ITOCHU Corporation

Capturing New Growth Opportunities

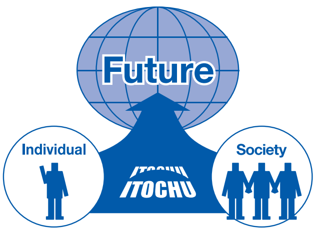
Annual Report 2010

For the Year ended March 31, 2010

Our Mission and Values～The ITOCHU Group Corporate Philosophy～

ITOCHU Mission

Committed to the Global Good



The ITOCHU group respects the individual, society, and the future in its Commitment to the Global Good.

Founded on the *sampo yoshi* management philosophy, this expresses ITOCHU's responsibility toward society and the Company's value in society.

ITOCHU Values

- Visionary
- Integrity
- Diversity
- Passion
- Challenge

To realize the ITOCHU Mission, these are the values that each employee in the ITOCHU Group should respect. These are based on the values inherited from our predecessors, which have supported, and will continue to support, ITOCHU's development.

Capturing New Growth Opportunities

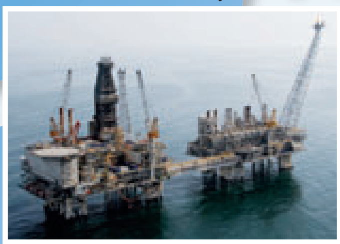
General Trading Company—The Key Phrase for Understanding ITOCHU

Adapting flexibly and constantly to changes in industrial structure has formed ITOCHU into a general trading company with a corporate format without parallel in the world. By taking full advantage of the comprehensive capabilities of that format, which spans a broad spectrum of business areas and global business initiatives, including trade, investment, general management, finance, logistics, and risk management, we will win out in new competitive environments.

Developing local brand businesses in China with Shanshan Group Co., Ltd.

The Yastreb drilling rig of the Sakhalin-1 Project in Russia

An offshore platform in the Central Azeri Oil Field in Azerbaijan

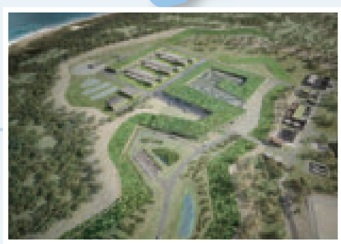


Ting Hsin Group in China and Taiwan

See page 20

Mt. Newman JV Iron Ore Mines in Western Australia

Seawater desalination PPP project in Australia



Global Reach

—Global Networks Beyond National Boarders

With 136 bases in 80 countries, ITOCHU's field of business is "the world." As we enter an era of borderless mega-competition, we will capitalize on networks with global reach and our outstanding capabilities in information gathering and analysis to open up new vistas. Currently, we are aiming to expand earnings from overseas businesses even further by becoming a truly global enterprise.

Domestic bases	15
Overseas bases	136
Overseas trading subsidiaries	73

As of March 31, 2010

General Trading Company—The Key Phrase for Understanding ITOCHU

An export grain terminal (EGT) on the west coast of the United States

Products of PrimeSource Building Products, Inc. in the United States

An example of solar power generation facilities installed by SolarNet, LLC in the United States

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Celulose Nipo-Brasileira S.A. in Brazil

NAMISA Iron Ore Mines in Brazil

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Newlands Coal Mine in Australia

Wide-Ranging of Business Areas

—Beyond Business Categories

ITOCHU's seven Division Companies and Headquarters are involved in an extremely broad array of industries. ITOCHU sets no boundaries for its business areas. ITOCHU's business areas are wherever there are business opportunities. Our current initiatives in new growing business areas include solar power generation and life & healthcare-related businesses. In addition, ITOCHU possesses a business portfolio well-balanced among the Consumer-Related Sector, the Natural Resource / Energy-Related Sector, and Other Sectors.

- Textile Company
- Machinery Company
- ICT, Aerospace & Electronics Company
- Energy, Metals & Minerals Company
- Chemicals, Forest Products & General Merchandise Company
- Food Company
- Finance, Realty, Insurance & Logistics Services Company

Human Resources

—Personnel Are the Source of Competitive Advantage

Personnel are the greatest management resource of ITOCHU as a general trading company. Each employee supports our competitive strength through their strong commitment and appetite for challenges. Accordingly, ITOCHU is advancing a global human resources strategy in order to reinforce a corporate system for all employees to fully realize their ability regardless of nationality, race, gender, or age group. In four cities around the world, Global Talent Enhancement Centers (GTECs) lead efforts to hire and foster global human resources that will shoulder ITOCHU's future.

Structure to Promote Global Human Resources Strategy

Risk Management

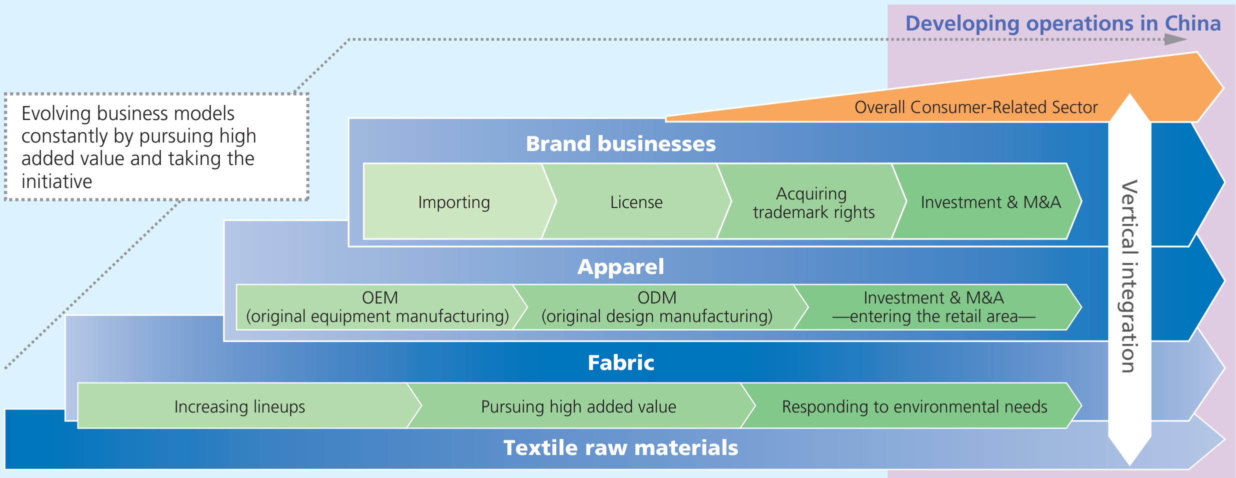
—Ever More Sophisticated

Throughout our history, we have upgraded risk management to reflect risks that have become larger and more diverse as our business model has developed from mainstay trade to a mixed operational format comprising investment and trade. The concept of "Risk Capital Management (RCM)" entails managing the entire business portfolio of ITOCHU, using "Risk Assets," the statistically calculated maximum loss that we could incur in the future, and "Risk Return Index (RRI)," the rate of return attainable from these risk assets. Currently, ITOCHU's focus is on further evolving risk management by realizing Enterprise Risk Management (ERM), which enables integrated and comprehensive risk control throughout ITOCHU.

Foresight and Flexibility

—The Key to Creating High Added Value and Taking Initiative

We have always created new business models ahead of the times by being extremely alert to signs of change. For example, we have evolved the business model of our textile operations dynamically and thereby multiplied our business lines. Anticipating the shift of the Japanese textile market to the downstream business area, we sought to strengthen our operations in the retail area. In brand businesses, ITOCHU's strategies progressed from acquiring import and marketing rights for famous overseas brands to acquiring trademark rights and investing directly in companies as a way of stabilizing long-term trade rights. That foresight and flexibility has built ITOCHU's leading position among general trading companies.

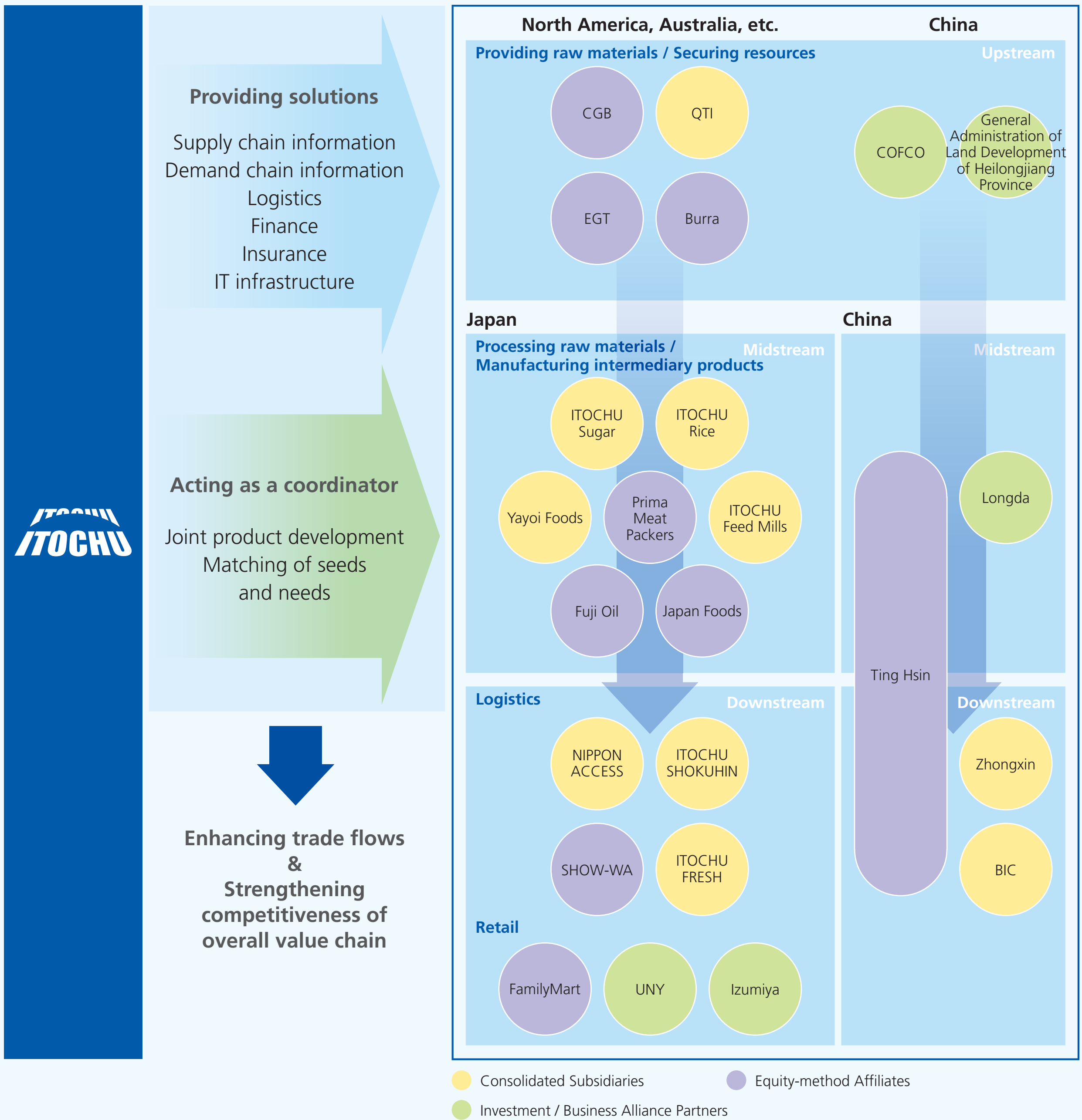


Value Chain

—Coordinating Overall Trade Flows

As a general trading company, ITOCHU is involved in trading transactions, or trade flows from raw material supply through manufacturing and processing to the sale of finished products to consumers. In these trade flows, we take advantage of our worldwide networks to provide business partners with information as well as all-round integrated solutions that cover logistics, finance, insurance, and IT infrastructure. Also, by investing in companies we have built relationships with through trade or in important companies as our partners, we reinforce value chains. And, acting as a trade coordinator, we encompass all of the trade flows in initiating product development plans with these companies and in matching seeds and needs. These initiatives further enhance overall trade flows, add value to entire value chains, and strengthen their competitiveness. ITOCHU then benefits from this added value through increases in trading revenues as well as dividend income and profits from the companies invested in. We build these value-adding combinations of trade and value chains throughout a variety of business areas at home and abroad.

An Example from the Food Business Area



Consolidated Financial Highlights

ITOCHU Corporation and Subsidiaries
Years ended March 31

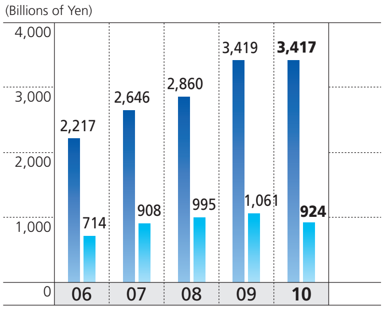
	Millions of Yen					Increase (Decrease)	Millions of U.S. Dollars
	2010	2009	2008	2007	2006	2010/2009	2010
For the fiscal year:							
Revenue	¥3,416,637	¥3,419,061	¥2,859,853	¥2,646,037	¥2,217,393	(0.1)%	$36,722
Gross trading profit	924,366	1,060,521	994,547	907,511	713,546	(12.8)	9,935
Net financial expenses*1	3,562	5,582	(7,709)	(7,555)	(7,816)	(36.2)	39
Net interest expenses*2	(25,338)	(29,457)	(32,156)	(29,218)	(26,032)	(14.0)	(272)
Dividends received	28,900	35,039	24,447	21,663	18,216	(17.5)	311
Equity in earnings (losses) of associated companies	36,269	41,304	70,238	(20,069)	51,737	(12.2)	390
Net income attributable to ITOCHU	128,153	165,390	217,301	175,856	144,211	(22.5)	1,377
At fiscal year-end:							
Total assets	¥5,476,847	¥5,192,092	¥5,274,199	¥5,288,647	¥4,809,840	5.5	$58,866
Stockholders' equity	1,098,419	849,411	973,545	892,553	724,377	29.3	11,806
Net interest-bearing debt*3	1,726,073	1,756,764	1,654,532	1,630,928	1,724,314	(1.7)	18,552
Cash flows:							
Cash flows from operating activities	¥ 295,376	¥ 276,854	¥ 65,552	¥ 235,917	¥185,147	6.7	$ 3,175
Cash flows from investing activities	(196,318)	(326,033)	(65,774)	(83,394)	(79,871)	(39.8)	(2,110)
Cash flows from financing activities	(258,987)	258,322	(81,294)	(100,920)	(85,193)	—	(2,784)
Cash and cash equivalents at end of year	475,674	628,820	446,311	532,856	477,707	(24.4)	5,113
(Reference)							
Total trading transactions*4	¥10,306,799	¥12,065,109	¥11,729,082	¥11,556,787	¥10,456,727	(14.6)%	$110,778
Adjusted profit*5	194,290	339,292	333,673	240,766	251,210	(42.7)	2,089

All figures are for fiscal years, which begin on April 1 of the years preceding and extend through March 31.
The Japanese yen amounts for the year ended March 31, 2010 have been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥93.04 = U.S.$1, the official rate of The Bank of Tokyo-Mitsubishi UFJ, Ltd., as of March 31, 2010.
*1 Net financial expenses = Net interest expenses + Dividends received
Calculation formula (Fiscal 2010: ¥ million): 3,562 = (25,338) + 28,900
*2 Net interest expenses = Interest income + Interest expense
Calculation formula (Fiscal 2010: ¥ million): (25,338) = 9,911 + (35,249)
*3 Net interest-bearing debt = Interest-bearing debt – Cash, cash equivalents and time deposits
Calculation formula (Fiscal 2010: ¥ million): 1,726,073 = 2,209,270 – 483,197
*4 Total trading transactions consist of sales with respect to transactions in which the companies act as principal and the total amount of transactions in which the companies act as agent.
*5 Adjusted profit = Gross trading profit + Selling, general and administrative expenses + Net financial expenses + Equity in earnings (losses) of associated companies
Calculation formula (Fiscal 2010: ¥ million): 194,290 = 924,366 + (769,907) + 3,562 + 36,269

	Yen (Unless otherwise specified)					Increase (Decrease)	U.S. Dollars
	2010	2009	2008	2007	2006	2010/2009	2010
Per share:							
Net income attributable to ITOCHU	¥ 81.09	¥104.64	¥137.46	¥111.19	¥ 91.15	(22.5)%	$0.87
Stockholders' equity	694.98	537.43	615.89	564.48	457.93	29.3	7.47
Cash dividends	15.0	18.5	18.0	14.0	9.0	(18.9)	0.16
Ratios:							
Gross trading profit ratio (%)	9.0	8.8	8.5	7.9	6.8		
ROA (%)	2.4	3.2	4.1	3.5	3.1		
ROE (%)	13.2	18.1	23.3	21.8	23.4		
Ratio of stockholders' equity to total assets (%)	20.1	16.4	18.5	16.9	15.1		
Net debt-to-equity ratio (NET DER) (times)	1.6	2.1	1.7	1.8	2.4		
Interest coverage (times)	5.3	7.2	6.2	6.6	5.7		

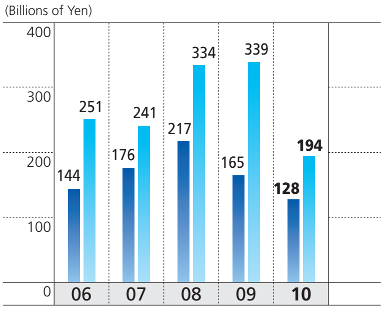
Net income attributable to ITOCHU per share and stockholders' equity per share are calculated by using the shares that exclude the number of treasury stock from that of common stock issued.

Revenue / Gross Trading Profit



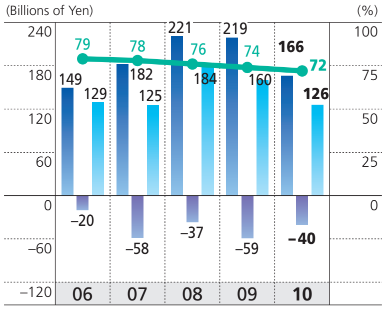
Revenue
Gross Trading Profit

Net Income Attributable to ITOCHU / Adjusted Profit



Net Income Attributable to ITOCHU
Adjusted Profit

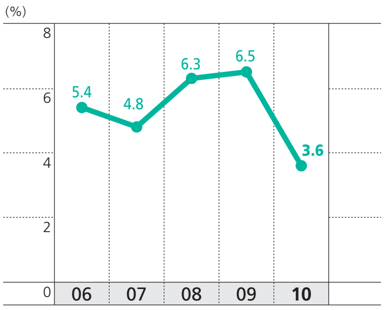
Net Income (Loss) Attributable to ITOCHU from Subsidiaries and Equity-Method Associated Companies



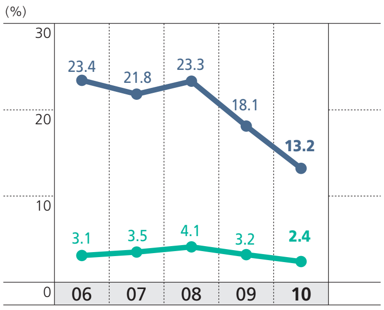
*Includes overseas trading subsidiaries
Companies Reporting Profits (left)
Companies Reporting Losses (left)
Net Income from Subsidiaries and Equity-Method Associated Companies (left)
Share of Group Companies Reporting Profits (right)

Share of Group Companies Reporting Profits are calculated by using the numbers of companies within the scope of consolidation based on companies in which the Company or its overseas trading subsidiaries invest directly.

Ratio of Adjusted Profit to Total Assets

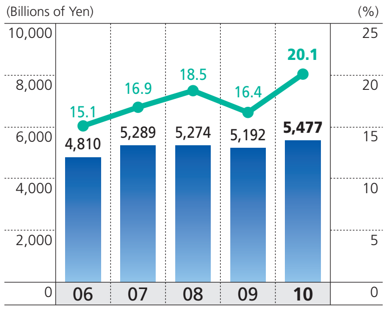


ROE / ROA



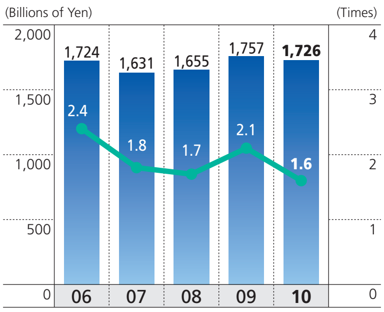
ROE
ROA

Total Assets / Ratio of Stockholders' Equity to Total Assets



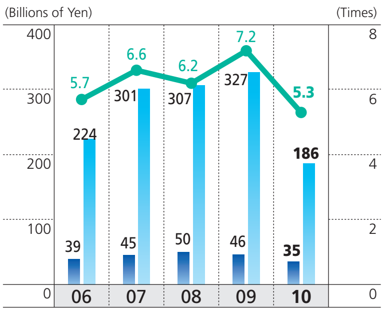
Total Assets (left)
Ratio of Stockholders' Equity to Total Assets (right)

Net Interest-Bearing Debt / NET DER



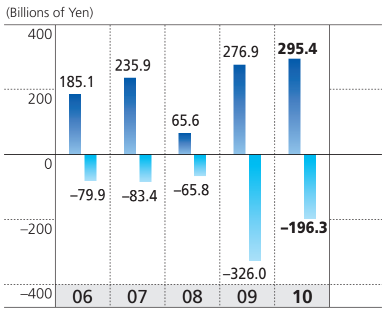
Net Interest-Bearing Debt (left)
NET DER (right)

Interest Coverage



Interest Expense (left)
Gross Trading Profit, SG&A Expenses, Provision for Doubtful Receivables, Interest Income, and Dividends Received (left)
Interest Coverage (right)

Cash Flows



Cash Flows from Operating Activities
Cash Flows from Investing Activities

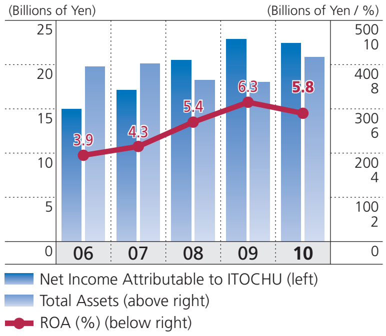
ITOCHU Corporation and Subsidiaries
Years ended March 31

Textile Company

Main Products and Services

- Textile materials
- Fabrics
- Apparel products
- Fashion goods and accessories
- Industrial textiles
- Branded products based on total lifestyle-theme including apparel, food, and living

Net Income Attributable to ITOCHU / Total Assets / ROA

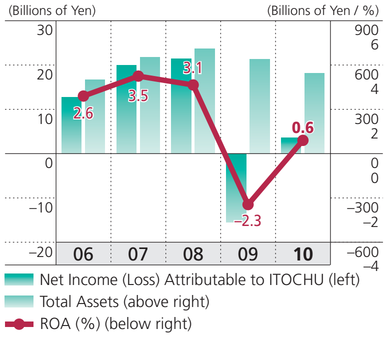


Machinery Company

Main Products and Services

- Gas, oil, and petrochemical plants
- Ships • Automobiles
- Rolling stock
- Power-generating equipment
- Construction machinery
- Devices and businesses related to water resources and the environment
- Devices and businesses related to renewable and alternative energy
- IPP / IWPP (independent power provider / independent water power provider) and investment, project development, operational management, and maintenance related to other social / industrial infrastructure

Net Income (Loss) Attributable to ITOCHU / Total Assets / ROA

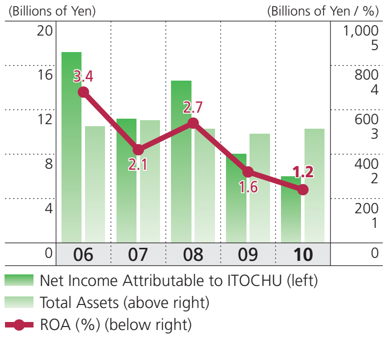


ICT, Aerospace & Electronics Company

Main Products and Services

- Systems and related equipment for computers and information processing
- Internet-related business
- Programming supply and entertainment-related business
- Broadcasting and communication business
- Equipment for broadcasting and communication services
- Mobile equipment and services
- Aircraft and in-flight equipment
- Air transportation management systems
- Space-related equipment
- Security equipment • Industrial machinery
- Semiconductor equipment
- Electronic devices / electronics-related equipment

Net Income Attributable to ITOCHU / Total Assets / ROA

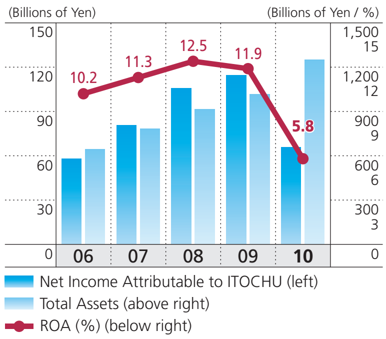


Energy, Metals & Minerals Company

Main Products and Services

- Iron ore
- Coal
- Aluminum
- Steel scrap
- Steel products
- Crude oil
- Petroleum products
- LPG
- LNG
- Nuclear fuel
- Bioethanol
- Natural gas
- Emission credits
- Biomass

Net Income Attributable to ITOCHU / Total Assets / ROA

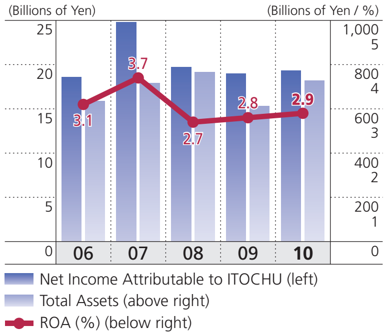


Chemicals, Forest Products & General Merchandise Company

Main Products and Services

- Building materials
- Logs and lumber
- Woodchips, pulp, paper
- Biomass fuels (woodchips, pellets, etc.)
- Natural rubber, tires
- Cement, glass, ceramic products
- Shoes
- Basic chemicals
- Fine chemicals
- Pharmaceutical products
- Inorganic chemicals
- Plastics
- Various consumer products
- Rechargeable-battery-related materials

Net Income Attributable to ITOCHU / Total Assets / ROA

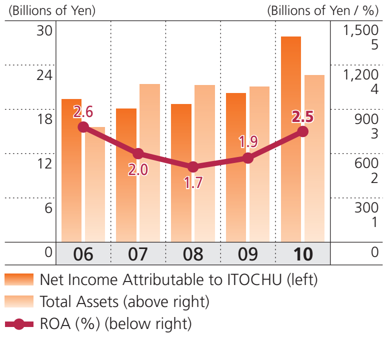


Food Company

Main Products and Services

- Wheat and barley
- Vegetable oils
- Soybeans and corn
- Beverage materials (juice, coffee)
- Sugar, sweeteners
- Dairy products
- Marine, livestock, and agri products
- Frozen foods
- Processed foods and pet foods
- Soft drinks and liquor

Net Income Attributable to ITOCHU / Total Assets / ROA

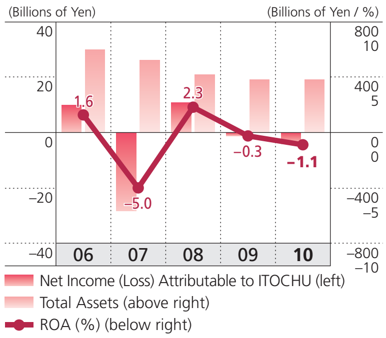


Finance, Realty, Insurance & Logistics Services Company

Main Products and Services

- Foreign exchange and securities trading, asset management business
- Loans • FX margin account trading
- Credit card / shopping credit
- Other financial services
- Property development, sales and purchase, and asset management
- Brokerage and advisory service
- Equity investment to funds
- Private finance initiatives (PFIs)
- House construction
- REIT management • Golf courses
- Insurance agent and insurance broker
- Domestic and international 3PL
- Chartering

Net Income (Loss) Attributable to ITOCHU / Total Assets / ROA



ITOCHU is stepping up its pace in taking on challenges and innovative changes and endeavors to further strengthen earning power. Fostering an open and active corporate culture that encourages individuals to maximize their skills, we are strengthening workforce capabilities as we strive to become an enterprise that is highly attractive to all stakeholders.

Masahiro Okafuji
President & Chief Executive Officer

Masahiro Okafuji

President & Chief Executive Officer

April 1974
Joined ITOCHU Corporation

April 1997
General Manager, Apparel Department 3

April 2002
Chief Operating Officer, Brand Marketing Division

June 2002
Executive Officer

April 2004
Managing Executive Officer, President, Textile Company

June 2004
Managing Director

April 2006
Senior Managing Director

April 2009
Executive Vice President

April 2010
Appointed to current position

Earn, Cut, and Protect to Reach Targets

My name is Masahiro Okafuji, and I was appointed President and Chief Executive Officer in April 2010. Mindful of ITOCHU's *Committed to the global good* Mission, I am determined to pursue business management that continuously increases corporate value.

Looking at the global economy, in the first half of the fiscal year ended March 31, 2010, the worldwide economic recession that began in the preceding fiscal year continued to affect business conditions. However, the impact of respective countries' large-scale economic stimulus measures and easing of monetary policies generated a shift toward a phase of gradual recovery in the second half. Slumping market conditions—such as lackluster market prices for raw materials and energy, particularly in the first half—and a downturn in the real economy affected ITOCHU's business results. Consequently, we recorded year-on-year decreases of 13% in gross trading profit, to ¥924.4 billion, and 23% in net income attributable to ITOCHU, to ¥128.2 billion.

We made progress in our medium-term management plan, Frontier[e] 2010 (from fiscal 2010 to fiscal 2011). In the year under review, the first year of this plan, we made a number of new strategic investments as we consolidated foundations in the growing markets with our sights set on a full-fledged rebound following the global recession. Specifically, we completed our investment in TING HSIN (CAYMAN ISLANDS) HOLDING CORP., and took measures to ensure early returns on Brazil's Nacional Minérios S.A. (NAMISA). In L-I-N-E-s, we have steadily developed future sources of earnings in the Environment & New Energy and Life & Healthcare business areas. Meanwhile, by increasing stockholders' equity and controlling interest-bearing debt, we have achieved a net debt-to-equity ratio (NET DER) of 1.6 times, surpassing our initial target and reinforcing our financial base. As for fiscal 2011, the final year of Frontier[e] 2010, we aim to achieve gross trading profit of ¥1,080 billion and net income attributable to ITOCHU of ¥160 billion. To realize these targets, we are making thoroughgoing efforts in line with three new management principles: earn (boost earnings), cut (reduce expenses), and protect (avoid losses).

Strengthening Workforce Capabilities

The simultaneous worldwide recession has drastically changed the business environment. We are in the midst of turbulent change, which cannot be predicted based on past experience. To win out in the global market, clearly we must adapt our methods to suit changing times rather than simply extending past efforts. Accordingly, we will redouble efforts to take on challenges and innovative changes and strengthen our earning power. Further, to enable those efforts, we will strengthen workforce capabilities by regaining the open and active corporate culture that is our tradition. ITOCHU is sure to become even stronger by fully realizing the capabilities of individuals, its inherent strength.

I have inherited a tradition that my predecessors have built over more than 150 years. ITOCHU will make a concerted effort to continue this tradition into the future. I would like to ask all our stakeholders for their continued understanding and support.

July 2010

ITOCHU, Now and in the Future, in the Words of President Masahiro Okafuji

Enhancing Earning Power by Accelerating Innovative Changes and Strengthening Workforce Capabilities

Looking Back on the First Year of Frontier[e] 2010

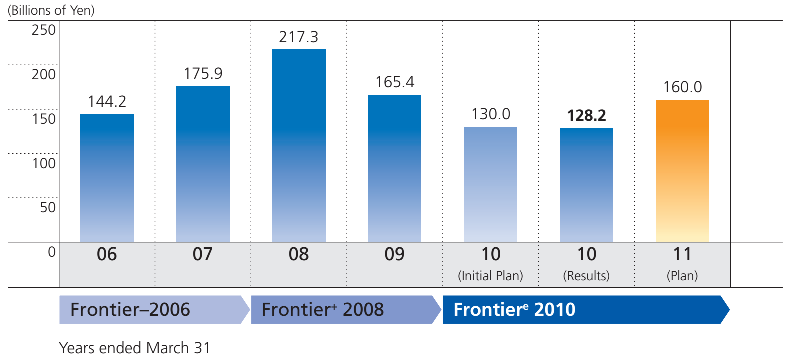
Please analyze and evaluate ITOCHU's performance during fiscal 2010.

Looking back on the business conditions in fiscal 2010, in the first half we saw the ongoing effects of the economic recession that lingered on from the preceding fiscal year. As we moved into the second half, however, the global economy began to recover, spurred by economic buoyancy in emerging countries. Prices of raw materials and energy also rebounded to a notable degree in the second half. For the full year, however, lackluster first-half performance weighed down performance, as prices of raw materials and energy were down substantially in a year-on-year average comparison. Sluggish recoveries in the areas of construction machinery and automobiles, ICT, and financial services also contributed to a decline of net income attributable to ITOCHU during the fiscal year. That being said, although we slightly undershot our initially planned figure of ¥130 billion, we came very close to achieving this objective.

A look at our quantitative performance by segment demonstrates the tenacity of our earnings structure. A differentiating feature of ITOCHU is that in addition to businesses in the Natural Resource / Energy-Related Sector, it has strong businesses in the Consumer-Related Sector, which includes the apparel, food, and living categories. During the year, although the Energy, Metals & Minerals Company posted a substantial decline in earnings, the Food Company posted record earnings thanks to a robust performance from existing operations and successful new investments. The Textile Company and the Chemicals, Forest Products & General Merchandise Company also maintained earnings at the same level year on year, contributing to the overall performance of ITOCHU.

In heavy industries, such as machinery, we still need to address the issue of building a business model that is relatively impervious to economic fluctuations. On a companywide basis, however, I believe that our performance in the face of strong headwinds is acceptable, evincing a robust earnings structure.

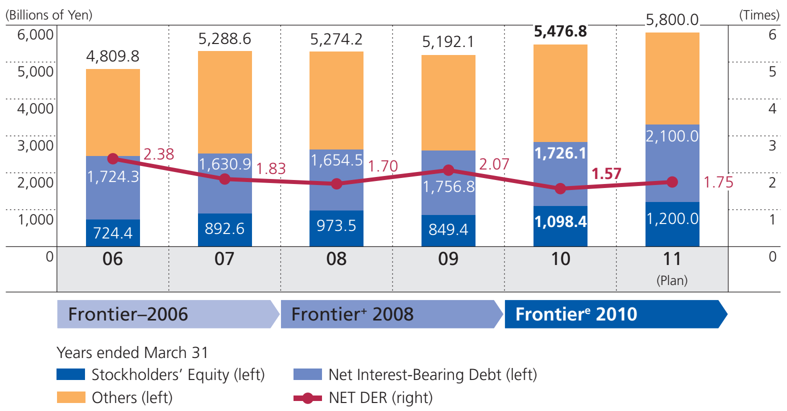
Net Income Attributable to ITOCHU



What progress did you make in strengthening ITOCHU's financial position?

NET DER in fiscal 2009, worsened to 2.1 times due to an increase in interest-bearing debt resulting from such strategic investments as that in NAMISA and a decrease in stockholders' equity caused by yen appreciation and a stock market downturn. For ITOCHU, NET DER is a key indicator of the strength of its financial position. Improving this ratio is important because it will enable us to maintain flexibility in implementing future strategies. To this end, we worked to steadily increase net income attributable to ITOCHU and continued with stringent controls on interest-bearing debt. As a result, we succeeded in improving NET DER to 1.6 times, bettering our target of 2.0 or less. As of March 31, 2010, stockholders' equity exceeded ¥1 trillion for the first time on a fiscal year-end basis. Therefore, I regard fiscal 2010 as a year in which we successfully strengthened our financial position. Maintaining the strength of our financial position as an important management task, we set out a NET DER target of 1.75 times for fiscal 2011.

Consolidated Balance Sheets



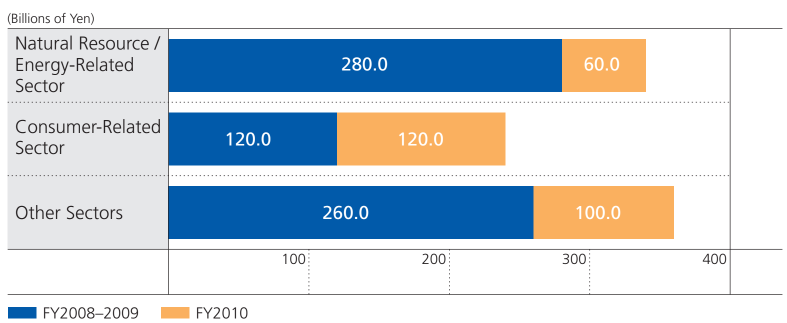
Please outline progress on the key measure to expand and improve earnings platforms.

We made carefully selected investments in the fiscal year ended March 31, 2010. New investments totaled ¥60 billion in the Natural Resource / Energy-Related Sector, ¥120 billion in the Consumer-Related Sector, and ¥100 billion in Other Sectors, which include automobiles, ICT, chemicals, and financial services. Our total gross investment, therefore, was ¥280 billion, and net investment came to ¥240 billion.

Within the Natural Resource / Energy-Related Sector, our natural resource-related investments included capacity expansion through a joint venture with BHP Billiton Group related to the Western Australian iron ore business. In addition to acquiring an equity interest in NAMISA mines in Brazil, we are steadily developing these operations to meet growing demand for iron ore. On the energy front, we decided to move ahead with an investment in the Chirag Oil Project on the Azeri-Chirag-Gunashli (ACG) Oil Field in the Caspian Sea. Investment in this project, which is slated to commence production in 2013, will substantially boost production attributable to ITOCHU.

In the Consumer-Related Sector, investment initiatives outperformed expectations. In particular, I believe we secured a stronger foothold in China's burgeoning consumer market, an increasing focus of attention. In food-related investments, we concluded an investment in TING HSIN (CAYMAN ISLANDS) HOLDING CORP., a leading food business group in China. Completing a value chain centered on this

Investment Plan



FY2011 (plan)

Gross	¥250.0 billion
Net	¥150.0–¥200.0 billion

company will play a major role in propelling forward our Strategic Integrated System (SIS) strategy in China. In addition, the investment has a strategic significance in terms of bolstering our presence in the Japanese food product market. Related to textiles, we invested in Shanshan Group Co., Ltd., in fiscal 2009 and we fostered cooperative relationships, mainly through the brand business, with a view to expanding sales within China. In collaboration with the Shanshan Group, we also steadily expanded the scope of operations that extend beyond the boundaries of the textile business. Meanwhile in Japan, we also made major companies such as JAVA HOLDINGS CO., LTD., and LEILIAN CO., LTD., subsidiaries.

In Other Sectors, through public tender offers we acquired additional stakes in C.I. Kasei Co., Ltd., and i-LOGISTICS CORP. (now, ITOCHU LOGISTICS CORP.), which we made unlisted subsidiaries. Positioning these companies as core subsidiaries in their respective business areas of plastics processing and logistics, we expect to derive synergies from joint business development in Japan and overseas.

How is ITOCHU developing new businesses in the L-I-N-E-s areas?

We must develop new pillars of future earnings while working to grow earnings bases in the Consumer-Related Sector, which is a source of stable earnings, and in the Natural Resource / Energy-Related Sector. To this end, we will accelerate development in the L-I-N-E-s business areas, particularly in the areas of energy storage devices, water resources, solar power generation, and life care.

During fiscal 2010, we made particularly good progress on initiatives surrounding the energy storage device business. As demand growth is expected for large lithium-ion batteries for use in electric vehicles (EVs) and hybrid vehicles, we made an aggressive move to collaborate with Toda Kogyo Corp. This company specializes in cathode materials, which are an important contributor to battery performance. We moved forward in our joint venture businesses in the United States and Canada, and made a joint investment in a prominent Chinese manufacturer of cathode materials within the Shanshan Group.

In the solar power generation business, we continued to build a solar value chain—a vertically integrated business ranging from upstream materials to downstream power generation and system integration businesses. By bringing competitive companies into the ITOCHU Group, we are building a three-pronged structure: Japan, the United States, and Europe. We are also looking proactively for solid companies in the Healthcare Business for inclusion in our medical value chain. Particularly noteworthy was our investment during fiscal 2010 in Watakyu Seimoa Corporation, which boasts a substantial share of the medical and welfare services market. We expect this company to raise our competitive position in the Healthcare Business.

In the area of water resources, we, as a member of a consortium, won a contract for the world's largest seawater desalination project in Australia. The desalination plant is currently under construction and is slated for completion in 2011. We plan to step up initiatives in this business area, which has the potential to grow globally.

What about progress on the key measure to strengthen foundations of earning power?

Owing to the simultaneous worldwide recession, the percentage of affiliates reporting profits fell, pointing to the need to improve the profitability of our affiliates. Targeting future growth, we will accelerate the replacement of assets in the fiscal year ending March 31, 2011. Assets that generate low earnings and profitability are targeted for replacement. We will also take an aggressive approach toward replacing assets, not only from the view point of profitability and efficiency but also based on consideration of strategic significance.

ITOCHU and the Chinese Market

China's importance is increasing in the global economy.

It has become almost a universally accepted truth that global economic recovery hinges on the Chinese economy. Particularly impressive has been the phenomenal speed with which the presence of China as a consumer market is increasing, supported by the government's measures to stimulate domestic market demand after the simultaneous worldwide recession. For example, China is already the world's largest market for automobiles, based on unit sales of new cars. The affluent and mid-income segments of the population are expanding rapidly, and markets are expanding geographically from the coastal cities further inland. These economic developments suggest that markets have ample leeway for further expansion. Companies throughout the world are gathering for the chance to enter the country's huge consumer markets. In addition to consumer markets, China offers seemingly limitless business potential in its demand for resources and energy, logistics infrastructure, rail and roadway transportation infrastructure, and water and environmental / energy conservation businesses. These areas present business opportunities for ITOCHU, due to the breadth of its operations as a general trading company.

ITOCHU and Shanshan Group Co., Ltd., conclude a capital and operational tie-up

What makes ITOCHU strong in China?

History is the answer. The Chinese market is noted for differences in business culture and environment, which make it extremely difficult for foreign companies to operate business successfully alone. Since 1972, when we became the first general trading company to enter the Chinese market, we have cultivated personal relationships, developed networks, and established a team of professionals with business expertise relating to China. As Chinese people tend to respect greatly trust-based relationships, personal connections are an important business tool. Such relationships cannot be built overnight. On the other hand, trust-based relationships that are in place tend to spawn new relationships that lead to even greater business opportunities.

At present, being able to enter partnerships with prominent Chinese companies that are well acquainted with local business is our advantage. ITOCHU enjoys that advantage because it began laying the steppingstones for involvement in Chinese business long before China's market began attracting attention.

Future Management Policy

Please share your thoughts on further strengthening basic earning power.

For a company to develop sustainably, it needs to set milestones and, upon reaching these milestones, conduct reviews of its achievements. ITOCHU holds equity interests in the upstream Natural Resource / Energy-Related Sector. Strong market prices through 2008 were of unquestionable benefit to our earnings base. Also, we were able to explore business opportunities relatively easily thanks to the favorable management environment. However, altogether different market conditions prevail in the wake of the simultaneous worldwide recession. Opportunities no longer present themselves. Rather, current conditions require proactive efforts to develop opportunities.

You have spoken of strengthening workforce capabilities.

As my experience to date has put me into constant contact with consumers, I am confident that the basis of business is to look at business from a consumer viewpoint. Salespeople must get out into the market, where they can gain a visceral understanding of the changes that are taking place all around them, see new business opportunities, and take the lead in forging new business models. The same attitudes are required for administrative divisions. Visiting operational frontline sites can help them function from an entirely new perspective. Strengthening workforce capabilities requires creating an environment that encourages individuals to maximize their skills. Looking back at the past, over the years ITOCHU employees operated at their own discretion and created businesses. This may partly be attributable to our origins as an independent trading company. Unfortunately, this characteristic "ITOCHU quality" seems to have faded in recent years. I would like us to return to an open and active corporate culture in which people take on challenges without worrying about failure excessively.

To achieve this goal, we began revising the various regulations that hamper sales activities. When the economy is strong, business opportunities tend to become large. Some of these involve relatively high levels of risk, and stringent rules may be necessary to rein in that risk. This is like carefully using the brakes when driving an automobile on an expressway. But the current environment is different. It is often said that "businesses are living things, always changing." Such change has become more drastic, and spending undue energy worrying about risk prevents companies from taking advantage of opportunities. We need to review our organization and rules from the viewpoint of enabling sales personnel to be nimble and free to take expeditious advantage of opportunities. When driving up a slope, your foot needs to be on the accelerator. Recently, ours has been on the brakes. By no means do I disregard risk control. I believe that employees should not be overly shackled by rules and should have a certain amount of leeway to operate at their own discretion while minimizing risk. Building a structure that encourages this type of autonomy will strengthen workforce capabilities. I plan to spend one year in promoting this objective.

Looking at business from a consumer viewpoint will not, on its own, guarantee a company's survival in current-day markets, with their blindingly quick shifts. For example, I have been involved in the textile business. Boasting No. 1 sales in the brand business among Japanese trading companies, we are without peer. We owe our standing today to frontline operations that have, amid significant changes in market structures, always created new business models based on two principles: taking the initiative and pursuing added value. We must continue to study the peculiarities of individual markets, add value, and seize the business initiative. I will ensure these principles permeate the entire company.

How do you intend to boost earnings during the final year of Frontier[e] 2010?

Our numerical targets for fiscal 2011, the final year of Frontier[e] 2010, are gross trading profit of ¥1,080 billion and net income attributable to ITOCHU of ¥160 billion. To achieve these goals, I aim to thoroughly implement the three new management principles: "earn," "cut," and "protect."

"Earn" means that we will continue to strengthen workforce capabilities, as I mentioned earlier. At the same time, we will promote carefully selected new investment projects, while replacing assets by withdrawing from businesses that we have less reason to hold. In this way, we will expand and improve our earnings platforms. Also, we will reform the rules and standards that do not reflect the particular characteristics of individual businesses. ITOCHU comprises seven Division Companies. We will set the performance criteria even higher for highly profitable businesses or businesses in markets with strong growth potential to make them even more robust. At the same time, for businesses in difficult business environments we will establish reasonable targets commensurate with their circumstances, helping them to regain earning power. Thus, our target-setting and business development policies will vary for different types of business. While avoiding the risk of over-concentration in specific businesses, we will prioritize our investments in areas that promise high levels of growth, thereby maximizing earnings.

Next, we will "cut," meaning to reduce expenses. Although the business environment is on a recovery trend, we will not take this upturn for granted in the way we conduct our operations. ITOCHU and its affiliates still have room to cut costs. We will review all manner of expenses, as we work to engineer a turnaround in Group earnings.

The final principle is "protect." This principle refers to maximizing final profits by omitting "leakage." By upgrading risk management, we will remain vigilant to prevent bad debt losses as well as investment-related losses.

What closing message would you like to send stakeholders?

I would like to emphasize to stakeholders that ITOCHU is a company with great potential. Our Natural Resource / Energy-Related Sector is well balanced in terms of products and geographic regions, and we have a strong Consumer-Related Sector. We are also poised to make steady progress in China, and we have the leeway to improve our earning power. I promise that, by thoroughly implementing the three principles of "earn," "cut," and "protect," we will realize our potential and work to meet stakeholders' expectations.

Throughout its history spanning more than 150 years, ITOCHU has developed an open and active corporate culture and a willingness to take on challenges without being overly hampered by risks. We will reinstate this culture, as we work to become an even more attractive company. Going forward, we will do our utmost to meet the expectations of all of our stakeholders.

Special Features

Capturing New Growth Opportunities

ITOCHU as a general trading company has a distinctive presence in global markets. Typically, general trading companies are set apart by their approach of "maximizing profits by leveraging a range of capabilities through combinations of trade and investment." They do not own production facilities. They do, however, concentrate the distinctive features of a wide range of businesses into a single entity, and as a result, they have business models that are more diverse and more complex than those of other companies.

In new growth fields, general trading companies are currently caught up in intense competition that transcends industries and national borders. In this feature, case studies are used to illustrate the approach of ITOCHU, as a general trading company, to growing fields, and how that approach differs from those of companies in other industries.

Capturing New Growth Opportunities 1

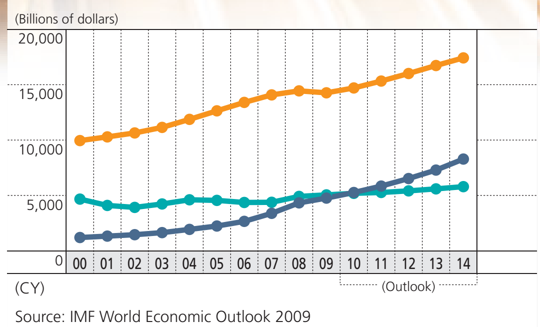
Opening Up the Massive Consumer Market in China

GDP Growth of 8.7%

In 2009, when developed countries remained mired in turmoil, China became the first market to recover, supported by 4 trillion yuan of economic stimulus measures. Accompanying urbanization, social infrastructure development is generating a variety of business opportunities, such as strong demand for steel. Since the second half of the 1990s, China has been transformed from “the world’s factory” into “the world’s consumer market,” primarily along its coastal region. With increasing disposable incomes, consumer values are changing to a stronger orientation toward “safety and security.” Under the leadership of the government, consumer markets are being expanded to inland areas as well.

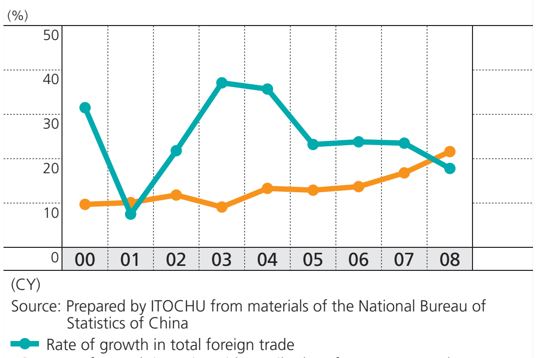
In the near future, China is expected to surpass the United States and become the world’s largest economy. Companies around the world, especially those in developed countries that are confronting the reality of sluggish growth in their own markets, are focusing their attention on the huge consumer market—the 1.3 billion people in China.

Nominal GDP

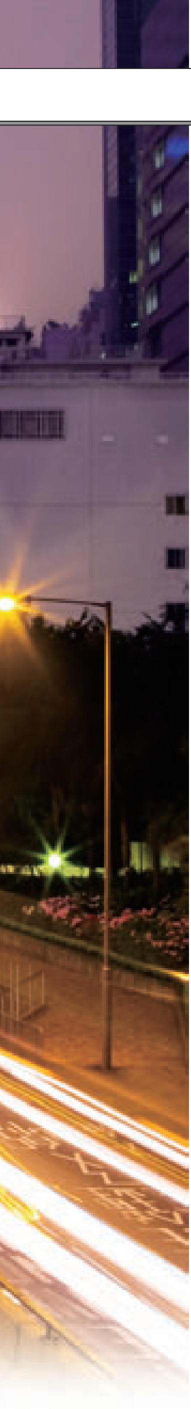


Source: IMF World Economic Outlook 2009

Transition from “the World’s Factory” to “the World’s Consumer Market”



Source: Prepared by ITOCHU from materials of the National Bureau of Statistics of China



ITOCHU's Strategy as a General Trading Company in China

Our Biggest Asset: Relationships of Trust with Leading Partners

In March 1972—half a year before the normalization of Sino-Japanese diplomatic relations— ITOCHU became the first general trading company to resume trade between Japan and China by obtaining formal ratification from China's State Council. Since that time, we have invested management resources continuously and intensively, based on our belief in the future potential of the market. We have built our current competitive foundation in China over a period of 40 years. That foundation includes 17 branches and offices, in the top ranks among general trading companies, personnel with extensive knowledge of China, a broad network of personal contacts, and know-how needed to be successful in the Chinese market.

China can be a difficult market for foreign companies. It is not easy to establish a sales network and build brand status independently in China, where business practices and consumer preferences are substantially different from those in other countries. The secret of success in business ventures in China is the establishment of mutual relationships of trust with business partners. ITOCHU already recognized the potential of the Chinese consumer market in the 1980's through hands-on experience. Rather than short-term profits, we gave priority to building relationships of trust with leading companies that have competitive products or sales and distribution networks. It goes without saying that these relationships were not built overnight. Our investment in one of China's leading major conglomerates—Shanshan Group Co., Ltd., (28% ownership) in February 2009 is the product of cooperative ventures extending back over 15 years. In addition, our strategic alliance with the Ting Hsin Group and our investment in TING HSIN (CAYMAN ISLANDS) HOLDING CORP., which will be discussed in more detail later in this report, are based on relationships of trust established by generations of ITOCHU leaders. In fact, the strong relationships of trust built up with these leading companies are ITOCHU's greatest asset and competitive advantage.

