	—
Acquisitions through business combinations	—	1,722	—
Individual acquisitions	14,789	10,128	134
Disposals and decreases through divestitures	(739)	(991)	(7)
Depreciation	(9,047)	(6,482)	(82)
Impairment losses recognized in profit or loss	—	(169)	—
Effect of foreign currency exchange differences	2,794	(283)	25
Transfers to and from property, plant and equipment	846	(1,397)	8
Reclassification to Assets held for sale	(5,657)	—	(51)
Others	(10,916)	(4,563)	(98)
End of the year	¥ 50,665	¥58,595	$458

Fair values of investment property as of March 31, 2021 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Fair Value	¥51,140	¥59,744	$462

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 fiscal years ended March 31, 2021 and 2020 were ¥16,677 million (US$151 million) and ¥10,066 million, respectively, and were reported in Revenues in the Consolidated Statement of Comprehensive Income. Expenses directly attributable to generating rental income for the fiscal years ended March 31, 2021 and 2020 were ¥13,720 million (US$124 million) and ¥7,488 million, respectively, and were included mainly in Cost in the Consolidated Statements of Comprehensive Income.

11. Pledged Assets

The following assets were pledged as collateral as of March 31, 2021 and 2020:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Time deposits	¥ 5	¥ 5	$ 0
Trade receivables and others	14,233	10,906	129
Inventories	70,023	71,278	633
Investments and Non-current receivables	156,904	155,948	1,417
Property, plant and equipment, and others	11,225	16,438	101
Total	¥252,390	¥254,575	$2,280

Collateral was pledged to secure the following obligations as of March 31, 2021 and 2020:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Short-term borrowings (Note 1)	¥ 1,841	¥ 2,331	$ 17
Trade payables and others	70,627	70,341	638
Long-term borrowings	6,091	9,682	55
Lease liabilities (short-term and long-term) (Note 2)	118,735	123,426	1,072
Total	¥197,294	¥205,780	$1,782

Note: Short-term borrowings as of March 31, 2021 and 2020 included the current portion of Long-term borrowings of ¥823 million (US$7 million) and ¥1,372 million, respectively.

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 the rights to offset deposits against any matured debt (including debt arising out of contingent obligations) or debt which has become due before maturity by default.

12. Goodwill and Intangible Assets

(1) Goodwill

The cost, accumulated impairment losses, and carrying amount of goodwill as of March 31, 2021 and 2020 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, 2021										
Cost	**¥ 9,324**	**¥ 22,324**	**¥—**	**¥922**	**¥ 58,988**	**¥ 77,602**	**¥60,032**	**¥261,911**	**¥ 1,686**	**¥492,789**
Accumulated impairment losses	**(9,324)**	**(13,377)**	**—**	**(87)**	**(25,343)**	**(40,057)**	**(1,262)**	**(4,784)**	**(1,686)**	**(95,920)**
Carrying amount	**—**	**8,947**	**—**	**835**	**33,645**	**37,545**	**58,770**	**257,127**	**—**	**396,869**

	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 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, 2021										
Cost	**$ 84**	**$ 202**	**$—**	**$ 8**	**$ 533**	**$ 701**	**$542**	**$2,366**	**$ 15**	**$4,451**
Accumulated impairment losses	**(84)**	**(121)**	**—**	**(1)**	**(229)**	**(362)**	**(11)**	**(43)**	**(15)**	**(866)**
Carrying amount	**—**	**81**	**—**	**7**	**304**	**339**	**531**	**2,323**	**—**	**3,585**

The changes in the carrying amount of goodwill for the fiscal years ended March 31, 2021 and 2020 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, 2020	¥ 7,547	¥ 9,961	¥—	¥817	¥33,385	¥34,434	¥57,475	¥260,321	¥—	¥403,940
Acquisitions through business combinations	**—**	**544**	**—**	**—**	**—**	**3,283**	**—**	**—**	**—**	**3,827**
Impairment losses recognized in profit or loss	**(7,547)**	**(1,728)**	**—**	**—**	**—**	**(3,924)**	**—**	**(3,194)**	**—**	**(16,393)**
Effect of foreign currency exchange differences, and others	**—**	**170**	**—**	**18**	**260**	**3,752**	**1,295**	**—**	**—**	**5,495**
Balance as of March 31, 2021	**¥ —**	**¥ 8,947**	**¥—**	**¥835**	**¥33,645**	**¥37,545**	**¥58,770**	**¥257,127**	**¥—**	**¥396,869**

	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 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, 2020	$ 68	$ 90	$—	$ 7	$302	$312	$519	$2,351	$—	$3,649
Acquisitions through business combinations	—	5	—	—	—	30	—	—	—	35
Impairment losses recognized in profit or loss	(68)	(16)	—	—	—	(36)	—	(28)	—	(148)
Effect of foreign currency exchange differences, and others	—	2	—	0	2	33	12	—	—	49
Balance as of March 31, 2021	$—	$ 81	$—	$ 7	$304	$339	$531	$2,323	$—	$3,585

The goodwill balance as of March 31, 2021 included ¥248,757 million (US$2,247 million) recognized as a result of the conversion of FamilyMart Co., Ltd. into a subsidiary of The 8th segment and ¥27,807 million (US$251 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, 2020 included ¥251,951 million recognized as a result of the conversion of FamilyMart Co., Ltd. into a subsidiary of The 8th segment and ¥26,449 million recognized as a result of the acquisition of the Kwik-Fit Group of European Tyre Enterprise Limited of the General Products & Realty segment.

As a result of impairment tests for goodwill, the amount of the impairment losses for the fiscal year ended March 31, 2021 was ¥16,393 million (US$148 million).

As a result of impairment tests for goodwill, the amount of the impairment losses for the fiscal year ended March 31, 2020 was ¥10,418 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 goodwill are based on the value in use calculated with the support of independent appraisers. The 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 results and are consistent with external information. The growth rate is determined by consideration of the long-term average growth rate of markets or countries to which the cash-generating unit belongs. The discount rate is determined considering such factors as the weighted average cost of capital for each cash-generating unit (pre-tax, approximately 5–9%).

The main amount of goodwill is allocated to cash-generating units that compose the businesses of FamilyMart Co., Ltd., as a result of the conversion of FamilyMart Co., Ltd. to a subsidiary. For the impairment test of this goodwill, the assumptions that have the greatest impact on the calculation of the value in use in the impairment test of the goodwill are the assumptions of maintaining the number of stores and increasing trading income through raising daily sales and bolstering operational efficiency. These assumptions reflect past results, industry trends and the expected effect of improvement measure on store profitability. Although the decline of demand as a result of the impact of COVID-19 showed a moderate recovery trend, for the impairment test conducted in the year ended March 31, 2021, we expect the same trend will last for the next fiscal year and for the fiscal year ended March 31, 2024, it will recover to the same level for the fiscal year ended March 31, 2020. The growth rate of future cash flows beyond the target period of the business plan is calculated by taking into consideration the long-term growth rate of the markets and countries to which the cash-generating units belong. For the impairment test conducted for the fiscal year ended March 31, 2021, the rate from the fiscal year ended March 31, 2025 is set to zero. In the event that the assumed numbers of the stores were to significantly decrease, and 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 value in use could fall below the carrying amount.

(2) Intangible Assets

The cost, accumulated amortization and accumulated impairment losses, and carrying amount of intangible assets as of March 31, 2021 and 2020 were as follows:

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of March 31, 2021				
Cost	**¥529,175**	**¥ 170,326**	**¥ 312,270**	**¥1,011,771**
Accumulated amortization and accumulated impairment losses	**(65,097)**	**(102,566)**	**(115,141)**	**(282,804)**
Carrying amount	**464,078**	**67,760**	**197,129**	**728,967**

	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 U.S. Dollars			
	Trademarks	Software	Others	Total
Balance as of March 31, 2021				
Cost	**$4,780**	**$1,538**	**$ 2,821**	**$ 9,139**
Accumulated amortization and accumulated impairment losses	**(588)**	**(926)**	**(1,041)**	**(2,555)**
Carrying amount	**4,192**	**612**	**1,780**	**6,584**

The changes in the carrying amount of intangible assets for the fiscal years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of April 1, 2020	¥467,623	¥ 62,572	¥228,972	¥759,167
Acquisitions through business combinations	**—**	**12**	**4,098**	**4,110**
Individual acquisitions	**10,124**	**27,669**	**3,712**	**41,505**
Disposals	**—**	**(1,504)**	**(1,157)**	**(2,661)**
Amortization expenses	**(13,260)**	**(20,321)**	**(14,332)**	**(47,913)**
Impairment losses recognized in profit or loss	**(6,382)**	**(208)**	**(23,464)**	**(30,054)**
Effect of foreign currency exchange differences, and others	**5,973**	**(460)**	**(700)**	**4,813**
Balance as of March 31, 2021	**¥464,078**	**¥ 67,760**	**¥197,129**	**¥728,967**

	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 U.S. Dollars			
	Trademarks	Software	Others	Total
Balance as of April 1, 2020	$4,224	$ 565	$2,068	$6,857
Acquisitions through business combinations	**—**	**0**	**37**	**37**
Individual acquisitions	**91**	**251**	**33**	**375**
Disposals	**—**	**(14)**	**(10)**	**(24)**
Amortization expenses	**(120)**	**(184)**	**(129)**	**(433)**
Impairment losses recognized in profit or loss	**(57)**	**(2)**	**(212)**	**(271)**
Effect of foreign currency exchange differences, and others	**54**	**(4)**	**(7)**	**43**
Balance as of March 31, 2021	**$4,192**	**$ 612**	**$1,780**	**$6,584**

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 for the fiscal year ended March 31, 2021 was ¥30,054 million (US$271 million). In Machinery segment, in the overseas automobile business, and in response to sluggish demand in the automobile market due to the impact of COVID-19, the Company reviewed such factors in determining the recoverable amount considering the mid-term demand outlook, and as a result, recognized an impairment loss of ¥20,844 million on intangible assets related to this business.

The amount of impairment losses for the fiscal year ended March 31, 2020 was ¥2,783 million.

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

The carrying amount of “Trademarks” as of March 31, 2021 included ¥309,188 million (US$2,793 million) of trademarks in FamilyMart Co., Ltd. The carrying amount of “Others” included ¥128,492 million (US$1,161 million) of customer relationships in FamilyMart Co., Ltd., ¥9,949 million (US$90 million) of customer relationships in TMI Forest Products Inc., and ¥8,719 million (US$79 million) of customer relationships in HOKEN NO MADOGUCHI GROUP INC.

The carrying amount of “Trademarks” as of March 31, 2020 included ¥319,325 million of trademarks in FamilyMart Co., Ltd. The carrying amount of “Others” included ¥136,381 million of customer relationships in FamilyMart Co., Ltd., ¥22,533 million of contract-based intangible assets in RICARDO PÉREZ, S.A., ¥10,357 million of customer relationships in TMI Forest Products Inc., and ¥9,817 million of customer relationships in HOKEN NO MADOGUCHI GROUP INC.

The carrying amounts of intangible assets with indefinite useful lives as of March 31, 2021 and 2020 were ¥96,849 million (US$875 million) and ¥97,246 million, respectively. The balance of intangible assets with indefinite useful lives as of March 31, 2021 included ¥51,211 million (US$463 million) of trademarks of Dole International Holdings, Inc. and ¥42,113 million (US$380 million) of trademarks of European Tyre Enterprise Limited. The balance of intangible assets with indefinite useful lives as of March 31, 2020 included ¥56,617 million of trademarks of Dole International Holdings, Inc. and ¥37,113 million of trademarks of European Tyre Enterprise Limited. The fluctuation in the balance of trademarks of Dole International Holdings, Inc. is mainly due to a recognition of impairment loss. The fluctuation in the balance of European Tyre Enterprise Limited is mainly due to foreign currency exchange differences. These trademarks were mainly acquired through business combinations and will 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 the value in use calculated with the support of independent appraisers. The 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 (pre-tax, approximately 5–9%).

13. 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
	2021	2020	2021
Securities:			
FVTPL financial assets	¥ 1,610	¥ 66	$ 14
FVTOCI financial assets	—	—	—
Amortized cost (Note)	1,413	7	13
Total	¥ 3,023	¥ 73	$ 27
Other Investments:			
FVTPL financial assets	79,335	68,425	717
FVTOCI financial assets	872,427	744,112	7,880
Amortized cost (Note)	612	3,981	5
Total	¥952,374	¥816,518	$8,602

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
	2021	2020	2021
Marketable equity securities	¥592,879	¥330,109	$5,355
Non-marketable equity securities	279,548	414,003	2,525
Total	¥872,427	¥744,112	$7,880

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, 2021 and 2020 were ¥176,770 million (US$1,597 million) and ¥304,453 million, respectively. These investments included BHP Iron Ore (Jimblebar) Pty Ltd, Sakhalin Oil and Gas Development Co., Ltd., and RAS LAFFAN LIQUEFIED NATURAL GAS COMPANY LIMITED.