ITOCHU in China: 40 Years of Growth

1972	Obtained ratification for the resumption of Sino-Japanese trade (first general trading company).
1979	Established a representative office in Beijing (first general trading company)
1992	Established a local trading subsidiary in Shanghai (first general trading company)
1993	Obtained approval for an umbrella company (first general trading company)
2005	Obtained approval for multinational company "regional headquarters" (first general trading company)
2009	Invested in Shanshan Group Co., Ltd.
2009	Invested in TING HSIN (CAYMAN ISLANDS) HOLDING CORP.

Aiming for Mutual Development through the Establishment of Win-Win Relationships

We will explain our distinctive approach as a general trading company in the Consumer-Related Sector, where we have strengths compared with other general trading companies.

As it is essential in business to build win-win relationships with partners, we believe that our partners should be the main players. On the other hand, ITOCHU helps its partners to increase their competitiveness by providing management know-how and leveraging the strengths of a general trading company, such as organizing alliances. A good example is our relationship with the Shanshan Group, which got its start in the area of textiles but has expanded its business domain to the areas of natural resources and energy, electronic components, food, finance, and real estate. We are expanding the scope of this relationship, which entails cooperative initiatives in brand businesses, in which ITOCHU has notable strengths, as well as in such businesses as real estate development and lithium-ion batteries. These cooperative initiatives reflect the expectations of the Shanshan Group towards ITOCHU's supporting functions in various fields. ITOCHU can actively contribute to trade flows through the establishment of joint ventures and through direct investment in holding companies. In particular, in the Consumer-Related Sector, we are moving forward with the construction of a value chain that extends from upstream to downstream. There are two main goals. The first is the multifaceted expansion of trade through the activation of trade flows, and the second is growth in business income and dividend income accompanying increases in the enterprise value of the companies in which we have invested.

The following pages provide a detailed explanation, using as an example our operations in the food business area, which reached a major turning point with our investment in the Ting Hsin Group.

The Road to ITOCHU's Investment in the Shanshan Group

1993	Began to commission production of products for Japan
Around 2000	Searched for tie-ups in brand businesses in the Chinese market
November 2001	Established JIC GARMENTS (NINGBO) LTD., a brand-related joint venture. Began joint initiatives for Marco Azzali brand.
2004	Established joint ventures, LE COQ SPORTIF (NINGBO) CO., LTD. and RENOMA (NINGBO) APPAREL CO., LTD.
January 2009	Reached agreement on acquisition of shares in Shanshan Group Co., Ltd.
From 2009	Taking advantage of the business tie-up, actively provided ITOCHU's management resources and further opened up the Chinese market. Advanced cooperative ventures in a wide range of business areas, such as lithium ion batteries.

A Key Foundation in a 1.3-Billion-Huge Consumer Market

Strategic Tie-up with the Ting Hsin Group Drives Significant Advances in ITOCHU's China SIS Strategy

Ting Hsin: A Major Food Business Group with Operations in China and Taiwan

In November 2008, a signing ceremony was held for ITOCHU's investment in TING HSIN (CAYMAN ISLANDS) HOLDING CORP., through which ITOCHU acquired shares and underwrote a third-party allocation of new shares from TING HSIN (CAYMAN ISLANDS) HOLDING CORP. It was a moment for commemoration of the success of the relationship of trust built up over many years between the Ting Hsin Group, a major food business group with operations in China and Taiwan, and ITOCHU, which has placed first priority on the Chinese market for many years. At the same time, it was also a moment in which ITOCHU's China food strategy entered a new phase.

Tingyi (Cayman Islands) Holding Corp., which is the Ting Hsin Group's largest operating company and is listed on the Hong Kong Stock Exchange, has recorded sales growth of 2.75 times over the past five years. In fiscal 2009, it recorded sales of more than $5.0 billion, and at the end of December 2009, its total stock market capitalization was more than HK$100.0 billion (about ¥1.2 trillion). With outstanding brand strength and growth potential, it is one of China's leading food manufacturing companies.

Tingyi, a manufacturer of processed food products such as noodles, beverages, and confectionary, has, on a unit basis, a 41.7% share of the instant noodle market in China, which is the world's largest consumer market for instant noodles, and it is recording sales growth of more than 10% year on year. In addition, in more than 10 years since it entered the beverage business, Tingyi has built the leading brand in the bottled tea and water category. On a unit basis, it has a 50.4% share of the tea beverage market and a 21.4% share of the bottled water market. It is recording sales growth of more than 30% in the beverage market. These figures alone demonstrate the potential of the Chinese market and the strength of Tingyi's brand in China*. Furthermore, it has introduced the latest production lines, and, to a similar extent to Japanese companies, it recognizes quality control as a management risk and has established rigorous hygiene standards. Under the motto "No. 1 in Asia in quality," it has overwhelming brand strength in China. Moreover, the Ting Hsin Group has independently built China's largest sales and distribution network, and it is focusing assiduously on human resources development. It is unstinting in the use of post-tax profits, allocating 3% for human resources development. More than anything else, the Ting Hsin Group is deeply knowledgeable about the Chinese market. The relationship between this huge food business group and ITOCHU dates back to the signing of a comprehensive strategic alliance agreement in 2002. * Source: Tingyi 2009 Annual Report

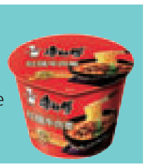
The Ting Hsin Group: An Overwhelming Market Presence

(Tingyi (Cayman Islands) Holding Corp: The Group's largest operating company)

2.75 times Sales growth over the past five years

About ¥1.2 trillion Total market capitalization*

41.7% Share of instant noodle market



50.4% Share of tea beverage market

21.4% Share of bottled water market

* Listed on Hong Kong Stock Exchange; as of the end of 2009

Relationships of Trust Built Up Over Time

Since ITOCHU started its strategic alliance with the Ting Hsin Group in 2002, successive generations of ITOCHU leaders have taken the lead in advancing personnel exchanges. In fields ranging from raw material procurement to distribution, ITOCHU has pursued an array of possibilities to support the operational expansion of the Ting Hsin Group. Over that period, ITOCHU has served as an intermediary in a substantial number of joint ventures. These include convenience store operations with FamilyMart Co., Ltd., production of beverages with Asahi Breweries, Ltd., production and sales of beverages with Kagome Co., Ltd., production and sales of premix flour with Nippon Flour Mills Co., Ltd., and China's first mass production bread operations with Shikishima Baking Co., Ltd. Japanese partner companies have been able to establish a bridgehead in the Chinese market, with its 1.3 billion consumers, and the Ting Hsin Group has been able to expand its operations while simultaneously benefitting from Japan's world-leading production and hygiene technologies. ITOCHU, meanwhile, has been able to expand its business opportunities in mainland China. Our largest investment in China was made possible by the steady and step-by-step cultivation of relationships of trust in this manner, whereby the partners compensate for each other's weaknesses and leverage each other's strengths.

Participation in the Ting Hsin Group's management has further strengthened the mutually supportive relationship between ITOCHU and the Ting Hsin Group. As the Ting Hsin Group records sustained growth and turns its attention to global markets, ITOCHU's know-how in such areas as business management and internal control will be a major source of strength. Through this relationship, ITOCHU has been able to give shape to its China SIS (Strategic Integrated System) strategy.

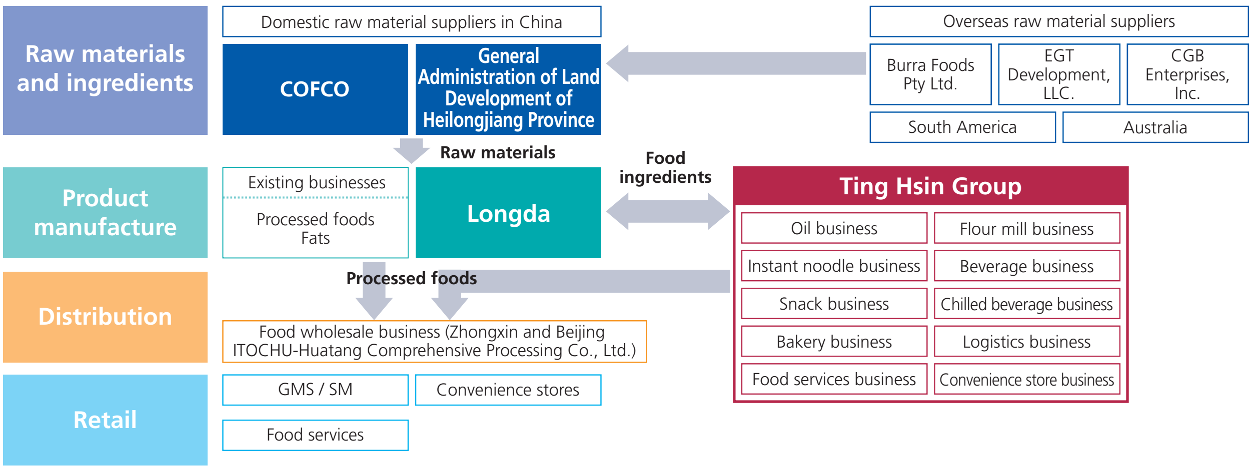
Establishing the Foundation of Our China SIS Strategy

SIS strategy that is being advanced by ITOCHU in the food business area comprise the establishment of a value chain that is based on customer needs and seamlessly links upstream food resource development, raw material procurement, and processing; midstream distribution; and downstream retail sales, thereby realizing efficient production, distribution, and sales. Our China SIS strategy is the foothold for the global development of these strategies.

In 2007, we commenced a tie-up with the General Administration of Land Development of Heilongjiang Province (Beidahuang Group), a leading supply region in China. In 2008, we started an alliance with COFCO Limited, China's largest grain importer, and have established a foothold in upstream raw material procurement. In addition, in 2009 we enhanced our presence in intermediate product manufacturing by taking an equity position in Shandong Longda Meat Foodstuffs Co., Ltd., a member of Longda Foodstuff Group Co., Ltd., with which we have worked for many years. In conjunction with these efforts, by advancing investment in and strategic alliance with the Ting Hsin Group, which has operations from midstream to downstream, we have completed a major element of the foundation to further our SIS strategy in China.

The expansion of ITOCHU's commerce in a large value chain centered on the Ting Hsin Group opens up trade expansion possibilities for ITOCHU. Moreover, in regard to the sales and distribution network that extends to every corner of China through TINGTONG (CAYMAN ISLANDS) HOLDINGS CORP., a joint venture with the Ting Hsin Group; and ITOCHU's subsidiaries, ITOCHU LOGISTICS (CHINA) CO., LTD. (formerly Beijing Pacific Logistics Co., ltd.), and Beijing ITOCHU-Huatang Comprehensive Processing Co., Ltd., will play an important role in expanding our marketing area.

Overview of China SIS Strategy



Reinforcing the Foundation and Expanding around the World

ITOCHU has set the stage. Moving forward, we will transition to the phase of reinforcing the foundation and then expanding into more specific areas. As the coordinator, ITOCHU is stepping up the pace at which it arranges tie-ups between the Ting Hsin Group and companies that combine superior technologies and brands with a strong desire to understand and open up the Chinese market. The capital and business alliances with UNY Co., Ltd., and Izumiya Co., Ltd., which are large domestic retail companies, have the objectives not only of pursuing economies of scale in the domestic market but also of bolstering operations in the downstream retail field in China. In addition, ITOCHU is also taking steps to build a global food resource supply system, such as moving ahead with a new construction project for an export grain terminal (EGT) with the largest loading capacity on the west coast of the United States and investing in an Australian dairy products manufacturer. However, the primary target of those initiatives is China, a huge consumer market with a population of 1.3 billion.

From its starting point in China, ITOCHU will strive to expand its SIS strategy to Asia. Our goal is to be one of the leading food companies in Asia. Under the SIS strategy, from a global viewpoint, we will link everything from production bases to consumers, and synergistically expand trade and business earnings. This approach to overseas markets leverages ITOCHU's strengths as a general trading company that can independently generate trade flows while drawing on its own comprehensive strengths, based on a firm foundation of partnerships.

Capturing New Growth Opportunities 2

Supporting Stable Supplies of Natural Resources and Energy

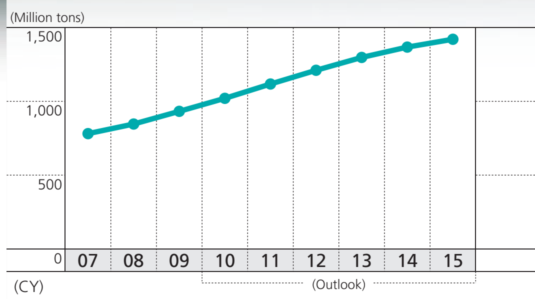
Port Hedland iron ore shipping port in Western Australia

The rising price of crude oil, which reached $140 a barrel at one point in 2008, is still fresh in everyone's memory. Under the global economic recession, the price subsequently declined to reflect actual demand, but it is widely considered inevitable that the demand-supply balance for natural resources and energy will tighten over the long term. That trend is taking place against a background of long-term structural factors, such as the growing share of emerging countries in the global economy.

The rapid growth of emerging countries is giving rise to massive demand for natural resources. In 2009, crude steel production was down across the board in developed countries, but in China it was up by 14% in comparison with 2008, to 568 million tons. Energy demand also continues to increase steadily. The IEA (International Energy Agency) is forecasting that worldwide primary energy demand in 2030 will increase by about 60% from the level in 2000, with growth driven by China and Asia.

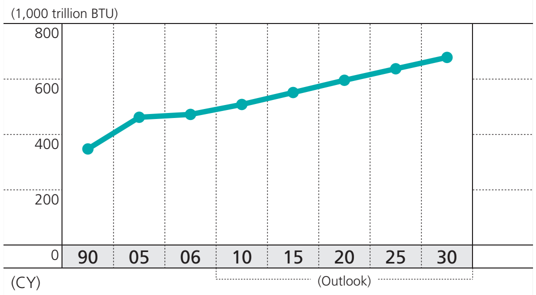
Securing stable supplies of natural resources and energy has become an important policy issue for countries around the world, and especially for Japan, which is almost entirely dependent on imports, this has become a matter of the greatest urgency.

Outlook for Seaborne Iron Ore Supply Demand

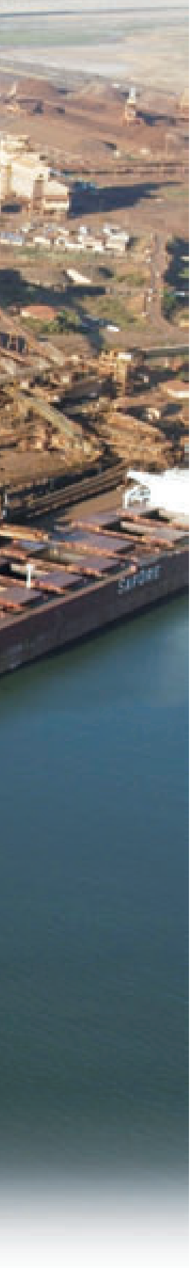


Source: ITOCHU research

Outlook for Worldwide Primary Energy Demand



Source: International Energy Outlook 2009, U.S. Energy Information Administration



ITOCHU's Natural Resource and Energy Strategy

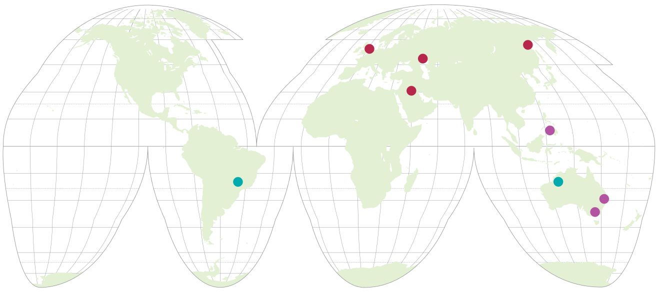
The Three Operational Functions of ITOCHU

ITOCHU has three operational functions in the natural resources and energy businesses.

The first is as a trader. In resource-poor Japan, the industrial structure has been developed through the import of raw materials and the export of manufactured goods, and ITOCHU has played an important role in imports and exports. In terms of trade with Japan, ITOCHU is currently in the top ranks among general trading companies in the fields of iron ore and petroleum. We also rank second in the world in uranium trade.

When Japan was in the midst of a period of high economic growth, it needed to secure independently developed natural resources. In 1967, through capital participation in the Mount Newman joint venture in Western Australia, ITOCHU complemented its existing business in trade with its first step into the field of mineral resource development. This gave us our start as an investor, our second function. As an investor, we earned profits from the interests acquired through our investment. Currently, we have stakes in multiple iron ore mining joint ventures in Australia, and through continued follow-on investments, these joint ventures have reached an annual production volume of 140 million tons. In coal, meanwhile, we continue to develop new mining concessions and to implement follow-on investment to increase production capacity in the existing joint ventures. In the non-ferrous metals field, we are conducting integrated operations ranging from bauxite mining to alumina refining.

Our first step in full-scale energy development was in 1992, following the Gulf War. When the price of oil was declining rapidly, we forecasted that the price would rise over the medium- to long-term, and acquired interests in oil fields in the U.K. North Sea. In 1996, we acquired equity interests in the Azeri-Chirag-Gunashli (ACG) oil field development project, comprising a consortium of oil majors and national enterprises in the ACG fields, which are located in the Caspian Sea region of Azerbaijan. As a result of steady follow-on investment, by 2009 production had expanded to an average of 820 thousand barrels a day. In the 2000's, our long-term demand analysis ability, network of personnel connections, and decision-making ability generated substantial results.



Production Attributable to ITOCHU

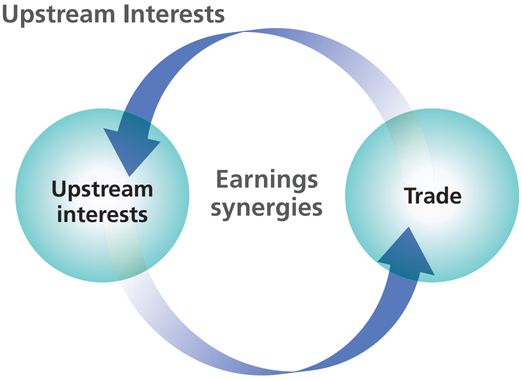
● Oil / gas	approximately 40 thousand barrels a day
● Iron ore	approximately 15 million tons a year
● Coal	approximately 8 million tons a year

Creating Synergies through Natural Resource Development and Trade

Before moving on to our third function, we will explain the distinctive features of the business model that incorporates upstream interests and trade. For ITOCHU, the acquisition of upstream interests and trade are the twin key pillars of this business. When acquiring natural resource interests, we aim to also acquire trade rights. In crude oil development, we have acquired trade rights in the ACG project and Sakhalin-1 project. Trade and sales are customer-contact businesses, and through the feedback of information to upstream operations, they make it possible to respond to rapid fluctuations in demand.

The distinctive features of the business model of ITOCHU, as a general trading company, are most clearly shown through our third function, as an organizer. This third role is closely linked to the trader and investor roles introduced above. This is explained in detail on the following pages, using as an example our 2008 investment in Brazil's NAMISA, which substantially advanced our iron ore business.

Synergies between Trade and Acquisition of Upstream Interests



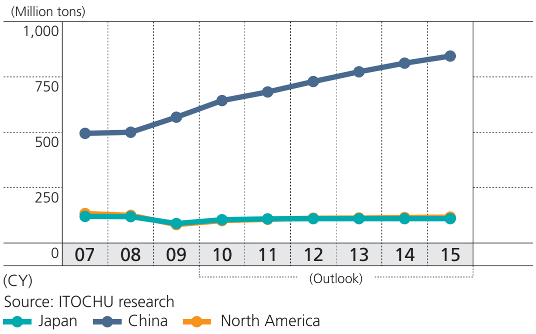
The Road to Stable Supply Opened by Partnership

Acquisition of Iron Ore Interests in Brazil through Japanese-Korean Consortium

A New Point of Entry into South America's Resource Superpower

Currently, China's imports of iron ore are increasing rapidly. In 2009, imports increased by 41.6% year on year, to 627.8 million tons, and this has tightened the global demand-supply balance for iron ore and coking coal, the raw material for coke. ITOCHU has iron ore interests, principally in Western Australia, and while making continued follow-on investment, we have worked to meet strong short-term demand, keeping an eye on the expansion of demand over the medium- to long-term. On the other hand, we continued to search for additional iron ore interests, with the objectives of pursuing global balance in our mineral resource interests, which had been overly concentrated in Western Australia, and of securing a stable supply of iron ore. A long-held goal was to build a strong foothold in Brazil, which is a natural resource superpower on a par with Australia.

Outlook for Global Crude Steel Production



Source: ITOCHU research

The tightening of iron ore demand-supply conditions due to the rapid expansion of steel production in China significantly heightened a sense of crisis among steel companies in Japan and around the world. There was a growing conviction that steelmakers should own natural resource interests. In 2008, ITOCHU became an organizer in the formation of a Japanese-Korean consortium that participated in international competitive bidding for Nacional Minérios S.A. (NAMISA), a Brazilian iron ore production and sales company, which resulted in the acquisition of about 40% of NAMISA stock. The consortium members included leading companies in the steel industry: major Japan's steel producers—JFE Steel Corporation, Nippon Steel Corporation, Sumitomo Metal Industries, Ltd., Kobe Steel, Ltd., and Nisshin Steel Co., Ltd.—and Korea's largest steel company, Pohang Iron and Steel Company (POSCO), which shared the same sense of urgency. ITOCHU invested approximately ¥113.0 billion, its largest-ever investment in an overseas business, and acquired a 16% stake in NAMISA, which is the largest stake among the companies in the consortium. The reliability resulting from linking some of the world's leading steelmakers, and ITOCHU's extensive experience in the iron ore business have been highly evaluated by NAMISA's parent company, Companhia Siderúrgica Nacional (CSN). That evaluation has been a major factor in the success of this project. The project also benefited from the support of Japanese government-related institutions, which considered the securing of stable sources of production to be an urgent issue.

The Road to Natural Resource Development and Trade Synergies on a Larger Scale

The acquisition of natural resource interests through this type of large consortium, which has few precedents, took place in a setting in which each participant was able to reap specific benefits linked to their individual circumstances.

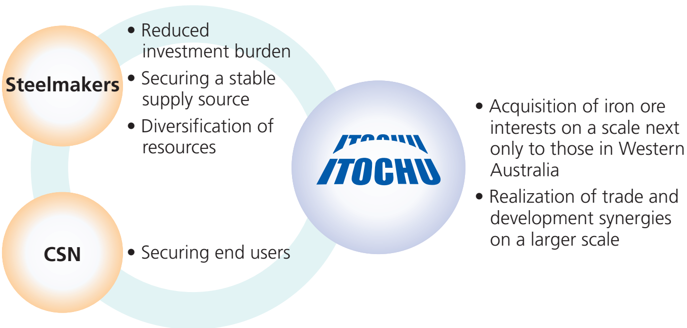
In addition to the factors described above, the cooperation of these large steelmakers was also attributable to increased project scales and higher prices for upstream interests. It is not easy for a single company to fund an investment ranging from several hundred billion yen to ¥1 trillion. This is also true for ITOCHU.

Next, NAMISA benefited from enhanced possibilities for steadily securing end users through partnerships with multiple major steelmakers. This helped to ensure the success of the project.

For ITOCHU, this project became an unparalleled opportunity to demonstrate its capabilities as an organizer, one of the most important strengths of a general trading company, on an unprecedentedly large scale. Furthermore, by implementing a massive investment, we garnered huge trade opportunities. There was an unlimited expansion in business opportunities for ITOCHU, which is active in a wide range of business areas. These opportunities include mining machinery as well as coking coal, vessel chartering business, and trade in steel materials. In addition to the fact that we were able to acquire the interests on a scale next only to those in Western Australia, this project had a major strategic significance for ITOCHU.

Iron ore produced in Brazilian mines including NAMISA is known for the world's highest iron content. Because infrastructure was already in place when the interests were acquired, investment risk was limited, which was another advantage of the NAMISA mines. Through long-term contracts, the project is managed in an integrated process that extends from the mine to the railroad and the port of loading. As a result, it was possible to begin production and shipping immediately after the interests were acquired. As the global economy showed signs of recovery in 2009, shipment volumes increased. This integrated process will contribute to shortening the investment payback period. Also, because NAMISA acquired stock in the railroad company, in the future, when production volume increases, our ability to use the railroad infrastructure is guaranteed for an extended period of time.

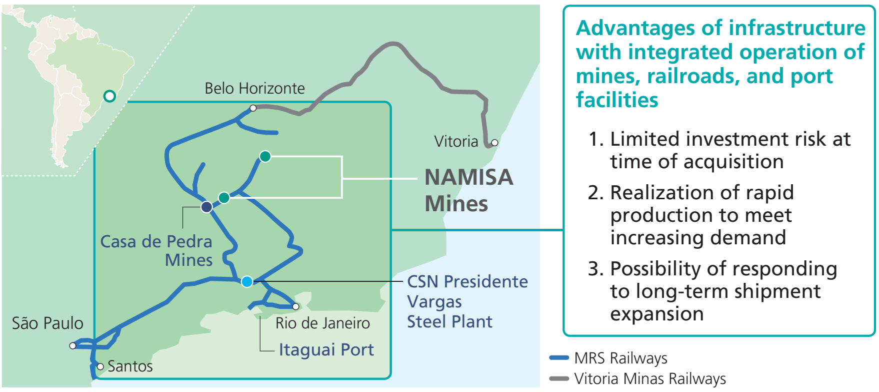
Win-Win-Win Framework: The NAMISA Project



NAMISA Mines

Itochu's investment		¥113 billion
Total investment	2008–2012	US$2.2 billion
Sales Tonnage*	2009	15 million tons
Sales Tonnage plan*	2013	38 million tons

* 100% base



Building the Road to Stable Supply through an Independent Framework

In 2010, a substantial year-on-year increase in sales is forecast. In addition, we plan to advance follow-on investment and to expand sales volume to 38 million tons in 2013. In the future, by turning ultra fine iron ore (pellet feeds) into pellets, which contribute to higher blast furnace productivity, we will increase the competitiveness of the project.

Over the medium- to long-term, there is no question that the demand-supply balance for iron ore will tighten. ITOCHU will work to expand production capacity of its iron ore interests while carefully monitoring future demand trends. The acquisition of the project through this consortium provided further confirmation of the high level of effectiveness of ITOCHU's capability as an organizer. Our policy is not to limit this framework to the iron ore business but rather to develop it in the acquisition of natural resources and energy interests in other areas as well.

As an organizer, we will form partnerships with companies that have common goals and strive to achieve our strategic objective of trade and natural resource development synergies. This is an approach to success that draws on the strengths of ITOCHU as a general trading company, which has accumulated information, has developed networks of personal connections, and has established business models in both interests acquisition and trade, through long experience in the Natural Resources / Energy-Related Sector.

Capturing New Growth Opportunities 3

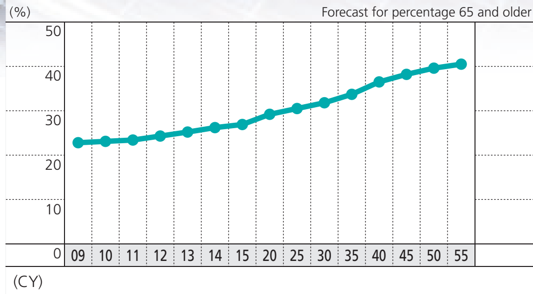
Targeting Growth Opportunities Driven by Change

An example of a solar power generation system installed by Scatec Solar AS in Germany

Substantial structural changes are currently underway in a range of fields, and a vast array of new industries are forming at a rapid pace. For example, in Japan, which has a rapidly aging population, the government has clearly positioned medical care, nursing, and health-related industries as drivers of economic growth and has set the goal of new market creation on the order of ¥45 trillion by 2020. From a global viewpoint, there are a number of problems that have the potential to impede the sustainable development of society, and the responses to those problems, such as global warming countermeasures and efforts to secure food and water, are resulting in the emergence of new markets. The worldwide power generation capacity of renewable energy, such as wind power, biomass energy, and solar power generation, continues to grow at more than 8% a year on average and is expected to reach 960 gigawatts by 2030, compared with 135 gigawatts in 2006. In addition, biotechnology and nanotechnology, which have advanced to the application development stage throughout the world, offer a broad range of possibilities.

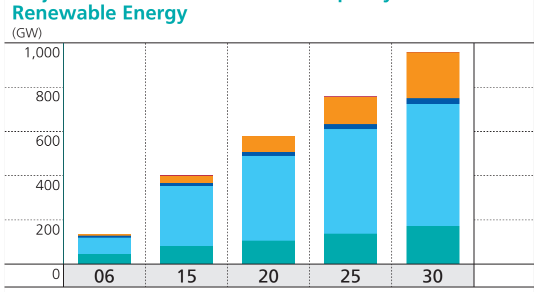
There is no end to the companies entering these new growth markets. This is an indication that in these markets, there are no longer any barriers among industries.

Japan's Aging Population



Source: National Institute of Population and Social Security Research, "Population Projection for Japan," December 2006

Projection of Power Generation Capacity for Renewable Energy



Source: IEA World Energy Outlook 2008

Biomass energy / Wind power / Geothermal power / Solar power / Wave power

ITOCHU's Strategies for Building New Businesses

Lateral Business Development in L-I-N-E-s Business Areas

ITOCHU has selected the following as priority business areas: Life & Healthcare; Infrastructure, including functional infrastructure and social infrastructure; New Technologies & Materials, such as biotechnology, new materials, and clean technologies; and Environment & New Energy. Taking the initial letter of each business area's name, and adding an "s" to represent "synergies" among those business areas, we refer to these business areas as L-I-N-E-s. We are now moving forward with the development of these areas as next-generation growing businesses.

In almost all of these areas, we are not restricting our maneuverability with short-term profit targets; rather, these are areas that will require a committed approach. In addition, because the business opportunities in these areas are extremely wide-ranging, they present a clear need for sharing information among business organizations and for initiatives that extend across organizational boundaries. Accordingly, under Executive Vice President (LINEs), we have established a dedicated unit for each of these areas to support the initiatives of Division Companies. Especially in the life & healthcare business area, the solar power generation business, and the new technologies & materials business area, these units are leading our development initiatives.

Leveraging Strengths in the Market-Formation Stage with Distinctive Business Characteristics

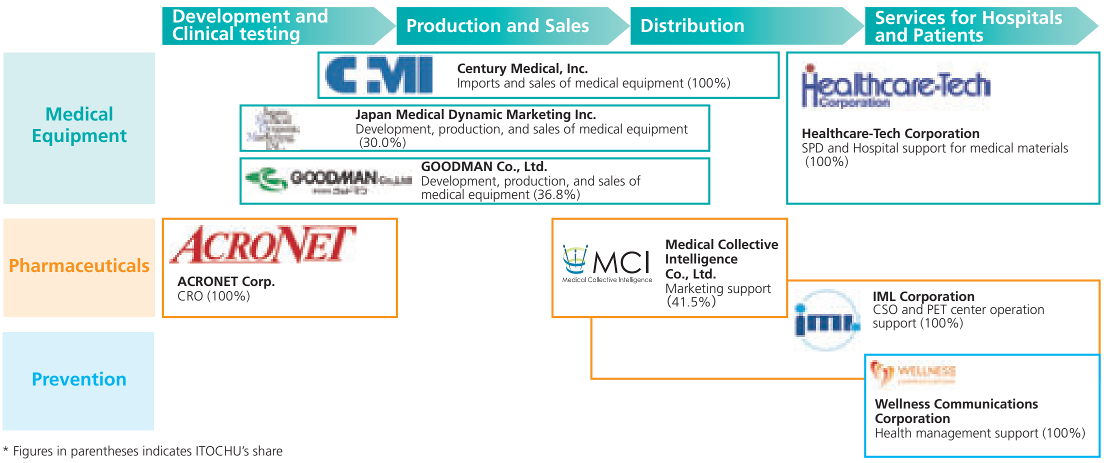
This section explains ITOCHU's approaches to growing business areas and to the generation of profits, together with its policy for the selection of target business areas.

Trade is the fundamental means by which ITOCHU, a general trading company, secures profits. As the scope of a market's supporting industries broadens, the range of products traded in that market expands, leading to growth in trade opportunities. The following businesses have huge growth potential of trade opportunities: the solar power generation business, which features a broad range of supporting industries in related business areas and ongoing competition in technical development that crosses national borders; the life & healthcare business area, which is undergoing cross-industry expansion; and biotechnology, nanotechnology, and renewable energy, where there is a need to connect the latest technologies and global needs. The key to turning innumerable business opportunities into successes is the ability to match technology seeds with market needs and the ability to coordinate activities among various industries. General trading companies, which have businesses extending over a wide range of business areas and geographic regions, are able to leverage those strengths. One example is the Joint Demonstration Project on Low-Carbon Transportation System. This project is currently underway as a joint initiative between Tsukuba City and cooperating companies from 15 industries.

ITOCHU is working to build value chains while incorporating direct investment. In markets that are in the formation stage and have many new entrants, our objective is to move ahead of other companies, create and control trade flows, and leverage diverse trade opportunities while simultaneously obtaining profits and dividends from companies in which we have invested. In other words, ITOCHU is building a business portfolio based on value chains. In making an investment, as in the medical value chain strategy in the Life & Healthcare business, we look over the entire value chain, from upstream to downstream, forecast market trends, determine the business areas and technologies for which we can influence the entire market, and intensively work on them.

The above approach, which draws on the strengths of ITOCHU as a general trading company, is explained in detail on the following pages, using the solar power generation business as an example.

Medical Value Chain



* Figures in parentheses indicates ITOCHU's share

Value Chain Created through Comprehensive Capabilities and Maneuverability

Solar Value-chain Strategy Leveraging the Strengths of a General Trading Company

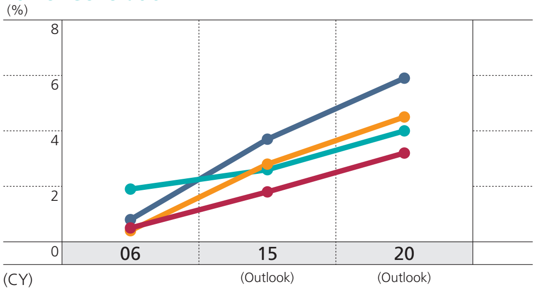
The Rapid Rise of the Solar Power Generation Business

Around the world, the industrial structure is changing at an accelerating pace. The area of renewable energy is also becoming a giant industry with growing prominence. ITOCHU is laying steppingstones in a range of business areas. And the solar power generation business is a target of focused investment.

In the solar power generation market, rapid growth has been recorded since about 2005, with support from government subsidies, the introduction of the feed-in tariff (FIT) system, and growing environmental consciousness mainly in Europe. In addition, market momentum is increasing in the United States, which has clarified its policy of developing renewable energy as a new industry through substantial investment, as part of the green new deal policy. In the same way, China, Japan, and other countries are shifting their policies toward the development of environmental businesses. In Japan, which has established a target of raising the share of renewable energy to 10% by 2020, subsidies have been revived, and in 2009 a Japanese-style FIT was introduced. In the future, consideration will be given to changing the design of the system, from the current model under which only surplus power is purchased to a model under which all power generated is purchased.

Due to these types of developments around the world, the solar power generation capacity is expected to grow tenfold from 7 gigawatts in 2006 to 72 gigawatts in 2020.

Solar Power's Share in Renewable Energy Power Generation



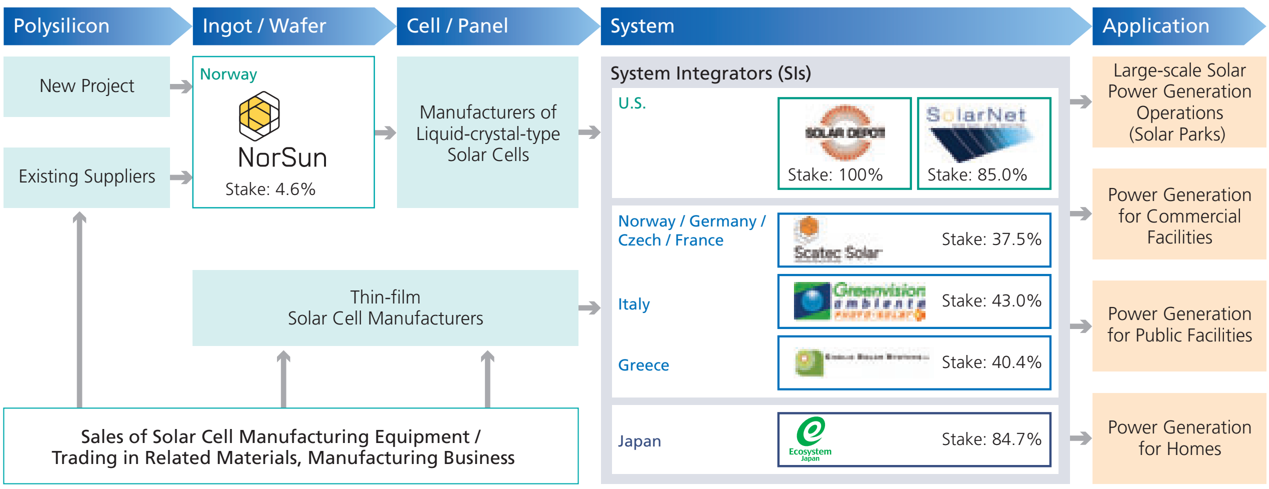
Source: IEA World Energy Outlook 2008

Japan | North America | Europe | Whole world

Leveraging the Strengths of a General Trading Company to Build a Value Chain

Among the large number of renewable energies, ITOCHU has focused on the solar power generation business for three reasons. First, solar power generation is distributed power generation. Therefore, as long as insolation is sufficient, it is less susceptible to limitations on installation conditions. This could be a key factor in accelerating the adoption of solar power generation. Second, there is substantial room for cost reductions. Currently, the unit cost of solar power generation is higher than that of conventional power generation, but as technological development and progress in mass production techniques drive down costs, the cost of solar power generation is expected to reach a par with existing power rates in the near future. The final factor is the configuration of the value chain. The length of the value chain is notable, extending from the raw material polysilicon to production of ingots, wafers, cells, and panels; system integration; and power generation operations. Another key feature is the international nature of the value chain. That means that trade and investment opportunities will be plentiful.

Solar Power Generation Value Chain



ITOCHU took steps to build a cross-divisional solar value chain, starting with its 2006 investment in NorSun AS, an ingot and wafer manufacturer in Norway. Our objectives are to expand trade opportunities for solar power generation modules and related parts and concurrently to obtain profits and dividends from companies in which we have invested. Subsequently, we invested in six system integration companies in Europe, the United States, and Japan, and we made steady progress in the construction of a value chain. In 2009, to further increase the speed of strategic development, the solar-related businesses that had been advanced by each Division Company were consolidated in Headquarters, and the Solar Business Department was established.

Tie-Ups with Major Players in Key Business Areas

The most essential part of ITOCHU's strategy is to stake out positions in important business areas to expand trade flows. For example, our decision to invest in NorSun AS, which has the technology to manufacture high-quality wafers, was based on the expectation that raw material polysilicon and intermediate-material wafers would become scarce as the adoption of solar power generation picked up momentum. NorSun AS also plays a key role in manufacturing high-efficiency and high-quality solar power cells. Next, we will explain the background of our focused investment of capital in downstream system integrators. In the future, with rapidly increasing competition in the areas of technological innovation and cost reductions, we assume that there will be risks of a dramatic change in the industry structure. On the other hand, marketing capabilities can become a stable strength, and we will be able to flexibly respond to changes in the industry and steadily increase profits. The European system integrators (SIs) in which we invested conduct design and installation of large-scale solar power generation facilities, known as solar parks. In collaboration with superior partners, ITOCHU will enter power generation operations by acquiring solar parks.

Another important strategy is to move ahead of our competitors by being the first to enter into partnerships with companies boasting technical and competitive strengths in strategically important business areas and markets. For example, looking at downstream system integrators, we acquired U.S. companies Solar Depot, LLC and SolarNet, LLC, thereby securing the top share in the U.S. wholesale market for solar power generation systems for industrial and residential use. Also, in April 2009 we acquired Ecosystem Japan Co., Ltd., and as a result we now have one of the top shares of the market for residential-use solar power generation systems.

To increase the competitiveness of the companies in which we have invested, we are supporting them from a variety of angles. Ecosystem Japan Co., Ltd. is a good example. In addition to participating in management and supporting them in the area of procurement, ITOCHU is working to generate synergies in sales channels by leveraging the ITOCHU Group's access to a range of industries. For example, together with ITOCHU ENEX CO., LTD., we are expanding sales channels using the LP gas individual residence sales network, and with Orient Corporation, we are working in the area of installment loans. In addition, we are opening up the market for industrial-use systems by utilizing the ITOCHU Group's corporate customer network.

Synergies with a Wide Range of Fields

Ecosystem Japan

Solar power generation system
Sales / installation

Implementation of sales tie-up for individual residences • ITOCHU ENEX • YANASE	Provision of financial services • Orient Corporation
Support for introduction to condominiums / shops • ITOCHU Property Development, Ltd. • FamilyMart	Introduction of new counterparties / projects • Offices, branches, and others

Provision of added value to customers / facilities through solar power generation

An example of a solar power generation system installed by Ecosystem Japan Co., Ltd.

Continually Anticipating Changes, and Bolstering and Expanding the Value Chain

We have built a foothold in key business areas. Moving forward, in priority markets—the U.S., Europe, and Japan—we will bolster the companies in which we have invested and pursue operational scale throughout the value chain. On the other hand, while giving consideration to bolstering procurement of polysilicon, which is the furthest upstream business area, we will continue to uncover new projects and further extend the value chain.

The arrival at so-called grid parity, where the cost of solar power generation declines to the level of existing electric power rates, is likely to be a major turning point toward an upsurge in the adoption of solar power generation. Until that point, we will respond to gradual declines in subsidies and FIT, and build a system that is both appropriate to the circumstances and flexible, with the objective of securing substantial profits in the period of full-scale adoption of solar power generation. This approach to the market leverages the strengths of ITOCHU as a general trading company—comprehensive capabilities, maneuverability, and the ability to gather the latest information.

Textile Company

Hitoshi Okamoto
President, Textile Company

Strengths of the Textile Company

- **Foresight and flexibility to make advance investments in promising businesses, creates new business models and replaces assets constantly**
- **Established dominant industry position thanks to tireless development of capabilities in brand businesses**
- **Businesses development ahead of competitors, targeting rapidly growing markets in China and Asia**
- **Unrivaled value chain strength and earning power in Japanese textile market**

Main Initiatives in Fiscal 2010

- **Increased sales for Chinese domestic market by collaborating with partner companies**
- **Expanded women's innerwear businesses in China**
- **Bolstered overall measures for apparel OEM businesses with new investee companies**
- **Undertook initiatives in apparel business area with the Shanshan Group and promoted cross-sectional initiatives in-house**
- **Invested in Watakyu Seimoa Corporation to enter the healthcare, nursing care, and welfare services business areas**

Organizational Structure

Textile Company
- Textile Material & Fabric Division
- Apparel Division
- Brand Marketing Division 1
- Brand Marketing Division 2
- Planning & Administration Department
- Affiliate Administration Department
- IT Business Development Department

Our basic strategy is, first, to build value chains in the apparel products business area linking textile raw materials and fabrics through finished products. The second basic strategy is to increase and expand importing, licensing, sales channels, and product lineups and pursue the long-term stabilization of trade rights through a combination of alliances and acquisitions in brand businesses. Also, we are exploiting expertise garnered in the textile business to extend our business area to cover a general range of lifestyle-related categories. Focusing on China and Asia, we are expanding businesses in markets worldwide while seeking high-value-added products and services based on a rigorously customer-oriented mindset.

Fiscal 2010 Review

Accelerating Collaboration with Strategic Partners at Home and Abroad

In fiscal 2010, despite tough market conditions, the Textile Company made large investments in businesses promising immediate, solid earnings and streamlined business management by rigorously reducing expenses. As a result, gross trading profit edged up 0.1% year on year, to ¥102.7 billion. Meanwhile, net income attributable to ITOCHU declined 2.2% year on year, to ¥22.4 billion. And, total assets at the end of fiscal 2010 stood at ¥417.4 billion, up 15.8% from the previous fiscal year-end.

In fiscal 2010, the Japanese textile industry saw further market contraction and significant downturns in markets for textile raw materials, fabrics, and apparel. Similarly, markets in North America and Europe did not emerge from stagnation. By contrast, the Chinese market remained steady thanks to growing domestic demand underpinned by economic stimulus measures and, in particular, higher personal income.

Aiming to minimize the effect of credit unease and lackluster sales, the Textile Company rigorously managed credit risk and streamlined business management while accelerating initiatives with leading companies that have unshakable management platforms and excellent access to customers.

In the Chinese market, positioned as our most important business hub in Frontier[e] 2010, we advanced local sales through collaboration with partner companies. As well as stepping up collaboration in the textile business area with Shanshan Group Co., Ltd., which became an equity-method affiliate in February 2009, we advanced cross-sectional initiatives in-house in a range of business areas with the Shanshan Group. Further, we established a firm foothold from which to develop operations aggressively in China's rapidly growing women's

Business Results

(Billions of Yen)

	2006	2007	2008	2009	2010
Gross trading profit	¥122.9	¥124.6	¥115.2	¥102.6	**¥102.7**
Equity in earnings (losses) of associated companies	(0.5)	1.5	2.0	3.6	**8.0**
Net income attributable to ITOCHU	15.0	17.1	20.5	22.9	**22.4**
Total assets at March 31	395.4	401.8	364.3	360.4	**417.4**
ROA (%)	3.9	4.3	5.4	6.3	**5.8**

Years ended March 31

Net Income from Major Group Companies

(Billions of Yen)

	2006	2007	2008	2009	2010
ITOCHU Textile Prominent (ASIA) Ltd.*	¥0.0	¥0.6	¥0.6	¥0.6	**¥0.5**
ITOCHU TEXTILE (CHINA) CO., LTD.	0.5	0.9	0.9	1.0	**0.9**
JOI'X CORPORATION	1.2	1.1	0.9	0.4	**0.1**

Years ended March 31

* Company name changed on February 23, 2010 (Former company name: Prominent Apparel Ltd.)

innerwear market by making a major women's innerwear group, Dalian Yawen Underwear Co., Ltd., an equity-method affiliate. Dalian Yawen Underwear Co., Ltd., has been ITOCHU's trading partner since 1998.

In Japan, JAVA HOLDINGS CO., LTD., and LEILIAN CO., LTD., became consolidated subsidiaries. Together with SANKEI CO., LTD., which became a consolidated subsidiary in fiscal 2009, those new subsidiaries pave the way for developing operations in the Japanese market and overseas markets centered on China with a view to vitalizing the apparel OEM business.

In brand businesses, we developed operations not only in the textile business area but also in the Consumer-Related Sector as a whole. At the same time, we stepped up the pace of overseas operational development, a strategy that LeSportsac, Inc., best exemplifies.

Other initiatives included laying steppingstones in the Life & Healthcare business area—likely grow as society ages—by concluding a capital and operational tie-up with Watakyu Seimoa Corporation, the largest supplier of hospital linen in Japan.

Fiscal 2011 Strategies
Aiming to Increase Earning Power by Strengthening Marketing Capabilities

Business conditions in the textile industry will likely remain tough, particularly in Japan. In response, the Textile Company intends to strengthen risk management and other aspects of business management while adding to marketing capabilities and expanding businesses.

Further, the Textile Company will expand initiatives with its affiliates, exchange personnel, and share management expertise in order to raise the earning power of the Division Company as a whole.

Also, we intend to continue strengthening cross-sectional initiatives with the Shanshan Group in the fast-growing Chinese market. In addition, the Division Company will step up joint efforts with China's leading apparel group Youngor Group Co., Ltd., with which we have an existing alliance. And, plans call for expanding new business areas by entering non-store retailing such as television shopping operations.

Topics

Bolstering Initiatives with Leading Companies in Japan and Overseas

LEILIAN shop

MARUKO shop

The Division Company is advancing capital and operational alliances with first-rate Japanese and non-Japanese companies that offer solid management platforms or outstanding points of contact with customers.

Reflecting that strategy, we made a leading garment accessories company, SANKEI CO., LTD., a subsidiary in October 2008, and we took a 28% stake in one of China's major corporate groups, Shanshan Group Co., Ltd., in February 2009. Fiscal 2010 initiatives based on that strategy included taking a 25% stake in the largest player in the healthcare and welfare services industry, Watakyu Seimoa Corporation, in August 2009, making the women's apparel group, JAVA HOLDINGS CO., LTD., a subsidiary in November 2009, and making LEILIAN CO., LTD., a subsidiary in January 2010.

In another initiative in China, we acquired a 28% interest in one of China's major women's innerwear companies, Dalian Yawen Underwear Co., Ltd., in September 2009. The aim of that initiative is to establish a strategic platform in the women's innerwear market in China, the market which continues to grow more than 30% a year, as well as to launch a foray into the market for corrective undergarment by forming a tie-up between Dalian Yawen Underwear Co., Ltd., and ITOCHU associate company MARUKO CO., LTD. Through such initiatives in respective regions and areas of the textile industry, the Textile Company will realize synergies throughout the ITOCHU Group and advance strategies in growing markets even more rapidly.

Machinery Company

Toru Matsushima
President, Machinery Company

Strengths of the Machinery Company

- **Builds and maintains independent sales networks in regions worldwide for businesses handling plant, ships, automobiles, and construction machinery by increasing the overseas deployment of personnel**
- **Extensive track record in providing total solutions covering the discovery of various types of large-scale plant projects through to arranging of finance and other project formation and facilitation activities; delivery of equipment; investment, development, and operation of businesses in the Infrastructure areas; and provision of a wide variety of after-sales services**
- **Strong relationships with strategic partners in its automobile businesses and long track record of trading in North America, Europe, and emerging markets**

Main Initiatives in Fiscal 2010

- **Participated in Australia's largest sea-water desalination PPP* project**
- **Completed development of the first biomass power generation project in North America**
- **Concluded agreement on establishing first production and distribution company for reverse osmosis membrane elements for seawater desalination in Saudi Arabia**
- **Purchased additional shares of Century Tokyo Leasing Corporation and stepped up collaboration with it**
- **Established an automobile dealer in Thailand**

* Public-private partnership: a contract format in which the public and the private sectors jointly conduct projects

Organizational Structure

Machinery Company
- Plant Project & Marine Division
- Automobile & Construction Machinery Division
- Planning & Administration Department
- Affiliate Administration Department

* From the fiscal year ending March 31, 2011, the former Automobile Division and the former Isuzu & Construction Machinery Division merged to create the Automobile & Construction Machinery Division. As a result, the Machinery Company includes two divisions: the new division and the Plant Project & Marine Division.

The Machinery Company is involved in a broad range of business areas from large-scale plants for gas, petrochemicals, and electric power through to such social infrastructure as roads, railways, and bridges, and other business areas, including ships, automobiles, and construction machinery. Aiming to benefit and enrich the global economy, we not only develop businesses in Japan but also trade and invest in businesses around the world. Furthermore, we are taking steps to create new earnings platforms by developing businesses related to water resources and the environment as well as to renewable and alternative energy.

Fiscal 2010 Review
Exploiting Heavier Demand for Environmental Projects and New Energy amid Recession

In fiscal 2010, the Machinery Company recorded a 39.8% year-on-year decline in gross trading profit, to ¥43.3 billion. However, thanks in part to special factors such as the absence of the previous fiscal year's impairment loss on automobile-related investment and reserve for tri-nation trade transactions in Mongolia, net income attributable to ITOCHU increased ¥19.1 billion, to ¥3.7 billion, compared with the previous fiscal year's net loss attributable to ITOCHU of ¥15.5 billion. Further, total assets at the end of fiscal 2010 amounted to ¥545.0 billion, down 14.8% from the previous fiscal year-end.

Having begun from the second half of the previous fiscal year, the worldwide recession continued unabated in fiscal 2010. As a downturn among developed nations centered on North America and Europe persisted, demand for automobiles and construction machinery decreased sharply. In response to that unprecedented crisis, the Machinery Company took steps steadily in order to further strengthen risk management for inventory and credit exposure. Also, we replaced assets and took other measures to restructure operations involved with markets in North America and Europe. At the same time, viewing the changes in business conditions as an opportunity, we rebuilt our asset portfolio by accumulating highly profitable assets. With a view to *discovering and building new businesses*, one of the priority measures of Frontier^{e} 2010, we focused particularly on emerging countries, which recovered from the recession ahead of other nations, and environment-related business areas, which are less susceptible to fluctuations in the business climate.

In the Plant Project & Marine Division, we moved forward with initiatives in businesses related to renewable and alternative energy and social infrastructure development projects. In North America, a company engaged in the development of biomass power projects, in which we hold a stake through an IPP (independent

Business Results

(Billions of Yen)

	2006	2007	2008	2009	2010
Gross trading profit	¥ 68.7	¥ 89.3	¥ 99.1	¥ 71.9	**¥ 43.3**
Equity in earnings of associated companies	6.4	5.8	4.8	1.8	**10.5**
Net income attributable to ITOCHU	12.7	19.9	21.4	(15.5)	**3.7**
Total assets at March 31	501.8	652.9	709.7	639.9	**545.0**
ROA (%)	2.6	3.5	3.1	(2.3)	**0.6**

Years ended March 31

Net Income (Loss) from Major Group Companies

(Billions of Yen)

	2006	2007	2008	2009	2010
ITOCHU CONSTRUCTION MACHINERY CO., LTD.	¥0.4	¥ 0.7	¥ 0.8	¥ 0.4	**¥ 0.5**
MCL Group Limited	0.4	(0.4)	(2.6)	(2.5)	**(0.6)**
ITOCHU Automobile America Inc.	1.1	1.2	0.6	(1.6)	**(1.0)**
Century Tokyo Leasing Corporation*	1.3	1.6	1.5	1.0	**6.8**

Years ended March 31

* On April 1, 2009, Century Leasing System, Inc., and Tokyo Leasing Co., Ltd., merged to form Century Tokyo Leasing Corporation.

power producer) subsidiary, sold one of the largest woodchip-fired biomass power plants in the United States to a major utility firm. The success of the first project represents a significant milestone in the promotion of biomass power plant development by the Machinery Company. Further, the Machinery Company developed seawater desalination-related projects in Australia and the Middle East, regions where pressure on water supplies is rapidly increasing. In July 2009, we participated in Australia's largest seawater desalination project. Furthermore, in March 2010, we reached an agreement with Toyobo Co., Ltd., and Arabian Company for Water & Power Development (APD) to jointly establish a company for the production and distribution of reverse osmosis membrane elements for seawater desalination in Saudi Arabia.

In the Automobile Division, aiming to take advantage of the rapid increase in demand for motor vehicles in Asia and emerging countries, we established foundations for future development by coordinating closely with strategic partners in Japan and overseas as well as stepping up initiatives to develop automobile retail and financing businesses. For example, we established an automobile dealer for Suzuki vehicles in Thailand.

In the Isuzu & Construction Machinery Division, we strengthened initiatives with our close strategic partner Isuzu Motors Limited and sought market strategies and new initiatives in regions worldwide including Japan. In related developments in Japan, Isuzu Motors transferred its domestic sales division to Isuzu Network Co., Ltd., in April 2010. The Machinery Company will continue helping to strengthen Isuzu Network's domestic sales strategies.

Fiscal 2011 Strategies
Accumulating Strategic Highly Profitable Assets and Securing Stable Earnings

In fiscal 2011, the final year of Frontier[e] 2010, given that certain aspects of business conditions remain challenging, the Machinery Company will concentrate its efforts on revising existing business models while discovering or building new businesses. In the Plant Project & Marine Division, we will strengthen collaboration with strategic partners in order to further advance IPP projects and social infrastructure-related initiatives. In particular, we plan to focus on renewable energy and businesses involved in water resources. In the Automobile & Construction Machinery Division, as well as developing businesses in Asia and emerging countries, we will redouble efforts for automobile financing businesses. While continuing to scrutinize asset efficiency, we intend to enhance earning power by investing in promising new businesses.

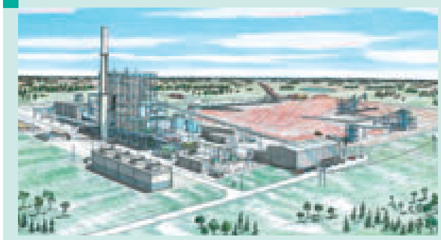
Topics

Participating in Australia's Largest Seawater Desalination PPP Project

The AquaSure consortium, of which the Machinery Company is a member, was selected by the Victorian Government of Australia as a preferred bidder for the Victorian Desalination Project, one of the world's largest seawater desalination projects (daily water supply of approximately 400 thousand tons).

Upon completion at the end of 2011, that project—entailing the construction of everything from seawater desalination facilities through to water intake and transmission facilities and power transmission line facilities—will provide a reliable water supply to Melbourne and surrounding regions for 27 years. Through practical experiences earned from seawater desalination projects in the Middle East, we will accelerate and expand our activities in the water sector for such countries as Australia and Asian nations, where pressure on water supplies is rapidly increasing.

Accelerating Power Plant Projects in North America



In response to the accelerated introduction of renewable energy in the United States, we established American Renewables, LLC, in August 2008 through our IPP subsidiary Tyr Energy, Inc., in order to advance development of biomass power projects. In fall 2009, we completed the development phase of the first project, the Nacogdoches Power Project, in eastern Texas, and sold it to Southern Company, one of the largest utilities in the United States. Through this, the first and largest of its project developments, the Machinery Company will continue active involvement in power generation plant projects in the United States.

ICT, Aerospace & Electronics Company

Hiroo Inoue
President, ICT, Aerospace & Electronics Company

Strengths of the ICT, Aerospace & Electronics Company

- **IT solutions businesses, centered on ITOCHU Techno-Solutions Corporation, with top-ranked earning power among general trading companies**
- **Operates nationwide distribution network for mobile handsets through ITC NETWORKS CORPORATION**
- **Large share of market for manufacturing and distributing aircraft interior equipment**
- **Broad spectrum of business in such business areas as energy storage devices, industrial machinery, and electronic systems in Japan and overseas**

Main Initiatives in Fiscal 2010

- **Underwrote third-party allocation of new shares by Ener1, Inc., which is the parent company of a U.S. manufacturer of lithium-ion batteries for vehicles**
- **Began the Joint Demonstration Project on Low-Carbon Transportation System Using Clean Energy**
- **Launched business that uses IT to cater to companies' energy-saving needs, such as compliance with the Revised Energy Conservation Law**

Organizational Structure

ICT, Aerospace & Electronics Company
- ICT & Media Division
- Aerospace & Industrial Systems Division
- Planning & Administration Department
- Affiliate Administration Department

The ICT, Aerospace & Electronics Company develops businesses in a wide range of business areas relating to IT services, media, the Internet, mobile equipment and services, aircraft, and industrial machinery. In those business areas, our industry-leading affiliates are further strengthening their core operations. Also, with a view to catering to environment-friendly and energy-saving needs, we are aggressively developing new businesses and technologies in such business areas as energy storage devices and environmental IT or green technology.

Fiscal 2010 Review

Taking a Large Stride Forward in the Energy Storage Device Business Area

In fiscal 2010, the ICT, Aerospace & Electronics Company recorded a 1.7% year-on-year decrease in gross trading profit, to ¥136.4 billion. Partly due to the recognition of impairment losses on investments, net income attributable to ITOCHU was down 25.0% year on year, to ¥6.0 billion. Also, total assets at the end of fiscal 2010 amounted to ¥513.2 billion, an increase of 4.7% from the previous fiscal year-end.

In the fiscal year, as most companies curbed IT and capital investment and lowered advertising budgets, we reduced inefficient assets while securing stable earnings platforms and stepping up initiatives in growing business areas. Further, in the commercial aviation business area, which a slump in the aerospace industry affected, we strengthened earnings platforms by expanding initiatives in upstream business areas.

The ICT, Aerospace & Electronics Company steadily advanced efforts in core operations to *expand and improve earnings platforms,* which is a key measure of Frontier[e] 2010, while steadily taking on the challenge of developing new business areas related to new technologies and industries.

As part of those efforts in core operations to expand and improve earnings platforms, we shifted initiatives toward growing business areas. For example, in the IT services business area we expanded service businesses that are less susceptible to fluctuation in the business climate, such as data centers and virtual hosting businesses. In the mobile equipment and services business area, which saw lower handset unit sales due to a change in the mobile handset models on sale, we viewed the lengthening of the handset replacement cycle as a business opportunity and concentrated efforts on expanding insurance and warranty services for mobile handsets. In mobile handset sales businesses, we strengthened our sales organization for corporate clients, as a market that is likely to expand

Business Results

(Billions of Yen)

	2006	2007	2008	2009	2010
Gross trading profit	¥116.4	¥133.5	¥139.0	¥138.9	**¥136.4**
Equity in earnings (losses) of associated companies	1.8	(1.5)	(1.2)	0.3	**2.1**
Net income attributable to ITOCHU	17.2	11.2	14.6	8.0	**6.0**
Total assets at March 31	524.7	551.2	513.9	490.2	**513.2**
ROA (%)	3.4	2.1	2.7	1.6	**1.2**

Years ended March 31

Net Income (Loss) from Major Group Companies

(Billions of Yen)

	2006	2007	2008	2009	2010
ITOCHU Techno-Solutions Corporation	¥6.6	¥7.4	¥ 8.1	¥ 6.9	**¥ 6.8**
ITC NETWORKS CORPORATION	2.1	1.8	1.7	1.6	**1.6**
Excite Japan Co., Ltd.	0.6	0.2	(1.1)	(1.4)	**0.0**
SPACE SHOWER NETWORKS INC.	0.2	0.2	0.2	0.1	**(0.1)**

Years ended March 31

* The figures for ITOCHU Techno-Solutions Corporation are based on a calculation that includes the figures for CRC Solutions Corp.

due to demand for more robust information security and reduction of telecommunications cost. Those initiatives succeeded, and the solid earning capabilities of core IT services and mobile equipment and services businesses underpinned the Division Company's earnings.

In initiatives to develop new business areas, with our sights set on the rapidly forming electric vehicle (EV) market, in the energy storage device business area we accelerated the efforts to increase trading in battery products, production machinery, and materials and to develop new service models centered on energy storage devices. In December 2009, we underwrote a third-party allocation of new shares by Ener1, Inc., which is the parent company of EnerDel, Inc., a manufacturer of lithium-ion batteries for vehicles.

Demonstration tests using EnerDel's battery systems are underway in the Joint Demonstration Project on Low-Carbon Transportation System Using Clean Energy. That project is a joint effort between Tsukuba City, Japan, and a group of collaborating companies, including many ITOCHU Group companies. Moreover, the project is contributing to the creation of a new industry.

Fiscal 2011 Strategies
Streamlining Existing Businesses while Strengthening the Development of New Growth Shoots

In fiscal 2011, the second year of Frontier[e] 2010, we will reinforce and expand existing earnings platforms in such business areas as IT services, aerospace, and industrial machinery, with a particular emphasis on business development in China, Asia, and other overseas growing markets. Meanwhile, in the green technology business area and energy storage device businesses we intend to focus efforts on the early establishment of new profit-making operations catering to environment-friendly and energy-saving needs.

While expanding earnings platforms, we will streamline them by disposing of low-efficiency and loss-making assets. At the same time, we aim to shift the allocation of management resources appropriately in order to build a highly profitable business organization.

Topics

Launching the Joint Demonstration Project on Low-Carbon Transportation System Using Clean Energy

Since March 2010, Tsukuba City, Japan, and participating companies have been jointly conducting Demonstration Tests on Low-Carbon Transportation System Using Clean Energy. Focusing on multidisciplinary initiatives, many of which are the first of their kind in Japan, the project is tasked with developing battery systems for stationary applications and vehicles as well as systems that enable the effective use of electricity from solar power generation in EVs and stores.

ITOCHU Techno-Solutions Corporation and many other ITOCHU Group companies are participating in the project, while EnerDel, Inc., is providing battery systems.

Making a Significant Advance in the Energy Storage Device Business Area by Underwriting New Shares of Ener1

We deepened our relationship with Ener1, Inc., of the United States, which has strengths in core technologies for clean energy, by underwriting its third-party allocation of new shares in December 2009. In the Ener1 Group, EnerDel, Inc., manufactures lithium-ion batteries for vehicles and is the only company in the United States that has facilities enabling the integrated development and production of lithium-ion batteries for vehicles from electric cells through to battery systems. The underwriting of new shares was a strategically important initiative for ITOCHU, given its positioning of energy storage devices as a priority L-I-N-E-s business area.

Energy, Metals & Minerals Company

Yoichi Kobayashi
President, Energy, Metals & Minerals Company

Strengths of the Energy, Metals & Minerals Company

- **Top-ranked earnings platforms and asset efficiency among general trading companies due to highly profitable equity interests**
- **Best oil-trading business lines among general trading companies**
- **Building well-balanced portfolios in resources development operations in terms of products and regions**
- **Second in the world in annual trading of uranium ore**

Main Initiatives in Fiscal 2010

- **Expanded production capacity of existing interests (iron ore and alumina) in Australia, implemented additional development on existing oil and gas projects (Sakhalin-1 and Azerbaijan ACG)**
- **Made steady progress in NAMISA project**
- **Expanded international coal trade**
- **Expanded steel product trade by strengthening alliance with Marubeni-Itochu Steel Inc.**
- **Established joint venture in Malaysia for solid biomass fuel production**

Organizational Structure

Energy, Metals & Minerals Company
- Metal & Minerals Division
- Energy Division
- New Energy Department
- Planning & Administration Department
- Affiliate Administration Section

We are working to advance discovery and development of upstream interests as well as to build value chains based on the upstream interests, generate synergies between development and trade, and thereby achieve business expansion. In addition, we are steadily making preparations in the areas of the Environment & New Energy, which is a key business area of L-I-N-E-s, such as biomass and uranium ore. Through long-term and stable supply to multiple countries that need resources, we will contribute to the growth of the global economy.

Fiscal 2010 Review
Expanding Production Capacity of Existing Interests and Achieving Profitability in Newly Acquired Interests Rapidly

In fiscal 2010, the Energy, Metals & Minerals Company recorded gross trading profit of ¥141.6 billion, down 36.3% from the previous fiscal year. Net income attributable to ITOCHU was down 42.8%, to ¥65.7 billion. In the previous fiscal year, we recorded a loss due to the withdrawal from the Entrada Oil / Natural Gas project in the United States, and the resulting rebound effect had a positive influence on earnings in the year under review. However, income was adversely affected by sluggish conditions in natural resources and energy markets in the first half of the fiscal year. Total assets at the end of fiscal 2010 were up 22.9% from the previous fiscal year-end, to ¥1,249.0 billion.

In fiscal 2010, we formulated countermeasures to the dramatic fluctuations in the prices of natural resources and energy, such as cost reductions. At the same time, we moved forward with initiatives under three key measures of Frontier^{e} 2010.

In accordance with the first key measure, we expanded production capacity of existing interests in natural resources and increased earnings from newly acquired projects. In Australia, which is the major region of our natural resources development operations, we implemented the expansion (RGP4 and RGP5) of multiple mines jointly operated with a major resource company, BHP Billiton Group, and other companies. We also approved the pre-sanction funding for the next expansion plan (RGP6). Other investments included initiatives to expand alumina refining operations. In oil and gas development, in the Azerbaijan ACG field and in Sakhalin-1, we moved forward with additional development targeting expanded production. In fiscal 2010, full-scale operations got underway at NAMISA, in which we took an equity position in the previous fiscal year. Leveraging NAMISA's infrastructure, we are making steady operational progress. (For more information, please see Special Feature: Supporting Stable Supplies of Natural Resources and Energy on pages 24–27.)

As for the second key measure, we reinforced trade in individual products. To respond to growing demand in emerging countries, especially in China, we

Business Results (Billions of Yen)

	2006	2007	2008	2009	2010
Gross trading profit	¥ 73.9	¥102.1	¥127.5	¥ 222.3	**¥ 141.6**
Metals & Minerals	48.2	46.5	50.0	110.7	**55.0**
Energy	25.6	55.6	77.5	111.6	**86.6**
Equity in earnings of associated companies	24.0	27.1	25.5	24.7	**9.2**
Net income attributable to ITOCHU	58.0	80.7	105.7	114.7	**65.7**
Total assets at March 31	644.4	781.4	916.6	1,016.6	**1,249.0**
ROA (%)	10.2	11.3	12.5	11.9	**5.8**

Years ended March 31

Net Income from Major Group Companies (Billions of Yen)

	2006	2007	2008	2009	2010
ITOCHU Metals Corporation	¥ 1.0	¥ 1.2	¥ 1.4	¥ 1.4	**¥ 0.8**
ITOCHU Petroleum Japan Ltd.	2.5	5.1	3.6	5.0	**0.8**
ITOCHU Minerals & Energy of Australia Pty Ltd	25.9	28.9	38.5	71.2	**34.1**
ITOCHU Oil Exploration (Azerbaijan) Inc.	5.2	21.2	33.4	26.1	**6.9**
Marubeni-Itochu Steel Inc.	15.9	16.8	16.9	14.8	**2.7**

Years ended March 31

expanded international trade in coal. In steel products trade, we continued to advance our alliance with Marubeni-Itochu Steel Inc., and we concluded contracts for steel rails and other materials for iron ore development projects in Australia.

Based on the third key measure, we strengthened our Environment & New Energy business, where business opportunities are expanding on a global scale with support from policy initiatives in major countries. We enhanced our organization and advanced initiatives for new businesses by, for example, establishing the New Energy Department on April 1, 2009.

In biomass fuel, together with FELDA Palm Industries Sdn Bhd, the world's largest palm oil producer, we established a joint venture company in Malaysia to produce solid biomass fuel. We have already established a sales channel for this fuel, and we expect this project to make a steady contribution to earnings in the years ahead.

In line with the need to reduce emissions of greenhouse gases, there are growing business opportunities related to the expansion of nuclear power generation in countries around the world. In this setting, the Energy, Metals & Minerals Company has reinforced its initiatives targeting the area of upstream interests for uranium ore. In fiscal 2010, we participated in a feasibility study for a uranium development project in Western Australia and in a development project in Namibia. The development project in Namibia is at a large-scale mine with one of the world's highest levels of resources, and we expect this project to lead to the stable supply of uranium ore resources to Japan.

Fiscal 2011 Strategies
Aiming to Establish a Foundation for Stable and Sustainable Earnings

The fundamental policy of the Energy, Metals & Minerals Company is to establish a foundation for stable and sustainable consolidated net income of more than ¥100.0 million. To that end, the Division Company will work to increase production attributable to ITOCHU by expanding production capacity of existing interests and generating certain profits from newly acquired interests. In addition, we will strive to discover superior new projects. And through synergies with existing upstream interests, we will strive to expand existing trade and secure new trade. We will also further bolster businesses in Environment & New Energy such as uranium ore, biomass, and bioethanol. In the future, the Division Company will contribute to the sustainable growth of the global economy by providing a stable supply to meet demand for natural resources and energy in emerging countries, which are expected to continue to expand, and by developing businesses that contribute to environmental conservation.

Topics

Participation in One of the World's Largest Uranium Ore Projects through the Acquisition of Kalahari Minerals plc

Through a subsidiary in Australia, we acquired shares of Kalahari Minerals plc. Kalahari is the biggest shareholder of Extract Resources Limited, which owns 100% of the interests in the Rossing South uranium deposit in Namibia. Rossing South is positioned to become a leading uranium mine in the world, and is currently under a feasibility study targeting first production in 2013. We will aggressively advance this project, which is one of the largest uranium projects in the world, with full support from the Agency for Natural Resources and Energy as well as financial and technical assistance from Japan Oil, Gas and Metals National Corporation (JOGMEC). The Division Company will strive to make a significant contribution to the stable supply of uranium to Japan.

Building New Crude Oil Production Platform at ACG Field in Caspian Sea

ITOCHU, its consortium partners, and the State Oil Company of Azerbaijan Republic (SOCAR) have decided to invest in the Chirag Oil Project, which is expected to further increase crude oil production in the ACG field in the Caspian Sea in Azerbaijan.

With a total investment of $6.0 billion, this project entails the construction of a new production platform, with production slated to start in 2013. The development is expected to produce approximately 360 million additional barrels of oil and will make a significant contribution to production attributable to ITOCHU.

PHOTO: Courtesy of AIOC (Azerbaijan International Operating Company)

Chemicals, Forest Products & General Merchandise Company

Satoshi Kikuchi
President, Chemicals, Forest Products & General Merchandise Company

Strengths of the Chemicals, Forest Products & General Merchandise Company

- **Competitive advantages in building materials-related businesses in North America and Japan**
- **Competitive pulp production businesses in Brazil and a global sales network in pulp and paper segment**
- **Global procurement capacity and sales network that meet robust demand in chemical area from China and Asia**
- **A diverse lineup of competitive products: basic chemicals, plastics, electronic materials, and pharmaceutical raw materials**
- **A global sales network for synthetic fiber raw materials and commodity plastics**

Main Initiatives in Fiscal 2010

- **Made C.I. Kasei Co., Ltd., a privatized subsidiary**
- **Established a tire production and sales company in Russia jointly with The Yokohama Rubber Company, Limited**
- **Capital participation in Hangzhou New Huahai Business & Trading Co. Ltd., a leading China's general merchandise wholesaler**
- **Established a lithium-ion battery cathode material plant in North America jointly with Toda Kogyo Corp.**

Organizational Structure

Chemicals, Forest Products & General Merchandise Company

- Forest Products & General Merchandise Division
- Chemicals Division
- Planning & Administration Department
- Affiliate Administration Department

The Chemicals, Forest Products & General Merchandise Company maintains close ties, through its operations, with a variety of industries ranging from raw materials to finished products, meeting a broad range of customer needs from a global perspective. The Division Company is developing business in new business areas, including Environment & New Energy and Life & Healthcare, which are key areas of L-I-N-E-s, as it strives to construct a new earnings platform.

The Forest Products & General Merchandise Division, which has adopted "the home and living" as its keywords, is actively engaged in all of the value chains by expanding its operations and trading activities in such segments as building products & materials, pulp and paper, and rubber and tires.

The Chemicals Division also has an extensive product portfolio, ranging from various petrochemicals to pharmaceutical products and electronic materials. This division conducts a global trading business involving these items. The division is working to create a well-balanced portfolio through strategic operational investments in China and Asia, as well as in Europe and the United States.

Fiscal 2010 Review
Replacing Assets and Accumulating Solid Assets to Expand Trading Profit

In fiscal 2010, the Chemicals, Forest Products & General Merchandise Company experienced a 3.7% decline in gross trading profit, to ¥110.1 billion. Net income attributable to ITOCHU, however, increased 1.3% year on year, to ¥19.3 billion. Total assets at the end of fiscal 2010 were ¥728.0 billion, up 19.1% from the previous fiscal year-end.

In fiscal 2010, various government economic stimulus packages succeeded in spurring a global economic recovery, which supported a recovery in demand for tires and natural rubber, pulp, chemicals, and such petrochemicals as the raw materials for plastics. The Forest Products & General Merchandise Division reinforced its trading capabilities in the pulp and tire segments by strengthening its overseas sales networks. In Japan, however, the building products & materials business suffered a decrease in its earnings year on year due to the effects of the lowest number of new housing starts since 1964, below 800,000 units.

The Chemicals Division, meanwhile, improved its earnings year on year, as it used its global product procurement function to meet robust demand in China.

One of the key measures of Frontier[e] 2010 is to *expand and improve earnings platforms*. Reviewing operations from this perspective, PrimeSource Building Products, Inc., a leading distributor of building products & materials in North America, contributed to overseas earnings. In the North American market, this

Business Results (Billions of Yen)

	2006	2007	2008	2009	**2010**
Gross trading profit	¥111.1	¥126.2	¥122.6	¥114.3	**¥110.1**
Forest Products & General Merchandise	72.7	79.4	74.3	66.0	**50.3**
Chemicals	38.4	46.8	48.3	48.3	**59.8**
Equity in earnings of associated companies	2.8	2.3	2.0	2.9	**1.6**
Net income attributable to ITOCHU	18.6	24.8	19.7	19.0	**19.3**
Total assets at March 31	634.3	716.8	766.8	611.4	**728.0**
ROA (%)	3.1	3.7	2.7	2.8	**2.9**

Years ended March 31

Net Income (Loss) from Major Group Companies (Billions of Yen)

	2006	2007	2008	2009	**2010**
ITOCHU Kenzai Corp.	¥0.8	¥2.4	¥0.3	¥(1.0)	**¥0.2**
ITOCHU Pulp & Paper Corp.	1.1	0.8	0.6	0.1	**0.2**
ITOCHU CHEMICAL FRONTIER Corporation	1.3	1.8	1.8	1.1	**1.9**
ITOCHU PLASTICS INC.	2.6	3.2	3.1	1.6	**1.9**
PrimeSource Building Products, Inc.	7.7	7.4	6.4	8.3	**4.7**

Years ended March 31

subsidiary strove to minimize the effects of falling market prices, as new housing starts in the U.S. fell to approximately 550,000 units—the lowest level on record.

Higher earnings from our polyester raw materials business in Ningbo, China, contributed to overseas earnings, demonstrating that we have built a quality asset capable of generating stable revenues. We also laid the steppingstones for earning expansion in fiscal 2011 and beyond by making strategic and aggressive investments in business areas promising long-term growth. For example, we established jointly with The Yokohama Rubber Company, Limited, a tire manufacturing and sales company in Russia. We also made a tender offer for an additional stake in C.I. Kasei Co., Ltd., a core associate in our plastics business, and made this company a privatized subsidiary.

Overseas in chemicals-related businesses, we invested in Hangzhou New Huahai Business & Trading Co., Ltd., a leading Chinese general merchandise wholesaler. This subsidiary and Beijing ITOCHU-Huatang Comprehensive Processing Co., Ltd., another ITOCHU subsidiary, have a complementary relationship in terms of products handled and sales routes. Through this investment, we expect to create a stronger foundation for our earning base in the general merchandise area. In addition, to augment our business in areas related to the Environment & New Energy, a focus of Frontier[e] 2010, we set up a lithium-ion battery cathode material plant in North America jointly with Toda Kogyo Corp.

Fiscal 2011 Strategies
Strengthen Existing Profit-Generating Businesses and Build Foundations for New Ones

In fiscal 2011, the second year of Frontier[e] 2010, we aim to continue boosting trading profit, augment and nurture profit-generating businesses, and invest strategically in key operational areas, including new business domains.

In the Forest Products & General Merchandise Division, the sales network we have created in the pulp and paper segment has made us the world's leading pulp trader. In fiscal 2011, we will further reinforce this network and expand into related areas of business. In the building products & materials segment, we will continue to improve the profit-generation capacity of our businesses. In the tire segment, we will pursue a global strategy that combines trading and operations, as we concentrate on shaping this business into a new pillar of profit generation.

In the Chemicals Division, we will reinforce our global trading capabilities while targeting stable profit generation. In addition to our upstream strategy, we plan to continue investing in operations in new business domains, including businesses related to pharmaceuticals and secondary batteries.

Topics

Joint Establishment of Tire Manufacturing and Sales Company in Russia with Yokohama Rubber

Jointly with The Yokohama Rubber Company, Limited, we established YOKOHAMA R.P.Z. L.L.C., a tire manufacturing and sales company in Russia, with ITOCHU investing 20%. Located in a special economic zone in Lipetsk, Russia, this company is slated to commence operations in September 2011, and construction has begun of a plant capable of manufacturing 1.4 million tires per year. Concurrently, we raised our stake in YOKOHAMA RUSSIA L.L.C., a joint venture company we established in Moscow with Yokohama Rubber in April 2005, from 14.9% to 20%. Through these two joint ventures, we plan to enhance our ties with Yokohama Rubber, as we cooperate to expand manufacturing and sales of Yokohama tires in Russia.

Joint Establishment of Lithium-Ion Battery Cathode Material Plant in North America with Toda Kogyo

In the U.S. state of Michigan, jointly with Toda Kogyo Corp. we have established a joint venture to produce and distribute materials for lithium-ion battery cathodes. Construction began in the spring of 2010, and the plant is scheduled to commence operations in 2011. By 2015, we intend to expand the plant's annual capacity to manufacture enough materials for 80,000 electric vehicles. At the same time, we converted a Toda Kogyo subsidiary in Ontario, Canada, into a joint venture that manufactures raw materials for cathode production. By jointly managing these businesses, we will be able to create an integrated manufacturing and sales operation ranging from raw material procurement to the delivery of finished cathodes. Building manufacturing bases in North America through these joint businesses will allow us to enter into the United States, Europe and other markets that are expected to grow further.

Food Company

Yoshihisa Aoki
President, Food Company

Strengths of the Food Company

- **Global expansion of SIS (Strategic Integrated System) strategy**
- **Firm operating platforms established in all areas—upstream, mid-stream, and downstream**
  - Upstream: Solid overseas food resource supply systems, such as grain-handling operations
  - Midstream: One of Japan's top-ranked food distribution networks covering all temperature ranges
  - Downstream: Points of contact with consumers centered on FamilyMart Co., Ltd., that give accurate feedback on consumer needs to upstream operations
- **Strategic tie-ups with leading companies in China to develop the SIS strategy in China**
- **Top-ranked among food divisions of general trading companies in Japan, in terms of net income**

Main Initiatives in Fiscal 2010

- **Made TING HSIN (CAYMAN ISLANDS) HOLDING CORP. an affiliate, which is the holding company for the Ting Hsin Group, a major food business group with operations in China and Taiwan.**
- **Advanced initiatives with the Ting Hsin Group and COFCO Limited in China**
- **Agreed to participate in the establishment of one of the largest export grain terminals (EGTs) on the west coast of the United States.**
- **Invested in an Australian dairy products manufacturer with the aim of expanding sales of milk powder in Asia**
- **Concluded capital and business alliance agreements with each of UNY Co., Ltd., and Izumiya Co., Ltd., major domestic retail companies**
- **Commenced a tender offer for shares of NIPPON ACCESS, INC.**

Organizational Structure

Food Company
- Provisions Division
- Fresh Food & Food Business Solutions Division
- Food Products Marketing & Distribution Division
- China Business Development Department
- Business Process Operation Department
- Planning & Administration Department
- Affiliate Administration Department

The Food Company globally advances and develops Strategic Integrated System (SIS) strategy that realizes efficient, customer-driven production, distribution, and sales by organically linking food resources development, food resources supply, product processing, midstream distribution, and retail. Our objective is to become the leading company in the food industry in Japan, China, and Asia by upgrading controls for food safety and by leveraging tie-ups with partners in Japan and overseas.

Fiscal 2010 Review
Advancing SIS Strategy in the Global Market

In fiscal 2010, the Food Company recorded gross trading profit of ¥335.5 billion, almost the same as that of the previous fiscal year. Net income attributable to ITOCHU was up 37.8%, to ¥27.8 billion. Total assets at the end of fiscal 2010 were ¥1,130.7 billion, up 7.3% from the previous fiscal year-end.

Accompanying sluggish economic growth in recent years, the domestic food industry has come off its peak. Over the medium- to long-term, the domestic food industry is expected to face shrinking demand against the background of an aging population, fewer children, and declining numbers of consumers. In fiscal 2010, consumer spending remained conservative, and the demand-supply gap accelerated the move toward industry reorganization. In addition, the industry was marked by intensifying competition that transcended the traditional industry framework of manufacturers, wholesalers, and retailers. The Food Company has been able to secure revenues and earnings, even in a difficult environment, by responding appropriately to these dramatic fluctuations in its operating environment and advancing the domestic SIS strategy. In downstream operations, we concluded capital and business alliances with UNY Co., Ltd., and Izumiya Co., Ltd., respectively, thereby bolstering our tie-ups to boost our ability to respond to changes in the structure of consumption. In midstream operations, to strengthen our business in the intermediary distribution area, which is positioned as the pivot of the value chain, we commenced a tender offer for shares of NIPPON ACCESS, INC. (Note: the tender offer was concluded in April 2010.)

Markets in China and Asia were affected by the worsening of worldwide economic conditions, but with support from healthy consumer spending, results were generally solid for the full fiscal year. In China, we made TING HSIN (CAYMAN ISLANDS) HOLDING CORP., an affiliate. In addition, we advanced the global SIS strategy, which is positioned as an important initiative under Frontier[e]

Business Results

(Billions of Yen)

	2006	2007	2008	2009	2010
Gross trading profit	¥142.6	¥ 264.6	¥ 324.7	¥ 335.6	**¥ 335.5**
Equity in earnings of associated companies	9.3	10.2	8.0	10.1	**13.0**
Net income attributable to ITOCHU	19.4	18.1	18.7	20.2	**27.8**
Total assets at March 31	778.8	1,070.7	1,064.8	1,054.1	**1,130.7**
ROA (%)	2.6	2.0	1.7	1.9	**2.5**

Years ended March 31

Net Income from Major Group Companies

(Billions of Yen)

	2006	2007	2008	2009	2010
NIPPON ACCESS, INC.*	¥0.5	¥2.4	¥2.6	¥3.7	**¥ 4.5**
ITOCHU SHOKUHIN Co., Ltd.	1.8	1.4	1.3	0.7	**1.7**
FamilyMart Co., Ltd.	4.3	4.7	4.9	5.3	**4.7**

Years ended March 31

* The fiscal 2007 figure for NIPPON ACCESS, INC., is based on a calculation that includes the figure for Nishino Trading Co., Ltd.

2010. These efforts centered on the advancement of joint activities implemented with local strategic partners that we have aggressively developed in recent years. For example, we built a foundation for new business development in the years ahead, by exchanging a wide range of information and bolstering our relationships with the Ting Hsin Group and COFCO Limited, which are ITOCHU's partners in China. Furthermore, Shandong Longda Meat Foodstuffs Co., Ltd., became an affiliate, which is a member of Longda Foodstuffs Group Co., Ltd., a major food manufacturer in China. In the future, we will move ahead with the integration of livestock operations in China. (For more information, please see Special Feature: Opening Up the Massive Consumer Market in China on pages 20–23.)

In advancing the global SIS strategy, securing and expanding upstream food resource procurement and processing bases is also an extremely important task. We undertook a number of new initiatives during the year. These included agreeing to establish an export grain terminal (EGT) on the west coast of the United States with the region's most-efficient grain unloading capabilities and the largest grain shipping capacity, entering the milk powder business through an investment in an Australian dairy products company, and concluding an agreement regarding capital participation in an agricultural products purchasing and sales company in northeastern China. Each of these initiatives is principally intended to strengthen ITOCHU's systems for the supply of food resources to users in Asia, Japan, and China.

Fiscal 2011 Strategies
Aiming to be the Leading Food Company in Asia

In Frontier[e] 2010, with the objective of establishing an earning base that can generate net income on the order of ¥30.0 billion, we will continue to implement our important policies—advancing the global SIS strategy especially in China, accelerating the SIS strategy in Japan, and securing and expanding resource procurement and processing bases. We will aim to become the leading food company in Asia, Japan, and China.

We will continue to advance initiatives with partners in China, and will establish a food distribution platform in emerging countries. With domestic partners, we will pursue the benefits of operational alliances through such measures as product development. We will also continue working to secure supply sources, not only in China but also in North America, Australia, and other regions around the world.

Topics

Agreement to Build the Largest Grain Export Facility on the West Coast of the United States

Together with Bunge North America, a major agribusiness firm, and STX Pan Ocean (America), a U.S. corporation of South Korea's major marine transportation group, we agreed to jointly build an export grain terminal (EGT) on the west coast of the United States. The facilities have the region's most efficient unloading capabilities, and state-of-the-art equipment will be used to maximize the grain shipping capacity. In the global SIS strategy, this project is positioned as a means of expanding the stable supply system for food resources.

Bolstering Partnerships in Domestic Food Distribution

Through capital and business tie-ups, we have strengthened our cooperative relationships with UNY Co., Ltd., and Izumiya Co., Ltd., respectively. Through joint initiatives that organically combine ITOCHU's global network and multiple retail support functions with the store networks and product development functions and other management resources of each of the companies, we will respond to the structural changes in the domestic market and advance overseas initiatives, centered on China.

Finance, Realty, Insurance & Logistics Services Company

Kenji Okada
President, Finance, Realty, Insurance & Logistics Services Company

Strengths of the Finance, Realty, Insurance & Logistics Services Company

- **Ability to provide integrated solutions of the Division Company's four functions: finance, insurance, logistics, and construction and real estate**
- **A business model that anticipates market environment changes by combining finance and insurance**
- **Real estate securitization businesses that utilize broad-ranging networks and value chains, and provision of quality manufacturing and services with affiliates centered on the construction and real estate industries**
- **A logistics business that differentiates itself through the high-value-added logistics that leverage our general trading company functions**

Main Initiatives in Fiscal 2010

- **Merger between Advance Residence Investment Corporation and Nippon Residential Investment Corporation**
- **Made ITOCHU LOGISTICS CORP. (formerly, i-LOGISTICS CORP.) a privatized subsidiary**
- **Agreed to participate in the outlet mall business in Ningbo, China, through a joint venture with Shanshan Group Co., Ltd., and Mitsui Fudosan Co., Ltd.**
- **Commenced realignment of our logistics business in China**

Organizational Structure

Finance, Realty, Insurance & Logistics Services Company

- Financial and Insurance Services Division
- Construction & Realty Division
- Logistics Services Division
- Orico Business Integrated Department
- Planning & Administration Department
- Affiliate Administration Department

The Finance, Realty, Insurance & Logistics Services Company deploys its extensive experience and wealth of expertise, leveraging its know-how and functions in information technology (IT), logistics technology (LT), financial technology (FT), and other functions developed through its operations as a general trading company to provide high-value-added solutions. Unified management that exceeds divisional boundaries provides access to a host of fields and enables the creation of new businesses in global markets, especially in China and Asia, which have recently experienced phenomenal rates of growth.

Fiscal 2010 Review

Leveraging Comprehensive Strengths to Tap Post-Financial Crisis Market Potential

In fiscal 2010, ended March 31, 2010, the Finance, Realty, Insurance & Logistics Services Company posted a gross trading profit of ¥35.6 billion, down 15.2% from the previous fiscal year. The net loss attributable to ITOCHU amounted ¥4.2 billion, a loss of ¥3.0 billion more than in fiscal 2009. Total assets at the end of fiscal 2010 were ¥382.1 billion, up 0.1% from the previous fiscal year-end.

Facing the sluggish tempo of economic recovery in developed countries, the Division Company reinforced its management to shore business development, which continued to struggle. Conversely, the Division Company benefited from economic expansion in China and Asia. In the finance and insurance business areas, profit generation through conventional market transactions and the financing business was sluggish during fiscal 2010. Therefore, we need to further increase asset efficiency in these business areas. Meanwhile, by shifting our management resources to China and Asia, we generated solid financial business results in Asia. A downturn in real estate market prices in Japan hampered operations in the construction and real estate business areas. We responded by redoubling risk management, reducing property inventory, and striving to enhance profitability. While real estate operators and funds strove to raise funds and ensure stable management, we succeeded in providing a steady supply of carefully selected properties, boosting our industry standing. In logistics, our international logistics business experienced a weak rebound in performance, owing to sluggish international trade, but by reinforcing logistics business operations in China and reforming unprofitable businesses, we managed to strengthen our profit-generation base.

In fiscal 2010, the first year of Frontier[e] 2010, the business environment remained fraught with difficulties. Nevertheless, we believe that by integrating

Business Results

(Billions of Yen)

	2006	2007	2008	2009	2010
Gross trading profit	¥ 46.0	¥ 43.3	¥ 41.4	¥ 42.0	**¥ 35.6**
Equity in earnings (losses) of associated companies	8.0	(66.0)	29.6	(2.9)	**(7.1)**
Net income (loss) attributable to ITOCHU	9.9	(28.3)	10.8	(1.2)	**(4.2)**
Total assets at March 31	600.9	524.9	420.5	381.8	**382.1**
ROA (%)	1.6	(5.0)	2.3	(0.3)	**(1.1)**

Years ended March 31

Net Income (Loss) from Major Group Companies

(Billions of Yen)

	2006	2007	2008	2009	2010
ITOCHU Finance Corporation	¥3.2	¥ 2.3	¥(7.0)	¥ 0.6	**¥(1.7)**
ITOCHU Property Development, Ltd.	1.3	0.7	(4.4)	0.3	**0.5**
ITOCHU LOGISTICS CORP.*	0.6	0.4	0.7	0.1	**2.0**
Orient Corporation	3.1	(40.6)	19.3	(2.7)	**(6.2)**
FX PRIME Corporation	0.3	0.1	0.7	0.9	**0.0**
eGuarantee, Inc.	0.1	0.1	0.0	0.1	**0.1**

Years ended March 31

* On January 1, 2010, the name of i-LOGISTICS CORP. was changed to ITOCHU LOGISTICS CORP.

our diversity of functions we managed to steadily put in place the stepping-stones to ensure steady progress in the post-financial crisis world economy.

In the finance and insurance business area, through ITC Investment Partners Corporation, which we jointly manage with the Construction & Realty Division, we developed new financial products and made aggressive inroads into new areas of business, such as linking financial and insurance expertise through investment in reinsurance funds. To harness the growth that is expected to continue in China and Asia, we created the China Structured Equity Fund. We also concentrated on providing financial services in the region.

In the construction and real estate business area, AD Investment Management Co., Ltd., of which ITOCHU Group is the largest shareholder, implemented a merger between its investment arm, Advance Residence Investment Corporation, and Nippon Residential Investment Corporation. This merger resulted in one of Japan's largest residential J-REITs. Overseas developments included ongoing efforts to reinforce our alliance with Mapletree Investments Pte. Ltd., developing real estate business in Asia, including China. As a new initiative, through a joint venture with Shanshan Group Co., Ltd., and Mitsui Fudosan Co., Ltd., we are moving into the outlet mall business in Ningbo, China. The facility is scheduled to open for business in spring of 2011.

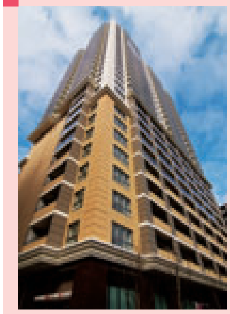
In the logistics business area, we realigned our logistics business in China and began setting up a logistics network in India. These moves are part of our efforts to augment our third-party logistics services in China and Asia, which indicate solid market potential.

Fiscal 2011 Strategies
Ongoing Initiatives to Enhance Company Synergies

In fiscal 2011, we will redouble our efforts to build company synergies and work aggressively to develop business overseas. Specifically, the Financial and Insurance Services Division and the Construction & Realty Division will cooperate in asset management businesses, and the Construction & Realty Division and the Logistics Services Division will step up their joint efforts to form logistics funds. Overseas, we will promote business in China and Asia, as we look for opportunities to apply our new business model. At the same time, we will endeavor to raise our operational profitability by concentrating management resources in key business areas.

Topics

The Birth of One of the Largest Residential J-REITs




In March 2010, Advance Residence Investment Corporation and Nippon Residential Investment Corporation merged, with the new operation dubbed Advance Residence Investment Corporation. This merger has created one of Japan's largest residential REITs with residential assets of approximately ¥350 billion. Going forward, the Division Company plans to provide multifaceted support through the extensive networks of the ITOCHU Group. Accordingly, we look forward to expanding our business opportunities in the residential property area through this REIT's long-term and stable growth.

The Logistics Business in China


To meet burgeoning logistics demand in China, we are concentrating on restructuring our logistics networks and have begun reconfiguring the Group's logistics business in the country. Mainly through ITOCHU LOGISTICS (CHINA) CO., LTD. (formerly, Beijing Pacific Logistics Co., ltd.), and TINGTONG (CAYMAN ISLANDS) HOLDINGS CORP., we provide logistics network services throughout China via more than 80 logistics centers. Through a tie-up with ITOCHU LOGISTICS CORP., in addition to services within China, we offer international logistics services targeting Japan and other countries. In the future, we plan to extend this business model to other emerging countries.

L-I-N-E-s

Toshihito Tamba Executive Vice President (LINEs)

L-I-N-E-s is an acronym that encompasses four business areas that will support ITOCHU's future earnings. Operations were established under this banner in April 2009, with the objective of utilizing cross-sectional synergies to develop and promote new businesses. Frontier[e] 2010, ITOCHU's medium-term management plan, specifically focuses on the business areas of Life & Healthcare (L) and Environment & New Energy (E). We are striving to construct value chains to deploy our strengths across both of these areas. In addition, we are emphasizing business creation and development in the areas of Infrastructure (I) and New Technologies & Materials (N).

(For more information, please see Special Feature: Targeting Growth Opportunities Driven by Change on pages 28–31.)

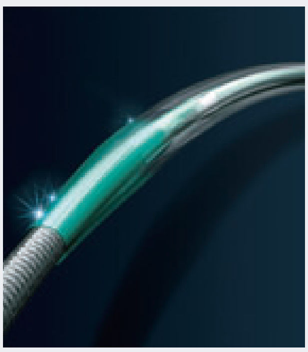
Healthcare Business Department: In the medical and health-related business area, which is likely to expand with the aging of Japanese society and falling birthrates, this department is developing new initiatives based on a medical value chain concept in a broad range of business areas, from upstream pharmaceuticals and medical equipment and materials through to downstream hospitals and dispensing pharmacies.

During fiscal 2010, we bolstered earnings and implemented structural improvements in the upstream medical equipment area, achieving growth in non-consolidated revenue and consolidated operating profit. One specific example of strategic initiatives was the acquisition of domestic sales operations for the spinal-related products of Showa Ika Kohgyo Co., Ltd., by Century Medical, Inc., a wholly-owned domestic subsidiary. In another example, ITOCHU Corporation, ITOCHU (China) Holding Co., Ltd., and GOODMAN Co., Ltd., entered a capital and business alliance with Chinese medical device manufacturer, Promed Medical Tech (Suzhou) Co., Ltd. During fiscal 2011, while further strengthening the earnings platform of domestic operations, we aim to establish and expand business in Asia, centered on China; the Americas; and other growth markets.

Solar Business Department: We are striving to establish a value chain across our solar power-related businesses, from raw material production and ingot / wafer manufacturing through systems integrator businesses that include designing, selling, and installing solar power generation systems, to solar power generation projects.

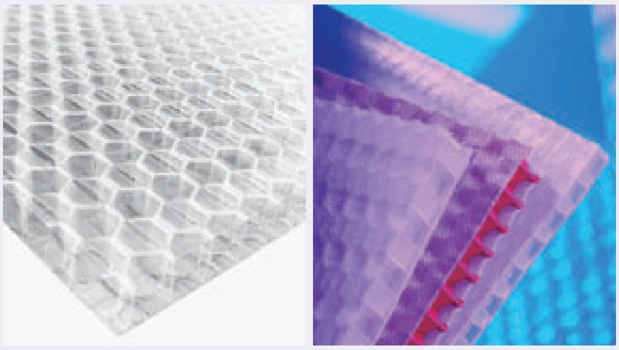
During fiscal 2010, we progressed with the construction of a value chain that spanned upstream to downstream areas of our solar power-related businesses. In particular, we enhanced the operational base of our system integrator businesses in our three key markets of Japan, the United States, and Europe. During fiscal 2011, we aim to upscale earnings based on this value chain, while further reinforcing it by implementing new measures for such upstream operations as our raw materials-related businesses and such downstream operations as power generation businesses.

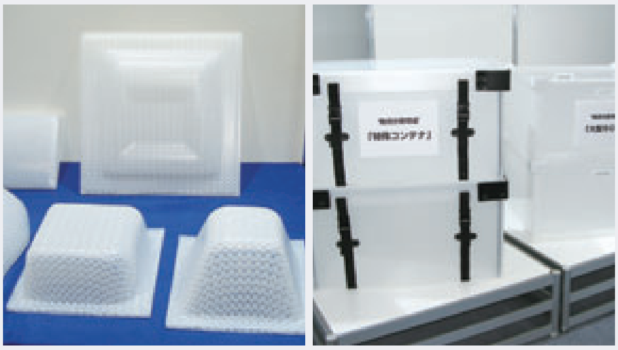
Innovative Technology Business Development Office: This office pioneers new business areas to develop businesses that will become earnings sources by matching technology seeds in such leading-edge business areas as biotechnology and nanotechnology with market demand. The office stakes



Healthcare Business Department: Products handled by GOODMAN Co., Ltd. (left: a PTCA balloon catheter, right: a coronary artery stent)

Solar Business Department: Solar power generation plant at the Tokyo Headquarters of ITOCHU Corporation


Innovative Technology Business Development Office: Honeycomb produced by continuous honeycomb core production technology


Innovative Technology Business Development Office: Honeycomb formed into a complex shape and an application example

claims on promising leading-edge technology seeds by unearthing technology seeds based on strategic tie-ups with research organizations in Japan and overseas and investing in venture companies. Also, the office incubates business projects through joint development and marketing with these venture companies. As these projects become commercially viable, it steadily transfers them to Division Companies. For example, the project for the continuous honeycomb core production technology, which EconCore N.V. of Belgium successfully developed, was handed on to Division Companies after the identification of the technology seed and its incubation by the office, which led to the conclusion of an exclusive and comprehensive license agreement between ITOCHU and EconCore in the Asia-Pacific region, including Japan, and the Middle East by fiscal 2010. This new project is already contributing to the earnings of the Division Companies.

During fiscal 2011, we will continue to promote strategic initiatives through investment in new ventures and joint development and commercialization of existing strategic businesses.

Corporate Development Office: This office collaborates with a cross-section of Division Companies to identify, develop, and implement new business opportunities in a variety of strategic sectors, including environment and renewable energy, infrastructure, and consumer products & services. Domestically, the office enters into alliances with local governments and companies to develop and promote new business models and commercialize leading-edge technologies. Globally, the office, in conjunction with government and commercial entities, is implementing smart grid demonstration projects—for example Tsukuba in Japan, New Mexico in the United States, and Gujarat in India—to gain operational expertise required to undertake commercial-scale projects.

Planning & Administration Office, New Business Development: Linking the two departments and two offices mentioned above under the authority of the Executive Vice President (LINEs), this office prepares plans and strategies, and develops business management systems, aiming to advance L-I-N-E-s business projects.

Organizational Structure

As of July 1, 2010

- Executive Vice President (LINEs)
  - Healthcare Business Department
  - Solar Business Department
    - Innovative Technology Business Development Office
    - Corporate Development Office
    - Planning & Administration Office, New Business Development


Corporate Development Office: A rapid charger and EVs for car sharing introduced in a gas station of ITOCHU ENEX CO., LTD. on Gakuen Higashi Odori (street).


Corporate Development Office: Opening ceremony of the Joint Demonstration Project on Low-Carbon Transportation System Using Clean Energy at Tsukuba City, Japan

Corporate Planning

Koji Takayanagi Chief Corporate Planning Officer

The following organizations fall under the control of the Chief Corporate Planning Officer: the Corporate Planning & Administration Division, which carries out company-wide management planning; the Affiliate Administration Division, the IT Planning Division, and the Research & Policy Analysis Division, which fulfils a backup function for business promotion; the Corporate Communications Division, which supports business promotion through internal and external communications activities; the International Operations Division, responsible for policy planning, coordination, and promotion for international operations; and the ITOCHU DNA Project Office, which takes the lead in reforming and optimizing operations and fosters the recognition of operational improvement among employees. The Chief Corporate Planning Officer also collectively leads and directs the operations of all overseas blocs.

Corporate Planning & Administration Division: This division formulates company-wide management plans, such as medium-term management plan Frontier[e] 2010, and promotes important company-wide management measures by coordinating with Division Companies. The division also plays a central role in the practical advancement of strategies for the entire ITOCHU Group by allocating management resources, following the progress of plans, and evaluating business results.

Affiliate Administration Division: For the entire ITOCHU Group to realize its comprehensive capabilities, increasing the earnings of Group companies is critical. Moreover, the Group must respond to the emergence of more-exacting requirements for internal control and other administrative viewpoints. The Affiliate Administration Division supports Group companies' implementation of strategies, while participating in management of Group companies, with a view to heightening the entire Group's comprehensive capabilities.

Corporate Communications Division: This division ensures accountability and promotes understanding of the ITOCHU Group's management and businesses through a variety of communications activities to a wide range of stakeholders inside and outside ITOCHU.

IT Planning Division: ITOCHU has to design and operate effective systems in response to the increasing sophistication and complexity of its operations. In order to facilitate strategies for the ITOCHU Group and overcome management issues, this division supports the operations of the Group in terms of IT systems, preparing IT strategies for the ITOCHU Group and developing IT infrastructure.

Research & Policy Analysis Division: Amid dramatic and global fluctuations in the business environment, it is becoming increasingly important to analyze the environment and prepare forecasts swiftly and accurately. The ITOCHU Group's think tank, the Research & Policy Analysis Division, analyzes a range of information and prepares various forecasts.