The main marketable equity securities that the Company and its subsidiaries owned as FVTOCI financial assets as of March 31, 2021 and 2020 were as follows:

March 31, 2021

Stock	Millions of Yen	Millions of U.S. Dollars
Pan Pacific International Holdings Corporation	¥173,249	$1,565
CSN Mineração S.A.	89,454	808
ISUZU MOTORS LIMITED	62,943	569
NISSIN FOODS HOLDINGS CO., LTD.	44,721	404
Seven & i Holdings Co., Ltd.	14,797	134
eGuarantee, Inc.	13,225	119
Shandong Longda Meat Foodstuff Co., Ltd.	12,276	111
Advance Residence Investment Corporation	12,215	110
Internet Initiative Japan Inc.	10,143	92
Showa Sangyo Co., Ltd.	7,887	71
VIETNAM NATIONAL TEXTILE AND GARMENT GROUP	5,522	50
Kanemi Co., Ltd.	5,502	50
Mazda Motor Corporation	5,458	49
momo.com Inc.	4,912	44
ITOCHU Advance Logistics Investment Corporation	4,669	42

March 31, 2020

Stock	Millions of Yen
Pan Pacific International Holdings Corporation	¥92,732
NISSIN FOODS HOLDINGS CO., LTD.	49,024
ISUZU MOTORS LIMITED	37,867
Seven & i Holdings Co., Ltd.	11,824
Advance Residence Investment Corporation	11,035
Shandong Longda Meat Foodstuff Co., Ltd.	10,633
Showa Sangyo Co., Ltd.	8,153
Internet Initiative Japan Inc.	6,920
NIPPN CORPORATION	3,862
Mazda Motor Corporation	3,461
ITOCHU Advance Logistics Investment Corporation	3,374
CHUBUSHIRYO CO., LTD.	3,051
Aeon Co., Ltd.	2,987
Seibu Holdings Inc.	2,769
Solasia Pharma K.K.	2,491

FVTOCI financial assets which the Company derecognized in the fiscal years ended March 31, 2021 and 2020 were as follows:

Millions of Yen						Millions of U.S. Dollars		
2021			2020			2021		
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
¥30,139	**¥3,917**	**¥234**	¥28,313	¥2,497	¥426	**$272**	**$35**	**$2**

Cumulative gains (losses) (net of tax) reclassified from other comprehensive income (loss) (FVTOCI financial assets) to retained earnings for the fiscal years ended March 31, 2021 and 2020 due to derecognition of FVTOCI financial assets were ¥2,672 million (US$24 million) (gain) and ¥1,951 million (gain), 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.

14. 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, 2021 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Investment			
Associates	**¥1,201,985**	¥1,137,732	**$10,857**
Joint ventures	**665,792**	502,554	**6,014**
Total	**¥1,867,777**	¥1,640,286	**$16,871**

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 ¥253,591 million (US$2,291 million) and ¥292,994 million as of March 31, 2021 and 2020, 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 fiscal years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Associates			
Share of profit or loss	**¥131,960**	¥103,471	**$1,192**
Share of other comprehensive income	**7,343**	(16,620)	**66**
Subtotal	**139,303**	86,851	**1,258**
Joint ventures			
Share of profit or loss	**96,676**	102,389	**874**
Share of other comprehensive income	**69,791**	(34,448)	**630**
Subtotal	**166,467**	67,941	**1,504**
Share of comprehensive income			
Total share of profit or loss of associates and joint ventures	**228,636**	205,860	**2,065**
Total share of other comprehensive income of associates and joint ventures	**77,134**	(51,068)	**697**
Total	**¥305,770**	¥154,792	**$2,762**

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 ¥31,945 million (US$289 million) and ¥9,402 million for the fiscal years ended March 31, 2021 and 2020, respectively. In the fiscal year ended March 31, 2021, the Company calculated the recoverable amount of its investments accounted for by the equity method in the overseas business of the Food operating segment taking into account third-party valuations, due to the decline in profitability as an impact of COVID-19, and recorded an impairment loss of ¥14,709 million on its investments accounted for by the equity method in this business. The Company calculated the recoverable amount of its investments accounted for by the equity method in Orient Corporation by comprehensively taking into account third-party valuations and stock prices, etc., due to the long-term decline in stock prices, and recorded an impairment loss of ¥12,081 million on its investments accounted for by the equity method in the company.

The recoverable amounts used in impairment tests for investments in associates and joint ventures are calculated as the higher of the fair value less costs to sell or the value in use by comprehensive consideration, considering the value in use calculated with the support of independent appraisers or stock prices. The 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 results and are consistent with external information. The growth rate is determined by consideration of the long-term average growth rate of the markets or countries to which the cash-generating unit belongs. The discount rate is determined considering such factors as the weighted average cost of capital for each cash-generating unit (approximately 5–11%).

(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 as of March 31, 2021 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Balance of receivables			
Associates	¥ 71,503	¥ 67,615	$ 646
Joint ventures	544,863	534,375	4,921
Total	¥616,366	¥601,990	$5,567
Balance of payables			
Associates	78,230	88,307	707
Joint ventures	3,375	3,580	30
Total	¥ 81,605	¥ 91,887	$ 737

(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 fiscal years ended March 31, 2021 and 2020 as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Revenues			
Associates	¥ 66,989	¥139,936	$ 605
Joint ventures	32,508	36,642	294
Total	¥ 99,497	¥176,578	$ 899
Purchases			
Associates	268,401	291,988	2,424
Joint ventures	21,776	19,588	197
Total	¥290,177	¥311,576	$2,621

(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 Company conducts the assessments of equity method investments in order to determine whether an impairment indicator exists and various factors such as expected future profitability, stock price, economic environment, and industry trends are considered in the assessment. In the fiscal year ended March 31, 2021, the Company determined that there was an indication of impairment due to the decline in the stock price and measured the recoverable amount based on future cash flows with the assistance of an independent appraiser, taking into account future profitability and regulations, etc. As a result, the recoverable amount exceeds the carrying amount of the investments accounted for by the equity method, and therefore no impairment loss was recognized.

The difference between the consideration paid for CITIC Limited shares acquired by CTB and CTB's share of the carrying amounts 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$9,107 million (credit balance) as of March 31, 2021. In addition, CTB recognized an impairment loss of HK$20,886 million in the fiscal year ended March 31, 2019. The amounts above are not included in the summarized financial information below.

The summarized financial information of CITIC Limited based on the disclosed financial statements as of December 31, 2020 and 2019 were as follows:

	Millions of HK Dollars	
	2020	2019
Total assets	$9,740,828	$8,289,924
Total liabilities	$8,732,186	$7,395,433
Total equity	$1,008,642	$ 894,491
Non-Controlling interests	$ 334,366	$ 302,965
Total equity after netting Non-Controlling interests	$ 674,276	$ 591,526

	Millions of HK Dollars	
	2020	2019
Total revenues	$552,949	$566,497
Net profit	$ 80,928	$ 78,188
Total other comprehensive income for the year, net of tax	$ 54,685	$ (16,121)
Total comprehensive income for the year	$135,613	$ 62,067

(Judgement 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.

15. Trade and Other Payables

The breakdown of trade payables as of March 31, 2021 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Notes payable	¥ 162,819	¥ 190,029	$ 1,471
Trade accounts payable	1,306,637	1,345,230	11,802
Other accounts payable	159,310	172,213	1,439
Total	¥1,628,766	¥1,707,472	$14,712

The breakdown of other current payables as of March 31, 2021 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Other accounts payable	¥ 19,367	¥ 26,184	$ 175
Deposits received	180,390	188,991	1,629
Total	¥199,757	¥215,175	$1,804

16. Debentures and Borrowings

The breakdown of Short-term debentures and borrowings as of March 31, 2021 and 2020 were as follows:

	Millions of Yen	Interest rate (%)	Millions of Yen	Interest rate (%)	Millions of U.S. Dollars
	2021		2020		2021
Current loans from financial institutions	¥282,830	0.2%	¥286,411	0.6%	$2,555
Commercial paper	15,000	0.0%	32,000	0.1%	135
Subtotal	297,830	—	318,411	—	2,690
Current portion of long-term debentures and borrowings	412,383	—	365,995	—	3,725
Total	¥710,213	—	¥684,406	—	$6,415

Note: Interest rates represent the weighted average interest rates based on balances as of March 31, 2021 and 2020. 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, 2021 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Borrowings			
Secured			
Due 2021–2033, interest rate mainly 0.0%–3.3%	¥ 6,914	¥ 11,054	$ 62
Unsecured			
Due 2020–2033, interest rate mainly 0.0%–9.1%	2,541,894	2,222,446	22,960
Debentures			
Unsecured bonds and notes			
Year of issuance, Coupon, Type of bond, Maturity			
Issued in 2010–2015, 0.5%–1.5% Yen Bonds due 2020–2027	140,000	200,000	1,265
Issued in 2012, floating rate Yen Bonds due 2022	10,000	10,000	90
Issued in 2021, 1.6% U.S. Dollar Bonds due 2026	55,355	—	500
Issued in and after 2012, debentures and others issued by subsidiaries, maturing through 2025	95,191	103,352	860
Subtotal	2,849,354	2,546,852	25,737
Fair value hedge and discontinuation of hedge adjustment	8,128	11,700	73
Total	2,857,482	2,558,552	25,811
Less: Current portion of long-term debentures and borrowings	(412,383)	(365,995)	(3,725)
Long-term debentures and borrowings	¥2,445,099	¥2,192,557	$22,086

17. Leases

(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, 2021 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Less than 1 year	¥ 6,623	¥ 6,934	$ 60
1–5 years	10,437	10,806	94
More than 5 years	7,232	6,970	65
Total	¥24,292	¥24,710	$219

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, 2021 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Less than 1 year	¥27,089	¥ 31,091	$245
1–5 years	48,415	59,294	437
More than 5 years	20,116	24,176	182
Total	95,620	114,561	864
Present value of unguaranteed residual value	—	216	—
Less: Unearned finance income	(6,043)	(9,747)	(55)
Net investment in the lease	¥89,577	¥105,030	$809

For the fiscal years ended March 31, 2021 and 2020, the finance income on the net investment in the lease were ¥3,103 million (US$28 million) and ¥3,459 million, respectively.

(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 fiscal years ended March 31, 2021 and 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, 2020	¥173,874	¥ 833,228	¥ 45,781	¥ 66,380	¥1,119,263
Individual acquisitions	5,525	117,408	7,621	9,274	139,828
Depreciation	(32,619)	(182,171)	(13,304)	(20,861)	(248,955)
Impairment losses recognized in profit or loss	(5,258)	(53,450)	(9,971)	(4,320)	(72,999)
Reclassification to Assets held for sale	(1,435)	(95,456)	(133)	—	(97,024)
Others (Note)	16,312	86,894	5,804	(504)	108,506
Balance as of March 31, 2021	¥156,399	¥ 706,453	¥ 35,798	¥ 49,969	¥ 948,619

	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)
Impairment losses recognized in profit or loss	(31)	(975)	(119)	(2,467)	(3,592)
Others (Note)	15,490	31,215	(3,057)	(6,275)	37,373
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, 2020	$1,571	$ 7,526	$ 414	$ 600	$10,111
Individual acquisitions	50	1,060	69	84	1,263
Depreciation	(295)	(1,645)	(120)	(189)	(2,249)
Impairment losses recognized in profit or loss	(47)	(483)	(90)	(39)	(659)
Reclassification to Assets held for sale	(13)	(862)	(1)	0	(876)
Others (Note)	147	786	51	(5)	979
Balance as of March 31, 2021	$1,413	$ 6,382	$ 323	$ 451	$ 8,569

Note: Amounts are mainly the increase due to lease contract modifications in FamilyMart Co., Ltd.
In addition, lease contract modifications in other companies, mid-term terminations, business combinations and other factors are included.