International Operations Division: Aiming to increase the ITOCHU Group's overseas earnings, this division plans and implements measures for international operations and aggressively supports Division Companies in their promotion of projects subject to business conditions in each country. In addition, the division reinforces the functions and the management systems of overseas offices.

ITOCHU DNA Project Office: This office promotes the ITOCHU DNA Project—Designing New Age—which commenced in fiscal 2007 in order to foster the recognition of operational improvement among all employees and to increase overall operational efficiency. Under this project, the office is currently supporting each Division Company to incorporate processes optimally suited to its operation.

Organizational Structure

As of July 1, 2010

- Chief Corporate Planning Officer
  - Corporate Planning & Administration Division
  - Affiliate Administration Division
  - Corporate Communications Division
  - IT Planning Division
  - Research & Policy Analysis Division
  - International Operations Division
    - ITOCHU DNA Project Office
  - Overseas Office

Comments from Overseas Regional Headquarters

North America

Yoshihisa Suzuki

President & C.E.O., ITOCHU International Inc.

Amid economic recession in the wake of the Lehman shock, the last fiscal year was challenging, particularly for construction machinery and building material-related businesses. However, with the onset of economic recovery, the current fiscal year can become a time of innovation and the start of a new era. We are striving to achieve sustainable growth for the 32 companies operating under the ITOCHU International banner and to pursue new businesses and investments, led by new energy business such as wind and solar power generation, environment-related technologies, and construction of grain elevators to serve Asian markets.

Central & South America

Yutaka Washizu

C.E.O. for Latin America

Central and South America has been steadily gaining importance as a supplier of various natural resources. We are aggressively focusing, from a global perspective, on the development of natural resources such as minerals, forestry, bio-ethanol, and agricultural products. Moreover, buoyed by robust demand in the region, we are aiming to create new earning sources through businesses in such areas as social infrastructure, automobiles, industrial plants, medical equipment, and telecommunications.

Europe

Takeshi Kumekawa

Chief Executive for European Operation

Although the European economy is on a path of gradual improvement, financial issues and other problems still beset EU countries and it has yet to enter a full-blown recovery phase. During fiscal 2011, despite the absence of a dramatic economic upturn, we are promoting business development in such areas as the highly promising field of the environment, including renewable energy and infrastructure; and brand and consumer goods in which ITOCHU deploys its strengths.

Africa

Tomoyuki Akamatsu

Chief Executive for Africa

Africa is being reassessed in light of escalating resource prices and the advance of mining technologies, and is once again attracting worldwide attention as an important global supply point. In this bloc, we are currently focusing on business areas of emerging importance, including development of such resources as Namibian uranium, in addition to such existing trade products as automobiles, construction machinery, coffee, cocoa, sesame, and woodchips.

Middle East

Masanori Toyoshima

CEO for the Middle East

The Middle East is witnessing increased expenditures, led by oil-producing nations, with growth in investment in infrastructure and petrochemicals. Rising populations and living standards are also boosting businesses in the Consumer-Related Sector. Ongoing business areas of focus in this bloc include energy, chemicals, plant projects, and automobiles. We are also implementing a policy of developing the Consumer-Related Sector and L-I-N-E-s-related businesses, including renewable energy.

Oceania

Tatsuo Fujino

C.E.O. for Oceania

The economies of Oceania were relatively fast to recover from the global economic recession compared with those of other leading developed regions, with resurgence of resource prices leading to pronounced recovery from the latter half of fiscal 2010. While continuing to emphasize such existing business areas as coal, iron ore, and other mineral resources, we are targeting business expansion by further developing businesses in food, forest resources, and timber products, as well as infrastructure projects, such as water and railway.

China

Junichi Sasaki

President & C.E.O., ITOCHU China Bloc

Regardless of financial crisis and export downturn, China achieved the GDP growth rate of 11.9% in the first quarter of this year thanks to a huge domestic market comprising a population of 1.3 billion. The China bloc will continue to shift its strategy to domestic demand-driven business and strive to develop the business in four areas: environmental protection, energy conservation, resources, and businesses in the Consumer-Related Sector.

Asia

Toru Nomura

Chief Executive for Asia

In Asia, which is exhibiting a strong rebound from the global economic recession, we are targeting earning expansion from increased trade as a result of FTA contracts, led by ASEAN members and extending to China and India. In cooperation with influential regional enterprises, we are also developing investment in various business areas and emphasizing infrastructure projects in various countries in a drive to develop new income sources for the future.

CIS

Takahiko Motani

C.O.O. for CIS

CIS countries have achieved continuous annual GDP growth of at least several percentage points over the last decade except 2009 under the economic crisis. This has been aided by many countries rich in oil, uranium, and other resources, including Russia, Kazakhstan, and Azerbaijan. In addition to resource-related businesses, in this bloc we will focus on automobiles, tires, and other consumer-related products linked with economic growth, in addition to plant projects, machinery, and raw material businesses, which are indispensable for industrial regeneration.

Administration

Yoshio Akamatsu Chief Officer for Human Resources, General Affairs, Legal

Four divisions are positioned under the control of the Chief Officer for Human Resources, General Affairs, Legal: the Human Resources Division, the General Affairs Division, the Legal Division, and the Trade & Logistics Administration Division. These divisions play a leading role in ITOCHU's drive to *evolve management systems* and are working to realize the *full-fledged implementation of global human resources strategy*, both of which are key measures of Frontier[e] 2010.

Human Resources Division: One of the key measures cited in Frontier[e] 2010 is ITOCHU's aim to *advance full-fledged implementation of global human resources strategy*. The division has a central role in achieving this aim and is striving to reinforce ITOCHU's personnel capabilities from a global perspective. It is also pivotal in controlling and promoting human resources strategies for each bloc under Global Talent Enhancement Centers (GTECs). In addition, the division works to improve the morale and motivation of employees through the management of human resources systems and policy, and also strives to enhance employee training. Furthermore, the division respects the careers of individuals and aims to create a company with employee-friendly work environments and well-balanced work styles that enable diverse employees to realize their full potential, regardless of age, nationality, or gender.

Legal Division: Based on its monitoring and analysis of important trends in laws and statutory regulations, this division provides recommendations to the management team on appropriate responses to these trends. Also, the division helps ITOCHU avoid business risk arising from the increasing complexity and globalization of operations by providing advanced legal expertise in relation to transaction screening and business support. In addition, regarding compliance as of paramount importance, the division takes a range of measures to strengthen compliance, including in-house education and awareness campaigns.

General Affairs Division: The division provides various support services, such as facilities administration, documentation management, and control of security and disaster prevention measures, in order to facilitate smooth and efficient execution of business in pursuit of overall company management targets. It also promotes CSR and environmental conservation activities for the ITOCHU Group. In addition, the division is responsible for shareholder relations matters and harmony with local communities as part of an array of measures to construct favorable relationships with the diverse stakeholders involved in ITOCHU's operations.

Trade & Logistics Administration Division: The division supports operational activities through integrated monitoring and control of import, export, and logistics, which are particularly important for general trading companies, such as security and trade control and customs control; planning and implementation of trade and logistics policies; and a registration system for logistics contractors.

Organizational Structure

As of July 1, 2010

Chief Officer for Human Resources, General Affairs, Legal
- Human Resources Division
- General Affairs Division
- Legal Division
- Trade & Logistics Administration Division

Tadayuki Seki Chief Officer for Finance, Accounting, Risk Management; Chief Financial Officer

Four divisions are positioned under the control of the Chief Officer for Finance, Accounting, Risk Management: the Finance Division, the General Accounting Control Division, the Business Accounting & Control Division, and the Risk Management Division, and also advances initiatives to *strengthen financial position* and *to upgrade risk management*, which are key measures of Frontier[e] 2010. In addition to these roles, the Chief Financial Officer (CFO) directly controls the CFO Office, the Investor Relations Department, and the Group Accounting Support & IFRS Office.

Finance Division: This division realizes flexible and stable funding in response to changes in financial conditions and aims to strengthen financial foundations. Further, the division is also building a global cash management system by developing Group finance in Japan and overseas.

General Accounting Control Division: Responding to changes resulting from increasingly sophisticated and complex accounting systems, this division conducts financial accounting operations, such as preparing consolidated and non-consolidated financial statements and financial reports. In addition, the division prepares the ITOCHU Group's accounting policies. The division also establishes tax strategies from a global perspective and supports the Group's growth strategies from the standpoints of accounting and tax.

Business Accounting & Control Division: This division undertakes comprehensive control operations that reflect the operational situations of Division Companies and supports their operational activities with respect to accounting and tax.

Risk Management Division: This division plays a central role in the management of credit risk and country risk, and controls and implements company-wide risk management, led by "Risk Capital Management (RCM)" based on risk assets. Further, aiming to upgrade the risk management of the ITOCHU Group as a whole, the division not only strengthens the management of individual risks but also develops Enterprise Risk Management (ERM), which comprehensively controls risk from a Group-wide perspective.

CFO Office: In addition to assisting the CFO, this office carries out integrated management of the operation and maintenance of internal control pertaining to the ITOCHU Group's consolidated financial reports.

Investor Relations Department: This department provides investors, analysts, and other stakeholders in Japan and overseas with timely and appropriate information. This department also fosters accurate understanding of the ITOCHU Group's management status and strategies through such activities as planning and facilitating various types of presentations that senior management conducts both in Japan and overseas, responding to individual investors and analysts, and preparing annual reports.

Group Accounting Support & IFRS Office: This office was established in April 2010, with the objective of ensuring appropriate preparation throughout the Group for the adoption of International Financial Reporting Standards (IFRSs). The office's responsibilities include providing support for consideration of Group Accounting Policies and specific tasks of each Group company on the adoption of IFRSs. The office also supports Group companies' operations for consolidated financial reports based on currently adopted U.S. GAAP.

Organizational Structure

As of July 1, 2010

- Chief Officer for Finance, Accounting, Risk Management
  - Finance Division
  - General Accounting Control Division
  - Business Accounting & Control Division
  - Risk Management Division
- Chief Financial Officer
  - CFO Office
  - Investor Relations Department
  - Group Accounting Support & IFRS Office

Corporate Officers

As of July 1, 2010

Directors

President & Chief Executive Officer

Masahiro Okafuji

1974 Joined ITOCHU Corporation
2009 Executive Vice President
2010 President & Chief Executive Officer

Chairman

Eizo Kobayashi

1972 Joined ITOCHU Corporation
2004 President & Chief Executive Officer
2010 Chairman

Vice Chairman

Kouhei Watanabe

Executive Advisory Officer for Corporate Administration
1971 Joined ITOCHU Corporation
2006 Executive Vice President
2010 Vice Chairman

Director

Toshihito Tamba

Executive Vice President (LINEs)
1972 Joined ITOCHU Corporation
2008 Executive Vice President
2010 Executive Vice President

Director

Yoichi Kobayashi

President, Energy, Metals & Minerals Company
1973 Joined ITOCHU Corporation
2008 Senior Managing Director
2010 Senior Managing Executive Officer

Director

Yoshio Akamatsu

Chief Officer for Human Resources, General Affairs, Legal;
Chief Compliance Officer
1974 Joined ITOCHU Corporation
2005 Managing Executive Officer
2010 Senior Managing Executive Officer

Director

Yoshihisa Aoki

President, Food Company
1974 Joined ITOCHU Corporation
2009 Managing Director
2010 Senior Managing Executive Officer

Director

Tadayuki Seki

Chief Officer for Finance, Accounting, Risk Management;
Chief Financial Officer
1973 Joined ITOCHU Corporation
2009 Managing Director
2010 Senior Managing Executive Officer

Director

Hiroo Inoue

President, ICT, Aerospace & Electronics Company
1975 Joined ITOCHU Corporation
2008 Managing Director
2010 Managing Executive Officer

Director

Kenji Okada

President, Finance, Realty, Insurance & Logistics Services Company
1974 Joined ITOCHU Corporation
2008 Managing Director
2010 Managing Executive Officer

Director

Koji Takayanagi

Chief Corporate Planning Officer;
Chief Information Officer
1975 Joined ITOCHU Corporation
2008 Managing Director
2010 Managing Executive Officer

Director

Satoshi Kikuchi

President, Chemicals, Forest Products & General Merchandise Company
1976 Joined ITOCHU Corporation
2008 Managing Director
2010 Managing Executive Officer

Director

Toru Matsushima

President, Machinery Company
1979 Joined ITOCHU Corporation
2009 Managing Executive Officer
2010 Managing Executive Officer

Director

Hitoshi Okamoto

President, Textile Company
1980 Joined ITOCHU Corporation
2008 Executive Officer
2010 Managing Executive Officer

Executive Officers

President & Chief Executive Officer

Masahiro Okafuji

Executive Vice President

Toshihito Tamba

Executive Vice President (LINEs)

Senior Managing Executive Officers

Yoichi Kobayashi

President, Energy, Metals & Minerals Company

Yoshio Akamatsu

Chief Officer for Human Resources, General Affairs, Legal; Chief Compliance Officer

Nobuo Kuwayama

Chief Officer for Kansai District Operation

1971 Joined ITOCHU Corporation
2010 Senior Managing Executive Officer

Yoshihisa Aoki

President, Food Company

Tadayuki Seki

Chief Officer for Finance, Accounting, Risk Management; Chief Financial Officer

Managing Executive Officers

Hiroo Inoue

President, ICT, Aerospace & Electronics Company

Yoshihisa Suzuki

President & C.E.O., ITOCHU International Inc.

1979 Joined ITOCHU Corporation
2006 Managing Executive Officer

Kazutoshi Maeda

Deputy Chief Officer for Human Resources, General Affairs, Legal

1974 Joined ITOCHU Corporation
2007 Managing Executive Officer

Tatsuo Fujino

C.E.O. for Oceania;
Managing Director & C.E.O., ITOCHU Australia Ltd.

2006 Joined ITOCHU Corporation
2007 Managing Executive Officer

Kenji Okada

President, Finance, Realty, Insurance & Logistics Services Company

Koji Takayanagi

Chief Corporate Planning Officer;
Chief Information Officer

Toru Nomura

Chief Executive for Asia;
President & C.E.O., ITOCHU Singapore Pte Ltd.;
General Manager, ITOCHU Corporation Singapore Branch

1976 Joined ITOCHU Corporation
2008 Managing Executive Officer
2009 Managing Director
2010 Managing Executive Officer

Satoshi Kikuchi

President, Chemicals, Forest Products & General Merchandise Company

Takeshi Kumekawa

Chief Executive for European Operation;
C.E.O., ITOCHU Europe PLC

1974 Joined ITOCHU Corporation
2009 Managing Executive Officer

Yoshiharu Matsumoto

General Manager for Nagoya Area

1975 Joined ITOCHU Corporation
2009 Managing Executive Officer

Shintaro Ishimaru

Executive Vice President, Finance, Realty, Insurance & Logistics Services Company

2006 Joined ITOCHU Corporation
2009 Managing Executive Officer

Toru Matsushima

President, Machinery Company

Yuji Fukuda

Executive Vice President, Chemicals, Forest Products & General Merchandise Company;
Chief Operating Officer, Chemicals Division

1979 Joined ITOCHU Corporation
2009 Managing Executive Officer

Kimio Kitamura

General Manager, General Accounting Control Division

1975 Joined ITOCHU Corporation
2010 Managing Executive Officer

Shuichi Koseki

Executive Vice President, ITOCHU China Bloc;
Managing Director, ITOCHU Shanghai Ltd.;
Group Director, China Business Development Group;
General Manager, ITOCHU Shanghai Ltd. Wuhan Branch

1979 Joined ITOCHU Corporation
2010 Managing Executive Officer

Ichiro Nakamura

Executive Vice President, Energy, Metals & Minerals Company;
Chief Operating Officer, Metals & Minerals Division

1979 Joined ITOCHU Corporation
2010 Managing Executive Officer

Tomofumi Yoshida

Chief Operating Officer, Forest Products & General Merchandise Division

1979 Joined ITOCHU Corporation
2010 Managing Executive Officer

Junichi Sasaki

President & C.E.O., ITOCHU China Bloc;
Chairman, ITOCHU (China) Holding Co., Ltd.;
Chairman, ITOCHU Shanghai Ltd.;
Chairman, ITOCHU HONG KONG Ltd.;
Chairman, BIC

1979 Joined ITOCHU Corporation
2010 Managing Executive Officer

Hitoshi Okamoto

President, Textile Company

Executive Officers

Kazuhiko Matsumi

General Manager, Legal Division

1975 Joined ITOCHU Corporation
2008 Executive Officer

Hiroo Sato

Chief Operating Officer, Provisions Division

1979 Joined ITOCHU Corporation
2008 Executive Officer

Masataka Yukiya

Chief Operating Officer, Financial and Insurance Services Division

1979 Joined ITOCHU Corporation
2008 Executive Officer

Masahiro Imai

Chief Operating Officer, Plant Project & Marine Division

1980 Joined ITOCHU Corporation
2008 Executive Officer

Nobuyuki Kasagawa

Chief Operating Officer, Aerospace & Industrial Systems Division

1981 Joined ITOCHU Corporation
2008 Executive Officer

Nobuyuki Kizukuri

Chief Operating Officer, Construction & Realty Division
1976 Joined ITOCHU Corporation
2009 Executive Officer

Takahiro Susaki

Chief Operating Officer, ICT & Media Division
1979 Joined ITOCHU Corporation
2009 Executive Officer

Masanobu Takagi

Chief Operating Officer, Energy Division
1979 Joined ITOCHU Corporation
2009 Executive Officer

Yukihiro Miyake

General Manager, Affiliate Administration Division
1980 Joined ITOCHU Corporation
2009 Executive Officer

Yutaka Washizu

C.E.O. for Latin America;
President of ITOCHU Brasil S.A.
1980 Joined ITOCHU Corporation
2009 Executive Officer

Toshio Obayashi

General Manager, Human Resources Division
1981 Joined ITOCHU Corporation
2009 Executive Officer

Eiichi Yonekura

General Manager, Corporate Planning & Administration Division
1981 Joined ITOCHU Corporation
2009 Executive Officer

Shuichi Hoshi

Chief Operating Officer, Food Products Marketing & Distribution Division
1979 Joined ITOCHU Corporation
2010 Executive Officer

Hiroaki Tamamaki

Chief Operating Officer, Textile Material & Fabric Division
1980 Joined ITOCHU Corporation
2010 Executive Officer

Fumihiko Kobayashi

General Manager, General Affairs Division
1980 Joined ITOCHU Corporation
2010 Executive Officer

Isamu Nakayama

Vice President, Food Company
1981 Joined ITOCHU Corporation
2010 Executive Officer

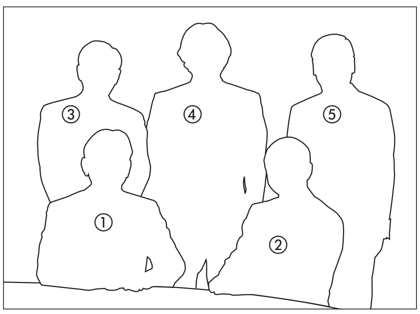
Masanori Toyoshima

CEO for the Middle East;
Chairman of ITOCHU Middle East F.Z.E.
1981 Joined ITOCHU Corporation
2010 Executive Officer

Kazutaka Yoshida

Chief Operating Officer, Automobile & Construction Machinery Division
1981 Joined ITOCHU Corporation
2010 Executive Officer

Auditors



① Masahito Tominaga
② Shozo Yoneya
③ Haruo Sakaguchi
④ Ryozo Hayashi
⑤ Keiji Torii

Corporate Auditors

Masahito Tominaga

1971 Joined ITOCHU Corporation
2005 Executive Officer
2007 Standing Corporate Auditor

Shozo Yoneya

1974 Joined ITOCHU Corporation
2005 Executive Officer
2008 Standing Corporate Auditor

Outside Corporate Auditors

Haruo Sakaguchi

1989–1990
Vice Chairman, Japan Federation of Bar Association;
Chairman, Osaka Bar Association
2001–2006
Chairman, Osaka Public Bid Monitoring Committee
2003 Corporate Auditor, ITOCHU Corporation

Ryozo Hayashi

2004–
Senior Adviser, NTT DATA Institute of Management Consulting, Inc.
2005–
Professor, Graduate School of Public Policy, University of Tokyo
2009 Corporate Auditor, ITOCHU Corporation

Keiji Torii

2004–2005
Deputy President & CIO, Mizuho Financial Group, Inc.
2005–2009
Deputy President, Mizuho Information & Research Institute, Inc.
2009 Corporate Auditor, ITOCHU Corporation

ITOCHU operates its business in accordance with the ITOCHU Group Corporate Philosophy and Code of Conduct. Our fundamental policy is to work toward the long-term preservation and enhancement of our corporate value by building fair and favorable relationships with our stakeholders. To execute our business activities in an appropriate and efficient manner in accordance with our fundamental policy, we are increasing the transparency of our decision-making process and constructing a corporate governance system that incorporates appropriate monitoring and supervisory functions.

Features of ITOCHU's Corporate Governance System

ITOCHU is "a company with corporate auditors," in which corporate auditors including outside corporate auditors, supervise business management independently and objectively. Although ITOCHU does not appoint outside directors, it ensures that corporate auditors adequately perform supervisory functions by continuously strengthening its corporate governance system in order to heighten the effectiveness of auditing. Also, aiming to further raise the quality of corporate governance by incorporating objective and unrestrained third-party opinions, ITOCHU has established the Advisory Board.

Comprising 14 directors as of July 1, 2010, the Board of Directors makes decisions on important management matters and supervises each director's business management.

ITOCHU has adopted an Executive Officer System in order to separate the decision-making and supervisory functions of the Board of Directors from its implementation of business management.

One feature of ITOCHU's corporate governance system is the HMC (Headquarters Management Committee), a supporting body of the CEO, where company-wide management policy and important issues are discussed and decided.

In addition, management issues in individual areas of responsibility are discussed and screened by various internal committees in order to support the decision making of the CEO and the Board of Directors. Moreover, ITOCHU is developing and implementing a system for incorporating third-party opinions in which outside experts become members of some internal committees.

The table below details steps ITOCHU has taken to strengthen corporate governance.

Steps Taken to Strengthen Corporate Governance

1997	Introduced the Division Company System	To accelerate decision making / increase efficiency of business management
1999	Introduced Executive Officer System	To strengthen decision-making and supervisory functions of the Board of Directors
2000	Established the Advisory Board	To improve quality of business management by incorporating objective / specialized third-party opinions
2007	Shortened the terms of office of directors and executive officers to one year	To clarify management responsibility during terms of office

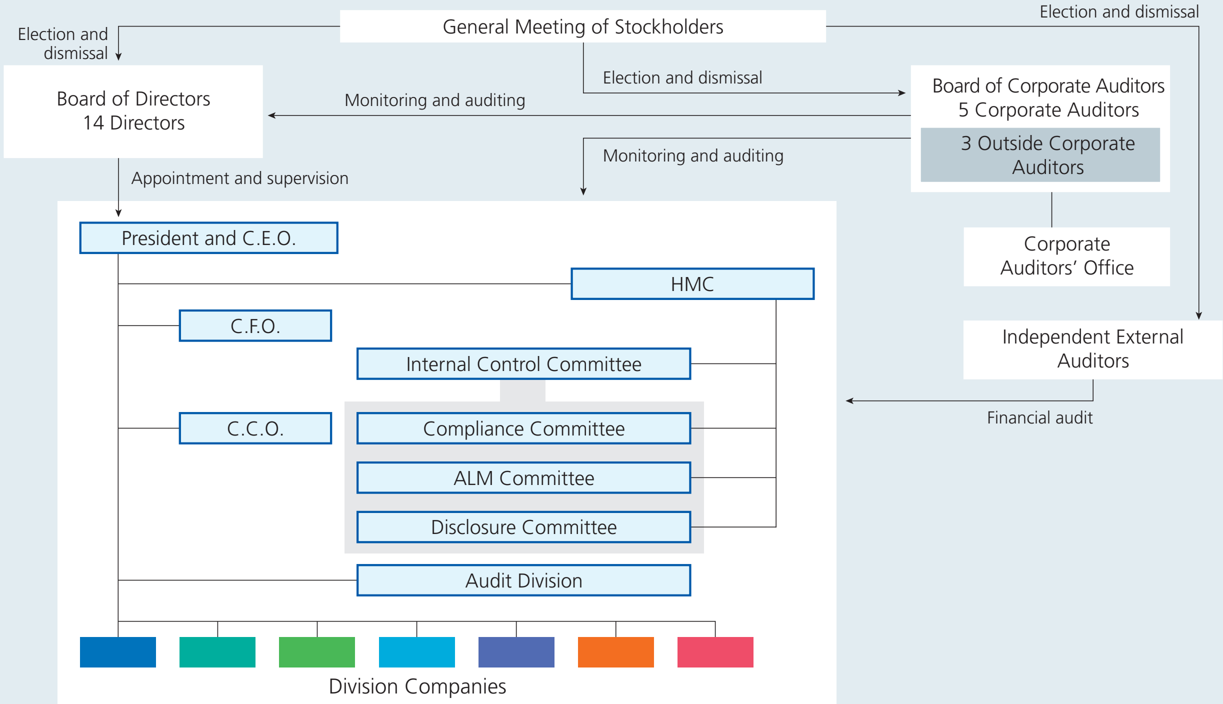
Systems to Ensure Effectiveness of Supervisory Functions

ITOCHU appoints five corporate auditors, of whom three are outside corporate auditors. Standing corporate auditors strengthen audit functions by regularly attending meetings of the Board of Directors and other in-house meetings and working in cooperation with ITOCHU's independent external auditors and other audit bodies inside and outside ITOCHU. ITOCHU's Audit Division is responsible for internal audits. Aiming to facilitate exchanges of information and close collaboration, members of this division meet regularly with corporate auditors to discuss such matters as internal audit planning. In addition, the Corporate Auditors' Office, reporting directly to the Board of Corporate Auditors, supports corporate auditors.

Relationship of Outside Corporate Auditors with ITOCHU

Name	Concurrent Position	Reason for Appointment
Haruo Sakaguchi	Lawyer	Although ITOCHU had concluded a legal adviser agreement with Mr. Sakaguchi before he was appointed as a corporate auditor of ITOCHU, there are currently no material interests between ITOCHU and him. He provides auditing from an independent perspective by utilizing the understanding of ITOCHU's business that he gained during the term of the above legal adviser agreement and his many years of experience and knowledge in the judicial world.
Ryozo Hayashi	Professor, Graduate School of Public Policy, The University of Tokyo	There are no material interests between ITOCHU and Mr. Hayashi before or after his appointment as a corporate auditor. He provides auditing from an independent perspective by utilizing his wealth of experience at the Ministry of Economy, Trade and Industry, and his long-term perspective and broad vision as a university professor.
Keiji Torii		Before being appointed a corporate auditor of ITOCHU, Mr. Torii had served as an executive of a major financial institution that has dealings with ITOCHU, but he had retired from his position at the financial institution before being appointed as a corporate auditor of ITOCHU, and there are no material interests between ITOCHU and him. He provides auditing from an independent perspective by utilizing his many years of experience and insight as an executive of a major financial institution.

ITOCHU's Current Corporate Governance System



Notes: 1 Each Division Company has a Division Company President.
2 Internal control systems and mechanisms have been implemented at every level of ITOCHU.
Only the main internal control organization and committees are described herein.
Further, the Internal Control Committee receives reports from internal departments related to internal control, the Compliance Committee, the ALM Committee, and the Disclosure Committee on the development and operation of respective internal controls for which they are responsible; evaluates and confirms the overall development status of internal control; and reports items for improvement to the HMC and Board of Directors.

Principal Internal Committees

Name	Objectives
Internal Control Committee	• Deliberates progress in development of overall internal control
Disclosure Committee	• Deliberates disclosure-related issues and internal control of financial statements
ALM Committee	• Deliberates risk management and related systems and balance sheet management
Corporate Officer Compensation Consultative Committee	• Deliberates compensation of corporate officers and their compensation after retirement
Compliance Committee	• Deliberates compliance-related issues
CSR Committee	• Deliberates issues related to corporate social responsibility, environment, and social contribution initiatives

Internal Control

On April 19, 2006, ITOCHU's Board of Directors established the Basic Policy regarding the Internal Control System and made a commitment to continuously improve internal control systems.

(For ITOCHU's Basic Policy regarding the Internal Control System, please see: http://www.itochu.co.jp/en/about/governance/policy/)

The following highlights some noteworthy initiatives under the Basic Policy regarding the Internal Control System.

Initiatives to Further Heighten the Reliability of Financial Statements

In order to further heighten the reliability of its consolidated financial statements, ITOCHU has designated the Disclosure Committee as a steering committee and is building internal control systems in adherence with the internal control reporting system.

Further, ITOCHU has established the Internal Control Audit Section, tasked with evaluating whether ITOCHU is designing and operating internal control systems appropriately. That section provides its evaluation results to related divisions, which use them as guidelines to design and operate internal control systems even more appropriately. In this way, as a response to the internal control reporting system, ITOCHU has built a PDCA cycle that is strengthening internal control.

Strengthening Risk Management

ITOCHU has established internal committees and responsible departments in order to address the various risks associated with its business operations, such as market risk, credit risk, country risk, and investment risk. At the same time, ITOCHU has developed the risk management systems and methods to manage company-wide and specific risks. Those include a range of management regulations, investment criteria, risk exposure limits, and transaction limits, as well as reporting and monitoring systems. Moreover, ITOCHU regularly reviews the effectiveness of its risk management systems. As part of such efforts, the ALM Committee protects the ITOCHU Group's assets through deliberations on balance sheet management as well as analysis and management of risk.

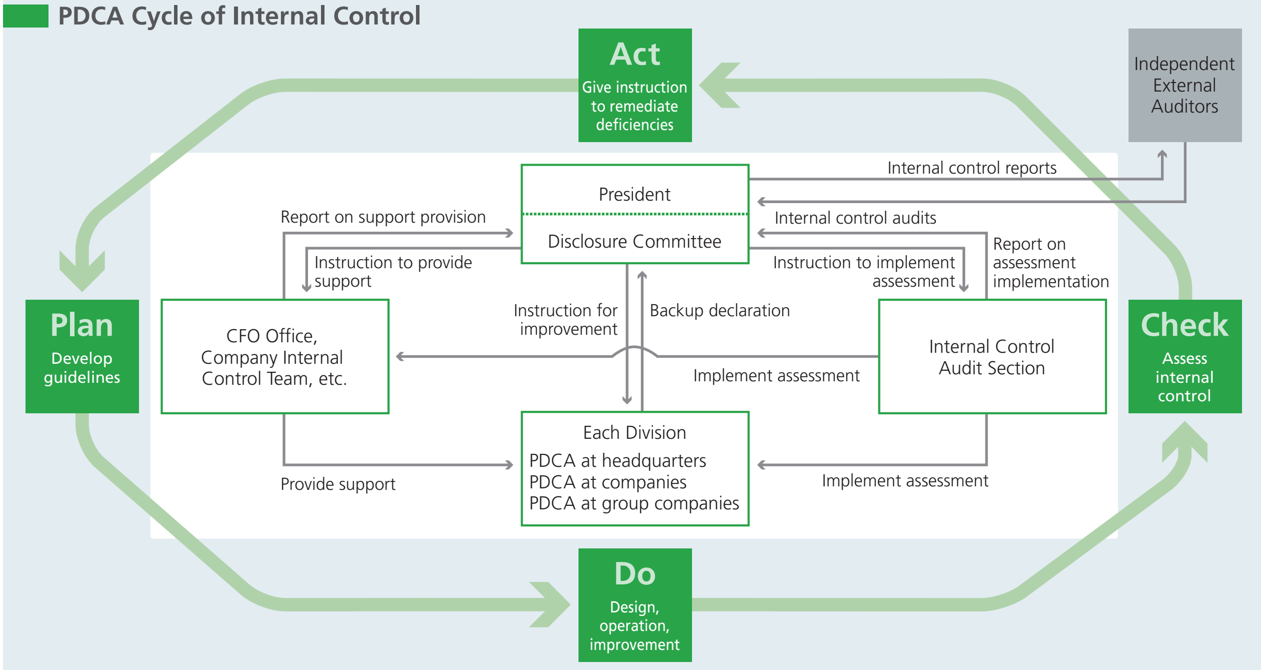
Advancement of Operational Improvement Project in Light of Internal Control Requirements

Aiming to increase overall operational efficiency, ITOCHU is reforming and optimizing operations through the ITOCHU DNA Project—Designing New Age—, which is strengthening workforce capabilities.

Under the project, we began by "visualizing" all operational processes. Then, we considered a range of solutions to the tasks that this initial phase brought to light and established company-wide standard operations reflecting internal control requirements. Currently, in order to improve operational efficiency and strengthen risk management, each Division Company is steadily incorporating processes optimally suited to its operations.

Looking ahead, we will design and develop systems to support those operational processes while considering the development of organizations to control and support those operational processes.

PDCA Cycle of Internal Control



Accountability to Stakeholders

Viewing explanations of corporate and business management information to such stakeholders as shareholders and other investors as an important corporate governance task, we strive for timely and appropriate disclosure.

For each release of quarterly financial results, we provide explanations from senior management through financial results presentations and videos on our web site. Further, senior executives visit overseas investors to explain business management information directly to them. In fiscal 2010, senior executives held direct dialogues with investors in major cities in Europe, the United States, and Asia. Also, for individual investors ITOCHU holds presentations in major cities in Japan. In addition, ITOCHU publishes annual reports and other reports in English and Japanese as a means of communicating ITOCHU's policies and progress in relation to business management to shareholders and investors unable to attend presentations and a range of other stakeholders. Furthermore, from the standpoint of fairness, ITOCHU's web site provides disclosure documents in both English and Japanese.

In order to facilitate appropriate and highly transparent disclosure, senior executives receive any feedback from shareholders and investors attending presentations.

Comments from Corporate Auditor

Ryozo Hayashi
Corporate Auditor

My major activities at the Ministry of Economy, Trade and Industry as well as at the University of Tokyo were focused on corporate governance and corporate social responsibility. Based on my experiences, I intend to contribute to the enhancement of management performance by introducing an outside perspective and by focusing on enhancing the corporate governance system.

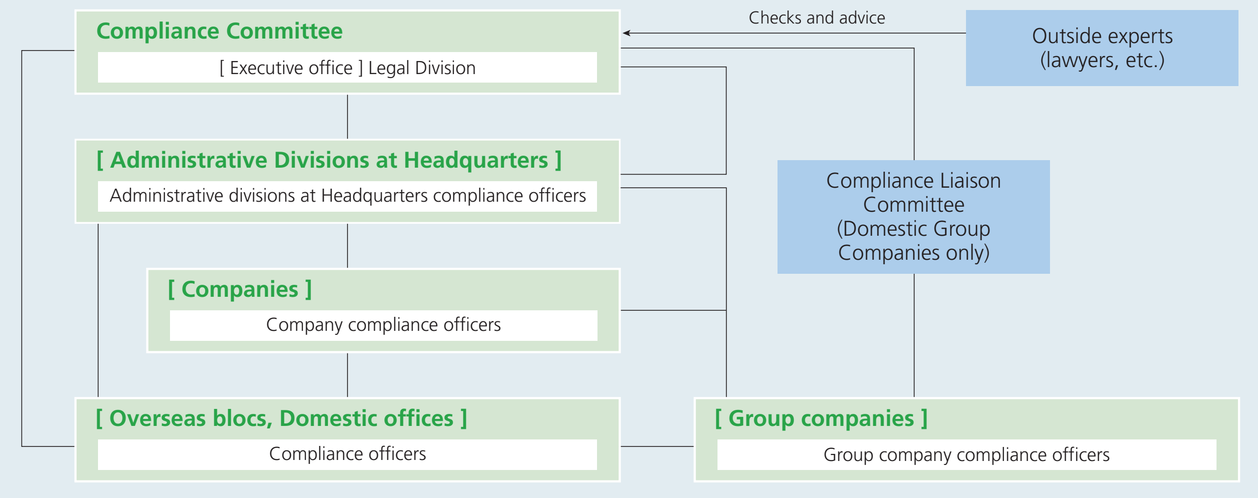
The current business environment surrounding major global companies, such as ITOCHU, is unprecedentedly difficult. The opportunities and risks that such companies face change swiftly and drastically. In such a business environment, management is required to show both strong leadership to pursue the business opportunities and an effective corporate governance system that limits risks. In particular, ITOCHU, as one of the largest trading companies engaged in diversified businesses around the world, has not only to perform a wide range of operations skillfully but also to maintain a balance between the realization of short-term business performance and the maintenance of sustainable long-term value creation. As a corporate auditor, I will monitor management performance and advise management with a view to developing a strong and well-balanced management system, which is an imperative to coping with these challenges. In developing such a system, I will keep reminding myself of the interests of ITOCHU shareholders as well as the interests of a wide range of other stakeholders.

Compliance is of paramount value as a foundation of the ITOCHU Group. Aiming to reinforce our "Integrity," which is stated as one of the ITOCHU Values, we are stepping up our compliance with laws, and statutory and other regulations to further expand and upgrade our compliance system.

The ITOCHU Group's Compliance System

The ITOCHU Group deploys compliance officers not only in ITOCHU Corporation but in each Group company in Japan and overseas. These key figures are responsible for building frameworks to enhance compliance, responding to individual cases, and implementing other initiatives based on directives and support from Division Companies, with consideration for the respective characteristics, conditions, and local laws in the regions and markets in which they conduct business. In addition, the status of ITOCHU Corporation and each Group company is checked to enhance and upgrade compliance advancement systems through biannual company-wide monitor & review surveys and other measures. During fiscal 2010, ITOCHU conducted a compliance awareness survey of all Group corporate officers and employees to ascertain the degree to which compliance has been assimilated by them and to foster free discussions at all workplaces with a view to raising the consciousness of both executives and employees. Based on the results of this compliance awareness survey, trends in former incidences of compliance violations, and the findings of monitor & review surveys, we are formulating and executing individual compliance reinforcement measures tailored to each Division Company. Moreover, during the fiscal year we implemented meticulous education and training programs geared to employees in different tiers with the objective of preventing misconduct and irregularities. In the future, we will escalate promotion of these policies and measures, and focus on compliance reinforcement with an emphasis on overseas operations and Group companies.

Compliance Structure



Initiatives for Comprehensive Import, Export, and Logistics Control

ITOCHU is continuously bolstering its import, export, and logistics control to ensure the safe, reliable, and efficient execution of trade and logistics—the cornerstone of a general trading company's operations. Specifically, in addition to abidance with laws and statutory regulations pertaining to the Foreign Exchange and Foreign Trade Act, we have formulated and are enforcing internal regulations for comprehensive security and trade control that facilitate management of global security risks. Furthermore, we are boosting control and upgrading education and training through effective utilization of information technology tools for correct import and export procedures, including customs declarations.

Moreover, integrated management of logistics contractors throughout all Division Companies ensures monitoring of logistics contracts and optimal, appropriate, and streamlined logistics operations company-wide.

As a company conducting diverse operations across a broad array of sectors and in many different regions, ITOCHU maintains clear cognizance of the significant impact its business activities have on the global environment and the global society. We will continue to contribute to the building of a sustainable society through our business activities and remain *Committed to the Global Good* going forward.

Basic CSR Philosophy

ITOCHU fully recognizes that a corporate enterprise is a part of society and that failing to coexist with society as a good corporate citizen and live up to the expectations of society through business activities undermines ITOCHU's sustainability. This approach is integrally linked to the *sampo yoshi* management philosophy of being a good for the seller, the buyer, and society, as advocated by the merchants in Ohmi, on which ITOCHU's founder, Chubei Itoh, based his business operations.

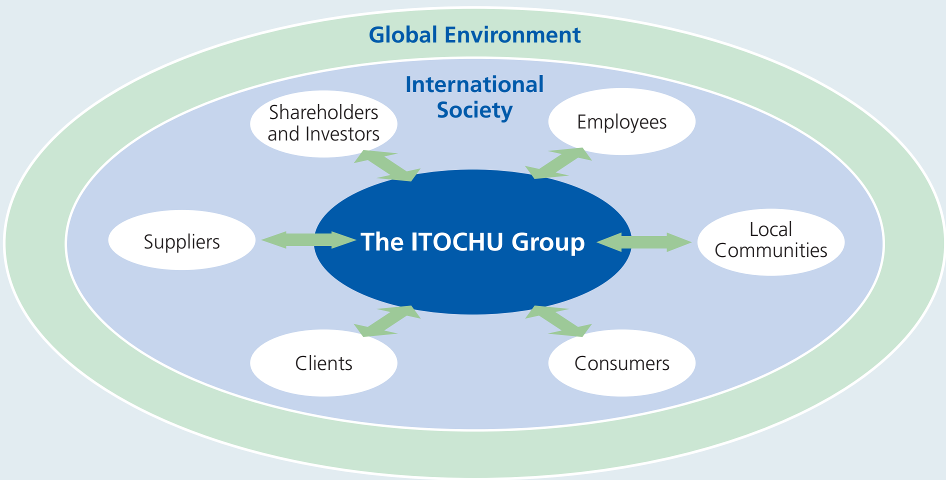
ITOCHU also recognizes that its mission as a truly global enterprise is to accommodate diverse values, to meet the expectations of society, and to remain deemed necessary by society.

Giving importance to meeting its corporate social responsibilities through business activities systematically, ITOCHU incorporates CSR initiatives into management plans, and each division advances such initiatives through PDCA management cycles. In addition, to reflect stakeholder opinions in business management, we will continue the dialogue between experts and management and create other opportunities for dialogue with a broad range of stakeholders.

CSR Approaches through Dialogue with Our Stakeholders

In each and every one of our wide range of corporate activities, we always take care to avoid arbitrary logic and judgments. For this reason, in our approaches to CSR as well, we engage in dialogue with our stakeholders based on the premise that judgments in society are by definition correct.

Major Stakeholders of the ITOCHU Group



Besides those noted above, our major stakeholders include many other parties, such as NGOs and NPOs, financial institutions, government ministries and agencies, mass media, and the coming generations.

CSR Reports

Please refer to ITOCHU's CSR reports for specific information about CSR initiatives and case studies, including ITOCHU's engagement with employees, society, and the environment.

ITOCHU's current medium-term management plan, Frontier[e] 2010, cites its global human resources strategy as one of the Group's key initiatives. We have long emphasized maintaining a diversified workforce and are now stepping up reinforcement of human resources from a global perspective and aggressively promoting support for each member of our varied workforce to realize their full potential.

Full-Blown Development of Our Global Human Resources Strategy

We are promoting our human resources strategy from a worldwide perspective to fully optimize the value of the human resources that form our global Groupwide base. In addition, we respect the diverse values and individuality of our employees, regardless of nationality, age, gender, and other factors, and are building an environment that will raise morale and motivation, while enabling employees to realize their full potential and encouraging them to rise to new challenges.

Aggressively implementing training programs geared toward developing global operations

Steps to Promote Human Resource Diversification

ITOCHU formulated the Promotion Plan on Human Resource Diversification 2013 (Japan) to spearhead the diversification of its employees in Japan from April 2009 through March 2014. We are currently implementing this plan as a specific measure focused on establishing and supporting a diversified workforce. As part of this drive, we inaugurated the Gaienmae Forum from fiscal 2010 to serve as a showcase of role models for employees juggling the dual responsibilities of work and childcare and as a reference for their future career formation.

The Gaienmae Forum offers an opportunity for people to obtain tips and build up a network of personal connections that will assist with their future career formation.

Childcare and Nursing Support Initiatives

In order to realize an environment in which its employees can concentrate on their work with peace of mind, and to retain and support a diversified workforce, ITOCHU is expanding its childcare and nursing support systems. During fiscal 2010, in response to the evolving social problem in the Tokyo metropolitan area of lengthening waiting lists for nursery school places, we opened the I-Kids day-care center for the children of employees, located near our Tokyo Headquarters. Further, ITOCHU's Maternity Support Leave and Family Support Leave—systems that were introduced to ensure adequate support for employees juggling the dual responsibilities of work and childcare—have both been utilized by steadily increasing numbers of employees.

I-Kids day-care center for the children of employees

Employee Meeting

The Employee Meeting is freely open to all employees and serves as a forum for direct dialogue between the President & CEO and employees. The President & CEO uses these meetings as valuable opportunities to explain management policies and the determination of the President & CEO to realize management goals directly to employees, while employees can address their opinions and questions straight to the President & CEO.

Employee Meeting

ITOCHU recognizes the role it has to fulfill as a good corporate citizen from a global perspective, while working in harmony with regional and international communities and contributing to the realization of a more affluent society. Currently, led by our Social Contribution Programs to Commemorate the 150th Anniversary of ITOCHU's Foundation, we are focusing our social contribution activities on five areas: global humanitarian issues, environmental conservation, community contribution, development of the future generation, and support for volunteer activities by our employees.

Examples of Activities in Fiscal 2010

Activities to Restore the Tropical Rainforests and Conserve Borneo's Ecosystem (Social Contribution Programs to Commemorate the 150th Anniversary of ITOCHU's Foundation)

ITOCHU and its Group companies are donating ¥250 million to the World Wide Fund for Nature Japan (WWF Japan) over five years, commencing in fiscal 2010 to support the WWF's endeavors in Borneo to implement the "Heart of Borneo" project for restoration and conservation of the tropical rainforests. In November 2009, we organized the First Borneo Tree-Planting Tour, with 16 participants, including members from an overseas office and a Group company.

First Borneo Tree-Planting Tour

ITOCHU Scholarship Fund (Social Contribution Programs to Commemorate the 150th Anniversary of ITOCHU's Foundation)

This new scholarship fund was established to help overseas students studying in Japan to concentrate on their studies, to contribute to the growth of Japan and their home countries, and to bolster ties between them in the future. The project targets some 50 third- and fourth-year overseas students studying in Japanese universities, providing ¥1.5 million to each scholar annually (total of ¥3.0 million provided per scholar for two years). Scholars attend orientation sessions about ITOCHU's business activities and volunteer programs organized by ITOCHU.

Social gathering for ITOCHU scholars

ITOCHU Foundation Activities

The ITOCHU Foundation was founded in 1974 to promote the sound development of young people. Its primary activities include supporting children's libraries and organizing camps. Our work to help volunteers establish libraries for children involved the provision of 95 grants during fiscal 2010, in Japan and overseas. These grants were channeled to encourage reading among children, including those suffering from long-term illnesses.

Promoting the sound development of the young people who will lead the future generation. Participants develop a greater degree of personal maturity, vitality, and independence by taking part in outdoor activities.

NGO KnK Support Activities

Kokkyo naki Kodomotachi (KnK, Children without Borders) is an NGO dedicated to activities to support street children in developing nations, victims of major natural disasters, and other kids in need. In December 2009, KnK reopened a self-support facility, called House for Youth in the suburbs of Manila, the Philippines, aided by ITOCHU sponsorship. In the future, approximately 1,000 children a year should benefit from assistance offered by this facility.

Providing a wide-range of educational opportunities, centered on House for Youth, to young people living in slums

ITOCHU conducts its business activities with perpetual consideration for global environmental conservation. We established the Global Environment Department in 1990 as a specialist body dealing with environmental issues and formulated and promulgated "the ITOCHU Environmental Policy" through internal and external channels in 1997.

Environmental Policy

The following two revisions were made to the ITOCHU Environmental Policy in May 2010.
(1) This policy has been renamed the "ITOCHU Group Environmental Policy" to clarify that ITOCHU tackles environmental issues as the ITOCHU Group.
(2) "Conserve ecosystems," cited in the Activity Guidelines of the current ITOCHU Environmental Policy, has been expanded to "conserve ecosystems and biodiversity" to facilitate a more explicit statement of our consideration for biodiversity.

The ITOCHU Group Environmental Policy

1. Basic Philosophy
Global warming and other environmental issues are affecting the future of mankind. As a global enterprise, ITOCHU Group is positioning these issues as one of the most important management policies. ITOCHU Group contributes to the realization of a sustainable society by promoting "Actively addressing the better global environment" based on the ITOCHU Group Corporate Code of Conduct, in order to achieve the goals of the ITOCHU Group Corporate Philosophy, *Committed to the Global Good*.

2. Activity Guidelines
In keeping with the basic philosophy presented above, the ITOCHU Group pursues a continual improvement of its environmental management system and defines the following guidelines concerning activities of environmental conservation.

(1) Prevention of environmental pollution
In all business activities, duly consider the need to conserve ecosystems and biodiversity, as well as local and global environments, and strive to prevent the occurrence of any environmental pollution.

(2) Observance of laws and regulations
Observe all domestic and foreign laws and regulations related to environmental conservation, along with other requirements to which we have subscribed.

(3) Promotion of environmental conservation activities
Besides promoting activities for conservation of energy and resources as well as reduction and recycling of waste as needed to establish the recycling-oriented society, endeavor to develop and supply products and services that help to conserve the environment.

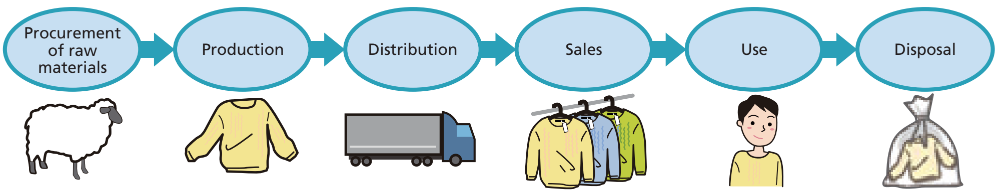
(4) Harmonious coexistence with society
As a good corporate citizen, aspiring for the prosperity of succeeding generations and positive contribution to society in general, support local communities for environmental education and assist in basic research pertaining to conservation of the global environment.

(5) Promotion of educational activities
Educate both our own employees and those of Group companies in order to raise their awareness of environmental conservation and improve the quality and effectiveness of associated activities.

May 2010
Masahiro Okafuji President & Chief Executive Officer

Evaluation of the Environmental Impact of Products and New Investments

We believe that assessing each product's effect on the global environment is critical because of the volume and range of products in which ITOCHU trades globally. Accordingly, we carry out original environmental impact evaluations based on Life Cycle Assessment* analysis. If the results of these evaluations reveal environmental impacts exceeding predetermined benchmarks, we formulate regulations or prepare procedural manuals to manage transactions of these products. Specifically, we approach the handling of marine and forest resources by consulting directly with overseas suppliers and encouraging them to ensure compliance with international regulations and conventions and consideration for ecosystems. In a separate initiative, we have introduced a system that checks and assesses in advance the potential effects of our investments in new business projects on the natural and regional environments.



* Life Cycle Assessment (LCA): A method that evaluates the environmental impact of products at all stages of their life cycles, from procurement of materials, production, distribution, sales, and use through disposal and recycling or reuse

Environmental Risk Management by Group Companies

As an integral part of the ITOCHU Group's environmental management drive, representatives of ITOCHU's Global Environment Department have visited approximately 20 Group companies each year since fiscal 2002 to check on their environmental management status. We hold hearings with Group companies on the situation regarding compliance with environmental laws and regulations applicable to Group companies, waste management, energy use, environmental education, and other relevant facets. Furthermore, we conduct practical reviews of factories, warehouses, and other facilities, pointing out issues or indicating preventative approach, and if necessary providing guidance with the aim of reinforcing measures to prevent environmental risks.

Organizational Structure

As of July 1, 2010

- General Meeting of Stockholders
  - Board of Corporate Auditors, Corporate Auditors
    - Corporate Auditors' Office
  - Board of Directors
  - President and C.E.O.
    - Headquarters Management Committee
    - Chief Financial Officer
      - CFO Office
      - Investor Relations Department
      - Group Accounting Support & IFRS Office
    - Chief Compliance Officer
    - Chief Information Officer
    - Audit Division
    - Secretariat
    - Chief Corporate Planning Officer
      - Corporate Planning & Administration Division
      - Affiliate Administration Division
      - Corporate Communications Division
      - IT Planning Division
      - Research & Policy Analysis Division
      - International Operations Division
        - ITOCHU DNA Project Office
    - Chief Officer for Human Resources, General Affairs, Legal
      - Human Resources Division
      - General Affairs Division
      - Legal Division
      - Trade & Logistics Administration Division
    - Chief Officer for Finance, Accounting, Risk Management
      - Finance Division
      - General Accounting Control Division
      - Business Accounting & Control Division
      - Risk Management Division
    - Executive Vice President (LINEs)
      - Healthcare Business Department
      - Solar Business Department
        - Innovative Technology Business Development Office
        - Corporate Development Office
        - Planning & Administration Office, New Business Development
    - Chief Officer for Kansai District Operation
    - Textile Company
    - Machinery Company
    - ICT, Aerospace & Electronics Company
    - Energy, Metals & Minerals Company
    - Chemicals, Forest Products & General Merchandise Company
    - Food Company
    - Finance, Realty, Insurance & Logistics Services Company
    - Domestic Office
    - Overseas Office

In addition to the above organization, the Group Management Committee (GMC) was established to heighten the overall value of the ITOCHU Group.

Textile Material & Fabric Division
Apparel Division
Brand Marketing Division 1
Brand Marketing Division 2
Planning & Administration Department
Affiliate Administration Department
IT Business Development Department

Textile Material & Fabric Department
Fabric & Apparel Department
Apparel Department 1
Apparel Department 2
Brand Marketing Department 1
Brand Marketing Department 2
Brand Marketing Department 3
Industrial Textile & Lifestyle Department

Number of Employees	
Consolidated	11,608
Non-consolidated	392

Number of Subsidiaries and Associates	
Domestic	25
Overseas	14

Plant Project & Marine Division
Automobile & Construction Machinery Division
Planning & Administration Department
Affiliate Administration Department

Marine Department
Plant & Project Department No. 1
Plant & Project Department No. 2
Automobile Department No. 1
Automobile Department No. 2
Automobile Business Promotion Department
Isuzu Business Department
Construction Machinery Department

Number of Employees	
Consolidated	8,050
Non-consolidated	408

Number of Subsidiaries and Associates	
Domestic	12
Overseas	38

ICT & Media Division
Aerospace & Industrial Systems Division
Planning & Administration Department
Affiliate Administration Department

Information Technology Business Department
Media & Internet Business Department
Mobile Network Business Department
Aerospace & Defense Department
Aircraft & Interior Department
Industrial Machinery & Electronic Systems Department

Number of Employees	
Consolidated	11,889
Non-consolidated	210

Number of Subsidiaries and Associates	
Domestic	29
Overseas	13

Metals & Minerals Division
Energy Division
New Energy Department
Planning & Administration Department
Affiliate Administration Section

Steel Business Administration Department
Iron Ore & Steelmaking Resources Department
Non-Ferrous & Metal Materials Department
Coal Department
International Energy Trading Department 1
International Energy Trading Department 2
Exploration & Production Department
Natural Gas Business Department

Number of Employees	
Consolidated	4,262
Non-consolidated	259

Number of Subsidiaries and Associates	
Domestic	14
Overseas	16

Forest Products & General Merchandise Division
Chemicals Division
Planning & Administration Department
Affiliate Administration Department

Wood Products & Materials Department
Paper Products & Materials Department
General Merchandise Department
Organic Chemicals Department No. 1
Organic Chemicals Department No. 2
Inorganic Chemicals Department
Plastics Department
Retail & Plastics Materials Department
Chemical Business Process Operation Department

Number of Employees	
Consolidated	9,404
Non-consolidated	296

Number of Subsidiaries and Associates	
Domestic	23
Overseas	49

Provisions Division
Fresh Food & Food Business Solutions Division
Food Products Marketing & Distribution Division
China Business Development Department
Business Process Operation Department
Planning & Administration Department
Affiliate Administration Department

Oilseeds, Oils & Fats Department
Grain & Feed Department
Sugar, Confectionary Materials & Dairy Products Department
Coffee & Beverage Marketing Department
Marine Products Department
Meat Products Department
Agri Products Department
Food Service & Distribution Department
Food Products Marketing & Distribution Department
FamilyMart Department

Number of Employees	
Consolidated	7,256
Non-consolidated	385

Number of Subsidiaries and Associates	
Domestic	25
Overseas	28

Financial & Insurance Services Division
Construction & Realty Division
Logistics Services Division
Orico Business Integrated Department
Planning & Administration Department
Affiliate Administration Department

Financial Markets Department
Financial Investments Department
Financial Services Business Department
Insurance & Risk Solutions Department
Construction & Realty Department No. 1
Construction & Realty Department No. 2
Osaka Construction & Realty Department
Logistics Solution Department
Logistics Projects Department

Number of Employees	
Consolidated	3,873
Non-consolidated	278

Number of Subsidiaries and Associates	
Domestic	27
Overseas	20

Others

Number of Employees	
Consolidated	6,037
Non-consolidated	2,031

Number of Subsidiaries and Associates	
Domestic	15
Overseas	65

Total

Number of Employees	
Consolidated	62,379
Non-consolidated	4,259

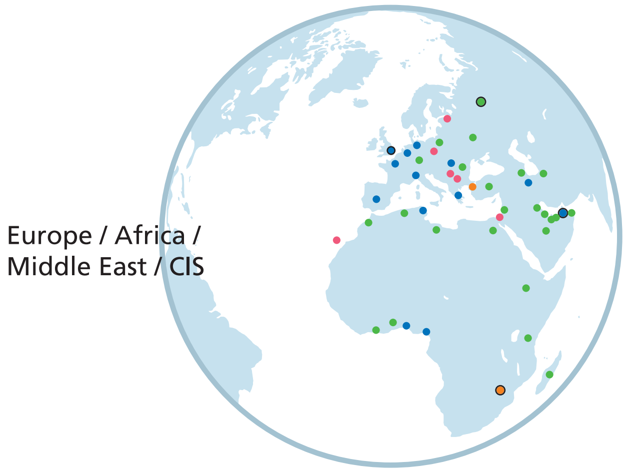
Number of Subsidiaries and Associates	
Domestic	170
Overseas	243

* The numbers of employees, subsidiaries, and associates are as of March 31, 2010.
* The number of consolidated employees is based on actual working employees excluding temporary staff.
* Others of the number of non-consolidated employees includes a total of 1,269 employees; employees temporary relocated to other companies (domestic 635, overseas 296), employees and trainees assigned to overseas posts (338).
* The criteria to count group companies is changed so that the number of companies directly invested by ITOCHU or its overseas trading subsidiaries are shown above.

Global Network / Bank List

As of July 1, 2010

[Global Network]



North America / Latin America

North America

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Facsimile : 27-11-465-0635/0604

- Lagos, Douala
- Johannesburg
- Abidjan, Accra, Nairobi, Addis Ababa, Tananarive

Middle East

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- Dubai, Tehran
- Istanbul
- Cairo, Amman, Ankara, Riyadh, Damman, Kuwait, Muscat, Doha, Tripoli, Karachi, Islamabad, Abu Dhabi

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Oceania / China / Asia / Japan

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- Port Moresby

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- Beijing, Shanghai, Dalian, Tianjin, Qingdao, Hong Kong, Guangzhou, Shenzhen, Nanjing, Sichuan, Wuhan
- Shenyang, ChangChun

Asia

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Facsimile : 65-6230-0560

- Singapore, Kuala Lumpur, Jakarta, Surabaya, Bandung, Bangkok, New Delhi, Mumbai, Kolkata, Chennai, Taipei, Kaohsiung, Seoul
- Kuala Lumpur, Manila
- Jakarta, Hanoi, Ho Chi Minh City, Yangon, Phnom Penh, Colombo, Dhaka, Ulaanbaatar

Japan

Headquarters

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Facsimile : 81-3-3497-4141

Osaka
1-3, Kyutaro-machi 4-chome,
Chuo-ku, Osaka, 541-8577, JAPAN
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Facsimile : 81-6-6241-3220

Nagoya, Kyushu, Chugoku, Hokkaido, Tohoku, Niigata, Shizuoka, Toyama, Kanazawa, Fukui, Shikoku, Naha, Oita

[Bank List]

ITOCHU has financial transactions with the following banks.

North America
Bank of America, N.A.
Canadian Imperial Bank of Commerce
Citibank, N.A.
Comerica Bank
JPMorgan Chase Bank
Wells Fargo Capital Finance

Central & South America
Grupo Financiero Banamex, S.A. de C.V.
Helms Bank S.A.

Europe & Africa
Barclays Bank PLC
BNP Paribas
Credit Agricole
Deutsche Bank
ING Bank N.V.
Intesa Sanpaolo S.p.A.
Investec Bank Limited
Rabobank Nederland
The Royal Bank of Scotland plc
Societe Generale
The Standard Bank of South Africa Limited
Standard Chartered Bank
Unicredit

Middle East
SAMBA Financial Group
Union National Bank

Oceania
Australia and New Zealand Banking Group Limited
Westpac Banking Corporation

Asia
Bangkok Bank Public Company Limited
Bank of China
Bank of Communications
CIMB Thai Public Company Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China
Kasikornbank Public Company Limited
Malayan Banking Berhad
RHB Bank Berhad

Japan
Mizuho Corporate Bank, Ltd.
Sumitomo Mitsui Banking Corporation
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Shinsei Bank, Ltd.
Aozora Bank, Ltd.
Resona Bank, Limited
The Sumitomo Trust and Banking Co., Ltd.
The Chuo Mitsui Trust and Banking Company, Limited
Mizuho Trust & Banking Co., Ltd.
Mitsubishi UFJ Trust and Banking Corporation
Japan Finance Corporation, Japan Bank for International Cooperation
Development Bank of Japan
The Norinchukin Bank
Shinkin Central Bank

Major Subsidiaries and Associated Companies

As of March 31, 2010

Textile Company

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Subsidiaries	Domestic	ROY-NE CO., LTD.	99.9	Manufacture and wholesale of woven and knitted products	3
		SANKEI CO., LTD.	90.5	Wholesale of garment materials	2
		MAGASeek Corporation	64.4	Retail web site of fashion apparel by PC and mobile	3
		■ JAVA HOLDINGS CO., LTD.	65.0	Holding company of retail of ladies' & kids' apparel brand	2
		□ LEILIAN CO., LTD.	61.1	Retail of women's apparel	12
		ITOCHU MODEPAL CO., LTD.	100.0	Manufacture and wholesale of apparel	3
		UNICO CORPORATION	100.0	Manufacture and wholesale of uniforms	3
		JOI'X CORPORATION	100.0	Sale of men's apparel	7
		BMI HOLDINGS CO., LTD.	100.0	Holding company of brand business	3
		SCABAL JAPAN Co., Ltd.	80.0	Import and sale of SCABAL brand products	3
		ITOCHU FASHION SYSTEM Co., Ltd.	100.0	Comprehensive consulting in the fashion industry	3
		RAIKA CO., LTD	100.0	Manufacture and wholesale of apparel	3
		ITOCHU HOME FASHION CORPORATION	97.9	Manufacture and wholesale of home furnishings	2
		CI Shopping Service Co., Ltd.	100.0	Sale of everyday items aimed at ITOCHU Group employees and families	3
		CI TEXTILE SERVICE CO., LTD.	100.0	Outsourcing of administrative duties for delivery and accounting	3
	Overseas	ITOCHU Textile Prominent (ASIA) Ltd. (Hong Kong S.A.R., China)*	100.0	Wholesale of materials, yarns, textile, and apparel	3
		PROMINENT (VIETNAM) CO., LTD. (Vietnam)	100.0	Quality control of textile and apparel	12
		UNIMAX SAIGON CO., LTD. (Vietnam)	80.0	Manufacture of uniforms	12
		ITOCHU TEXTILE (CHINA) CO., LTD. (China)	100.0	Production control and wholesale of textile materials, fabrics, and apparel	12
Associates	Domestic	□ MARUKO CO., LTD.	26.5	Manufacture and wholesale of lady's underwear, etc.	8
		DESCENTE, LTD.	25.7	Manufacture and wholesale of sportswear, etc.	3
		DEAN & DELUCA JAPAN Co., Ltd.	20.4	Operation of cafeteria chain and other new business	2
		□ T.KAWABE & CO., LTD.	25.3	Manufacture and sales of handkerchiefs, scarves, and other accessory goods	3
		□ Watakyu Seimoa Corporation	25.0	Total outsourcing service mainly linen supply for medical & welfare institutions	6
		AYAHA CORPORATION	33.5	Manufacture of tire cords, etc.	3
	Overseas	Thai shikibo co., ltd. (Thailand)	30.0	Manufacture of cotton yarn	12
		□ Dalian Yawen Underwear Co., Ltd. (China)	28.0	Manufacture of women's underwear	12
		Paul Smith Group Holdings Limited (U.K.)	40.4	Holding company of Paul Smith Group	6
		Shanshan Group Co., Ltd. (China)	28.0	Holding company of Shanshan Group, operating a textile business, electronic components, etc.	12

* On February 23, 2010, the name of Prominent Apparel Ltd. was changed to ITOCHU Textile Prominent (ASIA) Ltd.

Machinery Company

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Subsidiaries	Domestic	ITOCHU Plantech Inc.	100.0	Export and import of small-to-medium-scale plant and equipment and domestic environmental and energy solution businesses	3
		IMECS Co., Ltd.	100.0	Ownership and operation of ships, chartering, ship machinery, secondhand ships, and administration management of overseas shipping companies	3
		ITOCHU Automobile Corporation	100.0	Export / import and inter-third trade of car parts	3
		ITOCHU CONSTRUCTION MACHINERY CO., LTD.	100.0	Sales and rental of construction machinery	3
	Overseas	I-Power Investment Inc. (U.S.A.)	100.0	Investment company in the power industry	12
		Tyr Energy Inc. (U.S.A.)	100.0	Power generation business in North America	12
		NAES Corporation (U.S.A.)	100.0	Power plant operation and maintenance services provider for independent power producers and utilities	12
		MCL Group Limited (U.K.)	100.0	Warehousing and financing of motor vehicles	12
		IM AUTOTRADE HOLDING G.m.b.H (Austria)	100.0	Wholesale and inter-third trade of motor vehicles and motorcycles	12
		ITOCHU Automobile America Inc. (U.S.A.)	100.0	Retail, distribution, and trading of motor vehicles	12
		Auto Investment Inc. (U.S.A.)	100.0	Retail of motor vehicles	12
		PROMAX Automotive, Inc. (U.S.A.)	100.0	Third-party logistics services	12
		PT. SUZUKI Finance Indonesia (Indonesia)	70.0	Automobile finance company	12
		VEHICLES MIDDLE EAST FZCO (U.A.E.)	100.0	Trade finance for motor vehicles	12
		MULTIQUIP INC. (U.S.A.)	100.0	Distribution and manufacturing of light construction equipment and generators	12

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Associates	Domestic	Barracuda & Caratinga Investment Corporation	30.0	Investment in the project for the construction, ownership, and operation of deep sea oil & gas production facilities	12
		Malha Gas Investment Co., Ltd.	30.0	Investment in the project for the construction, ownership, and operation of gas pipelines	3
		YANASE & CO., LTD.	22.0	Sales and repair of automobiles	9
		Isuzu Network Co., Ltd.	25.0	Commercial vehicle life cycle business	3
		Century Tokyo Leasing Corporation*	20.0	Diversified leasing business, various types of financing, and International business	3
	Overseas	American Renewables, LLC (U.S.A.)	49.0	Development company of renewable energy generation facilities	12
		Komatsu Southern Africa (Pty) Ltd. (Republic of South Africa)	20.0	Sales and service of construction machinery	3
		PT Hexindo Adiperkasa Tbk (Indonesia)	22.5	Sales and service of construction machinery	3

* On April 1, 2009, Century Leasing System, Inc., and Tokyo Leasing Co., Ltd., merged to form Century Tokyo Leasing Corporation.

ICT, Aerospace & Electronics Company

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Subsidiaries	Domestic	ITOCHU Techno-Solutions Corporation	52.6	Sales, maintenance and support of computers and network systems; commissioned software development; information processing services	3
		ITOCHU ELECTRONICS CORP.	100.0	Full service interactive agency or digital marketing company, providing integrated digital marketing technologies and services including web site developments, online advertising, BPO services	3
		Excite Japan Co., Ltd.	59.2	Internet information service	3
		SPACE SHOWER NETWORKS INC.	51.0	Music channel on cable / satellite television	3
		ITC NETWORKS CORPORATION	60.7	Distribution and retail business of mobile phones	3
		NANO Media Inc.	51.3	Content publishing, mobile site operation, and application development	3
		ITOCHU Aviation, Inc.	100.0	Import / export and wholesale of aircraft, aircraft part, and related equipment	3
		ITOCHU Sanki Corporation*	100.0	Import / export and wholesale of industrial machinery	3
	Overseas	ITOCHU AirLease B.V. (Netherlands)	100.0	Lease of commercial aircraft	3
Associates	Domestic	Asurion Japan K.K.	33.3	Mobile insurance agency	12
		JAMCO Corporation	33.3	Maintenance of aircraft and manufacture of aircraft interior	3
		SUNCALL CORPORATION	26.4	Manufacture and sales of optical communication devices, electronic devices, and assembly	3
		MYSTAR ENGINEERING CORP.	20.3	Maintenance & engineering service for mechatronics & facilities	3

* On April 1, 2010, the name of ITOCHU Sanki Corporation was changed to ITOCHU MACHINE-TECHNOS CORPORATION, through merger with ITOCHU MECHATRONICS CORPORATION.

Energy, Metals & Minerals Company

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Subsidiaries	Domestic	ITOCHU ENEX CO., LTD.	53.6	Wholesale of petroleum products and gas	3
		ITOCHU Metals Corporation	100.0	Import / export and wholesale of non-ferrous / light metals, products, and steel scrap, development of recycle business	3
		ITOCHU Oil Exploration Co., Ltd.	100.0	Exploration and production of oil, gas, and other hydrocarbon resources	3
		ITOCHU Petroleum Japan Ltd.	100.0	Investment to the trading company of crude oil and petroleum products	3
		JB BioEnergy Inc.	100.0	Investment in projects of bioethanol in Brazil	12
	Overseas	ITOCHU Minerals & Energy of Australia Pty Ltd (Australia)	100.0	Investment and sales in projects of iron ore, coal, and bauxite mining, manufacture of alumina and oil exploration	3
		IPC EUROPE LTD. (U.K.)	100.0	International trade of crude oil and petroleum products	12
		ITOCHU Oil Exploration (Azerbaijan) Inc. (Cayman Islands, British West Indies)	100.0	Exploration and production of crude oil and gas	12
		□ Nippon Uranium Resources (Australia) Pty Limited (Australia)	100.0	Investment in uranium project in Namibia	3
Associates	Domestic	Marubeni-Itochu Steel Inc.	50.0	Import / export and wholesale of steel products	3
		NISSHO Petroleum Gas Corporation	25.0	Wholesale of LPG and petroleum products	3
		Japan Ohanet Oil & Gas Co., Ltd.	35.0	Exploration and production of gas and condensate	12
		Brazil Japan Iron Ore Corporation	47.7	Investment in projects of iron ore in Brazil	3
	Overseas	Chemoil Energy Limited (Hong Kong S.A.R., China)	37.5	International trade of petroleum products	12
		IPC (USA), Inc. (U.S.A.)	50.0	International trade of crude oil and petroleum products	12

■ : Subsidiary changed from associates in the fiscal year ended March 2010
□ : Newly consolidated subsidiaries in the fiscal year ended March 2010

Chemicals, Forest Products & General Merchandise Company

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Subsidiaries	Domestic	ITOCHU Kenzai Corp.	87.3	Wholesale of wood products and building materials	3
		Daishin Plywood Co., Ltd.	100.0	Manufacture of plywood	3
		ITOCHU Forestry Corp.*	100.0	Designing and installation of water treatment system, landscape and gardening, and greenery business	3
		ITOCHU Pulp & Paper Corp.	100.0	Wholesale of paper, paper boards, and various materials	3
		ITOCHU Ceratech Corp.	100.0	Manufacture and sale of ceramic raw materials and products	3
		ITOCHU Windows Co., Ltd.	66.0	Manufacture and sale of insulating glass	3
		ITR Corp.	100.0	Wholesale and retail of tires	3
		IFA Co., LTD.	100.0	Wholesale of shoes and bags	3
		ITOCHU CHEMICAL FRONTIER Corporation	100.0	Wholesale of fine chemicals and related raw materials	3
		ITOCHU PLASTICS INC.	100.0	Development and wholesale of plastics and related products	3
		■ C.I. Kasei Co., Ltd.	97.6	Manufacture of PVC pipe and film and related materials	3
		The Japan Cee-Bee Chemical Co., Ltd.	80.0	Manufacture and processing of metal pretreatment chemicals	3
		VCJ Corporation	80.0	Wholesale of DVD / video and plastic products for retailers	3
		Chemical Logitec Co., Ltd.	100.0	Management of chemical storage warehouses and transportation of chemicals and other cargos	3
		SHOWA ALUMINUM POWDER K.K.	85.1	Manufacture of aluminum paste	12
	Overseas	CIPA Lumber Co. Ltd. (Canada)	100.0	Manufacture of veneer	12
		Pacific Woodtech Corporation (U.S.A.)	100.0	Manufacture of LVL & I-Joist	12
		PrimeSource Building Products, Inc. (U.S.A.)	100.0	Wholesale of building materials	12
		PT. Aneka Bumi Pratama (Indonesia)	100.0	Processing of natural rubber	12
		Stapleton's (Tyre Services) Ltd. (U.K.)	100.0	Wholesale and retail of tires	12
		ITOCHU Plastics Pte., Ltd. (Singapore)	100.0	Wholesale of plastic resins	12
		Plastribution Limited (U.K.)	100.0	Wholesale of synthetic resins	12
		RUBBERNET (ASIA) PTE LTD. (Singapore)	80.0	Sale of crude rubber	12
		ITOCHU Chemicals America Inc. (U.S.A.)	100.0	Wholesale of chemical products and synthetic resins	12
		REMEJE PHARMACEUTICALS (CHINA) CO., LTD. (China)	70.0	Import, export, and wholesale of pharmaceuticals (Rx, OTC), supplements, and other healthcare goods in China	12
		□ Hangzhou New Huahai Business & Trading Co., Ltd. (China)	85.0	Wholesale of cosmetics and daily goods, and sale of cosmetics, skincare products, toiletry products, and other daily goods	12
Associates	Domestic	Japan Brazil Paper and Pulp Resources Development Co., Ltd.	25.9	Investment in CENIBRA, one of the largest eucalyptus pulp manufacturers in Brazil	3
		DAIKEN CORPORATION	25.1	Manufacture of building materials and construction parts	3
		TAKIRON Co., Ltd.	27.5	Manufacture of flat and corrugated plastic sheets	3
		TOHO EARTHTECH, INC.	34.2	Exploration and production of natural gas and iodine	3
		Ningbo PTA Investment, Co., Ltd	35.0	Investment in manufacture of PTA in China	3
	Overseas	ALBANY PLANTATION FOREST COMPANY OF AUSTRALIA PTY. LIMITED (Australia)	28.4	Plantation of eucalyptus trees for papermaking	3
		DAIKEN NEWZEALAND LIMITED (New Zealand)	49.0	Manufacture of MDF	12
		SOUTH EAST FIBRE EXPORTS PTY. LTD. (Australia)	37.5	Manufacture of woodchip	12
		THAITECH RUBBER CORPORATION LTD. (Thailand)	33.0	Processing of natural rubber	12
		Siam Riso Wood Products Co., Ltd. (Thailand)	27.5	Manufacture of particle board	12
		□ YOKOHAMA RUSSIA L.L.C. (Russia)	20.0	Wholesale of tires	12
		NARENDRA PLASTIC PVT. LTD. (India)	29.9	Manufacture of plastics bags	3
		SUMIKA POLYMER COMPOUNDS (EUROPE) LTD. (U.K.)	25.0	Sale and manufacture of compound of plastic raw materials	12
		Shanghai Baoling Plastics Co., Ltd. (China)	22.6	Manufacture of plastic products	12
		Shanghai Jinpu Plastic Packaging Material Co., Ltd. (China)	30.0	Manufacture of polypropylene films	12
		Tetra Chemicals (Singapore) Pte. Ltd. (Singapore)	40.0	Sale and manufacture of MTBE (Methyl t-Butyl Ether)	12
		SUMIPEX (THAILAND) CO., LTD. (Thailand)	49.0	Manufacture of PMMA sheet	12
		NCT Holland B.V. (Netherlands)	40.0	Trading and distribution of the plastics materials based on Europe and Middle East	12
		BRUNEI METHANOL COMPANY SDN. BHD. (Brunei)	25.0	Manufacture of methanol in Brunei	12
		□ TODA AMERICA INC. (U.S.A.)	50.0	Sale and manufacture of cathode materials for Lithium Ion Batteries	3
		□ TODA ADVANCED MATERIALS INC. (Canada)	50.0	Sale and manufacture of precursor materials for use in Lithium Ion Batteries cathodes	12

* On April 1, 2010, the name of ITOCHU Forestry Corp. was changed to ITC Green & Water Corp.

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Food Company					
Subsidiaries	Domestic	ITOCHU Feed Mills Co., Ltd.	85.9	Manufacture and wholesale of compound feeds	3
		ITOCHU Sugar Co., Ltd.	100.0	Manufacture and processing of sugar and by-products	3
		I-FOODS Co., Ltd.	100.0	Import and wholesale of food materials	3
		ITOCHU Rice Corporation	89.6	Wholesale of rice	3
		Japan Nutrition Co., Ltd.	100.0	Manufacture and wholesale of feed and feed additive	3
		Yayoi Foods Co., Ltd.	93.2	Manufacture of frozen prepared foods	3
		ITOCHU FRESH Corporation	100.0	Processing and wholesale of fish, meat, and agri-products	3
		Universal Food Co., Ltd.	98.0	Planning supply-chain management in food service business	3
		ITOCHU SHOKUHIN Co., Ltd.	51.7	Wholesale and distribution of foods	9
		NIPPON ACCESS, INC.	69.8	Wholesale and distribution of foods	3
		Family Corporation Inc.	100.0	Logistics services of frozen, chilled, and dry foods and sundries for convenience store chain, retailers, and food service business	3
	Overseas	OILSEEDS INTERNATIONAL LTD. (U.S.A.)	100.0	Safflower oil manufacture	7
Associates	Domestic	Fuji Oil Co., Ltd.	25.7	Integrated manufacturer of cooking oil and soybean protein	3
		Japan Foods Co., Ltd.	35.0	Production of soft drinks	3
		SHIBUSHI SILO CO., LTD.	25.0	Harbor transport and warehousing business	3
		Kumejima Sugar Co., Ltd.	34.8	Production and sales of raw sugar	6
		Prima Meat Packers, Ltd.	39.7	Production and marketing of meat, ham, sausage, and processed foods	3
		Yoshinoya Holdings Co., Ltd.	21.0	Operation of Beef Bowl and other restaurant chain	2
		KI Fresh Access, Inc.	33.5	Distributor of fruits and vegetables	3
		SHOW-WA Co., Ltd.	20.0	Wholesale of foods	3
		FamilyMart Co., Ltd.	31.5	Operation of a convenience store chain, using the name FamilyMart, and a franchise system	2
	Overseas	PALMAJU EDIBLE OIL SDN. BHD. (Malaysia)	30.0	Refining of palm oil	12
		CGB ENTERPRISES, INC. (U.S.A.)	50.0	Handling of grain and operation of barges	5
		ASAHI BREWERIES ITOCHU (HOLDINGS) LIMITED (Hong Kong S.A.R., China)	40.0	Holding company of Chinese beer manufacturers	12
		P.T. ANEKA TUNA INDONESIA (Indonesia)	47.0	Production of canned and pouched tuna	12
		WINNER FOOD PRODUCTS LTD. (Hong Kong S.A.R., China)	26.0	Manufacture and wholesale of processed foods	12
		TAIWAN DISTRIBUTION CENTER CO., LTD. (Taiwan)	39.4	Wholesale of foods and sundries	12
		□ TING HSIN (CAYMAN ISLANDS) HOLDING CORP. (Cayman Islands, British West Indies)	20.0	Holding company of processed foods manufacturers, food services, and retail chain stores in China and Taiwan	12
Finance, Realty, Insurance & Logistics Services Company					
Subsidiaries	Domestic	ITOCHU Finance Corporation	99.1	Loan and other finance-related business	3
		ITOCHU Capital Securities, Ltd.	100.0	Structuring and distribution of investment products	3
		FX PRIME Corporation	55.0	Online foreign exchange brokerage	3
		ITOCHU Property Development, Ltd.	99.8	Development and sale of housing (apartments, condominiums, and homes)	3
		ITOCHU HOUSING Co., Ltd.	100.0	Real estate agent and property consultant	3
		ITOCHU Urban Community Ltd.	100.0	Operation and management of real estate property	3
		ITOHPIA HOME Co., Ltd.	100.0	Planning and construction of homes	3
		ITOCHU Orico Insurance Services Co., Ltd.	65.0	Insurance agency	3
		I&T Risk Solutions Co., Ltd.	62.8	Insurance broking services and risk consulting	3
		Naigai Travel Service Co., Ltd.	100.0	Travel agency	3
		ITC Investment Partners Corporation*1	98.5	Asset management business	3
		AD Investment Management Co., Ltd.	68.9	Asset management company of Advance Residence Investment Corporation	3
		■ ITOCHU LOGISTICS CORP.*2	99.0	Comprehensive logistics services	3
	Overseas	ITOCHU Finance (Europe) PLC (U.K.)	100.0	Proprietary financial investment and development of new financial business in Europe	2
		ITOCHU Finance (Asia) Ltd. (Hong Kong S.A.R., China)	100.0	Proprietary financial investment and development of new financial business in Asia	2
		ITOCHU Financial Services, Inc. (U.S.A.)	100.0	Proprietary financial investment and development of new financial business in North America	12
		COSMOS SERVICES CO., LTD. (Hong Kong S.A.R., China)	100.0	Consulting and broking of insurance and reinsurance	3
		COSMOS SERVICES (AMERICA) INC. (U.S.A.)	100.0	Consulting and broking of insurance	12
		SIAM COSMOS SERVICES CO., LTD. (Thailand)	80.0	Consulting and broking of insurance	12
		EURASIA LOGISTICS LTD.(Hungary)*3	70.7	Transportation and warehousing	12
		Beijing Pacific Logistics Co., ltd. (China)*4	100.0	Logistics business in China	12
		Guangzhou Global Logistics Corp. (China)	77.7	Warehousing and trucking	12

*1 On April 1, 2009, the name of TAKMA Capital Corporation was changed to ITC Investment Partners Corporation.
*2 On January 1, 2010, the name of i-LOGISTICS CORP. was changed to ITOCHU LOGISTICS CORP.
*3 On April 1, 2009, the name of EURASIA SPED Kft. was changed to EURASIA LOGISTICS LTD.
*4 On June 1, 2010, the name of Beijing Pacific Logistics Co., ltd. was changed to ITOCHU LOGISTICS (CHINA) CO., LTD.
■ : Subsidiary changed from associates in the fiscal year ended March 2010
□ : Newly consolidated subsidiaries in the fiscal year ended March 2010

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Associates	Domestic	CENTRAL ENGINEERING & CONSTRUCTION Co., Ltd.	50.0	Engineering and ventilation construction	3
		MINAMI AOYAMA Apartment Co., Ltd.	25.0	Leasing and operation of rental residences	3
		■ CENTURY 21 REAL ESTATE OF JAPAN LTD.	49.7	Headquarters of real estate franchise system	3
		Famima Credit Corporation	32.5	Credit card business	2
		POCKETCARD Co., Ltd.	23.4	Credit card business	2
		Orient Corporation	32.0	Consumer credit, credit card business	3
		Superex Corporation	41.9	Logistics center	3
		eGuarantee, Inc.	31.7	Account Receivables protection services for general corporations and financial institutions	3
	Overseas	P.T. MALIGI PERMATA INDUSTRIAL ESTATE (Indonesia)	50.0	Development, sale, and management of industrial parks	12
		VIETNAM HI-TECH TRANSPORTATION CO., LTD. (Vietnam)	20.0	Port operation and inland transportation in Vietnam	12
		TINGTONG (CAYMAN ISLANDS) HOLDINGS CORP. (Cayman Islands, British West Indies)	50.0	Management of logistics in China	12

Headquarters

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Subsidiaries	Domestic	Century Medical, Inc.	100.0	Import and sale of medical equipment	3
		Healthcare-Tech Corporation	100.0	Distribution service and wholesale of medical devices and medical products	3
		ACRONET Corp.	100.0	CRO business	3
		Wellness Communications Corporation	100.0	Healthcare administration service	3
		IML Corporation	100.0	CSO business, PET center business	3
		Ecosystem Japan Co., Ltd.	84.7	Sales and installation of photovoltaic systems and eco-sensitive products	3
	Overseas	ITOCHU TREASURY CENTRE ASIA PTE. LTD. (Singapore)	100.0	Financial services	3
		ITOCHU TREASURY CENTRE EUROPE PLC (U.K.)	100.0	Financial services	12
		Solar Depot, LLC (U.S.A.)	100.0	Photovoltaic system integrator	12
		□ SolarNet, LLC (U.S.A.)	85.0	Photovoltaic system integrator	12
Associates	Domestic	GOODMAN Co., Ltd.	36.8	Import, development, manufacturing, and sale of medical equipment	6
		Japan Medical Dynamic Marketing Inc.	30.0	Import, development, manufacturing, and sale of medical equipment	5
		Medical Collective Intelligence Co., Ltd.	41.5	Marketing support for medical and pharmaceutical companies	12
	Overseas	Greenvision Ambiente Photo-Solar S.R.L. (Italy)	43.0	Photovoltaic system integrator	12
		Enolia Solar Systems S.A. (Greece)	40.4	Photovoltaic system integrator	12
		□ Scatec Solar AS (Norway)	37.5	Photovoltaic system integrator	12

Headquarters, Overseas Trading Subsidiaries and their Subsidiaries

Name	Voting Shares (%)	Operations	Fiscal Year-End Month
ITOCHU International Inc. (U.S.A.)	100.0	Wholesale and investment	12
Telerent Leasing Corporation (U.S.A.)	100.0	Distribution and lease of televisions to hotels and hospitals	12
Master-Halco, Inc. (U.S.A.)	100.0	Manufacture and distribution of fence materials	12
Enprotech Corp. (U.S.A.)	100.0	Maintenance and repair of industrial machinery in automotive, steel, and bottling industries	12
ITOCHU Europe PLC (U.K.)	100.0	Wholesale and investment	12
ITOCHU Singapore Pte, Ltd. (Singapore)	100.0	Wholesale and investment	3
ITOCHU Korea LTD. (Korea)	100.0	Wholesale and investment	12
ITOCHU (Thailand) Ltd. (Thailand)	100.0	Wholesale and investment	3
ITOCHU Hong Kong Ltd. (Hong Kong S.A.R., China)	100.0	Wholesale and investment	3
ITOCHU Latin America, S.A. (Panama)	100.0	Wholesale and investment	12
ITOCHU BRASIL S.A. (Brazil)	100.0	Wholesale and investment	12
ITOCHU MIDDLE EAST FZE (U.A.E.)	100.0	Wholesale and investment	3
ITOCHU Australia Ltd. (Australia)	100.0	Wholesale and investment	3
ITOCHU (China) Holding Co., Ltd. (China)	100.0	Wholesale and investment	12
Beijing ITOCHU-Huatang Comprehensive Processing Co., Ltd. (China)	90.0	Reprocessing, sorting, packaging, and shipping of products in the apparel, food, and living categories	12
ITOCHU TAIWAN CORPORATION (Taiwan)	100.0	Wholesale and investment	3

■ : Subsidiary changed from associates in the fiscal year ended March 2010
□ : Newly consolidated subsidiaries in the fiscal year ended March 2010

Financial Section

Six-Year Summary

ITOCHU Corporation and Subsidiaries
Years ended March 31

	Millions of Yen						Millions of U.S. Dollars (Note 5)
Years ended March 31	2010	2009	2008	2007	2006	2005	2010
P/L (For the year):							
Revenue	¥3,416,637	¥3,419,061	¥2,859,853	¥2,646,037	¥2,217,393	¥1,990,627	$36,722
Gross trading profit	924,366	1,060,521	994,547	907,511	713,546	630,150	9,935
Net income attributable to ITOCHU	128,153	165,390	217,301	175,856	144,211	77,063	1,377
Per share (Yen and U.S. Dollars):							
Net income attributable to ITOCHU (Note 1)	¥81.09	¥104.64	¥137.46	¥111.19	¥ 91.15	¥ 48.70	$0.87
Cash dividends	15.0	18.5	18.0	14.0	9.0	7.0	0.16
Stockholders' equity (Note 1)	694.98	537.43	615.89	564.48	457.93	321.59	7.47
Total trading transactions (Note 2)	¥10,306,799	¥12,065,109	¥11,729,082	¥11,556,787	¥10,456,727	¥9,562,614	$110,778
Adjusted profit (Note 3)	194,290	339,292	333,673	240,766	251,210	188,196	2,089
B/S (At year-end):							
Total assets	¥5,476,847	¥5,192,092	¥5,274,199	¥5,288,647	¥4,809,840	¥4,483,505	$58,866
Short-term interest-bearing debt	289,964	628,792	383,463	518,040	555,531	676,870	3,117
Long-term interest-bearing debt	1,919,306	1,760,530	1,720,939	1,647,589	1,670,937	1,669,834	20,629
Interest-bearing debt	2,209,270	2,389,322	2,104,402	2,165,629	2,226,468	2,346,704	23,746
Net interest-bearing debt	1,726,073	1,756,764	1,654,532	1,630,928	1,724,314	1,891,086	18,552
Long-term debt, excluding current maturities (including long-term interest-bearing debt)	2,107,589	1,934,421	1,895,088	1,795,333	1,762,103	1,750,815	22,652
Stockholders' equity	1,098,419	849,411	973,545	892,553	724,377	508,893	11,806
Cash flows (For the year):							
Cash flows from operating activities	¥ 295,376	¥ 276,854	¥ 65,552	¥ 235,917	¥185,147	¥ 126,624	$ 3,175
Cash flows from investing activities	(196,318)	(326,033)	(65,774)	(83,394)	(79,871)	(127,600)	(2,110)
Cash flows from financing activities	(258,987)	258,322	(81,294)	(100,920)	(85,193)	(125,342)	(2,784)
Cash and cash equivalents at end of year	475,674	628,820	446,311	532,856	477,707	452,934	5,113
Ratios:							
Gross trading profit ratio (%) (Note 4)	9.0	8.8	8.5	7.9	6.8	6.6	
ROA (%)	2.4	3.2	4.1	3.5	3.1	1.7	
ROE (%)	13.2	18.1	23.3	21.8	23.4	16.6	
Ratio of stockholders' equity to total assets (%)	20.1	16.4	18.5	16.9	15.1	11.4	
Net debt-to-equity ratio (times)	1.6	2.1	1.7	1.8	2.4	3.7	
Interest coverage (times)	5.3	7.2	6.2	6.6	5.7	5.7	
Common stock information (For the year):							
Stock price (Yen and U.S. Dollars):							
Opening price	¥487	¥ 994	¥1,174	¥1,014	¥ 541	¥466	$5.23
High	821	1,337	1,591	1,223	1,056	573	8.82
Low	486	380	804	837	484	403	5.22
Closing price	819	478	984	1,168	1,011	540	8.80
Market capitalization (Yen and U.S. Dollars in billions)	1,298	758	1,560	1,851	1,602	856	13.95
Trading volume (yearly, million shares)	2,616	2,913	2,928	1,969	1,580	1,533	
Number of shares of common stock issued (at year-end, 1,000 shares)	1,584,890	1,584,890	1,584,890	1,584,890	1,584,890	1,584,890	
Exchange rates into U.S. currency (Federal Reserve Bank of New York):							
At year-end	¥93.40	¥ 99.15	¥ 99.85	¥117.56	¥117.48	¥107.22	
Average for the year	92.49	100.85	113.61	116.55	113.67	107.28	
Range:							
Low	100.71	110.48	124.09	121.81	120.93	114.30	
High	86.12	87.80	96.88	110.07	104.41	102.26	
Number of employees (At year-end, consolidated)	62,379	55,431	48,657	45,690	42,967	40,890	

Note:
1. "Net income attributable to ITOCHU per share" and "Stockholders' equity per share" are calculated by using the weighted average number of shares issued and outstanding for the period.
2. "Total trading transactions" is presented in accordance with Japanese accounting practice and is not meant to present sales or revenue in accordance with U.S. GAAP.
3. Adjusted profit = Gross trading profit + Selling, general and administrative expenses + Net financial expenses + Equity in earnings of associated companies
4. "Gross trading profit ratio" is the percentage of "Gross trading profit" to "Total trading transactions."
5. The Japanese yen amounts for the year ended March 31, 2010 have been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥93.04=U.S.$1 (the official rate dated March 31, 2010 announced by The Bank of Tokyo-Mitsubishi UFJ, Ltd.).

All of the financial information provided herein is based on the consolidated financial statements included in this annual report. These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Figures in yen for the fiscal year ended March 31, 2010 ("Fiscal 2010" or "the fiscal year"), have been translated into U.S. dollars solely for the convenience of the reader based on the exchange rate of ¥93.04 = US$1, announced by The Bank of Tokyo-Mitsubishi UFJ, Ltd., on March 31, 2010.

OVERVIEW

In Fiscal 2010, although economies worldwide did not fully recover from the serious economic downturn that began in autumn 2008 due to a financial crisis centered on developed countries, such countries' large-scale economic measures and easing of monetary policies from summer 2009 gradually stabilized financial markets, which led to a modest recovery. From that period, the U.S. economy picked up as large-scale economic stimulus measures took effect. At the same time, many European countries began trending toward recovery on the back of economic measures. However, the pace of recovery was moderate compared with other regions. Meanwhile, emerging nations such as China, India, and Brazil drove economies worldwide by embarking upon ambitious fiscal and financial policies that grew domestic demand and thereby supported steady expansion of their economies. In step with the recovery of economies worldwide, the price of crude oil and other commodities rose.

Japan's economy continued modest recovery from spring 2009 thanks to an upturn in exports to Asia and higher consumption of durable goods, which resulted from the introduction of "eco point" (a system that rewards purchases of certain energy-efficient home appliances) and tax breaks on purchases of eco cars. Reflecting signs of economic recovery, the Nikkei Stock Average rose from the ¥8,000 level in April 2009 to the ¥11,000 level at the end of March 2010. Initially, the yen strengthened against the U.S. dollar, dipping below the ¥90 mark in November 2009 due to concern over the U.S. fiscal deficit and a narrowing of the difference between Japanese and U.S. interest rates. From December, however, as criticism of the U.S. economy subsided and the difference between Japanese and U.S. interest rates widened accordingly, the yen weakened to between ¥90 and ¥95 at end of the fiscal year.

Under its Medium-Term Management Plan Frontier[e] 2010—Enhancing Corporate Value on the World Stage, Shaping the Future—, which covers Fiscal 2010 and Fiscal 2011, in light of significant changes in the global economy, ITOCHU's basic policy is to review foundations, continue to reform and take on challenges, and move forward steadily to become *a global enterprise that is highly attractive to all stakeholders*.

In the fiscal year, the first fiscal year of Frontier[e] 2010, specific achievements were as follows.

Consumer-Related Sector

In Textile, ITOCHU newly consolidated JAVA HOLDINGS CO., LTD., which owns subsidiaries specializing in apparel for young women and children, and Leilian Co., Ltd., which has a strong sales base in upscale women's apparel mainly for mature women. Also, ITOCHU promoted business and capital alliances with industry-leading companies in each area, including the innerwear and Life & Healthcare business areas. In Food, ITOCHU completed an investment in TING HSIN (CAYMAN ISLANDS) HOLDING CORP., which is a holding company of the Ting Hsin Group, a major food product distributor in China and Taiwan, and made it an equity-method associated company. In Japan, ITOCHU concluded capital and business tie-ups with UNY Co., Ltd. and Izumiya Co., Ltd. Further, ITOCHU acquired additional common shares of NIPPON ACCESS, INC., through a tender offer bid completed in April 2010. In addition, Family Mart Co., Ltd., an equity-method associated company, made am/pm Japan Co., Ltd., a subsidiary by acquiring all of its shares. The two companies subsequently merged. Capitalizing on those initiatives, ITOCHU will step up measures in the midstream distribution area and the retail area in order to develop operations globally. In Forest Products & General Merchandise, ITOCHU jointly established a tire manufacturing company in Russia with Yokohama Rubber Company, Ltd. Going forward, ITOCHU intends to intensify its alliance with Yokohama Rubber Company and expand the production and sales of Yokohama-brand tires in Russia.

Natural Resources / Energy-Related Sector

In natural resources, in the iron ore business in Western Australia with BHP Billiton, Ltd., work to increase annual production capacity to approximately 200 million tons in the RGP-4 and RGP-5 project is progressing according to initial plans for completion in 2011. In energy, ITOCHU decided to invest in the "Chirag Oil Project" in the ACG field in the Caspian Sea. ITOCHU will invest in the project totaled US$6 billion which plans to construct a new platform that will come on-stream in 2013. This initiative will contribute significantly to increasing ITOCHU's share of production volume. Also, ITOCHU established a joint venture company with the world's largest palm oil producer, FELDA Palm Industries Sdn. Bhd. of Malaysia, and began building a plant for the production of solid biomass fuel from empty fruit bunches. Plans call for that plant to start up operations in 2010 and eventually produce 120,000 tons of fuel a year for sale to power companies in Japan. Further, ITOCHU acquired a 15% stake in British resource-related company Kalahari Minerals plc., and concluded an agreement on becoming involved in the company's business management. Kalahari Minerals plc. is the largest shareholder of Extract Resources Ltd., holding 40% of its shares. Extract Resources is an Australian company that owns the entire equity interest in a uranium field in Namibia, Africa, that boasts one the world's largest uranium reserves. The field is scheduled to start up uranium production in 2013. ITOCHU will take advantage of its position as one of the world's largest uranium traders to help provide a stable supply of uranium resources to Japan.

Other Sectors

In Machinery, a consortium that ITOCHU belongs to won the bid for project rights of the world's largest scale seawater conversion project, which the government of Victoria, Australia is advancing through a public-private partnership (a contract format in which the public and the private sectors jointly conduct projects). In the development of new businesses in priority areas, or "L-I-N-E-s,*" ITOCHU underwrote a third-party allocation of new shares for U.S. Ener1 Inc., which controls lithium-ion battery manufacturer EnerDel, Inc., in order to strengthen an alliance in product sales and business initiatives. Meanwhile, ITOCHU advanced initiatives for storage batteries by establishing a joint venture company with TODA KOGYO CORP. in the United States for the manufacture and sale of positive-electrode materials for lithium-ion batteries and making TODA KOGYO's positive-electrode material manufacturing subsidiary in Canada a joint venture company.

* L-I-N-E-s is an acronym referring to four business areas. "L" stands for Life & Healthcare, centered on medical services and health-related business; "I" for Infrastructure, IT, LT, FT infrastructure, and social infrastructure; "N" for New Technology & Materials, mainly biotechnology and nanotechnology; and "E" for Environment & New Energy, primarily bioethanol and solar power generation, while "S" stands for lateral synergies among business areas.

BUSINESS RESULTS FOR FISCAL 2010—COMPARISON BETWEEN FISCAL 2010 AND FISCAL 2009

Revenue (the total of sales revenue and trading margins and commissions on trading transactions) edged down by 0.1%, or ¥2.4 billion, to ¥3,416.6 billion (US$36,722 million) compared with the previous fiscal year. This was mainly due to a decrease in Machinery because of low transactions in automobiles and construction machinery; a decrease in Chemicals, Forest Products & General Merchandise due to the housing market slowdown in Japan and the U. S., and the effect from the deconsolidation by the sale of a subsidiary in the U.S. in the previous fiscal year; and a decrease in Food due to price declines in food materials such as feed grains, oils and fats. Such decreases in revenue were offset by an increase in Energy, Metals & Minerals, due to the effect of the acquisition of ITOCHU ENEX CO., LTD. in the third quarter of the previous fiscal year, despite the significant decline in annual average prices in mineral resources and oil & gas.

Gross trading profit decreased by 12.8%, or ¥136.2 billion, to ¥924.4 billion (US$9,935 million), compared with the previous fiscal year. This was mainly due to a decrease in Energy, Metals & Minerals because of significant declines in annual average prices in mineral resources and oil & gas, despite the positive effect from the acquisition of ITOCHU ENEX CO., LTD., and a decrease in Machinery due to low transactions of automobiles and construction machinery, and fewer deliveries of newly built ships than the previous fiscal year.

Selling, general and administrative expenses edged up by 0.2%, or ¥1.8 billion, to ¥769.9 billion (US$8,275 million), compared with the previous fiscal year. This was mainly due to the low performance of pension asset management and a pension cost increase resulting from a decrease in pension assets in the last fiscal year, in addition to the increase after the acquisitions of several companies including ITOCHU ENEX CO., LTD., even though such expenses decreased due to cost reductions and deconsolidation of existing group subsidiaries.

Provision for doubtful receivables decreased by 57.9%, or ¥9.7 billion, to ¥7.0 billion (US$76 million), compared with the previous fiscal year, due to the absence of a provision for doubtful receivables from Machinery-related customers in Mongolia recognized in the previous fiscal year, despite other provisions for doubtful receivables.

Net interest expenses improved by 14.0%, or ¥4.1 billion, to ¥25.3 billion (US$272 million), compared with the previous fiscal year, mainly due to an upturn resulting from lower interest rates in U.S. dollars.

Dividends received decreased by 17.5%, or ¥6.1 billion, to ¥28.9 billion (US$311 million) compared with the previous fiscal year, mainly due to a decrease in dividends from LNG-related investments that offset an increase in dividends from oil and gas-related investments. As a result, Net financial income (expense) or total of **Net interest expenses** and **Dividends received**, worsened by ¥2.0 billion, to ¥3.6 billion (US$39 million).

Loss on investments–net improved by ¥18.6 billion, to ¥4.5 billion (US$48 million), compared with the previous fiscal year, due to a significant decrease in devaluation loss with the gradual recovery of stock markets, despite a slight decrease in gain on sales of investments, and an increase in loss on disposal of group companies as a result of the restructuring of some group companies.

Loss on property and equipment–net improved by ¥36.9 billion, to ¥8.5 billion (US$92 million), due to the absence of a loss arising from withdrawal from the Entrada Oil/Natural Gas Field Development Project in the U.S. Gulf of Mexico in the previous fiscal year, in addition to a decrease in impairment loss, and a gain on sales of properties in several subsidiaries.

Gain on bargain purchase in acquisition was ¥14.0 billion (US$151 million), which was recognized at the time of the acquisitions of C.I. Kasei Co., Ltd., ITOCHU LOGISTICS CORP., and Leilian Co., Ltd.*

Other–net improved by ¥7.5 billion, to a gain of ¥3.0 billion (US$32 million), due to a gain on foreign currency translation and the absence of a loss arising from withdrawal from the Entrada Oil/Natural Gas Field Development Project in the previous fiscal year.

As a result, **income before income taxes and equity in earnings of associated companies** decreased by 25.6%, or ¥53.3 billion, to ¥155.0 billion (US$1,666 million) compared with the previous fiscal year.

Income taxes decreased by 29.1%, or ¥21.2 billion, to ¥51.6 billion (US$555 million) compared with the previous fiscal year.

Equity in earnings of associated companies worsened by 12.2%, or ¥5.0 billion, to ¥36.3 billion (US$390 million), compared with the previous fiscal year. This was due to a decrease in steel products, mineral resources, and pulp-related companies, as well as impairment losses on investments in restaurant chain and finance-related associated companies, as a result of the revaluation of their fair values and less equity in earnings from them. The overall decrease occurred despite an increase in some associated companies newly purchased in Textile; Machinery; Energy, Metals & Minerals; and Food, in addition to an increase in existing associated companies in Machinery, and ICT, Aerospace & Electronics.

As a result, **Net income** decreased by 21.0%, or ¥37.1 billion, to ¥139.7 billion (US$1,501 million) compared with the previous fiscal year.

Consequently, **Net income attributable to ITOCHU**, **Net income** less **Net income attributable to the noncontrolling interest** of ¥11.5 billion (US$124 million), decreased by 22.5 %, or ¥37.2 billion, to ¥128.2 billion (US$1,377 million) compared with the previous fiscal year.

* The effect on **Net income attributable to ITOCHU** is ¥6.2 billion (after income tax effect), which is the total of Gain on bargain purchase in acquisition and loss on remeasurement of previously held interests.

(Supplemental information)
"**Total trading transactions**" in accordance with Japanese accounting practice for Fiscal 2010 decreased 14.6% or ¥1,758.3 billion to ¥10,306.8 billion (US$110,778 million) mainly due to in Energy, Metals & Minerals, price falls on annual average in mineral resources and oil & gas despite an acquisition of ITOCHU ENEX CO., LTD.; in Machinery, the absence of multiple deliveries of newly built ships in the previous fiscal year in addition to low transactions in automobiles and construction machinery; in Chemicals, Forest Products & General Merchandise, price falls on annual average in chemicals, and housing market slowdown in Japan and the U.S.; and in Foods the same reasons as mentioned in **Revenue**.