The schedule of future lease payments under leases in the Company and its subsidiaries as of March 31, 2021 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Less than 1 year	¥ 245,154	¥ 248,854	$ 2,214
1–5 years	576,352	662,410	5,206
More than 5 years	306,929	353,722	2,773
Total	¥1,128,435	¥1,264,986	$10,193

For the fiscal years ended March 31, 2021 and 2020, the interest expense on lease liabilities were ¥14,497 million (US$131 million) and ¥16,311 million, respectively. In addition, for the fiscal years ended March 31, 2021 and 2020, the total cash outflow for leases were ¥294,819 million (US$ 2,663 million) and ¥291,702 million, respectively.

As of March 31, 2021, 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 ¥11,465 million (US$103 million).

18. 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, 2020, the ITOCHU United Pension Fund was underfunded by ¥6,428 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 ¥2,222 million (US$20 million) and ¥2,172 million for the fiscal years ended March 31, 2021 and 2020, respectively. The planned amount of contributions in the fiscal year ending March 31, 2022 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 fiscal year ended March 31, 2021.

Changes in the defined benefit obligations were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Projected benefit obligations at the beginning of the year	¥442,599	¥443,046	$3,998
Service cost	16,025	16,095	145
Current service cost	15,898	15,924	144
Prior service cost	127	171	1
Interest cost	2,866	2,846	26
Plan participants' contributions	611	625	5
Remeasurements	3,581	653	32
Benefits paid from plan assets	(25,273)	(19,467)	(228)
Benefits paid by employer	(5,887)	(6,129)	(53)
Foreign currency translation adjustments	(672)	(2,692)	(6)
Acquisitions and divestitures	(3,566)	8,305	(32)
Settlements	317	(683)	3
Projected benefit obligations at the end of the year	¥430,601	¥442,599	$3,890

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

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Fair value of plan assets at the beginning of the year	¥332,472	¥331,772	$3,003
Interest income	2,202	1,961	20
Remeasurements	22,241	(4,863)	201
Employer contributions	11,508	11,419	104
Plan participants' contributions	611	625	5
Benefits paid from plan assets	(25,273)	(19,467)	(228)
Foreign currency translation adjustments	1,674	(1,162)	15
Acquisitions and divestitures	(3,182)	12,187	(29)
Fair value of plan assets at the end of the year	¥342,253	¥332,472	$3,091

As of March 31, 2021 and 2020, 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 27 Financial Instruments Measured at Fair Value.

	Millions of Yen		
	2021		
	Level 1	Level 2	Total
Equity instruments:			
Domestic	¥27,301	¥39,914	¥67,215
Overseas	1,359	22,915	24,274
Debt instruments:			
Domestic	31,916	60,371	92,287
Overseas	7,008	38,371	45,379
Other assets:			
Cash and cash equivalents	39,596	—	39,596
Life insurance company general accounts	—	34,072	34,072
Others	—	39,430	39,430
Total	¥107,180	¥235,073	¥342,253

	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 U.S. Dollars		
	2021		
	Level 1	Level 2	Total
Equity instruments:			
Domestic	**$246**	**$ 361**	**$ 607**
Overseas	**12**	**207**	**219**
Debt instruments:			
Domestic	**288**	**545**	**833**
Overseas	**64**	**346**	**410**
Other assets:			
Cash and cash equivalents	**358**	**—**	**358**
Life insurance company general accounts	**—**	**308**	**308**
Others	**—**	**356**	**356**
Total	**$968**	**$2,123**	**$3,091**

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 fiscal year ending March 31, 2022 is approximately ¥15,600 million.

The assumptions regarding the defined benefit obligation were as follows:

	2021	2020
Discount rate	**0.6%**	0.6%
Rate of compensation increase	**3.7%**	3.7%
Mortality rate	**0.02–0.64%**	0.02–0.73%
Retirement rate	**0.4–15.4%**	0.4–15.4%
Lump sum election rate	**32.3%**	31.4%

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, 2021, a movement of 1% in the discount rate would have an effect of ¥20,652 million (US$187 million) on the defined benefit obligation and an effect of ¥608 million (US$5 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 fiscal years ended March 31, 2021 and 2020 were ¥8,423 million (US$76 million) and ¥7,852 million, respectively.

Details of Compensation

Details of compensation and bonuses for the Company's directors in the fiscal year ended March 31, 2021 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)	¥2,350 ¥ (76)	21 (1)	(1) Monthly remuneration: ¥651 million (2) Performance-linked bonuses: ¥1,009 million (3) Share price-linked bonuses: ¥268 million (4) Special benefits:¥355 million (5) Stock remuneration: ¥67 million

Notes: 1. FY2021 Director remuneration is composed of monthly remuneration, performance-linked bonuses as performance-linked remuneration, share price-linked bonuses, special benefits, and stock remuneration (non-monetary remuneration). These remunerations and bonuses were approved unanimously by the Board of Directors following deliberation by the Governance and Remuneration Committee.

2. Monthly remuneration is decided based on the standard amount by position and the level of contribution to ITOCHU Corporation, including its response to climate change, ESG, and the SDG's.

3. Following deliberation by the Governance and Remuneration Committee, at a meeting of the Board of Directors held on April 14, 2021 ITOCHU Corporation resolved to pay special benefits. These special benefits for FY2021 were paid within the limit of Director bonuses based on the minimization of earnings reductions caused by the COVID-19 pandemic, the achievement of the income goals in the Medium-Term Management plan "Brand-new Deal 2020" and significant improvement of corporate value, and the Company claiming the top position in the general trading company industry for this first time for annual average stock price and average market capitalization.

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.

19. Provisions

The changes in provisions in Other current liabilities and Other non-current liabilities for the fiscal year ended March 31, 2021 were as follows:

	Millions of Yen		
	Provisions for asset retirement obligations	Other provisions	Total
Balance as of April 1, 2020	¥101,932	¥22,961	¥124,893
Provisions increased for the year	10,091	34,017	44,108
Provisions charged-off	(1,568)	(6,513)	(8,081)
Provisions reversed	(1,554)	(2,514)	(4,068)
Accretion expense	1,077	2	1,079
The effect of changing in the discount rate	(2,799)	—	(2,799)
Others	4,170	17	4,187
Balance as of March 31, 2021	¥111,349	¥47,970	¥159,319

	Millions of U.S. Dollars		
	Provisions for asset retirement obligations	Other provisions	Total
Balance as of April 1, 2020	$ 921	$207	$1,128
Provisions increased for the year	90	308	398
Provisions charged-off	(14)	(59)	(73)
Provisions reversed	(14)	(23)	(37)
Accretion expense	10	0	10
The effect of changing in the discount rate	(25)	—	(25)
Others	38	0	38
Balance as of March 31, 2021	$1,006	$433	$1,439

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 Energy & Chemicals segment, it is probable that the costs of the long-term purchase contract exceed the economic benefits expected to be received due to LNG market downturn, and as a result, the Company recognized ¥22,946 million as Other provisions, included in Provisions increased for the year. Expenditures related to the provision are expected to occur for up to five years and the loss result will fluctuate depending on future market conditions and selling prices. The loss provision was recognized in "Other-net" in the Consolidated Statement of Comprehensive Income. In addition to the provision, an impairment loss on property, plant and equipment was also recognized.

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
	2021	2021
Other current liabilities	¥ 14,979	$ 135
Other non-current liabilities	144,340	1,304
Total	¥159,319	$1,439

20. Income Taxes

The Company and its domestic subsidiaries are subject to corporate, inhabitant, and enterprise taxes, which are based on income. The statutory effective tax rate for the fiscal years ended March 31, 2021 and 2020, 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 fiscal years ended March 31, 2021 and 2020 were allocated as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Income tax expense			
Current tax expense	¥(136,102)	¥(143,297)	$(1,230)
Deferred tax expense (Note)	64,510	1,076	583
Total	(71,592)	(142,221)	(647)
Income taxes recognized directly in equity	4,106	46	37
Total	4,106	46	37
Income tax related to each component of other comprehensive income			
Translation adjustments	(12,278)	1,937	(111)
Remeasurement of net defined pension liability	(6,211)	1,681	(56)
FVTOCI financial assets	21,595	31,055	195
Cash flow hedges	147	764	1
Other comprehensive income in associates and joint ventures	95	2,416	1
Total	¥ 3,348	¥ 37,853	$ 30

Notes: 1. Deferred tax expense relating to the origination and reversal of temporary differences recognized, tax loss carryforwards and tax credit carryforwards for the fiscal years ended March 31, 2021 and 2020 were ¥74,615 million (US$674 million) (income) and ¥16,169 million (expense), respectively.
2. Deferred tax expense relating to the reassessment of the realizability of deferred tax assets for the fiscal years ended March 31, 2021 and 2020 were ¥10,105 million (US$91 million) (expense) and ¥17,245 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 fiscal years ended March 31, 2021 and 2020 were as follows:

	2021	2020
Statutory effective tax rate	31.0%	31.0%
Items not deductible or not taxable for tax purposes	0.5	0.6
Difference of tax rates for foreign subsidiaries	0.9	(0.3)
Tax effect on dividends received	(1.2)	(0.7)
Change in temporary differences for which no deferred tax asset is recognized	2.0	(2.5)
Equity in earnings of associates and joint ventures	(13.8)	(9.1)
Tax effect on equity interests in subsidiaries, associates and joint ventures	(4.9)	1.2
Others	(0.5)	0.1
Effective tax rate in the Consolidated Statement of Comprehensive Income	14.0%	20.3%

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 fiscal years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Deductible temporary differences	¥265,200	¥396,897	$2,395
Tax loss carryforwards / tax credit carryforwards	112,668	112,766	1,018
Total	¥377,868	¥509,663	$3,413

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
	2021	2020	2021
Within 1 year	¥ 4,194	¥ 13,733	$ 38
Within 2 years	7,759	4,822	70
Within 3 years	10,832	6,048	98
Within 4 years	4,146	13,747	37
Within 5 years	7,322	4,308	66
After 5 to 10 years	62,665	52,226	566
After 10 years (or no expiration date)	15,750	17,882	143
Total	¥112,668	¥112,766	$1,018

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, 2021 and 2020, were immaterial.

Significant components of deferred tax assets and deferred tax liabilities for the fiscal years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Deferred tax assets:			
Inventories and Property, plant and equipment	¥ 107,860	¥ 79,426	$ 974
Allowance for doubtful accounts	9,742	9,380	88
Tax loss carryforwards	58,368	52,079	527
Non-current liabilities for employee benefits	65,976	71,090	596
Securities and investments	9	26	0
Others	90,999	79,227	822
Total deferred tax assets	332,954	291,228	3,007
Deferred tax liabilities:			
Non-current liabilities for employee benefits	(41,980)	(37,238)	(379)
Securities and investments	(107,084)	(55,778)	(967)
Equity interests in subsidiaries, associates, and joint ventures	(52,641)	(109,575)	(475)
Property, plant and equipment and Intangible assets	(215,116)	(224,985)	(1,943)
Others	(5,962)	(3,513)	(54)
Total deferred tax liabilities	(422,783)	(431,089)	(3,818)
Net deferred tax assets (liabilities)	¥ (89,829)	¥(139,861)	$ (811)

Among the above changes of deferred tax assets and deferred tax liabilities for the fiscal years ended March 31, 2021 and 2020, 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 fiscal years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Net deferred tax assets (liabilities)			
Balance at the beginning of the year	¥(139,861)	¥(185,880)	$(1,263)
Effects of the application of new accounting standards	—	10,770	—
Deferred tax expense for the current period	64,510	1,076	583
Deferred taxes recognized directly in equity			
Capital surplus	4,311	3	39
Deferred tax related to each component of other comprehensive income			
Translation adjustments	(10,754)	1,955	(97)
Remeasurement of net defined pension liability	(6,211)	1,681	(56)
FVTOCI financial assets	1,262	32,760	11
Cash flow hedges	147	764	1
Other comprehensive income in associates and joint ventures	95	2,416	1
Changes in deferred tax assets (liabilities) accompanying business combination	(3,328)	(5,406)	(30)
Balance at the end of the year	¥ (89,829)	¥(139,861)	$ (811)

21. Earnings per Share Attributable to ITOCHU

The basic and diluted earnings per share attributable to ITOCHU for the fiscal years ended March 31, 2021 and 2020 were as follows:

	Yen		U.S. Dollars
	2021	2020	2021
Earnings per share			
Basic earnings per share attributable to ITOCHU	¥269.83	¥335.58	$2.44
Diluted earnings per share attributable to ITOCHU	¥269.83	¥335.58	$2.44

The base data to calculate the basic and diluted earnings per share attributable to ITOCHU for March 31, 2021 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
(Numerator)	2021	2020	2021
Net profit attributable to ITOCHU	¥401,433	¥501,322	$3,626
Effect of dilutive securities	—	—	—
Diluted net profit attributable to ITOCHU	¥401,433	¥501,322	$3,626

	Number of Shares	
(Denominator)	2021	2020
Weighted-average number of common shares outstanding	1,487,730,085	1,493,881,221

22. Equity

(1) Common Stock

The number of shares authorized and issued were as follows:

	Number of Shares	
	2021	2020
Authorized		
Common stock	3,000,000,000	3,000,000,000
Issued		
Balance at the beginning of the year	1,584,889,504	1,584,889,504
Net changes in the year	—	—
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, 2021 and 2020 were 99,659,483 shares and 94,612,062 shares, respectively. The number of shares of treasury stock as of March 31, 2021 includes 735,780 shares of the Company held in the trust account for the benefit share ESOP and 760,006 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, 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.

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 ¥515,253 million (US$4,654 million) as of March 31, 2021. 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.

The amount of additional paid-in capital as of March 31, 2021 decreased by ¥205,887 million, compared with the previous fiscal year to 155,210 million (US$1,402 million /Debit balance). The main reason was the effect of additional investment in shares in FamilyMart Co., Ltd.

23. Dividends

(1) Dividends paid during the fiscal years ended March 31, 2021 and 2020 were as follows:

Resolution	Class of shares	Millions of Yen (Millions of U.S. Dollars) Amount of dividends	Source of dividends	Yen (U.S. Dollars) Dividends per share	Record date	Effective date
Ordinary general meeting of shareholders held on June 21, 2019	Ordinary shares	¥70,099	Retained earnings	¥46.00	March 31, 2019	June 24, 2019
Board of Directors' meeting held on November 1, 2019	Ordinary shares	¥63,438	Retained earnings	¥42.50	September 30, 2019	December 2, 2019
Ordinary general meeting of shareholders held on June 19, 2020	Ordinary shares	¥63,438 ($573)	Retained earnings	¥42.50 ($0.38)	March 31, 2020	June 22, 2020
Board of Directors' meeting held on November 4, 2020	Ordinary shares	¥65,571 ($592)	Retained earnings	¥44.00 ($0.40)	September 30, 2020	December 2, 2020

(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:

Resolution	Class of shares	Millions of Yen (Millions of U.S. Dollars) Amount of dividends	Source of dividends	Yen (U.S. Dollars) Dividends per share	Record date	Effective date
Ordinary general meeting of shareholders held on June 18, 2021	Ordinary shares	¥65,447 ($591)	Retained earnings	¥44.00 ($0.40)	March 31, 2021	June 21, 2021

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

(1) Other Components of Equity

Changes in other components of equity were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Translation adjustments			
Balance at the beginning of the year	¥ (37,836)	¥ 81,037	$ (342)
Adjustment for the year	169,448	(118,873)	1,531
Balance at the end of the year	131,612	(37,836)	1,189
FVTOCI financial assets			
Balance at the beginning of the year	(31,972)	49,764	(289)
Adjustment for the year	73,907	(77,941)	668
Transfer to retained earnings	(3,195)	(3,795)	(29)
Balance at the end of the year	38,740	(31,972)	350
Cash flow hedges			
Balance at the beginning of the year	(19,163)	433	(173)
Adjustment for the year	9,266	(19,596)	84
Balance at the end of the year	(9,897)	(19,163)	(89)
Remeasurement of net defined pension liability			
Balance at the beginning of the year	—	—	—
Adjustment for the year	15,193	(5,187)	137
Transfer to retained earnings	(15,193)	5,187	(137)
Balance at the end of the year	—	—	—
Total other components of equity			
Balance at the beginning of the year	(88,971)	131,234	(804)
Adjustment for the year	267,814	(221,597)	2,420
Transfer to retained earnings	(18,388)	1,392	(166)
Balance at the end of the year	¥160,455	¥ (88,971)	$1,450

(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					
	2021			2020		
	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	**¥ 59,169**	**¥ 21,595**	**¥ 80,764**	¥ (98,698)	¥31,055	¥ (67,643)
Adjustment for the year	**59,169**	**21,595**	**80,764**	(98,698)	31,055	(67,643)
Remeasurement of net defined pension liability						
Amount arising during the year on net defined pension liability	**18,660**	**(6,211)**	**12,449**	(5,516)	1,681	(3,835)
Adjustment for the year	**18,660**	**(6,211)**	**12,449**	(5,516)	1,681	(3,835)
Other comprehensive income in associates and joint ventures						
Amount arising during the year	**14,529**	**(1,055)**	**13,474**	(8,637)	876	(7,761)
Adjustment for the year	**14,529**	**(1,055)**	**13,474**	(8,637)	876	(7,761)
Items that will be reclassified to profit or loss						
Translation adjustments						
Amount arising during the year on translation adjustment	**126,780**	**(12,318)**	**114,462**	(93,145)	1,901	(91,244)
Reclassification to profit or loss for the year	**377**	**40**	**417**	(1,437)	36	(1,401)
Adjustment for the year	**127,157**	**(12,278)**	**114,879**	(94,582)	1,937	(92,645)
Cash flow hedges						
Amount arising during the year on derivative instruments for cash flow hedges	**(15,686)**	**5,704**	**(9,982)**	(13,199)	2,637	(10,562)
Reclassification to profit or loss for the year	**19,009**	**(5,557)**	**13,452**	6,361	(1,873)	4,488
Adjustment for the year	**3,323**	**147**	**3,470**	(6,838)	764	(6,074)
Other comprehensive income in associates and joint ventures						
Amount arising during the year	**61,715**	**1,154**	**62,869**	(45,055)	1,529	(43,526)
Reclassification to profit or loss for the year	**795**	**(4)**	**791**	208	11	219
Adjustment for the year	**62,510**	**1,150**	**63,660**	(44,847)	1,540	(43,307)
Total other comprehensive income for the year, net of tax	**¥285,348**	**¥ 3,348**	**¥288,696**	¥(259,118)	¥37,853	¥(221,265)

	Millions of U.S. Dollars		
	2021		
	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	$ 534	$ 195	$ 729
Adjustment for the year	534	195	729
Remeasurement of net defined pension liability			
Amount arising during the year on net defined pension liability	169	(56)	113
Adjustment for the year	169	(56)	113
Other comprehensive income in associates and joint ventures			
Amount arising during the year	131	(10)	121
Adjustment for the year	131	(10)	121
Items that will be reclassified to profit or loss			
Translation adjustments			
Amount arising during the year on translation adjustment	1,145	(111)	1,034
Reclassification to profit or loss for the year	4	0	4
Adjustment for the year	1,149	(111)	1,038
Cash flow hedges			
Amount arising during the year on derivative instruments for cash flow hedges	(142)	52	(90)
Reclassification to profit or loss for the year	172	(51)	121
Adjustment for the year	30	1	31
Other comprehensive income in associates and joint ventures			
Amount arising during the year	558	10	568
Reclassification to profit or loss for the year	7	1	8
Adjustment for the year	565	11	576
Total other comprehensive income for the year, net of tax	$2,578	$ 30	$2,608

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 fiscal years ended March 31, 2021 and 2020 were ¥1,988 million (US$18 million) (income) and ¥1,931 million (income) (before tax effect), respectively (¥1,372 million (US$12 million) (income) and ¥1,332 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.

25. Financial Instruments

(1) Capital Management

The Company and its subsidiaries have chosen NET DER*1 as an important indicator for financial soundness, and the Company and its subsidiaries work to maintain financial soundness by controlling interest-bearing debt and by increasing consolidated shareholders' equity through the accumulation of profits. In addition, the Company and its subsidiaries have introduced and are implementing Risk Capital Management, under which the basic principle is to control risk assets*2 within the limit of the risk buffer (consolidated shareholders' equity + non-controlling interests), and the Company and its subsidiaries also strictly maintain financial discipline. In doing so, 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, 2021 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Interest-bearing debt	¥3,155,312	¥2,876,963	$28,501
Cash and cash equivalents	544,009	611,223	4,914
Time deposit	9,945	8,858	90
Net Interest-bearing debt	2,601,358	2,256,882	23,497
Shareholders' equity	¥3,316,281	¥2,995,951	$29,954
NET DER (times)	0.78	0.75	—

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, 2021 and 2020 were as follows:

	Millions of Yen 2021							
	U.S. dollar	Euro	Pound	Yuan	Australian dollar	Brazilian real	Other	Total
Short-term balance	¥10,571	¥174	¥10,710	¥3,803	¥(1,280)	¥545	¥(7,129)	¥17,394
Long-term balance	6,601	183	(9,988)	26	675	—	4,559	2,056
Total	¥17,172	¥357	¥ 722	¥3,829	¥ (605)	¥545	¥(2,570)	¥19,450

	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

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, 2021, the effect (loss) from a 1% increase in the Japanese yen would be ¥195 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, 2021, the interest rate mismatch amount was ¥1,312,088 million (US$11,852 million), and the effect on interest expense from a 0.1% increase in interest rate would be ¥1,312 million (US$12 million) (profit before tax). This amount was calculated by multiplying the interest mismatch balance of the Company and its subsidiaries as of March 31, 2021, by 0.1%. 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 monitor the amount of influence on interest payments due to interest rate changes, using the Earnings at Risk (EaR).

The Company and its subsidiaries may be impacted by the interest rate benchmark reform associated with the permanent discontinuation of Libor, holding financial instruments in reference to Libor. Towards a smooth transition to an alternate interest rate benchmark, the Company and its subsidiaries carefully monitor regulatory developments and market trends.

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, 2021 and 2020 were as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2021		2020		2021	
	Long	Short	Long	Short	Long	Short
Commodity	**¥18,437**	**¥850**	¥9,408	¥81	**$167**	**$8**

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, 2021 and 2020. (Method: variance-covariance method / confidence interval 99% / holding period: 5 days / measurement frequency: weekly)

	Millions of Yen				Millions of U.S. Dollars	
	2021		2020		2021	
	March 31	Average	March 31	Average	March 31	Average
Commodity	**¥2,424**	**¥926**	¥169	¥242	**$22**	**$8**

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, 2021 and 2020 were ¥592,879 million (US$5,355 million) and ¥330,175 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, 2021 and 2020.

(Method: variance-covariance method / confidence interval 99% / holding period: 10 days / measurement frequency: monthly)

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Marketable equity securities	**¥35,300**	¥22,901	**$319**

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, 2021 and 2020 were as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2021		2020		2021	
	Stage 1 and 2	Stage 3	Stage 1 and 2	Stage 3	Stage 1 and 2	Stage 3
Operating receivables and contract assets	¥2,120,871	¥52,564	¥2,113,039	¥51,596	$19,157	$475
lease receivables	89,470	107	104,828	202	808	1

The credit risk exposures related to loans, financial guarantee contracts, and other financial instruments as of March 31, 2021 and 2020 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2021			2020			2021		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Loan	¥633,140	¥1,154	¥10,333	¥627,457	¥1,499	¥9,734	$5,719	$10	$93
Financial guarantee contract (substantial risk)	129,491	—	6,630	128,642	—	9,154	1,170	—	60
Other	313,047	645	7,213	322,478	584	6,232	2,828	6	65

The credit risk exposures for each operating segment as of March 31, 2021 and 2020 were as follows:

	Millions of Yen						
	2021						
	Trade receivables and contract assets	Lease receivables	Loans	Financial guarantee contracts (substantial risk)	Other	Allowance for doubtful accounts	Total
Textile	¥ 105,417	¥ 537	¥ 1,480	¥ 111	¥ 12,997	¥ (9,086)	¥ 111,456
Machinery	166,936	29,098	44,140	85,066	18,562	(9,405)	334,397
Metals & Minerals	108,501	—	3,142	111	20,760	(2,846)	129,668
Energy & Chemicals	464,488	4,065	5,300	6,169	43,086	(3,275)	519,833
Food	648,745	—	4,040	19,441	47,223	(7,306)	712,143
General Products & Realty	182,981	13,944	21,423	15,024	19,568	(1,651)	251,289
ICT & Financial Business	446,316	19,978	57,606	2,500	25,117	(17,628)	533,889
The 8th	106,892	26,878	706	—	135,194	(2,010)	267,660
Other	(56,841)	(4,923)	506,790	7,699	(1,602)	(416)	450,707
Total	¥2,173,435	¥89,577	¥644,627	¥136,121	¥320,905	¥(53,623)	¥3,311,042

	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 U.S. Dollars						
	2021						
	Trade receivables and contract assets	Lease receivables	Loans	Financial guarantee contracts (substantial risk)	Other	Allowance for doubtful accounts	Total
Textile	$ 952	$ 5	$ 13	$ 1	$ 118	$ (82)	$ 1,007
Machinery	1,508	263	399	768	167	(85)	3,020
Metals & Minerals	980	—	28	1	188	(26)	1,171
Energy & Chemicals	4,195	37	48	56	389	(30)	4,695
Food	5,860	—	37	176	426	(66)	6,433
General Products & Realty	1,653	126	193	136	177	(15)	2,270
ICT & Financial Business	4,031	180	520	23	227	(159)	4,822
The 8th	966	243	6	—	1,221	(18)	2,418
Other	(513)	(45)	4,578	69	(14)	(4)	4,071
Total	$19,632	$809	$5,822	$1,230	$2,899	$(485)	$29,907

The Company and its subsidiaries hold collateral of ¥1,110 million (US$10 million) and ¥1,342 million as security for the loans included above as of March 31, 2021 and 2020. Properties and other credit enhancements held by the Company and its subsidiaries as collateral are measured at fair value.