Consolidated Statements of Income

	Billions of Yen			Millions of U.S. Dollars
Years ended March 31	2010	2009	Increase (Decrease)	2010
Revenue	**¥ 3,416.6**	¥ 3,419.1	¥ (2.4)	**$ 36,722**
Cost of sales	**(2,492.3)**	(2,358.5)	(133.7)	**(26,787)**
Gross trading profit	**924.4**	1,060.5	(136.2)	**9,935**
Selling, general and administrative expenses	**(769.9)**	(768.1)	(1.8)	**(8,275)**
Provision for doubtful receivables	**(7.0)**	(16.7)	9.7	**(76)**
Interest income	**9.9**	16.3	(6.3)	**107**
Interest expense	**(35.2)**	(45.7)	10.5	**(379)**
Dividends received	**28.9**	35.0	(6.1)	**311**
Gain (loss) on investments–net	**(4.5)**	(23.1)	18.6	**(48)**
Gain (loss) on property and equipment–net	**(8.5)**	(45.4)	36.9	**(92)**
Gain on bargain purchase in acquisition	**14.0**	—	14.0	**151**
Other–net	**3.0**	(4.5)	7.5	**32**
Income before income taxes and equity in earnings of associated companies	**155.0**	208.3	(53.3)	**1,666**
Income taxes	**(51.6)**	(72.8)	21.2	**(555)**
Income before equity in earnings of associated companies	**103.4**	135.5	(32.1)	**1,111**
Equity in earnings of associated companies	**36.3**	41.3	(5.0)	**390**
Net income	**139.7**	176.8	(37.1)	**1,501**
Less: Net income attributable to the noncontrolling interest	**(11.5)**	(11.4)	(0.1)	**(124)**
Net income attributable to ITOCHU	**¥ 128.2**	¥ 165.4	¥ (37.2)	**$ 1,377**

Operating Segment Information

	Billions of Yen			Millions of U.S. Dollars
Years ended March 31	2010	2009	2008	2010
Trading transactions (Note):				
Textile	¥ 516.8	¥ 589.6	¥ 690.7	$ 5,555
Machinery	751.9	1,370.2	1,407.8	8,082
ICT, Aerospace & Electronics	607.8	633.8	722.6	6,533
Energy, Metals & Minerals	3,272.6	3,916.8	3,170.3	35,174
Chemicals, Forest Products & General Merchandise	1,795.5	2,024.0	2,289.5	19,299
Food	3,032.4	3,188.4	3,036.8	32,592
Finance, Realty, Insurance & Logistics Services	166.9	167.3	182.1	1,794
Other, Adjustments & Eliminations	162.8	175.1	229.3	1,749
Total	¥10,306.8	¥12,065.1	¥11,729.1	$110,778
Gross trading profit:				
Textile	¥ 102.7	¥ 102.6	¥ 115.2	$ 1,104
Machinery	43.3	71.9	99.1	465
ICT, Aerospace & Electronics	136.4	138.9	139.0	1,466
Energy, Metals & Minerals	141.6	222.3	127.5	1,522
Chemicals, Forest Products & General Merchandise	110.1	114.3	122.6	1,183
Food	335.5	335.6	324.7	3,606
Finance, Realty, Insurance & Logistics Services	35.6	42.0	41.4	383
Other, Adjustments & Eliminations	19.2	33.0	25.1	206
Total	¥ 924.4	¥ 1,060.5	¥ 994.5	$ 9,935
Net income (loss) attributable to ITOCHU:				
Textile	¥ 22.4	¥ 22.9	¥ 20.5	$ 241
Machinery	3.7	(15.5)	21.4	40
ICT, Aerospace & Electronics	6.0	8.0	14.6	64
Energy, Metals & Minerals	65.7	114.7	105.7	706
Chemicals, Forest Products & General Merchandise	19.3	19.0	19.7	207
Food	27.8	20.2	18.7	299
Finance, Realty, Insurance & Logistics Services	(4.2)	(1.2)	10.8	(46)
Other, Adjustments & Eliminations	(12.4)	(2.8)	6.0	(134)
Total	¥ 128.2	¥ 165.4	¥217.3	$ 1,377
Total assets at March 31:				
Textile	¥ 417.4	¥ 360.4	¥ 364.3	$ 4,486
Machinery	545.0	639.9	709.7	5,857
ICT, Aerospace & Electronics	513.2	490.2	513.9	5,517
Energy, Metals & Minerals	1,249.0	1,016.6	916.6	13,425
Chemicals, Forest Products & General Merchandise	728.0	611.4	766.8	7,825
Food	1,130.7	1,054.1	1,064.8	12,153
Finance, Realty, Insurance & Logistics Services	382.1	381.8	420.5	4,107
Other, Adjustments & Eliminations	511.4	637.7	517.6	5,496
Total	¥ 5,476.8	¥ 5,192.1	¥ 5,274.2	$ 58,866

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

OPERATING SEGMENT INFORMATION

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

Textile

Trading transactions decreased by 12.3%, or ¥72.8 billion, to ¥516.8 billion (US$5,555 million), due to a market slowdown in textile materials, fabrics, and apparel, despite an increase from the acquisitions of SANKEI CO., LTD., and JAVA HOLDINGS CO., LTD. Gross trading profit increased by 0.1%, or ¥0.1 billion, to ¥102.7 billion (US$1,104 million), due to an increase from the acquisitions of SANKEI CO., LTD. and JAVA HOLDINGS CO., LTD., despite a decrease due to a slowdown in the markets for textile materials, fabrics, and apparel. Net income attributable to ITOCHU decreased by 2.2%, or ¥0.5 billion, to ¥22.4 billion (US$241 million), because an increase due to new equity-method associated companies and gain on bargain purchase accompanying the acquisition of control in Leilian Co. Ltd. did not fully compensate for slumping markets for textile materials, fabrics, and apparel and the absence of a gain on disposal of investments and marketable securities. Total assets increased by 15.8%, or ¥56.9 billion, to ¥417.4 billion (US$4,486 million), compared with the previous fiscal year-end, because multiple new investments and the inclusion of JAVA HOLDINGS CO. LTD., and Leilian Co., Ltd., as consolidated subsidiaries, counteracted a decrease in trade receivables accompanying lower trading transactions.

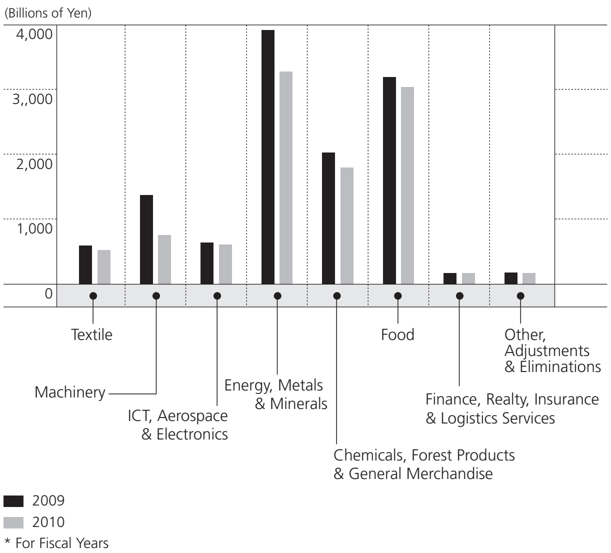
Machinery

Trading transactions decreased by 45.1%, or ¥618.3 billion, to ¥751.9 billion (US$8,082 million), due to a decrease in automobiles and construction machinery transactions, as well as fewer deliveries of newly built ships. Gross trading profit decreased by 39.8%, or ¥28.6 billion, to ¥43.3 billion (US$465 million), due to a decrease in transactions for automobiles and construction machinery, as well as less ship trading transactions than the previous fiscal year. Net income attributable to ITOCHU improved ¥19.1 billion, to ¥3.7 billion (US$40 million), due to a significant improvement in equity in earnings of associated companies and the absence of allowance for doubtful receivables and impairment loss on investments and marketable securities recognized in the previous fiscal year. Total assets decreased by 14.8%, or ¥95.0 billion, to ¥545.0 billion (US$5,857 million), compared with the previous fiscal year-end, which mainly resulted from decreases in trade receivables and inventories related to automobiles and construction machinery.

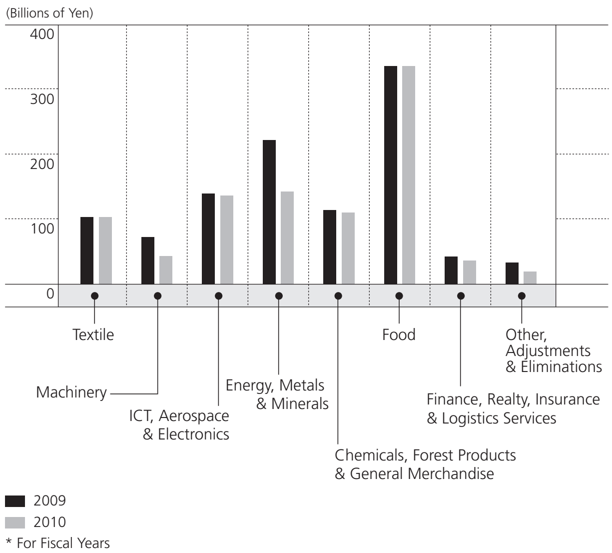
ICT, Aerospace & Electronics

Trading transactions decreased by 4.1%, or ¥25.9 billion, to ¥607.8 billion (US$6,533 million), due to low performances overall by aerospace-related and ICT-related businesses. Gross trading profit decreased by 1.7%, or ¥2.4 billion, to ¥136.4 billion (US$1,466 million), reflecting unfavorable performances overall by ICT-related businesses. Net income attributable to ITOCHU decreased by 25.0%, or ¥2.0 billion, to ¥6.0 billion (US$64 million), due to lower gross trading profit and impairment loss on investments, despite an increase in equity in earnings of associated companies. Total assets increased by 4.7%, or ¥23.1 billion, to ¥513.2 billion (US$5,517 million), compared with the previous fiscal year-end, due to an increase in industrial machinery related assets, which compensated for a decrease in prepayment for the delivery of large aircraft projects.

Total Trading Transactions by Operating Segment



Gross Trading Profit by Operating Segment



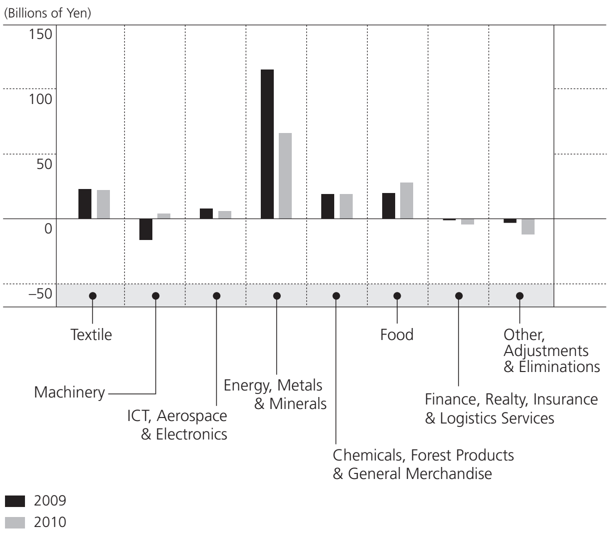
Energy, Metals & Minerals
Trading transactions decreased by 16.4%, or ¥644.2 billion, to ¥3,272.6 billion (US$35,174 million), because an increase due to the inclusion of ITOCHU ENEX CO. LTD., as a consolidated subsidiary did not completely offset a fall in the average prices of metal resources and energy over the fiscal year. Gross trading profit decreased by 36.3%, or ¥80.7 billion, to ¥141.6 billion (US$1,522 million), because an increase due to the inclusion of ITOCHU ENEX CO. LTD., as a consolidated subsidiary did not completely offset a fall in the average prices of metal resources and energy over the fiscal year. Net income attributable to ITOCHU decreased by 42.8%, or ¥49.0 billion, to ¥65.7 billion (US$706 million), due to decreases in gross trading profit and equity in earnings of associated companies, despite the absence of the loss from the Entrada oil and natural gas field development project in the previous fiscal year. Total assets increased by 22.9%, or ¥232.5 billion, to ¥1,249.0 billion (US$13,425 million), compared with the previous fiscal year-end, due to increases in trade receivables and inventories accompanying higher oil prices compared with the previous fiscal year-end, additional acquisition of property and equipment, and appreciation of the Australian dollar and the Brazilian real against the yen compared with the previous fiscal year-end.

Chemicals, Forest Products & General Merchandise
Trading transactions decreased by 11.3%, or ¥228.5 billion, to ¥1,795.5 billion (US$19,299 million), attributable to a fall in the average price of chemicals over the fiscal year, as well as a slowdown in housing markets in the United States and Japan, which counteracted an increase due to the acquisition of C.I. Kasei Co., Ltd. Gross trading profit decreased by 3.7%, or ¥4.2 billion, to ¥110.1 billion (US$1,183 million), because the increase due to the acquisition of C.I. Kasei Co., Ltd. was unable to fully cancel out a slowdown of the housing markets in the United States and Japan and the effect of the sale of a U.S. subsidiary. Net income attributable to ITOCHU increased by 1.3%, or ¥0.2 billion, to ¥19.3 billion (US$207 million), due to net gain on acquisition of control of C.I. Kasei Co., Ltd., and the absence of loss on property and equipment (impairment loss, loss on disposal), offsetting a decrease in gross trading profit and a deterioration of equity in earnings of associated companies. Total assets increased by 19.1%, or ¥116.6 billion, to ¥728.0 billion (US$7,825 million), compared with the previous fiscal year-end, due to the acquisition of C.I. Kasei Co., Ltd., increased trading receivables resulting from market recovery in chemicals.

Food
Trading transactions decreased by 4.9%, or ¥156.0 billion, to ¥3,032.4 billion (US$32,592 million), due to falling prices for food materials such as feed grains, oils, and fats, particularly in the first half of the fiscal year. Gross trading profit edged down ¥0.1 billion, to ¥335.5 billion (US$3,606 million), because improvements in profitability in relation to feed grains, oils, and fats did not completely offset lower earnings from a food distribution subsidiary. Net income attributable to ITOCHU increased by 37.8%, or ¥7.6 billion, to ¥27.8 billion (US$299 million), as a result of reductions in SG&A in a food distribution subsidiary and improved equity in earnings of associated companies. Total assets increased by 7.3%, or ¥76.6 billion, to ¥1,130.7 billion (US$12,153 million), compared with the previous fiscal year-end, due to an increase in property and equipment in relation to new investments and food product distribution.

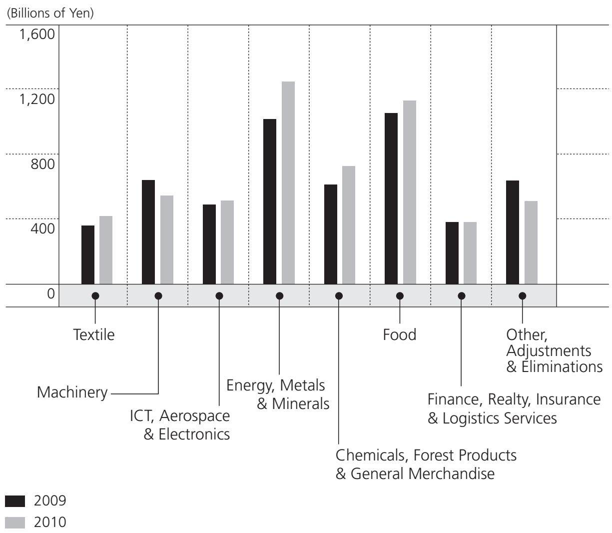
Finance, Realty, Insurance & Logistics Services
Trading transactions decreased by 0.2%, or ¥0.3 billion, to ¥166.9 billion (US$1,794 million), because an increase due to the acquisition of ITOCHU LOGISTICS CORP. as a consolidated subsidiary did not fully compensate for lower revenues from a finance associated company. Gross trading profit decreased by 15.2%, or ¥6.4 billion, to ¥35.6 billion (US$383 million), due to lower revenues from finance-related

Net Income (Loss) Attributable to ITOCHU by Operating Segment



* For Fiscal Years

Total Assets by Operating Segment



* As of March 31

companies and an impairment loss on inventory of real-estate for sale. Net loss attributable to ITOCHU deteriorated ¥3.0 billion, to ¥4.2 billion (US$46 million), because the net gain on acquisition of control of ITOCHU LOGISTICS CORP. did not fully absorb a decrease in equity in earnings of associated companies for finance-related companies and an increase in impairment loss resulting from the revaluation of fair values as well as the absence of the previous the fiscal year's overseas gain on transfer of business. Total assets increased by 0.1%, or ¥0.3 billion, to ¥382.1 billion (US$4,107 million), compared with the previous fiscal year-end, because the acquisition of ITOCHU LOGISTICS CORP. as a consolidated subsidiary and an increase in condominium inventory offset a decrease in deferred tax assets accompanying sales of subsidiaries.

Other, Adjustments & Eliminations

Trading transactions decreased by 7.1%, or ¥12.4 billion, to ¥162.8 billion (US$1,749 million), due to falling prices for equipment material trading transactions in North America and unfavorable conditions associated with slumping demand as well as yen appreciation, which counteracted an increase from L-I-N-E-s businesses. Gross trading profit decreased by 42.0%, or ¥13.8 billion, to ¥19.2 billion (US$206 million), due to falling prices for equipment material trading transactions in North America and unfavorable conditions due to slumping demand as well as yen appreciation, which counteracted an increase from L-I-N-E-s businesses. Net loss attributable to ITOCHU deteriorated ¥9.7 billion, to ¥12.4 billion (US$134 million), because of the decline in gross trading profit, an increase in retirement benefit costs accompanying deterioration of financial asset management performance of the previous fiscal year, and a deterioration of equity in earnings of associated companies cancelled the effect of a lower local tax burden. Total assets compared with the previous fiscal year-end decreased by 19.8%, or ¥126.3 billion, to ¥511.4 billion (US$5,496 million), due to lower cash and cash equivalents.

DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

A discussion and analysis of the financial position and results of operations for Fiscal 2010 is as follows.

Descriptions of the outlook for Fiscal 2011 and later are forward-looking statements that are based on management's assumptions and beliefs, considering information currently available at the end of Fiscal 2010. Thus, factors that could cause actual results to differ materially from such statements include, without limitation, the factors stated in the following Risk Information and other potential risks and uncertain factors.

ANALYSIS OF RESULTS OF OPERATIONS IN FISCAL 2010 AND OUTLOOK FOR FISCAL 2011

Revenue

In accordance with the stipulations of Accounting Standards Codification Topic 605 (the pre-codification standard Emerging Issues Task Force 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent"), the Company and its subsidiaries present certain revenue transactions with corresponding cost of revenues on a gross basis in the consolidated statements of operations as "Sales revenue" for transactions traded as a primary obligor in manufacturing, processing, and service rendering and for sales with general inventory risk before customer orders. Otherwise, the Company and its subsidiaries present revenue on a net basis in the consolidated statements of operations as "trading margins and commissions on trading transactions."

In the fiscal year, ended March 31, 2010, "Sales revenue" on a gross basis was ¥2,885.6 billion (US$31,014 million), and "Trading margins and commissions on trading transactions" on a net basis were ¥531.0 billion (US$5,708 million). Total revenue edged down by 0.1%, or ¥2.4 billion, to ¥3,416.6 billion (US$36,722 million), because unfavorable factors offset favorable factors. Favorable factors included an increase in revenues from Energy, Metals & Minerals due to the effect of an acquisition of ITOCHU ENEX CO., LTD. in the third quarter of the previous year, despite the significant decline in annual average prices in mineral resources and oil & gas. Meanwhile, unfavorable factors included a decrease in revenues from Machinery, due to low transactions in automobiles and construction machinery; a decrease in revenues from Chemicals, Forest Products & General Merchandise, due to the housing market slowdown in Japan and the U.S., and the effect from the deconsolidation by the sale of a subsidiary in the U.S. in the previous fiscal year; and a decrease in revenues from Food, due to price falls in food materials such as feed grains, oils and fats.

Gross Trading Profit

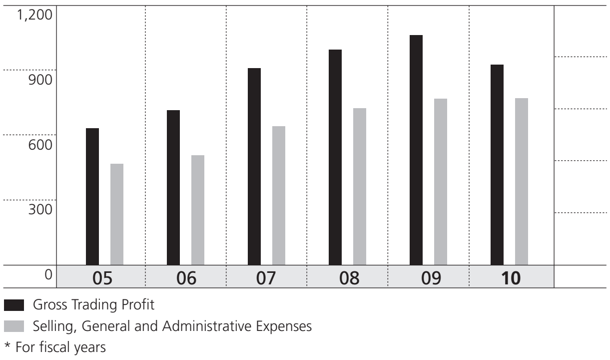
Gross trading profit decreased by 12.8%, or ¥136.2 billion, to ¥924.4 billion (US$9,935 million), compared with the previous fiscal year, mainly due to a decrease in Energy, Metals & Minerals, due to the significant decline in annual average prices in mineral resources and oil & gas, despite the positive effect from the acquisition of ITOCHU ENEX CO., LTD., and a decrease in Machinery due to low transactions of automobiles and construction machinery, and fewer deliveries of newly built ships than in the previous fiscal year.

Furthermore, the above-mentioned acquisition of ITOCHU ENEX CO., LTD., and other companies as newly consolidated subsidiaries contributed ¥67.5 billion. The deconsolidations of consolidated subsidiaries resulted in a ¥9.2 billion decrease; and, the translation of overseas subsidiaries resulted in a ¥24.3 billion decrease due to foreign exchange fluctuations during Fiscal 2010. Excluding those positive and negative factors, the actual decrease in the gross trading profit of existing subsidiaries was ¥170.2 billion.

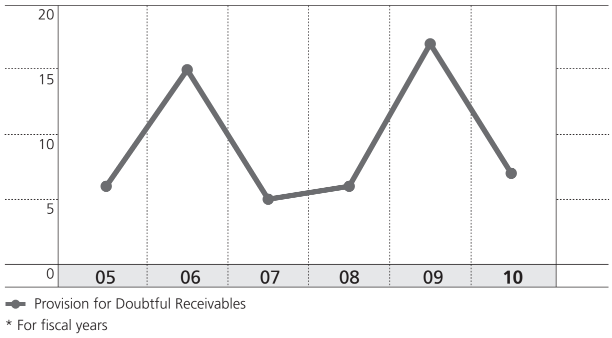
Selling, General and Administrative Expenses

Selling, general and administrative expenses edged down by 0.2%, or ¥1.8 billion, to ¥769.9 billion (US$8,275 million), compared with the previous fiscal year, mainly due to the low performance of pension asset management and a

Gross Trading Profit; Selling, General and Administrative Expenses



Provision for Doubtful Receivables



pension cost increase resulting from a decrease in pension assets in the last fiscal year, in addition to the increase after the acquisitions of several companies including ITOCHU ENEX CO., LTD., even though such expenses decreased due to cost reductions and deconsolidation of existing group subsidiaries.

Furthermore, the above-mentioned rise in retirement benefit cost was ¥4.5 billion, the increase in expenses due to the acquisition of ITOCHU ENXEX CO., LTD., and other companies as newly consolidated subsidiaries was ¥57.8 billion, the decrease in expenses due to the deconsolidation of consolidated subsidiaries was ¥10.0 billion, and the translation of overseas subsidiaries resulted in a ¥17.8 billion decrease due to foreign exchange fluctuations during the fiscal year. Excluding those positive and negative factors, the actual decrease in the expenses of existing subsidiaries was ¥32.7 billion.

Provision for Doubtful Receivables

Provision for doubtful receivables decreased by 57.9%, or ¥9.7 billion, to ¥7.0 billion (US$76 million), compared with the previous fiscal year, due to the absence of a provision for doubtful receivables from Machinery-related customers in Mongolia recognized in the previous fiscal year, despite other provisions for doubtful receivables.

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

Net financial income was ¥3.6 billion (US$39 million), a decrease of ¥2.0 billion compared with the previous fiscal year.

Net interest expenses, consisting of interest expense and interest income, improved by 14.0%, or ¥4.1 billion, to ¥25.3 billion (US$272 million). Interest income decreased by 39.0%, or ¥6.3 billion, as result of lower interest rates for the U.S. dollar. Interest expense decreased by 22.9%, or ¥10.5 billion, due to a decline of 2.24 percentage points in the average interest rate from 2.93% to 0.69%, due to lower interest rates for the U.S. dollar.

Furthermore, Dividends received decreased by 17.5%, or ¥6.1 billion, to ¥28.9 billion (US$311 million), mainly due to a decrease in dividends from LNG-related investments that offset an increase in dividends from oil and gas-related investments.

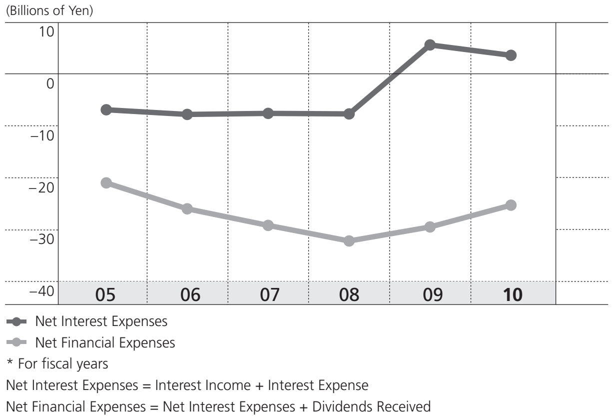
Other Profit (Loss)

Loss on investments-net improved by ¥18.6 billion, to ¥4.5 billion (US$48 million), compared with the previous fiscal year, due to a significant decrease in devaluation loss with the gradual recovery of stock markets, despite a slight decrease in gain on sales of investments, and an increase in loss on disposal of group companies as a result of the restructuring of some group companies.

Furthermore, gain on disposal of investments and marketable securities decreased by ¥2.1 billion, to ¥24.6 billion. Loss on business restructuring was up by ¥5.5 billion, to ¥9.3 billion. Loss on disposal of investments and marketable securities declined by ¥26.2 billion, to ¥19.8 billion.

Loss on property and equipment–net improved by ¥36.9 billion, to ¥8.5 billion (US$92 million), due to the absence of a loss arising from withdrawal from the Entrada Oil/Natural Gas Field Development Project in the U.S. Gulf of Mexico in the previous fiscal year, in addition to a decrease in impairment loss, and a gain on sales of properties in several subsidiaries.

Net Financial Expenses



Furthermore, gain on property and equipment improved by ¥2.5 billion, to ¥2.5 billion. The absence of a loss arising from withdrawal from the Entrada Oil/Natural Gas Field Development Project in the previous fiscal year accounted for ¥29.2 billion; and, other impairment loss decreased ¥5.2 billion, to ¥11.0 billion.

Gain on bargain purchase in acquisition was ¥14.0 billion (US$151 million), which was recognized at the time of the acquisitions of C.I. Kasei Co., Ltd., ITOCHU LOGISTICS CORP., and Leilian Co., Ltd.

Other–net improved by ¥7.5 billion, to a gain of ¥3.0 billion (US$32 million), due to a gain on foreign currency translation and the absence of a loss arising from withdrawal from the Entrada Oil/Natural Gas Field Development Project in the previous fiscal year.

Furthermore, gain on foreign currency translation was ¥0.3 billion, an improvement compared with loss on foreign currency translation of ¥3.4 billion for the previous fiscal year. The absence of a loss arising from withdrawal from the Entrada Oil/Natural Gas Field Development Project in the previous fiscal year accounted for ¥7.1 billion; and, other gain (loss) deteriorated ¥2.9 billion, to ¥2.7 billion.

Income Taxes

Income taxes decreased by 29.1%, or ¥21.2 billion, to ¥51.6 billion (US$555 million), which was mainly due to a ¥53.3 billion decline in income before income taxes and equity in earnings of associated companies.

Equity in Earnings of Associated Companies

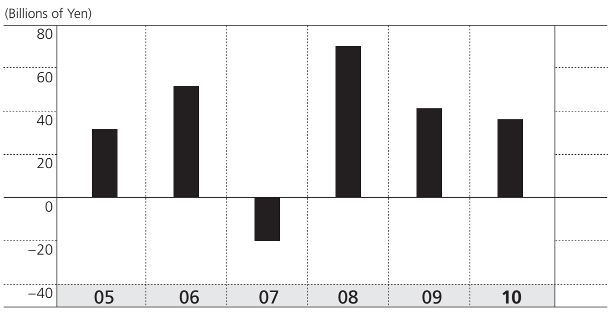
Equity in earnings of associated companies declined by 12.2%, or ¥5.0 billion, to ¥36.3 billion (US$390 million), compared with the previous fiscal year. This was due to a decrease in steel products, mineral resources, and pulp-related companies, as well as impairment losses on investments in restaurant chain and finance-related associated companies, as a result of the revaluation of their fair values and less equity in earnings from them. The overall decline occurred despite an increase in some associated companies newly purchased in Textile; Machinery; Energy, Metals & Minerals; and Food, in addition to an increase in existing associated companies in Machinery, and ICT, Aerospace & Electronics.

Furthermore, the business results of major equity-method associated companies are included in Performance of Subsidiaries and Equity-Method Associated Companies, under Major Group Companies Reporting Profits or Major Group Companies Reporting Losses.

Adjusted Profit

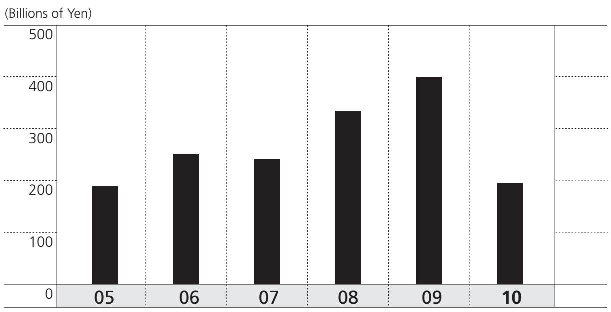
Adjusted profit (net of gross trading profit, selling, general and administrative expenses, net interest expenses, dividends received, and equity in earnings of associated companies) decreased by 42.7%, or ¥145.0 billion, to ¥194.3 billion (US$ 2,089 million), due to a decrease in Gross trading profit despite increase from the acquisitions of subsidiaries.

Equity in Earnings of Associated Companies



* For fiscal years

Adjusted Profit



* For fiscal years

PERFORMANCE OF SUBSIDIARIES AND EQUITY-METHOD ASSOCIATED COMPANIES

Consolidated business results for the fiscal year includes the business results of 413 companies, comprising 257 consolidated subsidiaries (105 domestic and 152 overseas) and 156 equity-method associated companies (65 domestic and 91 overseas). The earnings or losses of those companies within the scope of consolidation are as follows. (Note)

Profits/Losses of Group Companies Reporting Profits/Losses

Billions of Yen

	2010			2009			Changes		
Years ended March 31	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total
Group companies excluding overseas trading subsidiaries	¥156.6	¥(38.2)	¥118.4	¥198.1	¥(58.3)	¥139.7	¥(41.5)	¥20.2	¥(21.3)
Overseas trading subsidiaries	9.7	(1.8)	7.9	20.8	(0.5)	20.3	(11.1)	(1.3)	(12.5)
Total	¥166.2	¥(40.0)	¥126.3	¥218.9	¥(58.8)	¥160.1	¥(52.6)	¥18.8	¥(33.8)

Share of Group Companies Reporting Profits

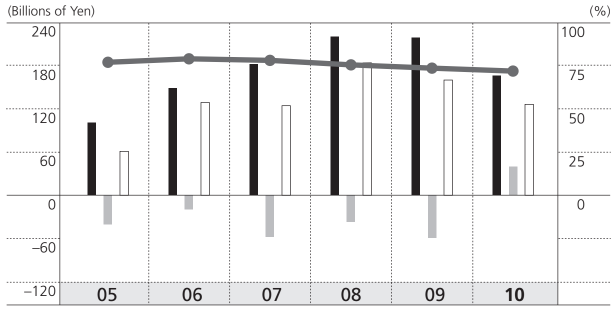
	2010			2009			Changes		
Years ended March 31	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
No. of companies reporting profits	126	171	297	130	179	309	(4)	(8)	(12)
No. of group companies	170	243	413	176	244	420	(6)	(1)	(7)
Share	74.1%	70.4%	71.9%	73.9%	73.4%	73.6%	0.2pts.	(3.0)pts.	(1.7)pts.

(Note) Investment companies which are considered as part of parent (151 entities) and companies indirectly invested by ITOCHU or its overseas trading subsidiaries (307 entities) are not included in the above-mentioned number of companies.

In the fiscal year, net income from subsidiaries and equity-method associated companies (aggregate profit / loss of subsidiaries and equity-method associated companies excluding overseas trading subsidiaries) declined ¥21.3 billion, to ¥118.4 billion, because an improvement in CIECO Energy (US) Limited due to the absence of a loss arising from withdrawal from the Entrada oil and natural gas field development project in the previous fiscal year did not completely absorb decreases in revenues from ITOCHU Minerals & Energy of Australia Pty Ltd, due to a fall in the average price of metal resources over the fiscal year, and ITOCHU Oil Exploration (Azerbaijan) Inc., due to a fall in the average price of oil over the fiscal year. Profits from overseas trading subsidiaries decreased ¥12.5 billion, to ¥7.9 billion, because lower earnings from United States, Australia, and China offset higher earnings from Singapore.

The aggregate income from Group companies (subsidiaries, equity-method associated companies, and overseas trading subsidiaries) reporting profits decreased ¥52.6 billion, to ¥166.2 billion, due to decreases in earnings from ITOCHU Minerals & Energy of Australia Pty Ltd and ITOCHU Oil Exploration (Azerbaijan) Inc. Meanwhile, the aggregate loss from Group companies reporting losses improved ¥18.8 billion, to ¥40.0 billion, as a result of improvement in CIECO Energy (US) Limited due to the absence of a loss arising from withdrawal from the Entrada oil and natural gas field development project in the previous fiscal year. Further, the share of Group companies reporting profits (the number of Group companies reporting profits as a percentage of the number of companies included in consolidation) deteriorated 1.7 percentage points, to 71.9%.

Net Income Attributable to ITOCHU from Subsidiaries and Equity-Method Associated Companies



Companies Reporting Profits (Left)
Companies Reporting Losses (Left)
Net Income Attributable to ITOCHU from Subsidiaries and Equity-Method Associated Companies (Left)
Share of Group Companies Reporting Profits (Right)
* For fiscal years

Major Group companies reporting profits or losses for the fiscal year and the previous fiscal year were as follows:

Major Group Companies Reporting Profits

Years ended March 31	Shares	Net Income (Loss) Attributable to ITOCHU*1 Billions of Yen 2010	2009	Reasons for Changes
Domestic Subsidiaries				
ITOCHU Techno-Solutions Corporation	52.6%	¥ 6.8	¥ 6.9	Almost the same level due to reduced customer IT investments
Leilian Co., Ltd.	61.1	2.9	—	Started consolidation from this fourth quarter. Due to gain on bargain purchase in acquisition
C.I. KASEI Co., Ltd.*2	97.6	2.0	(1.1)	Significant increase due to cost reduction, the absence of impairment loss of fixed assets and reversal of the deferred tax asset in the previous fiscal year, and net gain on bargain purchase in acquisition and revaluation for pre-existing interests in this first quarter
ITOCHU LOGISTICS CORP.*3	99.0	2.0	0.1	Increase due to net gain on bargain purchase in acquisition and revaluation for pre-existing interests in this first quarter
ITOCHU CHEMICAL FRONTIER Corporation	99.8	1.9	1.1	Increase due to recovery of price and demand in this fiscal year, despite last fiscal year's significant price falls after the third quarter
ITOCHU PLASTICS INC.	100.0	1.9	1.6	Increase due to demand recovery of automobile, electronics, and semiconductor-related materials in addition to the absence of impairment loss on investments in the previous fiscal year
ITOCHU Oil Exploration Co., Ltd.	100.0	1.8	0.3	Increase due to significant increase in dividends received from Sakhalin Oil and Gas Development Co., Ltd.
ITOCHU ENEX CO., LTD.	53.7	1.6	2.0	Decrease due to worsened profitability resulting from increasingly intense competition associated with demand shrink
ITC NETWORKS CORPORATION	60.7	1.6	1.6	Sales decrease in mobile phones
Overseas Subsidiaries				
ITOCHU Minerals & Energyof Australia Pty Ltd *4	100.0	34.1	71.2	Decrease due to price falls in mineral resources on annual average
ITOCHU Oil Exploration (Azerbaijan) Inc.	100.0	6.9	26.1	Decrease due to oil price falls on annual average
PrimeSource Building Products, Inc. *5	100.0	4.7	8.3	Decrease due to housing market slowdown in North America
ITOCHU (China) Holding Co., Ltd.	100.0	2.3	2.8	Decrease due to reduced transactions in plastics and nonferrous metal transactions mainly for electronics and semiconductor sectors throughout the year despite increase in the fourth quarter
ITOCHU Hong Kong Ltd.	100.0	2.1	2.3	Decreased profit from textile and finance businesses despite the absence of loss transactions resulting from price plunges in chemicals in the previous fiscal year
ITOCHU Singapore Pte, Ltd.	100.0	1.7	1.0	Increase due to good performance in chemical trading for Asia
ITOCHU Oil Exploration (BTC) Inc.	51.4	1.6	0.9	Increase in dividends received from Baku-Tbilisi-Ceyhan Pipeline Company
ITOCHU Australia Ltd.*4	100.0	1.5	3.0	Significant profit decrease from ITOCHU Mineral & Energy of Australia Pty Ltd. as a year-to-year comparison
I-Power Investment Inc.	100.0	1.2	0.1	Increase due to sale of biomass power project in the fourth quarter in addition to good performance in IPP associated company whose equity pick-up started since this first quarter
Domestic Equity-method Associated Companies				
Century Tokyo Leasing Corporation *6	20.6	6.8	1.0	Profits increased as a net result of profits and losses accompanying a business restructuring and profits from a business combination
FamilyMart Co., Ltd.	31.5	4.7	5.3	Decrease due to lack of Taspo cards effect and sales decrease resulting from weak consumer spending
Brazil Japan Iron Ore Corporation	47.7	4.0	0.0	Equity pick-up started since this first quarter. Steady growth after this first quarter
Marubeni-Itochu Steel Inc.	50.0	2.7	14.8	Reduced demand for steel products both in Japan and overseas as a year-to-year comparison
Overseas Equity-method Associated Companies				
TING HSIN (CAYMAN ISLANDS) HOLDING CORP.	20.0	8.7	—	Equity pick-up started since this first quarter, and some profit from food production business and gain on sale of securities were recognized

Major Group Companies Reporting Loss

Years ended March 31	Shares	Net Income (Loss) Attributable to ITOCHU*1 Billions of Yen 2010	2009	Reasons for Changes
Domestic Subsidiaries				
ITOCHU Finance Corporation	99.1%	¥(1.7)	¥ 0.6	Worsened equity in earnings of card-related associated company, decrease resulting from reduced loan balance, and the absence of gain on sale of stocks in the previous fiscal year
ITOCHU ELECTRONICS CORP.	92.1	(0.4)	(0.1)	Occurrence of an unprofitable project in system development
Daishin Plywood Co., Ltd.	99.4	(0.4)	(0.1)	Effect from reduced production resulting from weak domestic housing market
GANBARE JAPAN KIGYO FUND	30.6	(0.3)	(0.2)	Increased impairment loss on investments
Overseas Subsidiaries				
CIECO Energy (US) Limited	100.0	(2.2)	(22.4)	Deficit due to impairment loss on oil and gas assets from low oil and gas prices despite significant improvement due to the absence of the loss from Entrada Oil / Natural Gas Field Development Project in the previous fiscal year
ITOCHU International Inc.*5	100.0	(1.7)	8.6	Decrease due to low performance in housing material and construction machinery business in addition to significant decrease arising from price falls and poor demand in equipment material business
ITOCHU Automobile America Inc.	100.0	(1.0)	(1.6)	Improved due to cost reduction and the absence of impairment loss on goodwill in the previous fiscal year despite deficit recorded due to continuous decreased automobile sales resulting from recession in the U.S. and reversal of deferred tax assets
MCL Group Limited	100.0	(0.6)	(2.5)	Improved due to withdrawal from unprofitable retail business despite continuous deficit
ITOCHU AirLease B.V.	100.0	(0.4)	0.0	Deficit due to reduced profit from lease and loss from interest swap cancellation
Domestic Equity-method Associated Companies				
Orient Corporation *7	32.6	(6.2)	(2.7)	Impairment loss on investments in addition to decreased profit resulting from loan reduction
Yoshinoya Holdings Co., Ltd.*7	21.0	(4.3)	(1.5)	Impairment loss on investments in addition to poor performance in main and subsidiaries' business
Japan Brazil Paper and Pulp Resources Development Co., Ltd.	25.9	(0.7)	4.9	Pulp price falls on annual average and exchange loss from Brazilian real
Japan Medical Dynamic Marketing, INC.	30.0	(0.5)	0.5	Impairment loss of inventory in addition to the absence of the profit, gain on negative goodwill associated with new investment in the previous fiscal year

*1 Net income (loss) attributable to ITOCHU are the figures after adjusting to U.S. GAAP, which may be different from the figures that each company announces.
*2 C.I. KASEI Co., Ltd. has been acquired since this first quarter. The above figure of this company includes the profit resulting from the gain on bargain purchase in acquisition.
*3 i-LOGISTICS CORP. has been acquired since this first quarter. i-LOGISTICS CORP. changed its name to ITOCHU LOGISTICS CORP. effective January 1, 2010. The above figure of this company includes the profit resulting from the gain on bargain purchase in acquisition.
*4 The above figures of ITOCHU Australia Ltd. includes 3.7% of that of ITOCHU Minerals & Energy of Australia Pty Ltd.
*5 The above figures of ITOCHU International Inc. includes 80.0% of that of PrimeSource Building Products Inc.
*6 As of April 1, 2009, Century Leasing System, Inc., and Tokyo Leasing Co., Ltd., were merged to be newly named Century Tokyo Leasing Corporation. The above figure of this company includes the profit related to a merger.
*7 The above figures of Orient Corporation and Yoshinoya Holdings Co., Ltd. include the related tax effect.

OUTLOOK FOR FISCAL 2011

Regarding business conditions in Fiscal 2011, ending March 31, 2011, among economies worldwide the economies of emerging nations in Asia, such as China and India, will likely continue growing vigorously. Also, despite the residual effects of the financial crisis in certain sectors, the U.S. economy is likely to see a modest recovery as a pickup in employment supports growth in consumer spending. In Europe, meanwhile, economic recovery is expected to take time because of a slow recovery in employment. Moreover, support through stimulus measures is unlikely due to deteriorating fiscal positions. In Japan's economy, although the benefits of economic stimulus measures will steadily weaken, stepped-up corporate activities—reflecting continuing exports growth and an improvement in business results—will likely sustain a trend toward gradual recovery. Further, given the residual instability in the financial system, which is evident from the confusion the fiscal problems of governments in Europe have caused in financial markets, ITOCHU must be alert to the possibility that financial instability could recur and adversely affect economies worldwide.

Against the backdrop of those business conditions, in Fiscal 2011, the final year of Frontier[e] 2010—Enhancing Corporate Value on the World Stage, Shaping the Future—, the ITOCHU Group expects to post an increase in earnings year on year due to higher resources prices centered on metal resources and energy.

MANAGEMENT POLICY FOR THE FUTURE

Looking over the business conditions the ITOCHU Group will face going forward, among economies worldwide the economies of emerging nations in Asia, such as China and India, will likely continue growing vigorously. Also, despite the residual effects of the financial crisis in certain sectors, the U.S. economy is likely to see a modest recovery as a pick-up in employment supports growth in consumer spending. In Europe, meanwhile, economic recovery is expected to take time because of a slow recovery in employment. Moreover, support through stimulus measures is unlikely due to deteriorating fiscal positions. In Japan's economy, although the benefits of economic stimulus measures will steadily weaken, stepped-up corporate activities—reflecting continuing exports growth and an improvement in business results—will likely sustain a trend toward gradual recovery. Further, given the residual instability in the financial system, which is evident from the confusion the fiscal problems of governments in Europe have caused in financial markets, ITOCHU must be alert to the possibility that financial instability could recur and adversely affect economies worldwide.

Further Advancement of Frontier[e] 2010 Medium-Term Management Plan

In Fiscal 2011, ending March 31, 2011, the final year of its Medium-Term Management Plan Frontier[e] 2010—Enhancing Corporate Value on the World Stage, Shaping the Future—, the ITOCHU Group will continue the basic policy it followed in Fiscal 2010 while reinforcing on-site capabilities in order to vitalize workplaces and heighten earning power.

First, the Group will replace investments and assets in light of exacting selection criteria in order to *expand and improve earnings platforms*. In accordance with its policy of stepping up initiatives in L-I-N-E-s business areas, which will become future earnings mainstays, the Group will continue concentrating efforts on the Life & Healthcare and Environment & New Energy business areas. In the Environment & New Energy business area—giving priority to measures in the areas of solar power generation, energy storage devices, and water resources—the Solar Business Department, established in 2009, will lead efforts to steadily advance sales initiatives. Further, continuing to position efforts to *expand and improve earnings platforms* overseas as a key measure in business management that will sustain growth, the Group will develop projects and ensure they contribute earnings. In Fiscal 2011, the Group will continue to steadily replace assets through withdrawal from businesses that it is no longer as meaningful to own while actively making new investments in carefully composed projects.

Second, ITOCHU will strengthen its financial position and upgrade risk management. Although the Group may be over the worst of tough financial conditions, it will continue replenishing stockholders' equity and managing its balance sheet in order to maintain key financial ratios at sound levels. In addition, the ITOCHU Group will further promote use of Group Finance in order to shift toward global capital management, thereby improving capital efficiency while steadily meeting the Group's funding requirements.

Third, ITOCHU will evolve management systems. Those efforts will involve continuing to advance corporate social responsibility initiatives and strengthening corporate governance while bolstering internal control for compliance and financial reports even further.

Fourth, ITOCHU Group will advance full-fledged implementation of its global human resources strategy. Positioning the global human resources strategy at the center of its human resources strategy, ITOCHU will focus on individual national staff (non-Japanese employees) and take concrete measures in keeping with its human resources strategy's basic aim of optimizing the entire Group on a worldwide basis.

Through the above initiatives, ITOCHU will advance its business results and meet stockholders' expectations while moving forward steadily to become *a global enterprise that is highly attractive to all stakeholders.*

DIVIDEND POLICY AND DISTRIBUTION OF THE CURRENT FISCAL YEAR'S PROFIT

ITOCHU maintains and reinforces its competitive power as well as increases stockholders' equity by retaining earnings to promote growth strategies. The basic policy of ITOCHU regarding dividend payments is a consistent and stable distribution of returns to stockholders based on consideration of its business performance.

For Fiscal 2011, ITOCHU plans to pay full-year cash dividends of ¥18.0 per share, comprising an interim cash dividend of ¥9.0 per share and a year-end cash dividend of ¥9.0 per share.

LIQUIDITY AND CAPITAL RESOURCES

Basic Funding Policy

The Company aims to ensure flexibility in funding in response to changes in financial conditions and take advantage of opportunities to lower its overall financing costs. Also, the Company seeks to diversify its funding sources and methods while endeavoring to find the optimum balance in its funding structure with enhancing the stability of its financing mainly by means of long-term funding. Further, the Company works to improve consolidated capital efficiency and funding structure by concentrating funding for domestic subsidiaries on Group Finance from the parent Company. Moreover, the Company established Group Finance scheme in Asia and Europe for the funding of overseas subsidiaries.

Regarding funding methods, the Company uses such indirect financing as bank loans and such direct financing as bond issuance. As to indirect financing, the Company maintains favorable and wide-ranging relationships with various financial institutions which enable it to raise funds required. As to direct financing, the Company registered a new issuance of bonds up to ¥300.0 billion, covering the two-year period from August 2009 to July 2011 in accordance with the bond-issuance registration system in Japan. Also, the Company undertakes funding through commercial paper to heighten capital efficiency and lower capital costs. ITOCHU Corporation, ITOCHU International Inc. in the United States, and treasury companies in Singapore and the United Kingdom have registered a total of US$5.0 billion in a Euro Medium Term Note Programme (Euro MTN).

Ratings of the Company's long-term debt and short-term debt as of the end of the fiscal year are as follows. Aiming to secure even higher ratings, the Company will strengthen profitability, improve financial position, and implement thorough risk management.

Credit Rating Agency	Long-term Debt	Short-term Debt
Japan Credit Rating Agency (JCR)	A+ / Stable	J-1
Rating & Investment Information (R&I)	A / Stable	a-1
Moody's Investors Service	Baa1 / Stable	P-2
Standard & Poor's (S&P)	A– / Stable	A-2

Interest-Bearing Debt

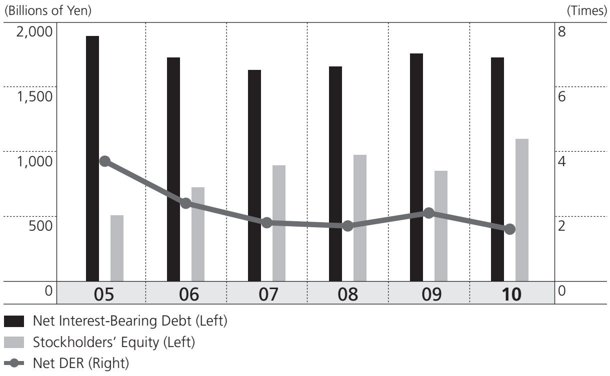
Interest-bearing debt as of March 31, 2010, decreased by ¥180.1 billion compared with the previous fiscal year, to ¥2,209.3 billion (US$23,746 million). Net interest-bearing debt, after deducting cash and cash equivalents and time deposits, decreased by ¥30.7 billion, to ¥1,726.1 billion (US$18,552 million). Net DER (debt-to-equity ratio) improved 0.5 points from 2.1 times to 1.6 times compared with the previous fiscal year-end. Further, thanks to efforts to ensure a stable funding structure by seeking long-term funding, the ratio of long-term interest-bearing debt to total interest-bearing debt increased from 74% at the previous fiscal year-end to 87%.

Details of interest-bearing debt as of March 31, 2009, and as of March 31, 2010, are as follows.

	Billions of Yen		Millions of U.S. Dollars
March 31	2010	2009	2010
Short-term debt:			
Short-term loans mainly from banks	¥ 229.2	¥ 453.2	$ 2,464
Commercial paper	—	84.9	—
Current maturities of long-term debt:			
Current maturities of long-term loans mainly from banks	57.5	81.9	618
Current maturities of debentures	3.3	8.7	35
Short-term total	290.0	628.8	3,117
Long-term debt (Note):			
Long-term loans mainly from banks, less current maturities	1,736.2	1,610.4	18,660
Debentures	183.1	150.2	1,969
Long-term total	1,919.3	1,760.5	20,629
Total interest-bearing debt	2,209.3	2,389.3	23,746
Cash and cash equivalents and time deposits	483.2	632.6	5,194
Net interest-bearing debt	¥1,726.1	¥1,756.8	$18,552

(Note) Because "Long-term debt" in the Consolidated Balance Sheets includes elements of non-interest-bearing debt, this "Long-term debt" presents the figures excluding such elements.

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



* For fiscal years

Financial Position

(Unless otherwise stated, comparisons in the following section are between the end of the previous fiscal year and the end of the fiscal year under review.)

Total assets increased by 5.5%, or ¥284.8 billion, to ¥5,476.8 billion (US$ 58,866 million), mainly due to the new consolidation of some subsidiaries; an increase in Chemicals, Forest Products & General Merchandise and in Energy, Metals & Minerals, due to increases in Trade receivables and Inventories associated with higher oil prices and a recovery in the chemical market recovery compared with the end of the previous fiscal year; an increase in investments and Net property and equipment resulting from the appreciation of both the Brazilian real and Australian dollar; and new investments in both Textile and in Food.

ITOCHU stockholders' equity, which corresponds to total equity before applying SFAS 160 (Please refer to transfer to ASC Topic 810, "Consolidation" in New Accounting Pronouncements.), increased by 29.3%, or ¥249.0 billion, to ¥1,098.4 billion (US$11,806 million), due to a decrease in dividend payments, an accumulation of Net income attributable to ITOCHU, an improvement in Foreign currency translation adjustments, and improvements in Unrealized holding gains on securities and Pension liability adjustments resulting from recovery of the stock market. As a result, Ratio of stockholders' equity to total assets* rose by 3.7 points compared with March 31, 2009, to 20.1%.