As of March 31, 2021 and 2020, 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, 2021 and 2020, a finance-related subsidiary of the Company holds ¥2,780,932 million (US$25,119 million) and ¥2,732,232 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 fiscal years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2021		2020		2021	
	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	¥(9,225)	¥(26,710)	¥(10,329)	¥(19,567)	$(83)	$(241)
Provision	(2,704)	(5,826)	(1,637)	(11,871)	(25)	(53)
Reversal	1,106	2,389	535	845	10	22
Charge-offs	1,536	2,714	1,321	4,725	14	25
Reclassification of credit risk stage	285	(285)	653	(653)	3	(3)
Increase, decrease due to foreign currency translation and others	(338)	894	232	(189)	(3)	8
Balance at the end of the year	¥(9,340)	¥(26,824)	¥(9,225)	¥(26,710)	$(84)	$(242)

The changes in allowance for doubtful accounts related to loans and other financial instruments for the fiscal years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2021			2020			2021		
	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	¥(3,200)	¥(1,059)	¥(11,731)	¥(2,591)	¥ (776)	¥ (9,614)	$(29)	$(10)	$(106)
Provision	(1,296)	(379)	(2,099)	(30)	(544)	(4,097)	(12)	(3)	(19)
Reversal	347	55	576	945	65	384	3	0	5
Charge-offs	73	223	1,482	300	244	1,501	1	2	13
Reclassification of credit risk stage	1,786	(969)	(817)	153	100	(253)	16	(9)	(7)
Increase, decrease due to foreign currency translation and others	(872)	1,407	(986)	(1,977)	(148)	348	(8)	13	(9)
Balance at the end of the year	¥(3,162)	¥ (722)	¥(13,575)	¥(3,200)	¥(1,059)	¥(11,731)	$(29)	$ (7)	$(123)

The contractual amount outstanding on financial assets that have been written off but still subject to enforcement activities was immaterial for the fiscal years ended March 31, 2021 and 2020.

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 ¥553,954 million (US$5,004 million) as of March 31, 2021, the Company and its subsidiaries have the unutilized commitment line (Yen: ¥200,000 million; multiple currency: US$1,700 million).

As of March 31, 2021 and 2020, 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			
	2021			
	Less than 1 year	1–5 years	More than 5 years	Total
Debentures and borrowings (Short-term and Long-term)	**¥ 710,213**	**¥1,318,882**	**¥1,126,217**	**¥3,155,312**
Trade payables, other current payables, and other financial liabilities (Short-term and Long-term)	**1,893,007**	**18,781**	**10,390**	**1,922,178**
Contingent liabilities	**49,807**	**37,875**	**26,818**	**114,500**

	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 U.S. Dollars			
	2021			
	Less than 1 year	1–5 years	More than 5 years	Total
Debentures and borrowings (Short-term and Long-term)	**$ 6,415**	**$11,913**	**$10,173**	**$28,501**
Trade payables, other current payables, and other financial liabilities (Short-term and Long-term)	**17,099**	**169**	**94**	**17,362**
Contingent liabilities	**450**	**342**	**242**	**1,034**

The remaining contractual maturities of derivatives for the Company and its subsidiaries as of March 31, 2021 and 2020 were as follows: The amounts for derivatives that will be net settled with other contracts are also presented in gross amounts.

		Millions of Yen			
		2021			
		Less than 1 year	1–5 years	More than 5 years	Total
Currency derivatives	Income	**¥ 17,384**	**¥1,715**	**¥ 39**	**¥ 19,138**
	Expenditures	**(10,830)**	**(173)**	**(46)**	**(11,049)**
Interest rate derivatives	Income	**211**	**904**	**2,573**	**3,688**
	Expenditures	**(2,656)**	**(356)**	**(640)**	**(3,652)**
Commodity derivatives	Income	**10,579**	**72**	**13**	**10,664**
	Expenditures	**(11,135)**	**(149)**	**159**	**(11,125)**

		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 U.S. Dollars			
		2021			
		Less than 1 year	1–5 years	More than 5 years	Total
Currency derivatives	Income	$ 158	$15	$ 0	$ 173
	Expenditures	(98)	(2)	(0)	(100)
Interest rate derivatives	Income	2	8	23	33
	Expenditures	(24)	(3)	(6)	(33)
Commodity derivatives	Income	96	1	0	97
	Expenditures	(100)	(1)	1	(100)

(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, 2021 and 2020 were as follows (For fair value and valuation techniques of Short-term investments and Other investments, refer to Note 13 Securities and Other Investments and Note 27 Financial Instruments Measured at Fair Value, respectively. For fair value and valuation techniques of derivative asset / liability, refer to Note 27 Financial Instruments Measured at Fair Value.):

	Millions of Yen	
	2021	
	Carrying amount	Fair value
Financial assets:		
Non-current receivables and Non-current financial assets other than investments and receivables (excluding derivative assets)	¥ 315,194	¥ 314,703
Financial liabilities:		
Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative liabilities)	¥2,497,377	¥2,496,837

	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 U.S. Dollars	
	2021	
	Carrying amount	Fair value
Financial assets:		
Non-current receivables and Non-current financial assets other than investments and receivables (excluding derivative assets)	$ 2,847	$ 2,843
Financial liabilities:		
Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative liabilities)	$22,558	$22,553

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, 2021 and 2020, the balance of the investment to CTB accompanying the acquisition of CITIC Limited shares amounted to US$514 million (¥56,870 million) and US$514 million (¥55,905 million), respectively. The shareholder loan to CTB accompanying the acquisition of CITIC Limited shares amounted to US$4,559 million (¥504,759 million) and US$4,597 million (¥500,272 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, 2021 and 2020, the closing price of CITIC Limited shares on the Hong Kong Stock Exchange were HK$7.36 and HK$8.11 per share, respectively. The value obtained by multiplying the number of CITIC Limited shares that CTB owns by the said share prices are HK$42,821 million (¥609,736 million) and HK$47,184 million (¥662,505 million), respectively. In addition, the amount obtained by multiplying this value by 50%, which is the Company's ownership percentage in CTB, are HK$21,410 million (¥304,868 million) and HK$23,592 million (¥331,253 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 the right to offset receivables and payables with the same counterparty in the event of default by the counterparty.

The following table provides offsetting information of financial assets and financial liabilities with the same counterparty as of March 31, 2021 and 2020.

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
The amount of financial assets	**¥4,719,247**	¥4,657,271	**$42,627**
The amount of possible offsetting under master netting arrangement or similar arrangement (including cash collateral)	**(139,069)**	(160,779)	**(1,256)**
Net	**¥4,580,178**	¥4,496,492	**$41,371**

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
The amount of financial liabilities	**¥6,141,106**	¥6,083,630	**$55,470**
The amount of possible offsetting under master netting arrangement or similar arrangement (including cash collateral)	**(139,069)**	(153,910)	**(1,256)**
Net	**¥6,002,037**	¥5,929,720	**$54,214**

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.

26. Hedging Activities

Fair value hedges:
A fair value hedge is a hedge of the variability of fair value of a recognized asset or liability or of an unrecognized firm commitment. The changes in fair value of recognized assets or liabilities, or unrecognized firm commitments and related hedging instruments that are designated and qualify as fair value hedges are recognized in profit or loss if the hedges are considered effective. For the fiscal years ended March 31, 2021 and 2020, 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 fiscal years ended March 31, 2021 and 2020, 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 fiscal years ended March 31, 2021 and 2020, the amounts reclassified from other comprehensive income into profit or loss, because it is no longer probable that forecasted transactions would occur, were immaterial.

Hedges of a net investment in foreign operations:
Hedges of a net investment in foreign operations are hedges of the exchange differences that arise between the functional currencies of the foreign operations and the functional currency of the parent company. The changes in fair value of hedging instruments that are designated and qualify as hedges of a net investment in foreign operations are recognized in other comprehensive income if the hedges are considered effective. This treatment is continued until foreign operations are disposed of, and 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. The ineffective portion of the hedge is recognized as profit or loss. For the fiscal year ended March 31, 2021, amounts of the net profit (losses) related to hedge ineffectiveness and the portion excluded from the assessment of hedge effectiveness was immaterial. Further, for the fiscal year ended March 31, 2020, the Company and its subsidiaries did not designate any new hedges as hedges of the net investment in foreign operations.

The Company and its subsidiaries hold currency derivatives to hedge the risk of foreign exchange variability of a net investment in foreign operations, 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.

The impact of hedges on consolidated financial statements:
The fair values of hedging instruments as of March 31, 2021 and 2020 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		
		2021		
Type of hedge accounting	Hedging instruments	Notional amounts	Assets	Liabilities
Fair value hedges	Currency derivatives	¥ 84,835	¥1,999	¥ 681
	Interest rate derivatives	130,705	3,531	3
	Commodity derivatives	231,985	3,435	4,323
Cash flow hedges	Currency derivatives	¥191,972	¥2,824	¥2,135
	Interest rate derivatives	447,953	154	3,649
	Commodity derivatives	38,646	1,380	1,228
Hedges of a net investment in foreign operations	Currency derivatives	¥79,179	¥4,891	¥ —

Type of hedge accounting	Hedging instruments	Millions of Yen 2020 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

Type of hedge accounting	Hedging instruments	Millions of U.S. Dollars 2021 Notional amounts	Assets	Liabilities
Fair value hedges	Currency derivatives	**$ 766**	**$18**	**$ 6**
	Interest rate derivatives	**1,181**	**32**	**0**
	Commodity derivatives	**2,095**	**31**	**39**
Cash flow hedges	Currency derivatives	**$1,734**	**$26**	**$19**
	Interest rate derivatives	**4,046**	**1**	**33**
	Commodity derivatives	**349**	**12**	**11**
Hedges of a net investment in foreign operations	Currency derivatives	**$ 715**	**$44**	**$—**

For the fiscal years ended March 31, 2021 and 2020, the amounts of hedged items designated as fair value hedges were as follows:

Risk category	Main account on Consolidated Statement of Financial Position	Millions of Yen 2021 Carrying amount	Accumulated amount of fair value hedge adjustments included in the carrying amount
Currency risk	Trade receivables	**¥ 2,148**	**¥ 23**
	Trade payables	**7,426**	**280**
	Other current assets	**647**	**647**
	Other current liabilities	**1,708**	**1,708**
Interest rate risk	Debentures and borrowings	**¥134,233**	**¥3,528**
Commodity price risk	Inventories	**¥ 18,796**	**¥ (454)**
	Other current assets	**4,209**	**4,209**
	Other current liabilities	**2,867**	**2,867**

Risk category	Main account on Consolidated Statement of Financial Position	Millions of Yen 2020 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

Risk category	Main account on Consolidated Statement of Financial Position	Millions of U.S. Dollars 2021 Carrying amount	Accumulated amount of fair value hedge adjustments included in the carrying amount
Currency risk	Trade receivables	$ 19	$ 0
	Trade payables	67	3
	Other current assets	6	6
	Other current liabilities	15	15
Interest rate risk	Debentures and borrowings	$1,212	$32
Commodity price risk	Inventories	$ 170	$ (4)
	Other current assets	38	38
	Other current liabilities	26	26

Note: For the fiscal years ended March 31, 2021 and 2020, the accumulated amounts of fair value hedge adjustments related to the hedged items on which the hedging transactions have been ceased totaled ¥4,600 million (US$42 million) and ¥7,533 million, respectively. These amounts are included in Short-term debentures and borrowings and Long-term debentures and borrowings.

For the fiscal years ended March 31, 2021 and 2020, 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:

Risk category	Millions of Yen 2021 Amount recognized in Other components of equity	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	¥ 159	¥ 12,396	Other–net	¥(11,120)
Interest rate risk	(2,686)	1,417	Interest expense	1,656
Commodity price risk	223	(29,499)	Revenues from sale of goods	28,473
Total	¥(2,304)	¥(15,686)		¥ 19,009

Risk category	Millions of Yen 2020 Amount recognized in Other components of equity	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

Risk category	Millions of U.S. Dollars 2021 Amount recognized in Other components of equity	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	$ 1	$ 112	Other–net	$(100)
Interest rate risk	(24)	13	Interest expense	15
Commodity price risk	2	(266)	Revenues from sale of goods	257
Total	$(21)	$(142)		$ 172

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 fiscal years ended March 31, 2021 and 2020 were ¥1,988 million (US$18 million) (income) and ¥1,931 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.

For the fiscal year ended March 31, 2021, the amounts of the Company and its subsidiaries' Other components of equity and the income (losses) associated with hedging instruments designated as hedges of a net investment in foreign operations was as follows:

	Millions of Yen			
	2021			
Risk category	Amount recognized in Other components of equity	Amount of hedge income (loss) recognized in OCI*	Main account of profit or loss reclassified from Other components of equity	Amount of profit or loss reclassified from Other components of equity
Currency risk	¥3,367	¥4,891	—	—
Total	¥3,367	¥4,891	—	—

	Millions of U.S. Dollars			
	2021			
Risk category	Amount recognized in Other components of equity	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	$30	$44	—	—
Total	$30	$44	—	—

The impact of interest rate benchmark reform:

The Company and its subsidiaries continue to apply hedge accounting during the period of uncertainty, where existing interest rate benchmarks will be replaced by alternative benchmark rates, relating to interest rate benchmark reform.

As of March 31, 2021, the Company and its subsidiaries held financial instruments referring mainly to USD Libor and JPY Libor as interest rate benchmark. Hedged items included fixed rate debt and variable rate debt denominated in several currencies.

The Company and its subsidiaries assume that the uncertainty will remain until the contracts of financial instruments referring to Libor will be amended to determine the timing of interest rate benchmark replacement, the cash flows of alternative benchmark rates, and the spread adjustment.

As of March 31, 2021, the maturities and nominal amounts, which hedge accounting was applied to and was applicable as described above, were as follows:

			Millions of Yen
Type of hedge accounting	Risk category	Maturities	Nominal amount
Fair value hedges	Interest rate risk	Years 2023 to 2030	¥111,855
Cash flow hedges	Currency risk	Years 2023 to 2024	24,588
	Interest rate risk	Years 2024 to 2025	7,996

			Millions of U.S. Dollars
Type of hedge accounting	Risk category	Maturities	Nominal amount
Fair value hedges	Interest rate risk	Years 2023 to 2030	$1,010
Cash flow hedges	Currency risk	Years 2023 to 2024	222
	Interest rate risk	Years 2024 to 2025	72

27. 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. In contrast, 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 (Approximately 7–15%).

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, 2021 and 2020 was as follows:

For the fiscal years ended March 31, 2021 and 2020, there were no significant transfers between Level 1 and 2.

	Millions of Yen			
	2021			
	Level 1	Level 2	Level 3	Total
Assets				
Inventories	¥ —	¥ 3,221	¥ —	¥ 3,221
Securities and other investments				
FVTPL financial assets	—	21,868	59,077	80,945
FVTOCI financial assets	592,879	—	279,548	872,427
Derivative assets	3,754	29,736	—	33,490
Liabilities				
Derivative liabilities	¥ 3,941	¥21,885	¥ —	¥ 25,826

	Millions of Yen			
	2020			
	Level 1	Level 2	Level 3	Total
Assets				
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 U.S. Dollars			
	2021			
	Level 1	Level 2	Level 3	Total
Assets				
Inventories	$ —	$ 29	$ —	$ 29
Securities and other investments				
FVTPL financial assets	—	197	534	731
FVTOCI financial assets	5,355	—	2,525	7,880
Derivative assets	34	269	—	303
Liabilities				
Derivative liabilities	$ 35	$198	$ —	$ 233

The changes in Level 3 items for the fiscal years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen	
	2021	
	FVTPL financial assets	FVTOCI financial assets
Beginning Balance	¥54,597	¥ 414,003
Total gains or losses	3,240	(105,991)
Included in gains on investments	3,240	—
Included in other comprehensive income (loss) (FVTOCI financial assets)	—	(128,359)
Included in other comprehensive income (loss) (Translation adjustments)	—	22,368
Purchases	5,444	5,109
Sales	(2,382)	(8,426)
Transfers out of Level 3	(383)	(27,119)
Others	(1,439)	1,972
Ending balance	59,077	279,548
The amount of gains (losses) on investments for the period relating to assets still held as of March 31, 2021	¥ 1,280	¥ —

	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 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 U.S. Dollars	
	2021	
	FVTPL financial assets	FVTOCI financial assets
Beginning Balance	$493	$ 3,740
Total gains or losses	29	(957)
Included in gains on investments	29	—
Included in other comprehensive income (loss) (FVTOCI financial assets)	—	(1,159)
Included in other comprehensive income (loss) (Translation adjustments)	—	202
Purchases	49	46
Sales	(21)	(76)
Transfers out of Level 3	(3)	(245)
Others	(13)	17
Ending balance	534	2,525
The amount of gains (losses) on investments for the period relating to assets still held as of March 31, 2021	$ 12	$ —

Total losses included in other comprehensive income (loss) (i.e., decrease in FVTOCI financial assets) in 2021 is mainly due to the decrease in the fair value of Drummond International, LLC owned by ITOCHU Coal Americas Inc. Drummond International, LLC is the operating entity which has the rights to coal mines and transport infrastructure in Columbia. ITOCHU Coal Americas Inc. decided to sell its entire interest in Drummond International, LLC to Drummond Company Inc., since the demand for thermal coal has been declining due to the growing trend toward decarbonization in Europe, where the major customer for Colombian coal is located. Therefore, ITOCHU Coal Americas Inc. measured the fair value of its interest based on the estimated selling price. The change in the fair value, net of tax, is included in the movement of FVTOCI financial assets of Other comprehensive income net of tax in the Consolidated Statement of Comprehensive Income.

The transfers out of Level 3 recognized for the fiscal years ended March 31, 2021 and 2020 were due to the fact that the fair value of equity securities becoming measurable using the quoted market price resulting from listing on exchanges.

28. Revenue

(1) Contract Balances

The breakdown of contract balances for the years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen				Millions of U.S. Dollars
	2021		2020		2021
	Beginning Balance	Ending Balance	Beginning Balance	Ending Balance	Ending Balance
Receivables from Contracts with Customers	**¥2,113,746**	**¥2,122,815**	¥2,397,608	¥2,113,746	**$19,175**
Contract Assets	**18,493**	**19,124**	18,500	18,493	**173**
Contract Liabilities	**116,363**	**133,127**	119,843	116,363	**1,202**

A contract asset is recognized when the Company and its subsidiaries transfer goods or services to a customer on their ordinary activities, but a right to receive the payment is conditional in line with a series of performance related milestones other than the passage of time. Contract assets generally increase when the Company and its subsidiaries transfer goods or services to the customer before the customer pays the consideration or before the payment becomes due and decrease when the Company and its subsidiaries bill the customer. The changes in balance of contract assets for the fiscal years ended March 31, 2021 and 2020, are immaterial.

Contract liability is presented when a payment from a customer is already received or due, prior to the Company and its subsidiaries transferring goods or services to the customer on their operating activities. Contract liabilities generally increase when the Company and its subsidiaries receive consideration from a customer prior to the transfer of goods or services to the customer and decrease when the Company and its subsidiaries meet their performance obligations. The balance of contract liabilities increased mainly due to advances from customer for the fiscal year ended March 31, 2021. The balance of contract liabilities decreased mainly due to the completion of performance obligations for the fiscal year ended March 31, 2020.

Revenues recognized for the fiscal years ended March 31, 2021 and 2020 include ¥91,863 million (US$830 million) and ¥98,572 million respectively, recognized from contract liabilities at the opening balance of the fiscal years ended March 31, 2021 and 2020. Revenues recognized for the fiscal years ended March 31, 2021 and 2020 arising from performance obligations fulfilled in past periods, are immaterial.

(2) Remaining Performance Obligations

For the fiscal year ended March 31, 2021, the Company and its subsidiaries have total transaction price of ¥580,740 million (US$5,246 million), mainly in iron ore, battery-related, system development, and ships transactions, allocated to remaining performance obligations. For the fiscal year ended March 31, 2020, the Company and its subsidiaries have total transaction price of ¥464,770 million, mainly in iron ore, system development, ships, and energy transactions, allocated to remaining performance obligations. The Company and its subsidiaries expect most of 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.

(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.

29. Selling, General and Administrative Expenses

The breakdown of Selling, general and administrative expenses for the fiscal years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Personnel expenses	**¥588,942**	¥586,943	**$ 5,320**
Depreciation	**279,439**	275,022	**2,524**
Amortization	**37,552**	36,490	**339**
Service charge	**117,801**	107,643	**1,064**
Distribution costs	**88,191**	82,352	**797**
Others	**254,564**	292,494	**2,299**
Total	**¥1,366,489**	¥1,380,944	**$12,343**

30. Gains on Investments

The breakdown of Gains on investments for the fiscal years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Investments in subsidiaries, associates and joint ventures	**¥(4,728)**	¥54,003	**$(43)**
FVTPL financial assets	**8,838**	3,827	**80**
Financial assets measured at amortized cost	**(5)**	(29)	**(0)**
Total	**¥4,105**	¥57,801	**$37**

In the fiscal year ended March 31, 2021, the Company recorded an impairment loss of ¥14,709 million on its investments accounted for by the equity method in the overseas business of the Food operating segment, due to the decline in profitability as an impact of COVID-19. The Company recorded an impairment loss of ¥12,081 million on its investments accounted for by the equity method in Orient Corporation, due to the long-term decline in stock prices.

The Financial assets measured at amortized cost includes losses arising from impairment loss on the financial assets measured at amortized cost of ¥2 million (US$0 million) for the fiscal year ended March 31, 2021, and ¥27 million for the fiscal year ended March 31, 2020, and gains and losses arising from the derecognition of financial assets measured at amortized cost of ¥3 million (US$0 million) (loss) and ¥2 million (loss), respectively.

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

The breakdown of Losses on property, plant, equipment and intangible assets for the fiscal years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Gains on sales of property, plant and equipment	**¥ 3,936**	¥ 28,361	**$ 36**
Losses on disposal and sales of property, plant and equipment	**(6,203)**	(5,158)	**(56)**
Impairment losses on property, plant and equipment	**(138,083)**	(18,579)	**(1,247)**
Impairment losses on goodwill	**(16,393)**	(10,418)	**(148)**
Others	**(781)**	1,398	**(8)**
Total	**¥(157,524)**	¥ (4,396)	**$(1,423)**

For the fiscal year ended March 31, 2021, in the 8th operating segment, FamilyMart Co., Ltd. recognized an impairment loss of ¥71,964 million on mainly property, plant and equipment caused by a decline in profitability of certain stores associated with sluggish domestic consumption due to the impact of COVID-19. In the Machinery operating segment, in overseas automobile business, in response to sluggish demand in the automobile market due to the impact of COVID-19, the Company recognized an impairment loss of ¥22,202 million on goodwill and intangible assets related to this business. In Metals & Minerals segment, in consideration of the future business plan taking into account the current situation of the Australian coal-related company, the Company recognized an impairment loss of ¥12,552 million on property, plant and equipment related to this business. In Energy & Chemicals segment, regarding the property, plant and equipment of the LNG long-term contract, the Company recognized an impairment loss of ¥9,484 million due to the market downturn.

32. Other–Net

The breakdown of Other–net for the fiscal years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Net foreign exchange gains (losses)	**¥ 5,273**	¥ 306	**$ 48**
Others	**(11,470)**	(1,720)	**(104)**
Total	**¥ (6,197)**	¥(1,414)	**$ (56)**

In Energy & Chemicals segment, it is probable that the costs of the long-term purchase contract exceed the economic benefits expected to be received due to LNG market downturn, and as a result, the Company recognized a provision of ¥22,946 million included in Others for the fiscal year ended March 31, 2021.