Total equity, or total of ITOCHU stockholders' equity and Noncontrolling interest, which means the total equity of the entire Group, increased by 26.4% or ¥274.0 billion compared with March 31, 2009, to ¥1,311.4 billion (US$14,095 million).

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

Cash and cash equivalents decreased by ¥153.1 billion, to ¥475.7 billion (US$5,113 million).

Time deposits rose by ¥3.8 billion, to ¥7.5 billion (US$81 million).

Trade receivables (less allowance for doubtful receivables) increased by ¥144.0 billion, to ¥1,426.7 billion (US$15,334 million), due to an increase related to energy and chemicals, which offset a decrease related to automobiles.

Due from associated companies declined by ¥10.7 billion, to ¥96.3 billion (US$1,035 million), because Machinery trading transactions decreased.

Inventories declined by ¥33.4 billion, to ¥476.1 billion (US$5,117 million).

Advances to suppliers decreased by ¥19.0 billion, to ¥72.9 billion (US$783 million).

Other current assets rose by ¥22.1 billion, to ¥257.1 billion (US$2,763 million), due to the collection of loans.

As a result, total current assets declined by ¥44.7 billion, to ¥2,893.5 billion (US$31,099 million).

Investments in and advances to associated companies rose by ¥184.6 billion, to ¥938.7 billion (US$10,089 million), due to an increase stemming from an investment in a major food product distributor in China and Taiwan and increases in Textile and Energy, Metals & Minerals.

Other investments increased by ¥24.3 billion, to ¥450.3 billion (US$4,840 million), due to an increase in unrealized holding gains on securities that reflected a recovery in stock markets.

Other non-current receivables (less allowance for doubtful receivables) were up by ¥8.9 billion, to ¥103.6 billion (US$1,114 million).

As a result, total investments and non-current receivables increased by ¥217.8 billion, to ¥1,492.7 billion (US$16,043 million).

Property and equipment, at cost (less accumulated depreciation) rose by ¥105.6 billion, to ¥666.4 billion (US$7,162 million), due to an increase resulting from new consolidated subsidiaries in Textile; Chemicals, Forest Products & General Merchandise; and Finance, Realty, Insurance & Logistics Services, as well as an increase related to overseas resource development due to appreciation of the Australian dollar.

Goodwill and other intangible assets (less accumulated amortization) increased by ¥33.2 billion, to ¥201.9 billion (US$2,170 million), due to an increase resulting from new investments.

Deferred tax assets, non-current, declined by ¥28.1 billion, to ¥108.3 billion (US$1,165 million), due to a decrease accompanying the continued implementation of measures for a reduction in deductible temporary differences through disposal of receivables and securities, a decrease in unrealized holding gains on securities stemming from a recovery in stock markets, and a decrease due to an improvement in pension liability adjustments. Furthermore, net deferred tax assets declined by ¥27.3 billion, to ¥131.2 billion (US$1,410 million).

Short-term debt decreased by ¥308.9 billion, to ¥229.2 billion (US$2,464 million), due to repayment of loans and efforts to increase the amount of interest-bearing debt accounted for by long-term funding. (Please refer to "10. Short-term and Long-term Debt" in Notes to Consolidated Financial Statements.)

Trade payables were up by ¥175.9 billion, to ¥1,217.6 billion (US$13,087 million), because an increase related to energy and chemicals counteracted a decrease related to automobiles.

Due to associated companies increased by ¥8.8 billion, to ¥25.4 billion (US$273 million), because of a reduction in deposits from associated companies. Advances from customers decreased by ¥16.7 billion, to ¥80.0 billion (US$860 million), due to a decline in Machinery resulting from delivery of ships. Other current liabilities rose by ¥22.3 billion, to ¥215.0 billion (US$2,311 million), due to increases in derivative liabilities and deposits.

As a result, current liabilities decreased by ¥155.6 billion, to ¥1,992.6 billion (US$21,416 million).

Reserves for Liquidity

The basic policy is to maintain and secure an adequate amount of reserves required for liquidity covering short-term interest-bearing debt and contingent liabilities due within three months. This policy is based on the scenario whereby new funding may be unavailable for about three months because of market turmoil. In such a case, the Company must maintain adequate reserves to repay liabilities during such a period in order to cope with unpredictable events.

Primary liquidity resources at the end of Fiscal 2010, the sum of cash, cash equivalents, time deposits (¥483.2 billion), and commitment line agreements (yen short-term: ¥100.0 billion, yen long-term: ¥300.0 billion, multiple currency short-term: US$500 million) was ¥929.7 billion (US$9,993 million), down ¥152.0 billion from the previous fiscal year-end. The Company believes that this amount constitutes adequate reserves for liquidity since it is 5.1 times the necessary liquidity amount (short-term interest-bearing debt and contingent liabilities due within three months), which amounted to ¥182.7 billion (US$1,964 million) as of March 31, 2010.

Secondary liquidity reserves (other assets that can be converted to cash in a short period of time) stood at ¥547.9 billion (US$5,889 million). When added to primary liquidity reserves, the total amount of liquidity reserves stood at ¥1,477.6 billion (US$15,882 million).

The Company has long-term commitment line agreements with financial institutions totaling ¥300.0 billion (US$3,224 million). As a result of the availability of this long-term commitment line, the Company has the intention and ability to undertake a long-term rollover of current maturities of long-term debt from financial institutions. The Company thus classified ¥147.8 billion (US$1,589 million) of current maturities of long-term debt as non-current liabilities on the consolidated balance sheet, which was part of ¥208.5 billion (US$2,241 million) in non-current liabilities with a maturity of one year or less based on loan contracts at the end of Fiscal 2010. However, the above calculation of the necessary liquidity amount was based on the repayment figure for loan contracts with a maturity of one year or less, not on the consolidated balance sheet figures.

Necessary Liquidity

	Billions of Yen		Millions of U.S. Dollars
March 31	2010	Necessary Liquidity	2010
Short-term interest-bearing debt	¥229.2	¥114.6 (229.2/6 months x 3 months)	$1,232
Current maturities of long-term interest-bearing debt	208.5*	52.1 (208.5/12 months x 3 months)	560
Contingent liabilities (Guarantees [substantial risk] for monetary indebtedness of equity-method associated companies and customers)	64.0	16.0 (64.0/12 months x 3 months)	172
Total		¥182.7	$1,964

* The figure is the total of current maturities of long-term debt (¥60.7 billion) in the Consolidated Balance Sheets and long-term commitment line with financial institutions (¥147.8 billion).

Primary Liquidity Reserves

March 31	Billions of Yen 2010 Liquidity Reserves	Millions of U.S. Dollars 2010 Liquidity Reserves
1. Cash, cash equivalents and time deposits	¥483.2	$5,194
2. Commitment line agreements	446.5	4,799
Total primary liquidity reserves	¥929.7	$9,993

Secondary Liquidity Reserves

March 31	Billions of Yen 2010 Liquidity Reserves	Millions of U.S. Dollars 2010 Liquidity Reserves
3. Available portion of over draft for ITOCHU parent	¥ 145.1	$ 1,560
4. Available-for-sale securities (Fair value on a consolidated basis)	249.1	2,677
5. Notes receivable	153.7	1,652
Total secondary liquidity reserves	¥ 547.9	$ 5,899
Total liquidity reserves	¥1,477.6	$15,882

Capital Resources

The fundamental policy is to finance new expenditures for investment activities from operating cash flows and the disposal / collection of existing assets. This includes sale and recovery of assets as well as accumulation of profits. Any shortfall in financial resources when new investments are made is covered by cash flows from financing activities through loans and the issuance of bonds.

Cash and cash equivalents as of March 31, 2010, decreased 24.4%, or ¥153.1 billion, to ¥475.7 billion (US$5,113 million), compared with the previous fiscal year-end. This was mainly due to efficient control of cash and cash equivalents and repayment of interest-bearing debt.

Cash flows from operating activities for Fiscal 2010 resulted in a net cash-inflow of ¥295.4 billion (US$3,175 million). This was attributable to favorable operating revenue related to overseas natural resources, food, textile, and chemicals, as well as a reduction in automobile-related inventories.

Cash flows from investing activities for Fiscal 2010 resulted in a net cash-outflow of ¥196.3 billion (US$2,110 million). This was due to investment in the consumer-related sector, an increase related to capital expenditures in the natural resource development sector, and additional investment for making C.I. Kasei Co., Ltd., and ITOCHU LOGISTICS CORP. our consolidated subsidiaries.

Cash flows from financing activities for Fiscal 2010 resulted in a net cash-outflow of ¥259.0 billion (US$2,784 million). This was mainly attributable to a reducing of cash and cash equivalents levels, which the Company had kept comparatively high following the financial crisis in Fiscal 2009 as financial markets stabilized.

A summary of cash flows for the fiscal years ended March 31, 2010 and 2009 were as follows.

March 31	Billions of Yen 2010	Billions of Yen 2009	Millions of U.S. Dollars 2010
Cash flows from operating activities	¥ 295.4	¥ 276.9	$ 3,175
Cash flows from investing activities	(196.3)	(326.0)	(2,110)
Cash flows from financing activities	(259.0)	258.3	(2,784)
Effect of exchange rate changes on cash and cash equivalents	6.8	(26.6)	73
Net increase (decrease) in cash and cash equivalents	(153.1)	182.5	(1,646)
Cash and cash equivalents at beginning of year	628.8	446.3	6,759
Cash and cash equivalents at end of year	¥ 475.7	¥ 628.8	$ 5,113

OFF-BALANCE-SHEET ARRANGEMENTS AND AGGREGATE CONTRACTUAL OBLIGATIONS

The Company and its subsidiaries issue various guarantees for indebtedness including bank loans to subsidiaries, equity- method associated companies and customers. Because the guaranteed borrowings of subsidiaries are included in the Company's consolidated financial statements, off-balance sheet guarantees are solely the total guarantees to equity-method associated companies and customers. The breakdown of guarantees as of March 31, 2010 and 2009 were as follows:

	Billions of Yen		Millions of U.S. Dollars
March 31	2010	2009	2010
Guarantees for equity-method associated companies:			
Maximum potential amount of future payments	¥ 83.6	¥ 62.9	$ 898
Amount of substantial risk	50.6	36.3	544
Guarantees for customers:			
Maximum potential amount of future payments	¥ 69.4	¥ 74.6	$ 746
Amount of substantial risk	36.5	51.6	392
Total:			
Maximum potential amount of future payments	¥153.0	¥137.5	$1,644
Amount of substantial risk	87.1	87.9	936

The maximum potential amount of future payments of the Company under the guarantee contracts is presented above. The amount of substantial risk represents the total amount of the substantial risk taken, based on the actual amount of liability incurred by the guaranteed parties as of the end of the respective term within the pre-determined guaranteed limit established under the guarantee contracts. The amount that can be recovered from third parties under the back-to-back guarantees submitted by the Company or its subsidiaries concerned have been excluded in determining the amount of substantial risk. The disclosures related to guarantees are shown in Note 25 "Commitments and Contingent Liability" to the consolidated financial statements.

The disclosures related to variable interest entities are show in Note 23 "Variable Interest Entities" to the consolidated financial statements.

The following table shows the breakdown by maturity of repayment of short-term debt (Bank Loan, Commercial Paper) and long-term debt (Bank Loan, Debentures, Capital Leases) as well as payments under operating leases:

	Billions of Yen				
	2010				
March 31	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Short-term loans payable	¥ 229.2	¥229.2	¥ —	¥ —	¥ —
Long-term debt	2,168.3	60.7	629.1	568.8	909.7
Operating leases	147.7	29.3	41.6	30.5	46.4

	Millions of U.S. Dollars				
	2010				
March 31	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Short-term loans payable	$ 2,464	$2,464	$ —	$ —	$ —
Long-term debt	23,305	653	6,762	6,113	9,777
Operating leases	1,588	315	447	327	499

RISK INFORMATION

ITOCHU Group is exposed to various risks such as market risks, credit risks and investment risks, due to the nature of a wide range of its businesses. These risks include unpredictable uncertainties and may have significant effects on its future business and financial performance.

ITOCHU Group has enhanced its risk management policy and risk management methodology to monitor and manage these risks, but it is impossible to completely avoid all these risks.

With respect to descriptions about future events, ITOCHU appropriately has determined its assumptions and estimates based on information currently available as of March 31, 2010.

(1) Corporate Result Risks Due to Macroeconomic Factors

ITOCHU Group involves a wide variety of business ranging from supply of raw materials to manufacturing and sale in each of its businesses areas. It conducts diverse types of commercial transactions such as purchase and sale of products in the domestic market, import/export trade between overseas affiliates as well as development of energy, metal resources and mineral resources. To give an overview of Group's main areas of business, trade in machinery such as plants, automobils and construction machinery, trade in mineral resources, energy and chemical products, and investments in development are all largely dependent on economic trends in the world while the domestic economy has a relatively strong influence on the consumer and retail-related segments such as textiles and food. However, economic trends in the world have been more and more influential even on these consumer and retail-related segments as economic globalization proceeds.

Furthermore, in regions worldwide, including in North America, China, and Asia, which ITOCHU regards as priority areas, the Group conducts business and trade. Consequently, economic trends, not only overall worldwide economic trends but also specific regional trends, could significantly affect the Group.

(2) Market Risk

ITOCHU Group is exposed to market risks such as foreign exchange rate risks, interest rate risks, commodity price risks and stock price risks. The Group attempts to minimize risks related to market fluctuations such as changes in foreign exchange rates and interest rates by establishing risk management policy such as setting and controlling limits and by utilizing a variety of derivative instruments for hedging purposes.

Foreign Exchange Rate Risk

ITOCHU Group is exposed to foreign exchange rate risk related to transactions in foreign currencies due to its significant involvement in import/export trading. Therefore, ITOCHU works to minimize foreign exchange rate risk through hedge transactions that utilize such derivatives as forward exchange contracts. However, ITOCHU cannot guarantee a complete avoidance of such foreign exchange rate risk by utilizing these hedging techniques.

Further, there is a risk that ITOCHU's investments in overseas businesses could cause fluctuation of stockholders' equity due to the effect of foreign exchange fluctuation on foreign currency translation adjustments. This foreign exchange rate risk has no impact on the performances of businesses themselves. Because long periods are generally needed to recover the cost of investments and the effectiveness provided by hedging is considered to be limited, ITOCHU does not hedge foreign exchange rate risk.

Interest Rate Risk

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

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

However, ITOCHU still cannot guarantee a complete avoidance of interest rate risk, even having adopted these management methods.

Commodity Price Risk

As a trading company handling a diverse array of commodities, ITOCHU Group is exposed to commodity price risk due to such factors as market fluctuations. The Group has established a fundamental risk management policy on an individual Division Company basis, assessing purchase contracts, inventories, and sales contracts, etc. and sets and manages a balance limit and loss cut limit for each individual product with conducting periodic reviews.

In addition, ITOCHU Group works to minimize commodity price risk by utilizing derivatives such as futures or forward contracts as means of hedging. Despite these measures, ITOCHU Group cannot guarantee a complete avoidance of commodity price risk.

ITOCHU Group also participates in resource development businesses such as the energy, metals and minerals sector and other manufacturing businesses. Production in these businesses is also exposed to the same commodity price risk noted above, and it is possible for the value of the businesses to deteriorate.

If this were to occur, it could seriously affect the financial position and results of operations of ITOCHU Group.

Stock Price Risk

ITOCHU Group holds available-for-sale securities which are vulnerable to price fluctuation. There is a risk that stockholders' equity may change in our consolidated financial statements along with the price fluctuations of these investments, and assuming that the fair value of these available-for-sale marketable securities decreased, the necessity of recognizing holding loss on securities may arise, and it could seriously affect the financial position and results of operations of ITOCHU Group.

(3) Credit Risks

ITOCHU Group conducts a vast array of commercial transactions with its trading partners, both domestically and overseas. ITOCHU therefore bears credit risk from the uncollectible trading receivables, loans, or credits for guaranty held by the Group due to the deteriorating credit status or insolvency of ITOCHU's partners, from assuming a responsibility to fulfill the contracts as an involved party is unable to continue its business and fulfill its obligations under the contracts.

In ITOCHU, the credit department, which is independent of the business departments, manages credit risk on both quantitative and qualitative bases. Each proposal submitted by a business division undergoes careful screening by the credit department, which then sets an appropriate credit limit upon the completion of review. Specific expiration dates are set for credit limits. These limits and the status of trade receivables are monitored on a periodic basis along with periodic reviews of the status of debt collections and delinquencies. The necessary reserves are determined and booked on this basis. With all these measures, however, the occurrence of credit risks cannot be completely avoided, and such occurrences could seriously affect the financial position and results of operations of ITOCHU Group.

(4) Country Risk

ITOCHU Group has trading relationships with many foreign countries. These include handling foreign goods and investments in foreign trading partners. ITOCHU Group therefore is exposed to country risk resulting from regulations imposed by foreign governments, political instability, or restrictions on the transfers of funds. In response to the country risk, in addition to taking appropriate countermeasures for each transaction, with the aim of avoiding a concentration of exposure, ITOCHU Group is endeavoring to manage risk by setting total limit guidelines and limits for each country and setting credit policies appropriate to each country.

ITOCHU Group does, however, have debts in countries and regions where there is a relatively high probability of country risk emerging, and those in which business activities are implemented through loans, investment and guarantees for monetary indebtedness. When those debts and business activities face events caused by political, economic, or social instability, ITOCHU Group cannot entirely deny the possibility that those events may have a significant impact on the debt collection and sustainability of ITOCHU Group's business activities in such countries and regions. Such occurrences could have a serious, adverse effect on the financial position and results of operations of ITOCHU Group.

(5) Investment Risk

Investing in a variety of businesses is one of the major business activities of ITOCHU Group. In managing the Group's portfolio of investments strategically, ITOCHU Group faces serious decisions regarding the initiation of new investments that will produce profit commensurate with the attendant risk, or the withdrawal from investments that do not produce profits consistent with attendant risks.

However, in ITOCHU Group's engagement in investing activities, there may arise such cases that the Group is unable to achieve the Group's forecasted results from the invested businesses due to deteriorating management environment for the businesses in which the Group have invested or the deteriorating corporate results and financial standing of ITOCHU's partners, ITOCHU Group is unable to withdraw from a business or restructure the business under a timeframe or method that the Group desires due to the difference of business policy from the partners' or low liquidity of investments etc., the likelihood of investment recovery is lowered due to poor corporate results of investees, or stock prices is expected to drop below a specified level for a considerable period of time. In such cases, serious adverse influences on the future corporate results and financial standing of ITOCHU Group are possible including the necessities that the whole or partial investment is recognized as loss, and that the infusion of additional funds is required.

(6) Risks Due to Impairment Loss on Fixed Assets

ITOCHU Group is exposed to impairment loss risks on fixed assets held, such as real estate, aircraft, and ships. ITOCHU does not foresee at present any necessity for booking additional impairment losses.

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

(7) Risks Due to Fund Raising

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

(8) Risks Due to Pension Cost and Projected Benefit Obligations

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

(9) Risks Due to Deferred Taxes

Deferred tax assets are an important factor in ITOCHU's consolidated balance sheets. Therefore, accounting judgment on evaluation of deferred tax assets has a substantial impact on ITOCHU's consolidated financial statements.

Considering the necessity of an allowance for deferred tax assets, ITOCHU Group reports the realizable amount of deferred tax assets, taking into consideration future taxable income and feasible tax planning strategies.

The management of ITOCHU Group believes these estimations of realizable amount of deferred tax assets are rational. However, allowance for deferred taxes may increase or decrease depending on changes in estimated taxable income during the tax planning period, changes in the tax system including changes in tax rates, and changes in tax planning strategies. In that case it could seriously affect the financial position and results of operations of ITOCHU Group.

(10) Risks Due to Competition

Due to ITOCHU Group's involvement in many different industries and the fact that the Group handles a vast array of products and services, the Group is open to competition from many different companies, both domestic and foreign, including competition from other general trading companies. ITOCHU Group cannot deny the existence of other companies with superior experience, technology, and funding capacity, that are in a position to provide products and services that meet customer needs. Moreover, ever-greater competition from companies in newly developing countries like China is gradually emerging in addition to ongoing competition from companies in European and North American industrialized countries due to economic globalization. ITOCHU Group could also find its competitiveness unsustainable due to future events such as deregulation, changes in the business environment such as entering into other industries, and technological innovation. The advent of such risks could cause a corresponding loss in competitiveness for ITOCHU Group, giving major adverse impact on the financial position and results of operations of ITOCHU Group.

(11) Risks Associated with Significant Lawsuits

There is no significant, currently pending lawsuit, arbitration, or other legal proceeding that may materially affect the financial position or results of the operations of ITOCHU Group.

However, there shall be no assurance that domestic or overseas business activities of ITOCHU Group may not become subject to any of such lawsuits, arbitrations or other legal proceedings.

(12) Risks Associated with Compliance

Risks Related to Laws and Regulations

ITOCHU Group is subject to a number of diverse laws and regulations both domestically and overseas due to the vast array of products and services the Group provides.

To be specific, ITOCHU Group is required to adhere to laws and regulations such as the laws for each industry, including Companies Act, Financial Instruments and Exchange Act, and tax laws, as well as all laws pertaining to trade such as foreign exchange laws, antitrust laws, intellectual property laws and the laws of each country in which ITOCHU Group conducts business overseas. ITOCHU Group is aware that the observance of laws and regulations is a serious obligation on the part of the Company and the Group has committed every effort into the observance of these laws and regulations by reinforcing the compliance system. With all these measures, however, there is a possibility of the situation where, including personal misconduct by directors and employees, risks associated with compliance or suffering social disgrace cannot be removed.

Also, ITOCHU cannot deny that unexpected, additional enactment or change in laws and regulations by legislative, judicial, and regulatory bodies are a possibility both domestically and overseas, and there are possibilities of major change in laws and regulations by political/economical changes. This could exert a serious, adverse influence on the financial position and results of operations of ITOCHU Group.

Risks Related to the Environment

ITOCHU Group has designated global environmental issues as one of the most important elements of its management policy. The Group is actively working on environmental issues designated by ITOCHU's environmental policy and is building an environmental management system in order to minimize environmental risk, including the risk of infringement of laws and regulations, in natural resource development, real estate development and other investments, the handling of goods, and the provision of services. Despite these efforts, ITOCHU Group cannot guarantee that the Group's business activities will not affect the world environment, and ITOCHU cannot completely avoid the possibility that the opposition of environmental protection groups will impede the business growth. Should such events occur, the ITOCHU Group could suffer the loss of public trust and could suffer serious adverse effects on the financial position and results of operations of ITOCHU Group.

(13) Risks Associated with Information Systems and Information Security

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

Despite these measures, ITOCHU Group cannot completely avoid the possibility of unauthorized access from the outside, the leakage of sensitive company information due to computer viruses, or operational failure of the system due to damage to information system equipment arising from natural disasters or accidents or from trouble with telecommunications circuitry. If such events occur, this could cause a deterioration of operational efficiency, and depending on the seriousness of the damage, could result in a serious adverse effect on the financial position and results of operations of ITOCHU Group.

(14) Natural Disasters and Other Risks

Natural disasters such as earthquake or infectious diseases such as the new influenza may adversely affect the operations of ITOCHU Group. ITOCHU has implemented measures such as developing Business Continuity Plan (BCP) for large-scale disasters, developing a BCP for the occurrence of new influenza viruses, introducing a safety confirmation system, creating a disaster manual, reinforcing earthquake resistance, and conducting emergency drills. Also, various measures have been implemented individually in each Group company. However, since ITOCHU Group operates business activities in a vast range of regions, damage from disasters or infectious diseases such as new influenza viruses cannot be completely avoided. Therefore, damage inflicted from natural disaster or infectious diseases such as new influenza viruses could significantly affect the financial position and results of operations of ITOCHU Group.

CRITICAL ACCOUNTING POLICIES

The Company's consolidated financial statements are prepared in conformity with U.S. GAAP. In preparing the consolidated financial statements, the management of the Company is required to make a number of estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, contingent assets and liabilities as of each balance sheet date, and revenues and expenses in each reporting period. Management periodically verifies and makes a review of its estimates, judgments and assumptions based on the available information that is considered to be reasonable, judging from historical experiences and circumstances. These estimates, judgments and assumptions, however, which are often accompanied by uncertainties, may differ from actual results. These differences may have an effect on the Company's consolidated financial statements and the performance of every operating segment. The following accounting policies relate to estimates, judgments and assumptions that management believes may materially affect consolidated financial statements.

Evaluation of Investments

Investment balance and profit from investments are important factors in the Company's consolidated financial statements and, therefore, accounting judgment on the evaluation of investments has a substantial impact on the Company's consolidated financial statements. The Company and its subsidiaries evaluate marketable securities based on their fair values. The difference between carrying amount and fair value is reported in the consolidated statements of income for trading securities, while differences net of tax are reported in stockholders' equity as "unrealized holding gains on securities," for available-for-sale securities. When the Company and its subsidiaries judge that the price decrease of marketable securities is other than temporary, considering severity and duration of decline in the fair value against carrying amount, impairment losses are recognized for the devaluation of this value.

For the impairment of non-marketable securities, judgment of an other-than-temporary decline is conducted after a comprehensive consideration of the magnitude of the decrease in terms of net asset value, the financial conditions of the invested companies, and the outlook for their future performance. For the impairment of marketable investments in equity-method investees and as is the case for impairment of long-lived assets, the Company and its subsidiaries judge whether or not a price decrease is other than temporary not only by measuring the magnitude of the decrease in market value but also by comprehensively considering the possibility of collection based on the estimated future cash flows generated from the investment. The management of the Company believes that these investment evaluations are rational. However, differences in estimates such as estimated future cash flows due to unforeseen changes in business conditions may impair the value of investments and have a material impact on the Company's consolidated financial statements.

Provision for Doubtful Receivables

Trade receivables including notes and accounts, in addition to loans, represent a large amount in the Company's consolidated balance sheets, and the provision for doubtful receivables is an important factor in the Company's consolidated statements of income. Therefore, accounting judgment on the evaluation of receivables has a substantial impact on the Company's consolidated financial statements. In the Company, the credit department, which is independent of business departments, manages and evaluates credit risk from both quantitative and qualitative perspectives, regularly monitoring the credit limit and the current condition of trade receivables, and regularly reviewing the current condition of debt collection and delinquency to discuss and record the required provision for doubtful receivables. The Company and its subsidiaries estimate the recoverable amount and records the required provision for doubtful receivables, after comprehensively considering the status of collection, past insolvency record, financial conditions of debtors, and the value of collateral. The management of the Company believes that these estimations of provisions for doubtful receivables are rational. However, deterioration of the debtors' financial conditions and decreases in estimated collateral value due to unpredictable changes in business conditions may reduce the recoverable amounts from the latest estimation, and an increase in provision for doubtful receivables may have a material impact on the Company's consolidated financial statements.

Deferred Income Taxes

Deferred income tax assets are an important factor in the Company's consolidated balance sheets. Therefore, accounting judgment on the evaluation of deferred income tax assets has a substantial impact on the Company's consolidated financial statements. To consider recording valuation allowances for deferred income tax assets, the Company and its subsidiaries report the realizable amount of deferred income tax assets, taking into consideration future taxable income and feasible tax planning strategies. To evaluate the realizable amount, it considers information such as historical records and any available information related to the future.

The management of the Company believes that these estimations of the realizable amount of deferred income tax assets are rational. However, valuation allowances for deferred income tax assets may increase or decrease depending on changes in taxable income during the tax planning period and changes in tax planning strategies, which may have a material impact on the Company's consolidated financial statements.

Impairment of Long-Lived Assets
If a part of the carrying amount is determined to be unrecoverable due to changes in the situation for long-lived assets used for business and intangible assets whose useful lives are finite, the Company and its subsidiaries recognize the impairment of such long-lived assets based on fair value when the sum of the outcome of the use of the long-lived asset and future cash flows (undiscounted) resulting from its sale, are below the carrying amount. The management of the Company believes that the estimated future cash flows and the determination of the fair value have been made in a rational manner. However, fluctuations in estimated future cash flows and fair value due to unpredictable changes in business conditions may reduce the evaluation of long-lived assets, which may have a material impact on the Company's consolidated financial statements.

Goodwill and Other Intangible Assets
Goodwill and non-amortizable intangible assets with indefinite useful lives are tested for impairment at least annually or at any time when an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

Fair value, which is indispensable for the impairment test, is estimated according to discounted future cash flows based on the business plan. The management of the Company believes that the estimated future cash flows and the determination of the fair values have been made in a rational manner. However, fluctuations in estimated future cash flows and fair value due to unpredictable changes in business conditions may reduce the evaluation of goodwill and other intangible assets, which may have a material impact on the Company's consolidated financial statements.

Cost of Retirement and Severance Benefits
The Company and its subsidiaries calculate the cost of its employees' retirement and severance benefits and pension obligations based on the same types of assumptions used in actuarial calculations, which include such important estimations as discount rates, retirement rates, death rates, increase rates of salary and long-term expected rates of return on plan assets. To determine each of these assumptions, the Company and its subsidiaries comprehensively judge all available information including market trends such as interest rate changes. The management of the Company believes that the determination of these assumptions has been done in a rational manner. However, any difference between the assumptions and the actual conditions may influence the future retirement benefit costs and pension liabilities, which may have a material impact on the Company's consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMENTS

FASB Accounting Standards Codification™ (ASC)
In June 2009, SFAS168, "The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles, an amendment of SFAS 162" was issued.

According to the standard, all authoritative pronouncements previously issued under US GAAP were codified into the ASC, which is now the single authoritative source of US GAAP. The Company and its subsidiaries have adopted this standard from the first half of this fiscal year. In addition, SFAS 168 itself was codified into ASC Topic 105 "Generally Accepted Accounting Principles."

Business Combinations and Noncontrolling Interests in Consolidated Financial Statements
The Company and its subsidiaries adopted SFAS 141 (R), "Business Combinations," and SFAS 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51," during the fiscal year under review. In accordance with the ASC described above, SFAS 141 (R) and SFAS 160 have been codified to ASC Topic 805, "Business Combinations," and ASC Topic 810, "Consolidation," respectively. Prior to the issuance of these standards, it had been generally accepted that consolidated financial statements should present the substantial financial position and the results of operations of the parent company. However, these standards adopted a different view, namely that consolidated financial statements should reflect the financial position and the results of operations of the consolidated group, or the organically combined body consisting of the parent company and its subsidiaries, with recognition that the consolidated group is a single economic entity separate from the parent company.

a. Changes in accounting treatment
1. Changes in accounting treatment of a business combination (ASC Topic 805 "Business Combinations")

In accordance with the above-mentioned view, the accounting treatment of a business combination has changed.

The Company and its subsidiaries applied the new treatment for business combination transactions beginning on or after April 1, 2009. This application changes the accounting treatment to measuring noncontrolling interest at fair value as of the business combination date, as well as the assets and liabilities of the acquiree, and recognition of goodwill attributable to noncontrolling interest in addition to that attributable to stockholders of the Company. Furthermore, interests held by the acquirer prior to the business combination date are remeasured at their fair value as of the business combination date, with the difference between fair value and the carrying amount of previously held interests recognized as a gain or loss in "Gain (loss) on investments–net."

In addition, in case that every business combination transaction at and after the beginning of fiscal year ending March 31, 2010 is under bargain purchase transaction, that is, for transactions where the net of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed exceeds the aggregate of the fair value of the consideration transferred, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree and the fair value of any noncontrolling interest in the acquiree, the excess amount is recognized as "Gain on bargain purchase in acquisition" on the Consolidated Statements of Income.

2. Changes in accounting treatment of changes in a parent's ownership interest in a subsidiary while retaining control in the subsidiary (ACS Topic 810 "Consolidation")

Commencing with the fiscal year under review, changes in a parent's ownership interest in a subsidiary while retaining control of the subsidiary are accounted for as equity transactions, without recognizing a gain or loss. The Company and its subsidiaries accordingly revised their accounting treatment for such ownership changes, based on the view that such transactions simply reclassify ownership among the Company's stockholders and noncontrolling stockholders, both of which hold equity in the consolidated group.

3. Changes in accounting treatment of deconsolidation (ASC Topic 810 "Consolidation")

In accordance with the above-mentioned view, the accounting treatment for deconsolidation has been revised. The Company and its subsidiaries applied the new standard for each deconsolidation implemented from the fiscal year under review, recognizing gains or losses on disposal of interest, as had been done previously, but also remeasuring the remaining interests at their fair values as of the date of deconsolidation, recognizing gains or losses on the difference between the fair value and the carrying amount of the remaining interests.

b. Revision of the presentation of consolidated financial statements (ASC Topic 810)

With regard to the presentation of consolidated financial statements, the new standards require the changes indicated below, including comparative financial statements.

1. Consolidated Statements of Income

The definition of "Net income" is adjusted to mean net income for the consolidated group itself. Therefore, the format of the consolidated statements of income has been revised in presenting first "Net income" according to the new view, deducting "Net income attributable to noncontrolling interest" (the previous "Minority interests") and indicating the remaining amount as "Net income attributable to ITOCHU" (the previous "Net income").

2. Consolidated Balance Sheets

The basic policy for preparing consolidated balance sheets has changed. Equity in the Consolidated Balance Sheets is to be presented for the consolidated group itself, that is, equity in subsidiaries contributed from, or to be distributed to noncontrolling interest as well as that held by that parent company. Therefore, in the consolidated balance sheets the previous "Minority interest" has been renamed "Noncontrolling interest" and is presented as a component of equity. The definition of "Stockholders' Equity" is unchanged after adoption of the new standard. That is, "Common stock," "Capital surplus," "Retained earnings," "Accumulated other comprehensive income (loss)" and "Treasury stock, at cost" indicated as components of "Total ITOCHU's Stockholders' Equity" present respective amounts attributable to the stockholders of ITOCHU Corporation, while in "Noncontrolling interest" the total of subsidiaries' equity amounts attributable to noncontrolling interest is presented without disaggregating them into individual components.

3. Consolidated Statements of Equity

In the same manner as Equity in the Consolidated Balance Sheets is to be represented for the consolidated group itself, Equity in the Consolidated Statements of Equity is changed to represent Equity being attributed to ITOCHU and Equity being attributed to Noncontrolling interest. Therefore, the Consolidated Statements of Equity is changed to represent the component of stockholders' equity attributed to ITOCHU as "Common stock," "Capital surplus," "Retained earnings," "Accumulated other comprehensive income (loss)" and "Treasury stock, at cost" and equity in subsidiaries attributed to noncontrolling interest as "Noncontrolling interest."

In addition, in the same manner as net income in the Consolidated Statements of Income, "Comprehensive income" in the Consolidated Statements of Equity is to be presented for the consolidated group itself. Therefore, in the revised Consolidated Statements of Equity, "Comprehensive income (loss)" shows the entire increase or decrease for each comprehensive income component and then the comprehensive income amount attributable to noncontrolling interest is deducted in "Comprehensive income attributable to noncontrolling interest," and the remaining amount is presented in "Comprehensive income (loss) attributable to ITOCHU."

4. Consolidated Statements of Cash Flows

Even before the change, the consolidated statements of cash flows were considered to indicate the cash flow position of the consolidated group. However, under the previous treatment of "Net income" before adoption of the new standard, ("Net income attributable to ITOCHU" after adoption of the new standard) was presented under cash flows from operating activities. Accordingly, the reverse of "Minority interests" was included in "Adjustments to reconcile net income." After adoption of the new standard, the first line in the presentation of cash flows from operating activities is to be "Net income," as defined in the new pronouncement. Accordingly, it is no longer necessary to reverse minority interests (or "net income attributable to noncontrolling interest"). Such transactions at and after the beginning of this fiscal year ended March 31, 2010, are classified in cash flows from financing activities, and were previously included under Cash flows from investing activities.

Consolidated Balance Sheets

ITOCHU Corporation and Subsidiaries
As of March 31, 2010 and 2009

	Millions of Yen		Millions of U.S. Dollars (Note 2)
Assets	**2010**	2009	**2010**
Current assets:			
Cash and cash equivalents (Notes 4 and 8)	**¥ 475,674**	¥ 628,820	**$ 5,113**
Time deposits (Note 8)	**7,523**	3,738	**81**
Short-term investments (Notes 4 and 8)	**7,140**	9,214	**77**
Trade receivables (Note 8):			
Notes	**153,694**	161,533	**1,652**
Accounts (Note 12)	**1,287,821**	1,135,031	**13,842**
Allowance for doubtful receivables (Note 6)	**(14,833)**	(13,869)	**(160)**
Net trade receivables	**1,426,682**	1,282,695	**15,334**
Due from associated companies	**96,279**	106,934	**1,035**
Inventories (Note 8)	**476,066**	509,503	**5,117**
Advances to suppliers	**72,870**	91,871	**783**
Prepaid expenses	**28,361**	29,817	**305**
Deferred tax assets (Note 15)	**45,759**	40,556	**491**
Other current assets (Note 20)	**257,127**	235,046	**2,763**
Total current assets	**2,893,481**	2,938,194	**31,099**
Investments and non-current receivables:			
Investments in and advances to associated companies (Notes 5, 8 and 13)	**938,689**	754,062	**10,089**
Other investments (Notes 4 and 8)	**450,341**	426,054	**4,840**
Other non-current receivables (Notes 8 and 12)	**163,515**	155,427	**1,758**
Allowance for doubtful receivables (Note 6)	**(59,876)**	(60,704)	**(644)**
Total investments and net non-current receivables	**1,492,669**	1,274,839	**16,043**
Property and equipment, at cost (Notes 7, 8, 12 and 17):			
Land	**164,522**	145,881	**1,768**
Buildings	**412,468**	336,630	**4,433**
Machinery and equipment	**420,640**	328,940	**4,521**
Furniture and fixtures	**82,871**	69,907	**891**
Mineral rights	**64,152**	60,245	**690**
Construction in progress	**30,838**	16,846	**331**
Total property and equipment, at cost	**1,175,491**	958,449	**12,634**
Less accumulated depreciation	**509,140**	397,675	**5,472**
Net property and equipment	**666,351**	560,774	**7,162**
Goodwill and other intangible assets (Note 9):			
Goodwill	**100,057**	87,560	**1,075**
Other intangible assets, less accumulated amortization	**101,849**	81,121	**1,095**
Total goodwill and other intangible assets	**201,906**	168,681	**2,170**
Prepaid pension cost (Note 13)	**7,603**	1,079	**82**
Deferred tax assets, non-current (Note 15)	**108,316**	136,389	**1,165**
Other assets (Note 20)	**106,521**	112,136	**1,145**
Total	**¥5,476,847**	¥5,192,092	**$58,866**

Refer to Notes to consolidated financial statements.

Liabilities and Equity	Millions of Yen 2010	Millions of Yen 2009	Millions of U.S. Dollars (Note 2) 2010
Current liabilities:			
Short-term debt (Notes 8 and 10)	¥ 229,236	¥ 538,161	$ 2,464
Current maturities of long-term debt (Notes 8 and 10)	60,728	90,631	653
Trade payables (Note 8):			
Notes and acceptances	125,278	134,591	1,347
Accounts	1,092,321	907,149	11,740
Total trade payables	1,217,599	1,041,740	13,087
Due to associated companies	25,431	16,618	273
Accrued expenses	124,877	125,062	1,342
Income taxes payable (Note 15)	38,763	45,472	417
Advances from customers	80,030	96,769	860
Deferred tax liabilities (Note 15)	868	983	9
Other current liabilities (Notes 11, 12 and 20)	215,026	192,681	2,311
Total current liabilities	1,992,558	2,148,117	21,416
Long-term debt, excluding current maturities (Notes 8, 10, 11, 12 and 20)	2,107,589	1,934,421	22,652
Accrued retirement and severance benefits (Note 13)	43,314	54,697	466
Deferred tax liabilities, non-current (Note 15)	22,033	17,502	237
Commitments and contingent liabilities (Note 25)			
Total liabilities	4,165,494	4,154,737	44,771
Equity:			
Common stock (Note 18):			
Authorized: 3,000,000,000 shares; issued: 1,584,889,504 shares 2010 and 2009	202,241	202,241	2,174
Capital surplus (Note 18)	137,506	137,171	1,478
Retained earnings (Note 18):			
Legal reserve	16,117	13,183	173
Other retained earnings	884,280	783,699	9,505
Accumulated other comprehensive income (loss) (Notes 15 and 19):			
Foreign currency translation adjustments	(90,088)	(185,363)	(968)
Pension liability adjustments (Note 13)	(86,479)	(106,013)	(930)
Unrealized holding gains on securities (Note 4)	40,544	13,686	436
Unrealized holding losses on derivative instruments (Note 20)	(3,015)	(6,482)	(33)
Total accumulated other comprehensive loss	(139,038)	(284,172)	(1,495)
Treasury stock, at cost (Note 18):			
4,379,005 shares 2010			
4,374,899 shares 2009	(2,687)	(2,711)	(29)
Total ITOCHU stockholders' equity	1,098,419	849,411	11,806
Noncontrolling interest	212,934	187,944	2,289
Total equity	1,311,353	1,037,355	14,095
Total	¥5,476,847	¥5,192,092	$58,866

Consolidated Statements of Income

ITOCHU Corporation and Subsidiaries
Years ended March 31, 2010, 2009 and 2008

	Millions of Yen			Millions of U.S. Dollars (Note 2)
	2010	2009	2008	2010
Revenue (Notes 12, 17 and 20):				
Sales revenue	¥ 2,885,598	¥ 2,821,553	¥ 2,233,523	$ 31,014
Trading margins and commissions on trading transactions	531,039	597,508	626,330	5,708
Total revenue	3,416,637	3,419,061	2,859,853	36,722
Cost of sales	(2,492,271)	(2,358,540)	(1,865,306)	(26,787)
Gross trading profit (Note 17)	924,366	1,060,521	994,547	9,935
Selling, general and administrative expenses (Notes 3, 9, 12 and 13)	(769,907)	(768,115)	(723,403)	(8,275)
Provision for doubtful receivables (Note 6)	(7,045)	(16,742)	(5,977)	(76)
Interest income	9,911	16,253	17,829	107
Interest expense (Note 20)	(35,249)	(45,710)	(49,985)	(379)
Dividends received	28,900	35,039	24,447	311
Gain (loss) on investments–net (Notes 3, 4 and 22)	(4,456)	(23,066)	16,384	(48)
Gain (loss) on property and equipment–net (Notes 7, 9 and 24)	(8,548)	(45,407)	6,675	(92)
Gain on bargain purchase in acquisition (Note 3)	14,015	—	—	151
Other–net (Notes 9, 14, 20 and 24)	2,999	(4,515)	14	32
Income before income taxes and equity in earnings (losses) of associated companies (Note 15)	154,986	208,258	280,531	1,666
Income taxes (Note 15):				
Current	55,126	95,573	91,922	593
Deferred (Notes 3 and 22)	(3,555)	(22,816)	29,186	(38)
Total income taxes	51,571	72,757	121,108	555
Income before equity in earnings (losses) of associated companies	103,415	135,501	159,423	1,111
Equity in earnings (losses) of associated companies (Notes 5 and 17)	36,269	41,304	70,238	390
Net income	139,684	176,805	229,661	1,501
Less: Net income attributable to the noncontrolling interest	(11,531)	(11,415)	(12,360)	(124)
Net income attributable to ITOCHU (Note 17)	¥ 128,153	¥ 165,390	¥ 217,301	$ 1,377

	Yen			U.S. Dollars (Note 2)
	2010	2009	2008	2010
Net income attributable to ITOCHU per common share (Note 16)	¥81.09	¥104.64	¥137.46	$0.87
Diluted net income attributable to ITOCHU per common share (Note 16)	¥80.91	¥103.94	¥127.71	$0.87

Refer to Notes to consolidated financial statements.

Consolidated Statements of Equity

ITOCHU Corporation and Subsidiaries
Years ended March 31, 2010, 2009 and 2008

	Millions of Yen			Millions of U.S. Dollars (Note 2)
	2010	2009	2008	2010
Common stock (Note 18):				
Balance at beginning of year issued: 1,584,889,504 shares 2010, 2009 and 2008	¥ 202,241	¥ 202,241	¥ 202,241	$ 2,174
Balance at end of year issued: 1,584,889,504 shares 2010, 2009 and 2008	¥ 202,241	¥ 202,241	¥ 202,241	$ 2,174
Capital surplus (Note 18):				
Balance at beginning of year	¥ 137,171	¥ 137,211	¥ 136,842	$ 1,474
Excess (deficit) arising from retirement of treasury stock	—	(40)	16	—
Sale (purchase) of subsidiary shares to (from) noncontrolling interest	335	—	353	4
Balance at end of year	¥137,506	¥ 137,171	¥ 137,211	$ 1,478
Retained earnings (Note 18):				
Legal reserve:				
Balance at beginning of year	¥ 13,183	¥ 10,373	¥ 7,423	$ 142
Transfer from other retained earnings	3,007	2,642	3,075	32
Redistribution arising from sale by parent company of common stock of subsidiaries and associated companies	(73)	168	(125)	(1)
Balance at end of year	¥ 16,117	¥ 13,183	¥ 10,373	$ 173
Other retained earnings:				
Balance at beginning of year	¥ 783,699	¥ 652,757	¥ 466,094	$ 8,423
Net income attributable to ITOCHU	128,153	165,390	217,301	1,377
Cash dividends	(24,516)	(31,636)	(27,688)	(263)
Transfer to legal reserve	(3,007)	(2,642)	(3,075)	(32)
Redistribution arising from sale by parent company of common stock of subsidiaries and associated companies	73	(168)	125	1
Deficit arising from retirement of treasury stock	(122)	(2)	—	(1)
Balance at end of year	¥ 884,280	¥ 783,699	¥ 652,757	$ 9,505
Accumulated other comprehensive income (loss) (Notes 4, 13, 15, 19 and 20):				
Balance at beginning of year	¥ (284,172)	¥ (26,448)	¥ 81,863	$ (3,055)
Other comprehensive income (loss)	145,125	(257,724)	(108,311)	1,560
Sale (purchase) of subsidiary shares to (from) noncontrolling interest	9	—	—	0
Balance at end of year	¥ (139,038)	¥ (284,172)	¥ (26,448)	$ (1,495)
Treasury stock (Note 18):				
Balance at beginning of year	¥ (2,711)	¥ (2,589)	¥ (1,910)	$ (29)
Net change in treasury stock	24	(122)	(679)	0
Balance at end of year	¥ (2,687)	¥ (2,711)	¥ (2,589)	$ (29)
Total ITOCHU stockholders' equity	¥1,098,419	¥ 849,411	¥ 973,545	$11,806
Noncontrolling interest:				
Balance at beginning of year	¥ 187,944	¥ 145,618	¥ 143,055	$ 2,020
Net income attributable to the noncontrolling interest	11,531	11,415	12,360	124
Other comprehensive income (loss) attributable to the noncontrolling interest (Notes 15 and 19)	2,391	(4,781)	(2,160)	26
Cash dividends to noncontrolling interest	(7,177)	(7,067)	(6,352)	(77)
Contribution from noncontrolling interest	2,411	3,786	2,758	26
Distribution to noncontrolling interest	(1,448)	—	(389)	(16)
Sale (purchase) of subsidiary shares to (from) noncontrolling interest	(2,977)	(5,330)	(4,793)	(32)
Acquisitions of subsidiaries (Note 3)	21,907	45,434	2,833	236
Deconsolidation of subsidiaries	(1,648)	(1,131)	(1,694)	(18)
Balance at end of year	¥ 212,934	¥ 187,944	¥ 145,618	$ 2,289
Total equity	¥1,311,353	¥1,037,355	¥1,119,163	$14,095
Comprehensive income (loss) (Notes 15 and 19):				
Net income	¥ 139,684	¥ 176,805	¥ 229,661	$ 1,501
Other comprehensive income (loss) (net of tax);				
Foreign currency translation adjustments	96,446	(162,751)	(25,633)	1,037
Pension liability adjustments (Note 13)	19,700	(33,759)	(32,272)	212
Unrealized holding gains (losses) on securities (Note 4)	27,868	(61,990)	(50,577)	299
Unrealized holding gains (losses) on derivative instruments (Note 20)	3,502	(4,005)	(1,989)	38
Total other comprehensive income (loss) (net of tax)	147,516	(262,505)	(110,471)	1,586
Comprehensive income (loss)	287,200	(85,700)	119,190	3,087
Comprehensive income attributable to the noncontrolling interest	(13,922)	(6,634)	(10,200)	(150)
Comprehensive income (loss) attributable to ITOCHU	¥ 273,278	¥ (92,334)	¥ 108,990	$ 2,937

Refer to Notes to consolidated financial statements.

Consolidated Statements of Cash Flows

ITOCHU Corporation and Subsidiaries
Years ended March 31, 2010, 2009 and 2008

	Millions of Yen			Millions of U.S. Dollars (Note 2)
	2010	2009	2008	2010
Cash flows from operating activities:				
Net income	¥ 139,684	¥ 176,805	¥ 229,661	$ 1,501
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	76,377	64,988	71,569	821
Provision for doubtful receivables	7,045	16,742	5,977	76
(Gain) loss on investments–net (Note 3)	4,456	23,066	(16,384)	48
(Gain) loss on property and equipment–net	8,548	45,407	(6,675)	92
Gain on bargain purchase in acquisition (Note 3)	(14,015)	—	—	(151)
Equity in (earnings) losses of associated companies, less dividends received	(16,794)	(22,298)	(55,444)	(180)
Deferred income taxes	(3,555)	(22,816)	29,186	(38)
Change in assets and liabilities:				
Trade receivables	(121,964)	334,168	(162,395)	(1,311)
Due from associated companies	(2,506)	7,110	(2,666)	(27)
Inventories	49,255	(7,188)	(13,473)	529
Trade payables	148,607	(306,860)	(19,628)	1,597
Due to associated companies	9,756	(2,636)	(26,994)	105
Other–net	10,482	(29,634)	32,818	113
Net cash provided by operating activities	295,376	276,854	65,552	3,175
Cash flows from investing activities:				
Payments for purchases of property, equipment and other assets	(95,123)	(131,189)	(118,800)	(1,022)
Proceeds from sales of property, equipment and other assets	13,078	13,538	78,582	140
Increase in investments in and advances to associated companies	(116,226)	(191,239)	(53,267)	(1,249)
Decrease in investments in and advances to associated companies	27,554	16,874	38,495	296
Acquisitions of available-for-sale securities	(18,128)	(12,751)	(23,286)	(195)
Proceeds from sales of available-for-sale securities	14,966	15,108	19,779	161
Proceeds from maturities of available-for-sale securities	1,472	194	808	16
Proceeds from maturities of held-to-maturities securities	30	—	—	0
Acquisitions of other investments	(35,462)	(56,516)	(54,844)	(381)
Proceeds from sales of other investments	11,068	25,964	35,492	119
Acquisitions of subsidiaries, net of cash acquired	(3,999)	5,722	—	(43)
Proceeds from sales of subsidiaries' common stock	1,572	4,564	9,684	17
Origination of other non-current loan receivables	(31,372)	(50,349)	(48,817)	(337)
Collections of other non-current loan receivables	35,563	34,799	52,666	382
Net increase in time deposits	(1,311)	(752)	(2,266)	(14)
Net cash used in investing activities	(196,318)	(326,033)	(65,774)	(2,110)
Cash flows from financing activities:				
Proceeds from long-term debt	461,718	384,515	324,994	4,962
Repayments of long-term debt	(360,254)	(345,590)	(324,581)	(3,872)
Net increase (decrease) in short-term debt	(325,677)	256,101	(48,071)	(3,500)
Proceeds from equity transactions with noncontrolling interest	986	2,118	1,082	10
Payments for equity transactions with noncontrolling interest	(3,956)	—	—	(43)
Cash dividends	(24,516)	(31,636)	(27,688)	(263)
Cash dividends to noncontrolling interest	(7,177)	(7,067)	(6,352)	(77)
Net increase in treasury stock	(111)	(119)	(678)	(1)
Net cash provided by (used in) financing activities	(258,987)	258,322	(81,294)	(2,784)
Effect of exchange rate changes on cash and cash equivalents	6,783	(26,634)	(5,029)	73
Net increase (decrease) in cash and cash equivalents	(153,146)	182,509	(86,545)	(1,646)
Cash and cash equivalents at beginning of year	628,820	446,311	532,856	6,759
Cash and cash equivalents at end of year	¥ 475,674	¥ 628,820	¥ 446,311	$ 5,113
Supplemental disclosures of cash flow information:				
Cash paid during the year for:				
Interest	¥ 36,931	¥ 47,547	¥ 48,979	$ 397
Income taxes	70,173	101,250	94,312	754
Information regarding non-cash investing and financing activities:				
Contribution of securities to pension trust	9,109	—	—	98
Non-monetary exchange of shares (Note 4):				
Fair market value of shares received	62	206	2,114	1
Costs of shares surrendered	108	208	598	1
Acquisitions of subsidiaries (Note 3):				
Fair value of assets acquired	182,581	345,678	—	1,962
Fair value of liabilities assumed	110,638	269,985	—	1,189
Acquisition costs of subsidiaries	71,943	75,693	—	773
Non-cash acquisition costs	49,026	42,330	—	527
Cash acquired	18,918	39,085	—	203
Acquisitions of subsidiaries, net of cash acquired	3,999	(5,722)	—	43

Refer to Notes to consolidated financial statements.