33. Financial Income (Loss)

The breakdown of Financial income (loss) for the fiscal years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Interest income			
Financial assets measured at amortized cost	¥ 23,114	¥ 35,267	$ 209
Subtotal	23,114	35,267	209
Dividends received			
FVTPL financial assets	322	7	3
FVTOCI financial assets	52,823	66,467	477
Subtotal	53,145	66,474	480
Interest expense			
Financial liabilities measured at amortized cost			
Lease liabilities	(13,816)	(14,681)	(125)
Others	(22,122)	(44,209)	(199)
Derivatives	1,461	3,604	13
Others	(1,741)	(2,314)	(16)
Subtotal	(36,218)	(57,600)	(327)
Total	¥ 40,041	¥ 44,141	$ 362

34. Cash Flow Information

(1) Acquisitions and Sales of Subsidiaries

(Acquisitions of subsidiaries)

There was no acquisition of major subsidiaries for the fiscal year ended March 31, 2021.

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

	Millions of Yen
	2020
Acquisitions of subsidiaries	
Fair value of assets acquired	¥ 210,154
Fair value of liabilities acquired	(103,939)
Net assets, before deduction of cash	106,215
Fair value of previously held equity interests	(52,723)
Goodwill and Non-controlling interests	(51,372)
Fair value of consideration	2,120
Cash acquired	(16,055)
Acquisitions of subsidiaries, net of cash acquired (Negative figure indicates proceeds)	¥ (13,935)

(Sales of subsidiaries)

There was no sale of major subsidiaries for the fiscal year ended March 31, 2021 and 2020.

(2) Changes in Liabilities Arising from Financing Activities

Changes in liabilities arising from financing activities for the fiscal years ended March 31, 2021 and 2020 were as follows:

	Millions of Yen		
	2021		
	Debentures and Borrowings	Lease liabilities and the others	Total
Beginning of the year	**¥2,876,963**	**¥1,179,563**	**¥4,056,526**
Cash flow	**255,484**	**(281,371)**	**(25,887)**
Non-cash changes			
Increase through acquisitions	**190**	**1,791**	**1,981**
New leases	**—**	**143,192**	**143,192**
Effect of foreign currency exchange differences	**39,529**	**14,600**	**54,129**
Fair value changes	**(3,572)**	**—**	**(3,572)**
Reclassification to Liabilities held for sale	**(7,652)**	**(100,893)**	**(108,545)**
Others (Note)	**(5,630)**	**106,969**	**101,339**
End of the year	**¥3,155,312**	**¥1,063,851**	**¥4,219,163**

Note: Amounts are mainly the increase due to lease contract modifiations in FamilyMart Co., Ltd.
In addition, lease contract modifications in other companies, mid-term terminations and other factors are inclueded.

	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 U.S. Dollars		
	2021		
	Debentures and Borrowings	Lease liabilities and the others	Total
Beginning of the year	**$25,986**	**$10,655**	**$36,641**
Cash flow	**2,308**	**(2,542)**	**(234)**
Non-cash changes			
Increase through acquisitions	**2**	**16**	**18**
New leases	**—**	**1,293**	**1,293**
Effect of foreign currency exchange differences	**357**	**132**	**489**
Fair value changes	**(32)**	**—**	**(32)**
Reclassification to Liabilities held for sale	**(69)**	**(911)**	**(980)**
Others	**(51)**	**966**	**915**
End of the year	**$28,501**	**$9,609**	**$38,110**

35. Parent's Ownership Interest in Subsidiaries

Subsidiaries of the Company as of March 31, 2021 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.	Meguro-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)
44 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
ITOCHU SysTech Corporation	Chuo-ku, Osaka	100.0
ITOCHU MACHINE-TECHNOS CORP.	Chiyoda-ku, Tokyo	100.0
Century Medical, Inc.	Shinagawa-ku, Tokyo	100.0
YANASE & CO., LTD.	Minato-ku, Tokyo	66.1
I-Power Investment, Inc.	Wilmington, Delaware, U.S.A.	100.0
I-ENVIRONMENT INVESTMENTS LIMITED	London, U.K.	100.0 (30.0)
MULTIQUIP INC.	Carson, California, U.S.A.	100.0 (80.0)
RICARDO PÉREZ, S.A.	Panama, Republic of Panama	70.0
Auto Investment Inc.	Pelham, Alabama, U.S.A.	100.0
ITOCHU Automobile America Inc.	Farmington Hills, Michigan, U.S.A.	100.0
VEHICLES MIDDLE EAST FZE	Dubai, U.A.E.	100.0
85 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	55.8 (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.	West Hollywood, California, U.S.A.	100.0
CIECO West Qurna Limited	London, U.K.	60.0
ITOCHU Plastics Pte., Ltd.	Singapore	100.0 (30.0)
112 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	48.9 (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
109 other companies		
General Products & Realty		
ITOCHU LOGISTICS CORP.	Minato-ku, Tokyo	100.0
ITOCHU PULP & PAPER CORPORATION	Chuo-ku, Tokyo	100.0
ITOCHU CERATECH CORPORATION	Seto, Aichi	100.0
ITOCHU HOUSING CO., LTD.	Chuo-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 (35.0)
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
58 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	65.4
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)
37 other companies		
The 8th		
FamilyMart Co., Ltd.	Minato-ku, Tokyo	94.7 (44.7)
TAIWAN DISTRIBUTION CENTER CO., LTD.	New Taipei City, Taiwan	100.0 (75.0)
23 other companies		
Headquarters		
ITOCHU Treasury Corporation	Minato-ku, Tokyo	100.0
Orchid Alliance Holdings Limited	BR. Virgin Islands	100.0
15 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 (151 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 fiscal years ended March 31, 2021 and 2020.

(Subsidiaries with material non-controlling interests)
The Company recognized material non-controlling interests related to FamilyMart Co.,Ltd for the year ended March 31 2020, as follows.

There were no subsidiaries with material non-controlling interests for the year ended March 31, 2021 due to the decrease of non-controlling interests to 5.3% by the additional investment in shares in FamilyMart Co., Ltd.

	Millions of Yen
	2020
Shares held by non-controlling interests (%)	49.8%
Accumulated non-controlling interests	¥363,346
Net profit attributable to Non-controllinginterests	18,904
Dividends paid to Non-controlling interests	10,108

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

	Millions of Yen
	2020
Current Assets	¥ 480,124
Non-current Assets	1,685,486
Current Liabilities	638,558
Non-current Liabilities	795,597
Equity	731,455

	Millions of Yen
	2020
Current Assets	¥517,060
Non-current Assets	37,984
Equity	38,228

Note: Amounts of attributable to non-controlling interests is deducted.

	Millions of Yen
	2020
Cash flows from operating activities	¥ 249,455
Cash flows from investing activities	(135,646)
Cash flows from financing activities	(156,484)

36. 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, 2021 and 2020, the total assets of unconsolidated structured entities were ¥1,187,884 million (US$10,730 million), and ¥853,329 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, 2021 and 2020 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
	2021	2020	2021
Investments accounted for by the equity method	¥25,290	¥11,717	$228
Non-current receivables	22,113	19,438	200
Total	¥47,403	¥31,155	$428

In addition, as of March 31, 2021 and 2020, the maximum exposure to losses in relation to the unconsolidated structured entities were ¥79,312 million (US$716 million) and ¥65,798 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.

37. 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, 2021 and 2020 were as follows:

	Millions of Yen		
	2021		
	Financial guarantees	Guarantees for performance transactions	Total
Guarantees for associates and joint ventures:			
Maximum potential amount of future payments	¥111,106	¥2,480	¥113,586
Amount of substantial risk	94,403	2,480	96,883
Guarantees for customers:			
Maximum potential amount of future payments	25,015	35,085	60,100
Amount of substantial risk	10,407	7,210	17,617
Total:			
Maximum potential amount of future payments	¥136,121	¥37,565	¥173,686
Amount of substantial risk	104,810	9,690	114,500

	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 U.S. Dollars		
	2021		
	Financial guarantees	Guarantees for performance transactions	Total
Guarantees for associates and joint ventures:			
Maximum potential amount of future payments	$1,004	$22	$1,026
Amount of substantial risk	853	22	875
Guarantees for customers:			
Maximum potential amount of future payments	226	317	543
Amount of substantial risk	94	65	159
Total:			
Maximum potential amount of future payments	$1,230	$339	$1,569
Amount of substantial risk	947	87	1,034

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 ¥31,553 million (US$285 million) and ¥32,989 million as of March 31, 2021 and 2020, respectively.

Under these guarantees, adequate allowance to cover the expected losses from probable performance is recognized as liabilities. As of March 31, 2021, 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 due to 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 JBMF will be ¥21,861 million (US$197 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 ¥15,226 million (US$138 million), including interest and penalties of ¥10,981 million (US$99 million). CM, which took over the tax litigation, recorded no liabilities related to this assessment.

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.

38. Approval of Consolidated Financial Statements

The consolidated financial statements were approved at the Board of Directors’ meeting held on June 10, 2021.

39. Material Subsequent Events

The Company evaluated subsequent events through June 18, 2021, which is the issuance date of the consolidated financial statements.

Material subsequent events are as follows:
(Transfer of all of the shares in Japan Brazil Paper and Pulp Resources Development Co., Ltd.)
As disclosed on May 13, 2021, ITOCHU completed the transfer of all of its shares in Japan Brazil Paper and Pulp Resources Development Co., Ltd. (“JBP”) by the share transfer agreement with JBP. Due to this transfer, ITOCHU expects to record gains on investments totaling 31.0 billion yen (US$293 million) as part of its consolidated financial results in the fiscal year ending March 31, 2022.

(Partial transfer of the shares in Taiwan FamilyMart Co., Ltd.)
Based on a resolution at the Board of Directors’ meeting in FamilyMart Co., Ltd. (“FamilyMart”), a subsidiary of ITOCHU, held on July 8, 2020, FamilyMart decided to transfer 5% shares in Taiwan FamilyMart Co., Ltd. (“Taiwan FM”), a subsidiary of FamilyMart, to PF Investment Co., Ltd., a joint venture established by FamilyMart and Pan Pacific International Holdings Corporation. Thereafter, on November 20, 2020, FamilyMart signed the share transfer agreement of 2% of its shares in Taiwan FM, and transferred 2% of the shares on March 31, 2021. In addition, FamilyMart signed the share transfer agreement of 3% of its shares in Taiwan FM on May 18, 2021, and completed the transfer on June 9, 2021. As a result of these transfers, FamilyMart lost control over Taiwan FM, which became an affiliate of FamilyMart. The impact of this event on Net profit attributable to ITOCHU in the fiscal year ending March 31, 2022 is currently under evaluation, but is expected to be approximately 25.0 billion yen (US$226 million).

Deloitte.

Deloitte Touche Tohmatsu LLC
Marunouchi Nijubashi Building
3-2-3 Marunouchi
Chiyoda-ku, Tokyo 100-8360
Japan

Tel: +81 (3) 6213 1000
Fax: +81 (3) 6213 1005
www2.deloitte.com/jp/en

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, 2021, 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, 2021, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Valuation of FamilyMart's Goodwill (Note 12 "Goodwill and Intangible Assets")	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
ITOCHU Corporation (the "Company") recorded goodwill of ¥396,869 million on its consolidated statement of financial position as of March 31, 2021, which included goodwill of ¥248,757 million related to FamilyMart Co., Ltd. (hereafter, "FamilyMart"), a subsidiary that is in the business of operating convenience stores, as described in Note 12 "Goodwill and Intangible Assets" to the consolidated financial statements. The goodwill was recognized as a result of the conversion of FamilyMart into a subsidiary, and was allocated to a cash-generating unit composed of its businesses of FamilyMart. The cash-generating unit also included intangible assets with definite useful lives of ¥437,680 million, which was recognized as a result of the conversion of FamilyMart into a subsidiary. Impairment tests of FamilyMart's goodwill are conducted based on the cash-generating unit at least once a year, or whenever there are changes in situations or events that indicate the possibility of impairment. For the current fiscal year's goodwill impairment test, the recoverable amount of the cash-generating unit was based on the value in use, which was calculated by discounting the estimated amount of future cash flows based on a business plan reflecting the most recent business environment. The Company determined that the value in use exceeded the carrying amount of the cash-generating unit, and therefore did not recognize any impairment losses. In the determination of the value in use of the cash-generating unit, the significant accounting estimates used are future cash flows such as income projections from franchised stores and the calculation of a discount rate. Future cash flows are calculated reflecting the impact of COVID-19. Significant assumptions used in estimating future cash flows include maintaining the number of stores and increasing the operating income through raising daily sales and bolstering operational efficiency. These assumptions reflect forecasts based on past results, industry trends and the expected effect of improvement measures on store profitability; therefore, those assumptions require accounting estimates with a high degree of uncertainty and subjectivity. In addition, the discount rate is likely to be affected by external environments, such as economic conditions and interest rate fluctuations and has a large impact on the value in use when it changes. For the above reasons, we believed that the valuation of FamilyMart's goodwill was a key audit matter because the estimate of the value in use determined when conducting impairment test of the cash-generating unit pertaining to FamilyMart's goodwill was one of most significance in our audit of the consolidated financial statements for the current fiscal year.	Regarding the valuation of FamilyMart's goodwill, our audit procedures to address this key audit matter included the following, among others: • We tested the design, implementation and operating effectiveness of controls that assess and approve the judgment on the recognition of the impairment loss in relation to the cash-generating unit and on the reasonableness of significant assumptions involved, including the number of stores in the future, the future daily sales and bolstering operational efficiency and the discount rate. • We compared the outcomes of accounting estimates for the above significant assumptions used in the previous fiscal year and assessed the reasonableness of subsequent re-estimation and the degree of estimation uncertainty. • We inquired of management to evaluate the rationality of the above significant assumptions. Furthermore, we assessed how management evaluated the effects of uncertainty including evaluation of the effects of COVID-19, conducted a comparison with actual results in previous fiscal years, compared external data available on the market environment for market growth and business plans of other companies in the same industry and performed a trend analysis. • With the assistance of our valuation specialists, we evaluated whether the selection and application of the method, assumptions and data for measuring the value in use, including the discount rate, were reasonable. • We independently developed a reasonable range of the value in use by changing the above significant assumptions and assessed whether the value in use determined by the Company was within the range.

The Valuation of CITIC Limited Investment (Note 14 "Associates and Joint Ventures")	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As described in Note 14 "Associates and Joint Ventures" to the consolidated financial statements, Chia Tai Bright Investment Company Limited (hereafter, "CTB"), a company in which the Company has 50% ownership, owns 20% of ordinary shares in CITIC Limited and applies the equity method to CITIC Limited. The summarized financial information of CITIC Limited is as described in Note 14(5) Others. CITIC Limited is a Chinese conglomerate with a wide range of businesses covering financial services, resources and energy, manufacturing, engineering contracting, real estate and other businesses in China and other countries. If the Company determined that there is an indication of impairment of the investment in CITIC Limited held by CTB, the recoverable amount of the investment is determined. If the recoverable amount is below the carrying amount, an impairment loss is recognized in profit or loss. The Company recognizes an amount corresponding to the share of the impairment loss recognized by CTB. In the current fiscal year, as the decline of CITIC Limited's stock price was determined to be an indication of impairment, the recoverable amount of the investment was calculated based on the estimated future cash flows of CITIC Limited. The Company did not recognize any impairment loss because the recoverable amount exceeded the carrying amount. As CITIC Limited has a large number of operating companies under its umbrella, such as listed companies and companies that operate businesses in various industries, significant complexity and judgment are involved in determining valuation of the investment. The Company used appropriate valuation methods for each operating company under CITIC Limited for its impairment test. Significant accounting estimates, such as future cash flows, are used in determining the recoverable amount for impairment testing. Future cash flows are calculated reflecting the impact of COVID-19. In estimating future cash flows, assumptions on future profitability of CITIC Limited and the impact of regulations required accounting estimates with a high degree of uncertainty and subjectivity. For the above reasons, we believed that the valuation of CITIC Limited investment was a key audit matter because the estimate of the recoverable amount determined when conducting impairment tests of CITIC Limited investment was one of most significance in our audit of the consolidated financial statements for the current fiscal year.	Regarding the valuation of CITIC Limited investment, our audit procedures to address this key audit matter included the following, among others: • We tested the design, implementation and operating effectiveness of controls that assess and approve the judgment on the recognition of the impairment loss in relation to CITIC Limited investment and on the reasonableness of the significant assumptions involved, including the future profitability of CITIC Limited and the impact of regulations. • We compared the outcomes of accounting estimates for the above significant assumptions used in the previous fiscal year and assessed the reasonableness of subsequent re-estimation and the degree of estimation uncertainty. • We inquired of management to evaluate the rationality of the above significant assumptions. Furthermore, we assessed how management evaluated the effects of uncertainty including evaluation of the effects of COVID-19, conducted a comparison with actual results in previous fiscal years and industry analysis. • With the assistance of our valuation specialists, we evaluated whether the selection and application of the method, assumptions and data for measuring the recoverable amount, including the discount rate, were reasonable based on the characteristics of the CITIC Limited Group. • We independently developed a reasonable range of the recoverable amount by changing the above significant assumptions and assessed whether the recoverable amount determined by the Company was within the range.

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 judgment. 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.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 18, 2021

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, 2021 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, 2021, we concluded that its internal control system over financial reporting as of March 31, 2021 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]

Keita Ishii, 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]

The assessment of internal control over financial reporting was performed as of March 31, 2021, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

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

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and associated companies, from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts on financial reporting based upon four key financial figures: "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, 2021. The Company and 97 consolidated subsidiaries and associated companies (the "97 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 97 entities, we reasonably determined the required scope of assessment of internal controls over business processes.

(Note) The 97 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 97 entities, however we included major special purpose entities into the scope of assessment. Regarding entities other than the 97 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 37 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, 2021. 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 18, 2021

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: Haruko Nagayama

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, 2021, 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, 2020 to March 31, 2021, 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, 2021, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">The Valuation of FamilyMart's Goodwill (Note 12 "Goodwill and Intangible Assets")</th></tr>
<tr><th>Key Audit Matter Description</th><th>How the Key Audit Matter Was Addressed in the Audit</th></tr>
<tr><td>ITOCHU Corporation (the "Company") recorded goodwill of ¥396,869 million on its consolidated statement of financial position as of March 31, 2021, which included goodwill of ¥248,757 million related to FamilyMart Co., Ltd. (hereafter, "FamilyMart"), a subsidiary that is in the business of operating convenience stores, as described in Note 12 "Goodwill and Intangible Assets" to the consolidated financial statements. The goodwill was recognized as a result of the conversion of FamilyMart into a subsidiary, and was allocated to a cash-generating unit composed of its businesses of FamilyMart. The cash-generating unit also included intangible assets with definite useful lives of ¥437,680 million, which was recognized as a result of the conversion of FamilyMart into a subsidiary.

Impairment tests of FamilyMart's goodwill are conducted based on the cash-generating unit at least once a year, or whenever there are changes in situations or events that indicate the possibility of impairment.

For the current fiscal year's goodwill impairment test, the recoverable amount of the cash-generating unit was based on the value in use, which was calculated by discounting the estimated amount of future cash flows based on a business plan reflecting the most recent business environment. The Company determined that the value in use exceeded the carrying amount of the cash-generating unit, and therefore did not recognize any impairment losses.

In the determination of the value in use of the cash-generating unit, the significant accounting estimates used are future cash flows such as income projections from franchised stores and the calculation of a discount rate. Future cash flows are calculated reflecting the impact of COVID-19.

Significant assumptions used in estimating future cash flows include maintaining the number of stores and increasing the operating income through raising daily sales and bolstering operational efficiency. These assumptions reflect forecasts based on past results, industry trends and the expected effect of improvement measures on store profitability; therefore, those assumptions require accounting estimates with a high degree of uncertainty and subjectivity. In addition, the discount rate is likely to be affected by external environments, such as economic conditions and interest rate fluctuations and has a large impact on the value in use when it changes.

For the above reasons, we believed that the valuation of FamilyMart's goodwill was a key audit matter because the estimate of the value in use determined when conducting impairment test of the cash-generating unit pertaining to FamilyMart's goodwill was one of most significance in our audit of the consolidated financial statements for the current fiscal year.</td><td>Regarding the valuation of FamilyMart's goodwill, our audit procedures to address this key audit matter included the following, among others:

• We tested the design, implementation and operating effectiveness of controls that assess and approve the judgment on the recognition of the impairment loss in relation to the cash-generating unit and on the reasonableness of significant assumptions involved, including the number of stores in the future, the future daily sales and bolstering operational efficiency and the discount rate.

• We compared the outcomes of accounting estimates for the above significant assumptions used in the previous fiscal year and assessed the reasonableness of subsequent re-estimation and the degree of estimation uncertainty.

• We inquired of management to evaluate the rationality of the above significant assumptions. Furthermore, we assessed how management evaluated the effects of uncertainty including evaluation of the effects of COVID-19, conducted a comparison with actual results in previous fiscal years, compared external data available on the market environment for market growth and business plans of other companies in the same industry and performed a trend analysis.

• With the assistance of our valuation specialists, we evaluated whether the selection and application of the method, assumptions and data for measuring the value in use, including the discount rate, were reasonable.

• We independently developed a reasonable range of the value in use by changing the above significant assumptions and assessed whether the value in use determined by the Company was within the range.</td></tr>
</table>

The Valuation of CITIC Limited Investment (Note 14 “Associates and Joint Ventures”)	
Key Audit Matter Description	**How the Key Audit Matter Was Addressed in the Audit**
As described in Note 14 “Associates and Joint Ventures” to the consolidated financial statements, Chia Tai Bright Investment Company Limited (hereafter, “CTB”), a company in which the Company has 50% ownership, owns 20% of ordinary shares in CITIC Limited and applies the equity method to CITIC Limited. The summarized financial information of CITIC Limited is as described in Note 14(5) Others. CITIC Limited is a Chinese conglomerate with a wide range of businesses covering financial services, resources and energy, manufacturing, engineering contracting, real estate and other businesses in China and other countries. If the Company determined that there is an indication of impairment of the investment in CITIC Limited held by CTB, the recoverable amount of the investment is determined. If the recoverable amount is below the carrying amount, an impairment loss is recognized in profit or loss. The Company recognizes an amount corresponding to the share of the impairment loss recognized by CTB. In the current fiscal year, as the decline of CITIC Limited’s stock price was determined to be an indication of impairment, the recoverable amount of the investment was calculated based on the estimated future cash flows of CITIC Limited. The Company did not recognize any impairment loss because the recoverable amount exceeded the carrying amount. As CITIC Limited has a large number of operating companies under its umbrella, such as listed companies and companies that operate businesses in various industries, significant complexity and judgment are involved in determining valuation of the investment. The Company used appropriate valuation methods for each operating company under CITIC Limited for its impairment test. Significant accounting estimates, such as future cash flows, are used in determining the recoverable amount for impairment testing. Future cash flows are calculated reflecting the impact of COVID-19. In estimating future cash flows, assumptions on future profitability of CITIC Limited and the impact of regulations required accounting estimates with a high degree of uncertainty and subjectivity. For the above reasons, we believed that the valuation of CITIC Limited investment was a key audit matter because the estimate of the recoverable amount determined when conducting impairment tests of CITIC Limited investment was one of most significance in our audit of the consolidated financial statements for the current fiscal year.	Regarding the valuation of CITIC Limited investment, our audit procedures to address this key audit matter included the following, among others: • We tested the design, implementation and operating effectiveness of controls that assess and approve the judgment on the recognition of the impairment loss in relation to CITIC Limited investment and on the reasonableness of the significant assumptions involved, including the future profitability of CITIC Limited and the impact of regulations. • We compared the outcomes of accounting estimates for the above significant assumptions used in the previous fiscal year and assessed the reasonableness of subsequent re-estimation and the degree of estimation uncertainty. • We inquired of management to evaluate the rationality of the above significant assumptions. Furthermore, we assessed how management evaluated the effects of uncertainty including evaluation of the effects of COVID-19, conducted a comparison with actual results in previous fiscal years and industry analysis. • With the assistance of our valuation specialists, we evaluated whether the selection and application of the method, assumptions and data for measuring the recoverable amount, including the discount rate, were reasonable based on the characteristics of the CITIC Limited Group. • We independently developed a reasonable range of the recoverable amount by changing the above significant assumptions and assessed whether the recoverable amount determined by the Company was within the range.

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 judgment. 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.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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, 2021.

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, 2021, 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.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board f or 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.

ITOCHU Corporation
FINANCIAL SECTION 2021

ITOCHU Corporation

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

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