1. Nature of Operations

ITOCHU Corporation (The "Company") and its subsidiaries conduct trading, finance and logistics involving a huge variety of products, as well as project planning and coordination. They also have cultivated a diverse range of functions and expertise through investments in resource development and other projects. By leveraging these comprehensive capabilities, the Company and its subsidiaries operate in a wide range of industries and via global networks spanning seven division companies. In the Consumer-Related Sector, these cover textiles, food and forest products and general merchandise; in the Natural Resource/Energy-Related Sector, they include metal resources and energy; and in Other Sectors, they involve chemicals, machinery, IT, financial services and real estate. In addition, the companies engage in the development of diverse new business areas, such as Life & Healthcare and the Environment and New Energy.

2. Basis of Financial Statements and Summary of Significant Accounting Policies

(1) Basis of Financial Statements

The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates. The translation of Japanese yen amounts into U.S. dollar amounts for the year ended March 31, 2010 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥93.04 = U.S.$1 (the official rate as of March 31, 2010 announced by The Bank of Tokyo-Mitsubishi UFJ, Ltd.). The translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Because the Company and its subsidiaries maintain their records and prepare their financial statements in accordance with accounting principles prevailing in their countries of incorporation, certain adjustments have been made to conform to U.S. GAAP. The major adjustments include those relating to the valuation of certain investment securities, non-monetary exchange of investments, deferred gains on sales of property, pension costs, the cost of issuance of new shares, recognition of installment sales on the accrual basis of accounting, measurement of the interest attributed to the Company and noncontrolling interest in business combinations, amortization of goodwill and other intangible assets and derivative instruments and hedging activities.

(2) Summary of Significant Accounting Policies

1) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its directly or indirectly majority owned domestic and foreign subsidiaries.

In accordance with Accounting Standard Codification™ ("ASC") Topic 810 "Consolidation," (formerly Financial Accounting Standards Board ("FASB") Interpretation ("FIN") 46, "Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin ("ARB") No. 51" (revised December 2003) ("FIN 46 (R)"), which defines those entities whose equity has specified characteristics as variable interest entities, the Company and its subsidiaries consolidate variable interest entities where it is concluded that the Company or one of its subsidiaries is the primary beneficiary and will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both.

The accounts of the subsidiaries are included on the basis of their respective fiscal periods which end primarily on March 31 or within the three months prior to March 31.

The determination of whether an entity is recognized as a consolidated subsidiary is based on the Company's ownership of voting shares, including consideration of any shares contributed to the pension trusts. Although the Company retains the rights to vote the contributed shares, the rights to dispose of such shares are executed by the trustee. The equity in contributed shares to the pension trust, if any, is included in noncontrolling interests in the consolidated financial statements.

2) Foreign Currency Translation

Foreign currency financial statements have been translated in accordance with ASC Topic 830 "Foreign Currency Matters" (formerly Statement of Financial Accounting Standard ("SFAS") 52, "Foreign Currency Translation"). Pursuant to this statement, the assets and liabilities of foreign subsidiaries and associated companies are translated into Japanese yen at the respective year-end exchange rates. All income and expense accounts are translated at average rates of exchange. The resulting foreign currency translation adjustments, net of tax, are included in "Accumulated other comprehensive income (loss)." Foreign currency receivables and payables are translated into Japanese yen at year-end exchange rates and the resulting foreign exchange gains and losses are recognized and included in "Other–net" in the consolidated statements of income.

3) Cash Equivalents

The Company and its subsidiaries define cash equivalents as short-term (original maturities of three months or less), highly liquid investments which are readily convertible to cash and have insignificant risk of changes in value, including short-term time deposits.

4) Inventories

Inventories are stated at the lower of cost, determined principally by the specific identification method, or market.

5) Marketable Securities and Other Investments

In accordance with ASC Topic 320 "Investments-Debt and Equity Securities" (formerly SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities" and FASB Staff Position ("FSP") FAS 115-1 and FAS 124-1 "The meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments," and FSP FAS 115-2 and FAS 124-2 "Recognition and Presentation of Other-Than-Temporary Impairments,") the Company and its subsidiaries classify certain investments included in "Short-term investments" and "Other investments" based upon ability and intent as held-to-maturity, trading or available-for-sale securities. Held-to-maturity securities are reported at amortized cost, trading securities are reported at fair value with unrealized holding gains and losses included in earnings and available-for-sale securities are reported at fair value with unrealized holding gains and losses included in "Accumulated other comprehensive income (loss)" in stockholders' equity on a net-of-taxbasis. The cost of certain investments sold is determined using the moving-average cost method. The Company and its subsidiaries periodically review their investments for impairment to determine whether the fair value of held-to-maturity and available-for-sale securities has declined below cost and if such decline is believed to be other than temporary. If the decline in fair value is judged to be other than temporary, the cost basis of those securities is written down to fair value as a new cost basis. Whether the decline in value is other than temporary is determined by considering the severity (the extent to which fair value is below cost) and the duration (the period of time that a security has been impaired).

Non-marketable securities included in "Other investments" are reported at cost or the fair value if it is lower.

6) Investments in Associated Companies

The Company and its subsidiaries initially record investments in associated companies (generally, those in which the Company and its subsidiaries own 20% to 50% of the outstanding voting stocks) at cost and adjust the carrying amount of the investment to recognize our share of the undistributed earnings or losses of the associated companies after the date of acquisition. Under the equity-method, the Company and its subsidiaries make adjustments to eliminate significant unrealized intercompany profits and to reduce the carrying amount of the investment by dividends received. An impairment loss is recognized where a decline in value of an investment in an associated company is other than temporary, which includes but is not limited to the absence of an ability to recover the carrying amount of the investment or the inability of the investee to sustain an earning capacity which would justify the carrying amount of the investment.

7) Impaired Loans and Allowance for Doubtful Receivables

In accordance with ASC Topic 310 "Receivables" (formerly SFAS 114, "Accounting by Creditors for Impairment of a Loan—an amendment of FASB Statements No. 5 and 15," and SFAS 118, "Accounting by Creditors for Impairment of a Loan—Income Recognition and Disclosures—an amendment of FASB Statement No. 114"), the Company and its subsidiaries measure impairment for certain loans based on the present value of expected future cash flows discounted at the loan's original effective interest rate, the loan's observable market price or the fair value of the underlying collateral if the loan is collateral dependent, and recognize an impairment by creating and adjusting a valuation allowance if the fair value of the loan is less than the recorded amount.

The Company and its subsidiaries primarily recognize, interest income on the recorded investment in an impaired loan on the cash basis.

8) Long-lived Assets

In accordance with ASC Topic 360 "Property, Plant and Equipment" (formerly SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets"), the Company and its subsidiaries perform an impairment test for a long-lived asset (asset group) to be held and used or to be disposed of other than by sale, using undiscounted expected future cash flows, whenever events or changes in circumstances indicate that some portion of the carrying amount of the asset (asset group) may not be recoverable. If the sum of the undiscounted expected future cash flows is less than the carrying amount of the asset (asset group), an impairment loss is recognized as determined by the amount by which the carrying amount of a long-lived asset (asset group) exceeds its fair value. A long-lived asset (asset group) to be disposed of by sale is reported at the lower of its carrying amount or fair value less cost to sell.

9) Depreciation

Depreciation of property and equipment (including property leased to others) is computed principally by the unit-of-production method for mineral rights, and by the straight line method or the declining-balance method for property and equipment other than land, construction in progress and mineral rights, using rates based upon the estimated useful lives of the related property and equipment (6 to 65 years for Buildings, 2 to 33 years for Machinery and equipment, 2 to 20 years for Furniture and fixtures).

10) Business Combinations

In accordance with ASC Topic 805 "Business Combinations" (formerly SFAS 141, "Business Combinations"), the Company and its subsidiaries account for all business combinations using the acquisition method. The Company and its subsidiaries classify or designate the identifiable assets acquired and liabilities assumed as necessary to subsequently apply other GAAP and measure the noncontrolling interest in the acquiree at its fair value at the acquisition date, then, re-measure its previously held equity interest in the acquiree at acquisition-date fair value (recognizing the resulting gain or loss, if any, in earnings as "Gain (loss) on Investment-net in the Consolidated Statements of Income") and recognize goodwill as of the acquisition date, measured as the excess of the aggregate of the consideration transferred, the fair value of any noncontrolling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. In addition, for business combinations resulting in a bargain purchase in acquisition, that is, for the transactions where the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the aggregate of the consideration transferred, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree and the fair value of any noncontrolling interest in the acquiree, the excess amount is recognized as "Gain on bargain purchase in acquisition" on the Consolidated Statements of Income.

11) Goodwill and Other Intangible Assets

In accordance with ASC Topic 350 "Intangibles-Goodwill and Others" (formerly SFAS 142, "Goodwill and Other Intangible Assets,") the Company and its subsidiaries do not amortize goodwill but perform an impairment test at the reporting unit level at least on an annual basis and between annual tests if an event occurs or circumstances change that would indicate that it is more likely than not that the fair value of a reporting unit is below its carrying amount. An intangible asset with a definite useful life is amortized over its estimated useful life and is reviewed for impairment in accordance with ASC Topic 350 "Intangibles-Goodwill and others" (formerly SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets"). An intangible asset determined to have an indefinite useful life is not amortized but is instead periodically tested for impairment in the same manner as goodwill.

12) Change in a Parent's Ownership Interest in a Subsidiary

In accordance with ASC Topic 810 "Consolidation" (formerly standard SFAS160 "Noncontrolling Interests in Consolidated Financial Statements—an amendment to ARB No. 51"), changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary are accounted for as equity transactions. Therefore, no gain or loss is recognized in consolidated net income or comprehensive income.

13) Deconsolidation of a Subsidiary

In accordance with ASC Topic 810 "Consolidation" (formerly SFAS160), in the case where parent deconsolidates a subsidiary, the parent recognizes a gain or loss in net income attributable to the parent, measured as the aggregate of the fair value of any consideration received, fair value of any retained noncontrolling investment and carrying amount of any noncontrolling investment in the former subsidiary at the deconsolidation date less the carrying amount of the former subsidiary's assets and liabilities.

14) Oil and Gas Exploration and Development

Oil and gas exploration and development costs are accounted for by the successful efforts method of accounting. The costs of acquiring properties, drilling and equipping exploratory wells, and development wells and related plants and equipment are capitalized and amortized using the unit-of-production method. Should the efforts to produce commercial reserves be determined unsuccessful, the costs are expensed. The exploration costs such as geological and geophysical research costs are expensed as incurred.

15) Mining Operation

Mining exploration costs are expensed as incurred until the mining project has been established as commercially viable by a final feasibility study. Once a project is established as commercially viable, costs are capitalized as development costs and are amortized using the unit-of-production method based on the proven and probable reserves. In accordance with ASC Topic 930 "Extractive Activities-Mining" (formerly Emerging Issues Task Force ("EITF") Issue No. 04-6, "Accounting for Stripping Costs Incurred During Production in the Mining Industry"), the stripping costs incurred during the production phases of the mine are accounted for as variable production costs that should be included in the costs of the inventory produced during the period that the stripping costs are incurred.

16) Asset Retirement Obligations

In accordance with ASC Topic 410 "Asset Retirement and Environmental Obligations" (formerly SFAS 143 "Accounting for Asset Retirement Obligations," and FIN 47 "Accounting for Conditional Asset Retirement Obligations—an interpretation of SFAS No. 143"), the Company and its subsidiaries recognize the fair value of a tangible long-lived asset retirement obligation as a liability in the period in which it is incurred if a reasonable estimate of fair value can be made and capitalize the same amount in the cost of the related asset. Subsequently, the Company and its subsidiaries accrete the liability to its present value each period, and depreciate the capitalized cost over the useful life of the related asset.

17) Leases

The Company and its subsidiaries lease fixed assets under direct financing leases and operating leases as a lessor. Income from direct financing leases is recognized by amortizing unearned income over the lease term at a constant periodic rate of return on the net investment. Operating lease income is recognized over the lease term on a straight-line basis.

The Company and its subsidiaries lease fixed assets under capital leases and operating leases as a lessee. For capital lease obligations, interest expense is recognized over the lease term at a constant periodic rate on the lease obligation. Depreciation of the leased assets is recognized over the lease term on a straight-line basis. Rental expense on operating leases is recognized over the lease term on a straight-line basis.

18) Retirement and Severance Benefits

The Company and certain subsidiaries have defined benefit pension plans covering substantially all of their employees. The costs of the defined benefit pension plans are accrued based on amounts determined using actuarial methods, in accordance with ASC Topic 715 "Compensation-Retirement Benefits" (formerly SFAS 87 "Employers' Accounting for Pensions"). In addition, the Company and its subsidiaries recognize the funded status of a defined benefit pension plan—measured as the difference between plan assets at fair value and the projected benefit obligation—as an asset or a liability in its consolidated balance sheet. The net actuarial loss balance and prior service credit balance are required to be recognized as a component of "Accumulated other comprehensive income (loss)," net of tax in accordance with ASC Topic 715 (formerly SFAS 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132 (R)").

19) Guarantees

In accordance with ASC Topic 460 "Guarantees" (formerly FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others"), the Company and its subsidiaries recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken for those guarantees newly issued or modified after December 31, 2002.

20) Revenue Recognition

The Company and its subsidiaries act as either principal or agent in their trading transactions for earning revenues. The Company and its subsidiaries recognize revenues from sales of products, the development of natural resources and the development and sale of real estate. In addition to these revenue transactions, the Company and its subsidiaries recognize Revenues from supporting services, such as supporting customers' trading activities, leasing and software services activities. The Company and its subsidiaries recognize revenues at the time when revenues are realized or realizable and earned. In other words, revenues are realized or realizable and earned when all of the following criteria are met: (1) persuasive evidence of an arrangement exists, (2) the goods have been delivered or the services have been rendered to customers, (3) the sales price is fixed or determinable and (4) collectability is reasonably assured.

The Company and its subsidiaries recognize revenues from product sales, including wholesale, retail sales, manufactured product sales, processed product sales, the development of natural resources and the development and sale of real estate, at the time the delivery conditions agreed with customers are met. These conditions are usually considered to have been met when goods are received by the customer, the warehouse receipts are transferred or the acceptance from the customer is received. Depending on the nature of the contract, revenues from long-term construction are accounted for by the completed contract method unless estimates of costs to complete and the extent of progress toward completion of long-term contracts are reasonably dependable, in which case the Company and its subsidiaries use the percentage-of-completion method.

Transactions which derive revenues from service-related activities are originated in various fields, such as financial and logistics services, information, communications and technical support. The revenues are recognized when the contracted services have been rendered to the third-party customers pursuant to the arrangements. Transactions from other activities of the Company and its subsidiaries include software development and maintenance services and leasing of aircraft, real estate, industrial machinery and other assets. Revenues from other activities are recognized upon customer acceptance for software development, over the contractual period for software maintenance services and over the terms of the underlying leases on a straight-line basis for aircraft, real estate, industrial machinery and other assets.

Reporting Revenue Gross versus Net

In accordance with ASC Topic 605 "Revenue Recognition" (formerly EITF 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent"), the Company and its subsidiaries present certain revenue transactions with corresponding cost of revenues on a gross basis as "Sales revenue" in the Consolidated Statements of Income, for transactions traded as a primary obligor in manufacturing, processing and service rendering and for sales with general inventory risk before customer orders. The revenues that are recognized on a net basis are presented as "Trading margins and commissions on trading transactions" in the Consolidated Statements of Income.

Trading Transactions

"Total trading transactions" is a measure commonly used by similar Japanese trading companies and represents gross transaction volume of the sales contracts in which the Company and its subsidiaries act as principal or agent. Total trading transactions is presented in accordance with Japanese accounting practice and is not meant as a substitute for sales or revenues in accordance with U.S. GAAP. In addition, Trading Transactions are referred to within Operating Segment Information.

21) Advertising Costs

Advertising costs are changed to expense when incurred.

22) Research and Development Costs

Research and development costs are changed to expense when incurred.

23) Costs Associated with Exit or Disposal Activities

In accordance with ASC Topic 420 "Exit or Disposal Cost Obligations" (formerly SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities"), the Company and its subsidiaries recognize and measure a liability for the cost associated with exit or disposal activities at its fair value in the period when the liability is incurred rather than when an exit or disposal plan is committed.

24) Income Taxes

The Company and its subsidiaries utilize an asset and liability approach to accounting for income taxes in accordance with ASC Topic 740 "Income Taxes" (formerly SFAS 109, "Accounting for Income Taxes"). Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to temporary differences between the tax basis of assets or liabilities and reported amounts in the Company's financial statements, and net operating loss carry-forwards. Deferred tax assets or liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in earnings for the period that includes the enactment date. A valuation allowance is provided for the portion of a deferred tax asset for which it is more likely than not that a tax benefit will not be realized.

According to ASC Topic 740 "Income Taxes" (formerly FIN 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109"), the Company and its subsidiaries recognize the financial statement effects of tax positions when it is more likely than not, based on the technical merits, that the tax positions will be sustained upon examination by the tax authorities. Benefits from tax positions that meet the more-likely-than-not recognition threshold are measured at the largest amount of benefit that has a greater than 50 percent likelihood of being realized upon settlement. Interest and penalties accrued related to unrecognized tax benefits are included in Income taxes in the Consolidated Statements of Income.

25) Net Income (Loss) Attributable to ITOCHU Per Share

Basic net income (loss) attributable to ITOCHU per share is computed by dividing net income attributable to ITOCHU by the weighted-average number of common shares outstanding (excluding treasury stock) for the period. Diluted net income attributable to ITOCHU per share is computed giving effect to all dilutive potential common shares that were outstanding during the period.

26) Comprehensive Income (Loss)

In accordance with ASC Topic 220 "Comprehensive Income" (formerly SFAS 130, "Reporting Comprehensive Income"), the Company and its subsidiaries report and present comprehensive income and loss and its components (revenues, expenses, gains and losses) in a full set of general purpose financial statements. Comprehensive income and loss consists of not only net income or loss but also changes in foreign currency translation adjustments, pension liability adjustments, net unrealized holding gains and losses on certain investments in "Short-term investments" and "Other investments" and net unrealized holding gains and losses on derivative instruments, on a net-of-tax basis. In addition, "Comprehensive income attributable to the noncontrolling interest" and "Comprehensive income (loss) attributable to ITOCHU" are distinctively represented on the Consolidated Statement of Equity.

27) Derivative Instruments and Hedging Activities

In accordance with ASC Topic 815 "Derivatives and Hedging" (formerly SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities—an amendment of FASB Statement No. 133," and SFAS 149, "Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities"), the Company and its subsidiaries recognize all derivative instruments, such as foreign exchange contracts, interest rate swap contracts and futures contracts, in the Consolidated Balance Sheets at fair value, regardless of the purpose or intent for holding them, as either assets or liabilities. The accounting for changes in fair value depends on the intended use of the derivative instruments and resulting hedge effectiveness. All derivative instruments are recognized on the balance sheet at their fair value. The Company and its subsidiaries designate and account for derivative instruments as follows:

- "Fair value hedge": a hedge of the fair value of a recognized asset or liability, or of an unrecognized firm commitment. The changes in fair value of recognized assets or liabilities, or unrecognized firm commitments and related derivative instruments that are designated and qualify as fair value hedges are recorded in earnings if the hedges are considered highly effective.
- "Cash flow hedge": a hedge of the variability of cash flow to be received or paid related to a forecasted transaction, or a recognized asset or liability. The changes in fair value of derivative instruments that are designated and qualify as cash flow hedges are recorded in "Accumulated other comprehensive income (loss)" if the hedges are considered highly effective. This treatment is continued until earnings are affected by the variability in cash flows to be received or paid in relation to the forecasted transactions or the recognized assets or liabilities designated as the hedged items. The ineffective portion of the hedge is currently reported in earnings.
- "Foreign currency hedge": a hedge of foreign-currency fair value or cash flow. The changes in fair value of derivatives that are designated and qualify as foreign currency fair value or cash flow hedges of recognized assets or liabilities, unrecognized firm commitments or forecasted transactions are recorded in either earnings or "Accumulated other comprehensive income (loss)" if the hedges are considered highly effective. Recognition in earnings or "Accumulated other comprehensive income (loss)" is dependent on the treatment of foreign currency hedges as fair value hedges or cash flow hedges.

The Company and its subsidiaries meet the documentation requirements as prescribed by ASC Topic 815, which include a statement of its risk management objective and the strategy for undertaking various hedge transactions.

In addition, a formal assessment is made at the hedge's inception and periodically thereafter at every quarter on an ongoing basis, as to whether the derivatives used in hedging activities are highly effective in offsetting changes in the fair values or cash flows of hedged items.

Hedge accounting is discontinued for ineffective hedges, if any. The changes in fair value of derivative instruments related to discontinued hedges are recognized in earnings currently.

The changes in fair value of derivative instruments for trading purposes are recorded in earnings.

28) Fair Value Option

ASC Topic 825 "Financial Instruments" (formerly SFAS159 "The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB Statement No.115"), provides companies with an option to report selected financial assets and financial liabilities at fair value. The Company and its subsidiaries have not elected to measure any financial assets and financial liabilities at fair value which were not previously required to be measured at fair value.

29) Classification of Mineral Rights

In accordance with ASC Topic 932 "Extractive Activities-Oil and Gas" (formerly FSP SFAS 142-2, "Application of FASB Statement No. 142, Goodwill and Other Intangible Assets, to Oil- and Gas- Producing Entities"), all mineral rights held by mining and oil- and gas- producing entities have been presented as tangible assets on the consolidated balance sheets.

30) Use of Estimates

The Company and its subsidiaries make estimates and assumptions to prepare these financial statements. Such estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities, and actual results could differ from those estimates.

(3) New Accounting Pronouncements

1) FASB Accounting Standards Codification™ (ASC)

In June 2009, SFAS 168 "The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles, an amendment of SFAS 162" was issued.

According to the standard, all authoritative pronouncements previously issued for US GAAP were codified into the ASC, which is now the single authoritative source of US GAAP. The company and its subsidiaries have adopted this standard from the first half of this fiscal year. In addition, SFAS 168 itself was codified into ASC Topic 105 "Generally Accepted Accounting Principles."

2) Business Combinations
In December 2007, SFAS 141 (R) "Business Combinations" was issued. SFAS 141 (R) represents a change in approach from the previous "purchase method" to "acquisition method" which focuses on the acquisition of control with regard to business combinations. Further, SFAS 141 (R) introduces the approach of including the fair value of any noncontrolling interest in the acquiree in recognizing goodwill. The Company and its subsidiaries adopted SFAS 141 (R) in this fiscal year. SFAS 141 (R) was codified into ASC Topic 805 "Business Combinations."

3) Noncontrolling Interests in Consolidated Financial Statements
In December 2007, SFAS 160 "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51," was issued.

SFAS 160 changes minority interests, the previous designation, to noncontrolling interests and adopts an approach of regarding noncontrolling interests as a component of equity. Accordingly, the Company changed its presentation of the consolidated financial statements. Further, purchases to increase interests or disposal of a portion of interests while maintaining control are capital transactions, and the Company will no longer recognize any gain or loss on such transactions.

The Company and its subsidiaries adopted SFAS 160 in this fiscal year. As a result of adoption of SFAS 160, "Minority interests" (¥187,944 million) which was represented between Liabilities and Stockholders' Equity on the Consolidated Balance Sheets in the previous year is classified to "Noncontrolling interest" in Equity on Consolidated Balance Sheets in this year. Likewise "Minority interests" (¥11,415 million) which was represented on Consolidated Statements of Income in previous year is classified to "Net income attributable to the noncontrolling Interest" on the Consolidated Statements of Income in this year. The presentation guidance of SFAS 160 was retroactively applied to the Consolidated Financial Statements. SFAS160 was codified into ASC Topic 810 "Consolidation."

4) Subsequent Events
In May 2009, SFAS 165 "Subsequent Events" and in January 2010, Accounting Standards Update ("ASU") No. 2010-09, "Subsequent Events (ASC 855)" were issued, respectively.

SFAS165 requires the Company to recognize subsequent events (which are defined as events or transactions that occur after the balance sheet date but before financial statements are issued) and disclose them in the Consolidated Financial Statements. ASU No. 2010-09 requires an entity, which is not the Securities and Exchange Commission ("SEC") filer, to evaluate subsequent events through the date that the financial statements are available to be issued and to disclose the date through which subsequent events have been evaluated and the date the financial statements were available to be issued.

The company and its subsidiaries have adopted this guidance from the first quarter of this fiscal year. In addition, SFAS165 was codified into ASC Topic 855, "Subsequent Events."

5) Accounting for Transfers of Financial Assets
In June 2009, SFAS 166 "Accounting for Transfers of Financial Assets–an amendment of FASB Statement No. 140" was issued. SFAS 166 removes the concept of a qualifying special-purpose entity from Statement 140 and requires that a transferor recognize and initially measure at fair value all assets obtained (including a transferor's beneficial interest) and liabilities incurred as a result of a transfer of financial assets accounted for as a sale. SFAS 166 is effective for the first annual reporting period beginning after November 16, 2009 (that is, the fiscal year ending March 31, 2011). The effect of adopting SFAS 166 on the financial statements of the Company and its subsidiaries is currently under examination. However, it is believed that it will not significantly affect the financial position or results of operations of the Company and its subsidiaries. SFAS 166 itself was codified into ASC Topic 860 "Transfer and Servicing."

SFAS 166 itself was codified into ASC Topic 860 "Transfer and Servicing."

6) Variable Interest Entities
In June 2009, SFAS 167 "Amendments to FASB Interpretation No. 46 (R)" was issued. SFAS 167 requires an enterprise to continuously perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity.

SFAS 167 is effective for financial asset transfers occurring after the beginning of an entity's first fiscal year that begins after November 15, 2009 (that is, the fiscal year ending March 31, 2011). The effect of adopting SFAS 167 on the financial statement of the Company and its subsidiaries is currently under examination. However, it is believed that it will not significantly affect the financial position or results of operations of the Company and its subsidiaries. FAS167 itself was codified into ASC Topic 810 "Consolidation."

7) Oil and Gas Reserve Estimation and Disclosures
In January 2010, ASU No. 2010-03 "Oil and Gas Reserve Estimation and Disclosures" was issued.

ASU No.2010-03 is for the objective on aligning the oil and gas reserve estimation and disclosure requirements of Extractive Activities–Oil and Gas (Topic 932) with the requirements in the SEC final rule, that is, "Modernization of the Oil and Gas Reporting Requirements" being issued on December 31, 2008. The changes from current GAAP in the main provisions section improve them by updating the reserve estimation requirements and by expanding the disclosure requirements.

The company and its subsidiaries have adopted ASU No. 2010-03 from January 2010.

Adoption of ASU No. 2010-03 did not significantly affect the financial position and results of operations of the Company and its subsidiaries.

(4) Reclassification
Certain reclassification and changes have been made to prior year amounts to conform to the current year's presentation.

3. Business Combinations

Major business combinations for the year ended March 31, 2010 are as follows:

Acquisition of C.I. KASEI Co., Ltd.

On February 20, 2009, the Company issued a tender offer for C.I. KASEI Co., Ltd. ("C.I. KASEI"), an equity-method associated company (holding 35.9% of voting rights) whose primary business involves the manufacture and sale of decorative materials, agricultural materials, specialty films and packaging materials, and civil engineering and industrial materials. The acquisition of C.I. KASEI was intended to raise the Company's competitiveness in the synthetic resins processing business by expanding its scope of business and strengthening its functions. The Company also intends to expand its overseas business in combination with C.I. KASEI to bolster its overseas earning power and further improve efficiency by sharing resources in the processing of synthetic resins.

The tender offer closed on April 7, 2009, and the Company acquired an additional 57.3% of voting rights in C.I. KASEI. These rights, added to its previously held equity interest, raised the Company's ownership of C.I. KASEI to 93.2% of voting rights, and C.I. KASEI became a subsidiary of the Company.

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

	Millions of Yen	Millions of U.S. Dollars
	2010	2010
Fair value of consideration paid (Note 1) (Note 2)	¥ 8,061	$ 87
Fair value of previously held equity interest	4,992	53
Fair value of noncontrolling interest	2,814	30
Total	¥ 15,867	$ 170
Fair value of assets acquired and liabilities assumed		
Current assets	¥ 39,071	$ 420
Property and equipment, at cost	31,669	340
Other intangible assets	1,167	13
Other assets	8,576	92
Current liabilities	(40,901)	(440)
Non-current liabilities	(19,567)	(210)
Net assets	¥ 20,015	$ 215

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

The Company recorded the acquisition cost of ¥279 million ($3 million) in "selling, general and administrative expenses" related to this business combination. The fair values of the previously held equity interest and noncontrolling interest were calculated on the basis of C.I. KASEI's closing share price on the date of acquisition.

Upon remeasuring the fair value of its previously held equity interest, the Company recorded a loss of ¥1,552 million ($17 million) in "gain (loss) on investments–net." With regard to this loss, the Company recorded "income taxes–deferred" of ¥636 million ($7 million).

As a result of the above, the fair value of assets acquired and liabilities assumed exceeded the total of the fair value of consideration paid, the fair value of previously held equity interest, and the fair value of noncontrolling interest by ¥4,148 million ($45 million). The fair value of assets acquired and liabilities assumed is the result of due diligence, based on the best information available to the Company at the time of the due diligence. The Company recognizes this business combination as falling within the category of a bargain purchase transaction, as defined by ASC Topic 805 (formerly SFAS 141 (R)). Accordingly, the Company has recognized this difference as a lump-sum profit for the year ended March 31, 2010 and recorded the amount in "gain on bargain purchase in acquisition." With regard to this profit, the Company also recorded ¥1,700 million ($18 million) in "income taxes–deferred."

Acquisition of ITOCHU LOGISTICS CORP.

On February 24, 2009, the Company issued a tender offer for ITOCHU LOGISTICS CORP. ("ITOCHU LOGISTICS"), (Corporate name was changed from i-LOGISTICS CORP. on January 1, 2010), an equity-method associated company (holding 47.8% of voting rights) whose primary business is international and domestic logistic services. The acquisition of ITOCHU LOGISTICS was intended to improve the Company's efficiency of management resources and heighten the competitiveness and functionality of its logistics business.

The tender offer closed on April 9, 2009, and the Company acquired an additional 47.1% of voting rights in ITOCHU LOGISTICS. These rights, added to its previously held equity interest, raised the Company's ownership of ITOCHU LOGISTICS to 94.9% of voting rights, and ITOCHU LOGISTICS became to a subsidiary of the Company.

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

	Millions of Yen	Millions of U.S. Dollars
	2010	2010
Fair value of consideration paid (Note 1) (Note 2)	¥ 5,055	$ 54
Fair value of previously held equity interest	4,936	53
Fair value of noncontrolling interest	819	9
Total	¥10,810	$116
Fair value of assets acquired and liabilities assumed		
Current assets	¥10,264	$110
Property and equipment, at cost	12,019	129
Other intangible assets	1,268	14
Other assets	3,802	41
Current liabilities	(4,975)	(53)
Non-current liabilities	(6,587)	(71)
Net assets	¥15,791	$170

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

The Company recorded the acquisition cost of ¥151 million ($2 million) in "selling, general and administrative expenses" related to this business combination.

The fair values of the previously held equity interest and noncontrolling interest were calculated on the basis of ITOCHU LOGISTICS' closing share price on the date of acquisition.

Upon remeasuring the fair value of its previously held equity interest, the Company recorded a loss of ¥1,912 ($21 million) in "gain (loss) on investments–net." With regard to this loss, the Company recorded "income taxes–deferred" of ¥784 million ($8 million).

As a result of the above, the fair value of assets acquired and liabilities assumed exceeded the total for the fair value of consideration paid, the fair value of previously held equity interest, and the fair value of noncontrolling interest by ¥4,981 million ($54 million). The fair value of assets acquired and liabilities assumed was the result of due diligence, based on the best information available to the Company at the time of the due diligence. The Company recognizes this business combination as falling within the category of a bargain purchase transaction, as defined by ASC Topic 805 (formerly SFAS 141 (R)). Accordingly, the Company has recognized this difference as a lump-sum profit for the year ended March 31, 2010 and recorded the amount in "gain on bargain purchase in acquisition." With regard to this profit, the Company also recorded ¥2,042 million ($22 million) in "income taxes–deferred."

Acquisition of JAVA HOLDINGS CO., LTD.

The Company has previously held 35.0% of voting rights in JAVA HOLDINGS CO., LTD. ("JAVA HOLDINGS"), accounted for as an equity-method associated company whose primary business involves the design, manufacture and sale of women's and children's clothing. On November 13, 2009, the Company's percentage of voting rights increased to 65.0% as the result of JAVA HOLDINGS' reduction in the number of its shares outstanding, and JAVA HOLDINGS became a subsidiary of the Company.

Going forward, the Company and JAVA HOLDINGS plan to cooperate, expanding the business to provide even more attractive products and services on a stable and ongoing basis.

The following table summarizes the estimated fair values of the previously held equity interest following the increase in voting rights ("fair value of previously held equity interest following the acquisition"), noncontrolling interest, and the assets acquired and liabilities assumed at the date of acquisition.

	Millions of Yen	Millions of U.S. Dollars
	2010	2010
Fair value of previously held equity interest following the acquisition	¥ 15,400	$ 165
Fair value of noncontrolling interest	9,207	99
Total	¥ 24,607	$ 264
Fair value of assets acquired and liabilities assumed		
Current assets	¥ 11,520	$ 124
Property and equipment, at cost	3,364	36
Other intangible assets	15,692	169
Other assets	5,626	60
Current liabilities	(9,210)	(99)
Non-current liabilities	(14,898)	(160)
Net assets	12,094	130
Goodwill	12,513	134
Total	¥ 24,607	$ 264

(Note) No contingent consideration was recognized.

The goodwill was recognized as a result of consideration of the synergies that might be achieved with OEM apparel products. It is not deductible for tax purposes and has been assigned to the Textile operating segment.

The Company recorded the acquisition cost of ¥51 million ($1 million) in "selling, general and administrative expenses" related to this business combination.

The fair value of the previously held equity interest following the acquisition and the fair value of the noncontrolling interest were determined on a comprehensive basis, taking into account the status of financial and asset conditions, conducted through due diligence by a third party and a corporate valuation conducted using the discounted cash flow method and the share price multiple method by a financial advisor. The difference between the fair value of the previously held equity interest following the acquisition and the carrying value of previously held equity interest on the date of the acquisition of control was ¥1,975 million ($21 million). This amount was recognized as a lump-sum profit and recorded in "gain (loss) on investments–net" for the year ended March 31, 2010. With regard to this profit, the Company also recorded ¥810 million ($9 million) in "income taxes–deferred."

Acquisition of Leilian Co., Ltd.

On January 26, 2010, the Company acquired shares in Leilian Co., Ltd. ("Leilian"), whose primary business is the sale of women's apparel. With regard to this acquisition, which resulted in the Company's ownership of 61.1% of Leilian's voting rights, Leilian became a subsidiary of the Company.

Going forward, the ITOCHU Group plans to enhance its product procurement capabilities and distribution efficiency on a global basis to offer high-value-added garment materials, thereby enhancing Leilian's corporate value. At the same time, ITOCHU plans to leverage Leilian's substantial client management expertise to invigorate its own apparel OEM business, increase its involvement in Japanese regions and markets and extend its business into overseas markets, centering on China.

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

	Millions of Yen	Millions of U.S. Dollars
	2010	2010
Fair value of consideration paid (Note 1) (Note 2)	¥ 9,801	$105
Fair value of noncontrolling interest	9,356	101
Total	¥19,157	$206
Fair value of assets acquired and liabilities assumed		
Current assets	¥22,421	$241
Property and equipment, at cost	6,892	74
Other intangible assets	1,134	12
Other assets	8,096	87
Current liabilities	(8,924)	(96)
Non-current liabilities	(5,576)	(60)
Net assets	¥24,043	$258

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

The Company recorded the acquisition cost of ¥99 million ($1 million) in "selling, general and administrative expenses" related to this business combination.

The consideration paid and the fair value of the noncontrolling interest were determined on a comprehensive basis, taking into account the status of financial and asset conditions conducted through due diligence by a third party and a corporate valuation conducted using the discounted cash flow method and the share price multiple method by a financial advisor.

As the above table indicates, the fair value of assets acquired and liabilities assumed exceeded the total of the fair value of consideration paid and the fair value of noncontrolling interest by ¥4,886 million ($52 million). The Company recognizes this business combination as falling within the category of a bargain purchase transaction, as defined by ASC Topic 805 (formerly SFAS 141 (R)). Accordingly, the Company has recognized this difference as a lump-sum profit for the year ended March 31, 2010 and recorded the amount in "gain on bargain purchase in acquisition." With regard to this profit, the Company also recorded ¥2,004 million ($22 million) in "income taxes–deferred."

(Results of operations from the respective dates of acquisition)
The following tables indicate operating performance for the year ended March 31, 2010, as included in the consolidated statements of income, of C.I. KASEI Co., Ltd., ITOCHU LOGISTICS CORP., JAVA HOLDINGS CO., LTD., and Leilian Co., Ltd., from their respective dates of acquisition.

	Millions of Yen				
	C.I. KASEI Co., Ltd.	ITOCHU LOGISTICS CORP.	JAVA HOLDINGS CO., LTD.	Leilian Co., Ltd.	Total
Total revenue	¥72,630	¥41,813	¥21,012	—	¥135,455
Net income	411	160	901	—	1,472
Net income attributable to ITOCHU	364	154	585	—	1,103

	Millions of U.S. Dollars				
	C.I. KASEI Co., Ltd.	ITOCHU LOGISTICS CORP.	JAVA HOLDINGS CO., LTD.	Leilian Co., Ltd.	Total
Total revenue	$781	$449	$226	—	$1,456
Net income	4	2	10	—	16
Net income attributable to ITOCHU	4	2	6	—	12

(Pro forma information)
The following table presents the unaudited pro forma results of operations, as if the business combinations involving C.I. KASEI Co., Ltd., ITOCHU LOGISTICS CORP., JAVA HOLDINGS CO., LTD., and Leilian Co., Ltd., had occurred on April 1, 2009 and 2008, respectively.

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	2010
Total revenue	¥3,483,366	¥3,651,168	$37,439
Net income	140,585	175,747	1,511
Net income attributable to ITOCHU	128,683	163,900	1,383

Major business combinations for the year ended March 31, 2009 are as follows:

Acquisition of ITOCHU ENEX CO., LTD.

On October 1, 2008, the Company acquired ITOCHU ENEX CO., LTD. (“ITOCHU ENEX”) by a reverse acquisition through a reorganization of petroleum trading and logistics businesses among the Company, ITOCHU Petroleum Japan Ltd. and ITOCHU ENEX. ITOCHU ENEX is mainly engaged in the wholesale of petroleum products and high-pressure gas and was previously accounted for as an equity-method associated company (holding 39.1% of the voting shares), and subsequent to the transaction is now a consolidated subsidiary As a result of the reorganization, ITOCHU ENEX succeeded the domestic, Japan-based import and export, sale of petroleum products (kerosene, gas oil and others) which had been previously conducted by the Company’s Energy Trade Division (“the Petroleum Products Trade Business”) and the petroleum products logistics businesses (such as chartering and operating tankers, supplying marine fuels, operating petroleum storage tanks and trading lubricating oil), which had been conducted by the Company’s subsidiary, ITOCHU Petroleum Japan Ltd (“the IPCJ Business”).

As consideration for the transfer of the Petroleum Products Trade Business and the IPCJ Business, the Company acquired an additional 13.1% of the voting shares of ITOCHU ENEX, by receiving an allotment and issuance of shares of common stock from ITOCHU ENEX. The transaction constituted a reverse acquisition, and as a result, the Company owned 52.2% of the voting shares of ITOCHU ENEX on October 1, 2008.

This business reorganization has centralized the petroleum product related businesses in ITOCHU ENEX, where as it was previously dispersed across Group companies. By this reorganization, the Company aims to establish and strengthen the Group’s medium and long-term earnings platforms by increasing the efficiency and strength of those businesses while undertaking overseas trading transactions and investment even more aggressively.

The number of allotted shares was determined based on various factors including financial and asset profiles of ITOCHU ENEX, the Petroleum Products Trade Business and the IPCJ Business which were researched through due diligence processes conducted by independent professionals and multifaceted analyses using various valuation techniques (such as the multiple method, discounted cash flow method and market average share price method) conducted by financial advisors. As a result, the Company received an allotment and issuance of 25,148,809 shares of common stock of ITOCHU ENEX, with a fair value of ¥14,385 million.

The consolidated statement of income for the year ended March 31, 2009 includes the results of operations of ITOCHU ENEX from the date of acquisition. The financial results also include the difference between (i) the decrease in the net assets of the Petroleum Products Trade Business and the IPCJ Business to which ITOCHU ENEX succeeded and (ii) the fair value of the allotted shares, which resulted in a gain of ¥5,154 million included in “gain (loss) on investments–net,” and the income taxes–deferred of ¥2,113 million.

In connection with the acquisition, ¥10,528 million was assigned to intangible assets subject to amortization. The intangible assets subject to amortization consist primarily of customer relationships of ¥7,895 million with an amortization period of five years.

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

	Millions of Yen
	2009
Current assets	¥ 164,611
Property and equipment, at cost	61,809
Goodwill and other intangible assets, less accumulated amortization	10,528
Investments and other non-current assets	28,679
Fair value of assets acquired	¥ 265,627
Current liabilities	¥(144,623)
Non-current liabilities	(38,017)
Fair value of liabilities assumed	(182,640)
Net assets	¥ 82,987

(Note) Net assets include noncontrolling interest of ¥40,657 million in accordance with ASC Topic 805 (formerly SFAS 141 (R)).

Acquisition of SANKEI Co., Ltd.

On October 2, 2008, the Company acquired 90.5% of the voting shares of SANKEI Co., Ltd. ("SANKEI"), which is mainly engaged in sales of garment accessories. The purchase price was ¥10,556 million. The Company aims to invigorate OEM apparel businesses and dramatically grow businesses related to both domestic production areas and overseas markets centered on China.

The purchase price was determined based on various factors, including SANKEI's financial and asset profile researched through due diligence processes conducted by independent professionals and a thorough valuation analysis (using mainly the discounted cash flow method) conducted by a financial advisor.

The consolidated financial statements for the year ended March 31, 2009 include the results of operations of SANKEI from the date of acquisition. In connection with the acquisition, ¥8,915 million was assigned to goodwill. The goodwill is not deductible for tax purposes and has been assigned to the Textile operating segment.

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

	Millions of Yen
	2009
Current assets	¥ 26,150
Property and equipment, at cost	11,352
Goodwill and other intangible assets, less accumulated amortization	9,112
Investments and other non-current assets	7,484
Fair value of assets acquired	¥ 54,098
Current liabilities	¥(41,647)
Non-current liabilities	(1,291)
Fair value of liabilities assumed	(42,938)
Net assets	¥ 11,160

(Note) Net assets include noncontrolling interest of ¥604 million in accordance with ASC Topic 805 (formerly SFAS 141 (R)).

Acquisition of Commonwealth Chesapeake Power Station

The Company engages in IPP businesses, mainly in North America, Asia, and the Near Middle east, and establishes its asset portfolio through new investments, acquisitions and replacements of assets.

On February 13, 2008, the Company acquired, through its subsidiary Tyr Energy, Inc. (Fiscal year end: December), the entire interests of Commonwealth Chesapeake Power Station, New Church, State of Virginia, the United States ("Chesapeake"), and established a new subsidiary, Tyr Chesapeake, LLC, of which the Company owns 100% of the voting shares of Chesapeake. This acquisition is one part of the Company's asset portfolio in North America, which is expected to exhibit steady growth in the demand for electric power in the IPP business. The purchase price was ¥22,807 million. By acquiring its interest, the Company aims to maximize the value of the invested assets through utilizing the expertise of the Group.

The purchase price was determined based on various factors, including Chesapeake's financial and asset profile, as researched through due diligence processes conducted by independent professionals and a thorough valuation analysis (mainly using the discounted cash flow method) conducted by a financial advisor.

The consolidated financial statements for the year ended March 31, 2009 include the results of operations of Chesapeake from the date of acquisition. In connection with the acquisition, ¥1,489 million was assigned to goodwill. The goodwill is not deductible for tax purposes and has been assigned to the Machinery operating segment.

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

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

	Millions of Yen
	2009
Current assets	¥ 361
Property and equipment, at cost	23,133
Goodwill and other intangible assets, less accumulated amortization	1,489
Investments and other non-current assets	970
Fair value of assets acquired	¥25,953
Current liabilities	¥ (9)
Non-current liabilities	(3,137)
Fair value of liabilities assumed	(3,146)
Net assets	¥22,807

4. Marketable Securities and Investments Debt and Marketable Equity Securities

Debt and Marketable Equity Securities

The Company and its subsidiaries classify debt and marketable equity securities with readily determinable fair value as "trading securities" and, "available-for-sale securities" and "held-to-maturity securities." The cost, gross unrealized holding gains, gross unrealized holding losses and fair value of available-for-sale and held-to-maturity securities by major security type as of March 31, 2010 and 2009 were as follows.

	Millions of Yen			
	2010			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available-for-sale:				
Equity securities	¥169,333	¥64,955	¥7,024	¥227,264
Debt securities	22,179	54	397	21,836
Subtotal	191,512	65,009	7,421	249,100
Held-to-maturity:				
Debt securities	45	—	—	45
Total	¥191,557	¥65,009	¥7,421	¥249,145

	Millions of Yen			
	2009			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available-for-sale:				
Equity securities	¥162,549	¥31,349	¥12,630	¥181,268
Debt securities	9,502	—	301	9,201
Subtotal	172,051	31,349	12,931	190,469
Held-to-maturity:				
Debt securities	75	—	—	75
Total	¥172,126	¥31,349	¥12,931	¥190,544

	Millions of U.S. Dollars			
	2010			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available-for-sale:				
Equity securities	$1,820	$698	$75	$2,443
Debt securities	238	1	4	235
Subtotal	2,058	699	79	2,678
Held-to-maturity:				
Debt securities	0	—	—	0
Total	$2,058	$699	$79	$2,678

The carrying amounts of available-for-sale debt securities included in cash and cash equivalents in the consolidated balance sheets were ¥13,598 ($146 million) and ¥5,991 million as of March 31, 2010 and 2009, respectively. In addition to the securities listed above, the Company and its subsidiaries held trading securities carried at fair value of ¥6,701 ($72 million) and ¥9,121 million as of March 31, 2010 and 2009, respectively. The portion of net trading gains and losses for the years ended March 31, 2010 and 2009 that relates to trading securities still held at March 31, 2010 and 2009 were losses of ¥175 million ($2 million) and ¥3,029 million, respectively. The impairment losses of the available-for-sale marketable securities in which declines in fair value below the amortized cost basis are other than temporary for the years ended March 31, 2010, 2009 and 2008 were ¥7,051 million ($76 million), ¥41,661million and ¥16,078 million, respectively. In accordance with ASC Topic 325 "Investments–Other" (formerly EITF91-5 "Nonmonetary Exchange of Cost-Method Investments"), the Company and its subsidiaries recognized gains and losses on the exchange of its investment securities in connection with certain business combinations resulting in losses of ¥46 million ($0 million), ¥2 million and gains of ¥1,516 million for the years ended March 31, 2010, 2009 and 2008, respectively, which are included in "Gain (loss) on investments–net" in the consolidated statements of income.

Securities with gross unrealized holding losses and the length of time that such individual securities have been in a continuous unrealized loss position as of March 31, 2010 were as follows:

	Millions of Yen					
	2010					
	Less than twelve months		Twelve months or longer		Total	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
Available-for-sale:						
Equity securities	¥58,286	¥7,024	¥—	¥—	¥58,286	¥7,024
Debt securities	3,402	397	—	—	3,402	397
Total	¥61,688	¥7,421	¥—	¥—	¥61,688	¥7,421

	Millions of U.S. Dollars					
	2010					
	Less than twelve months		Twelve months or longer		Total	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
Available-for-sale:						
Equity securities	$626	$75	$—	$—	$626	$75
Debt securities	37	4	—	—	37	4
Total	$663	$79	$—	$—	$663	$79

At March 31, 2010, the Company and its subsidiaries held the securities of 94 issuers with an unrealized holding loss in its available-for-sale portfolio. The unrealized losses on these securities, which consist primarily of customers of various industries, were due principally to the general decline in the market prices. The severity of decline in fair value below cost ranged from 0.3% to 29.9% and the duration of the impairment was less than 9 months. As a result of evaluation of the individual severity and duration of the impairment of these securities and the prospects of the issuer, the Company and its subsidiaries concluded the fair value of these securities would recover in the near term. Based on that evaluation and the Company and its subsidiaries' intent and ability to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Company and its subsidiaries did not consider these investments to be other-than-temporarily impaired at March 31, 2010.

The contractual maturities of debt securities classified as available-for-sale and held-to-maturity as of March 31, 2010 were as follows:

	Millions of Yen		Millions of U.S. Dollars	
	Cost	Fair Value	Cost	Fair Value
Available-for-sale:				
Due within one year	¥14,022	¥14,022	$150	$150
Due after one year through five years	4,744	4,362	51	47
Due after five years through ten years	1,063	1,063	12	12
Due after ten years	2,350	2,389	25	26
Total	¥22,179	¥21,836	$238	$235
Held-to-maturity:				
Due within one year	¥ 15	¥ 15	$ 0	$ 0
Due after one year through five years	30	30	0	0
Due after five years through ten years	—	—	—	—
Due after ten years	—	—	—	—
Total	¥ 45	¥ 45	$ 0	$ 0

The gross realized gains and losses on sales of available-for-sale securities for the years ended March 31, 2010, 2009 and 2008 were gains of ¥12,302 million ($132 million), ¥6,513 million and ¥13,661 million and losses of ¥391 million ($4 million), ¥362 million and ¥13 million, respectively. The proceeds from sales of available-for-sale securities were ¥14,966 million ($161 million), ¥15,108 million and ¥19,779 million for the years ended March 31, 2010, 2009 and 2008, respectively.

Investments Other Than Debt and Marketable Equity Securities

Other investments include investments in non-traded and unaffiliated customers and suppliers and long-term deposits amounting to ¥215,233 ($2,313 million) and ¥241,594 million as of March 31, 2010 and 2009, respectively.

The estimation of the corresponding fair values at those dates was not practicable, as the fair value of cost-method investments held by the Company and its subsidiaries are not readily determinable at each balance sheet date.

In case of the identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment, the Company would estimate the fair value of investments and recognize losses, if any, to reflect the other-than-temporary decline in the value of the investments. The carrying amounts of cost method investments were ¥103,741 million ($1,115 million) and ¥134,874 million as of March 31, 2010 and 2009, respectively.

Additionally, investments with an aggregate carrying amount of ¥101,431 million ($1,090 million) and ¥133,356 million were not estimated at fair value in order to reflect the other-than-temporary decline in the value of the investments as of March 31, 2010 and 2009, respectively.

5. Investments in and Advances to Associated Companies

The Company and its subsidiaries account for investments in associated companies (generally companies owned 20% to 50%) by the equity-method. Significant equity-method investees include Century Tokyo Leasing Corporation (20.0%), Orient Corporation (32.0%), Marubeni-Itochu Steel Inc. (50.0%), Family Mart Co., Ltd. (31.5%), Brazil Japan Iron Ore Corporation (47.7%) and TING HSIN (CAYMAN ISLANDS) HOLDING CORP. (20.0%). The percentages shown parenthetically are voting shares held by the Company and its subsidiaries at March 31, 2010.

Investments in and advances to associated companies as of March 31, 2010 and 2009 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	2010
Investments in associated companies	¥915,731	¥741,448	$ 9,842
Advances to associated companies	22,958	12,614	247
Total	¥938,689	¥754,062	$10,089

Summarized financial information in respect of associated companies for the years ended March 31, 2010, 2009 and 2008 was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	2010
Current assets	¥4,726,820	¥4,395,827	$50,804
Non-current assets, principally property and equipment	4,341,770	2,847,279	46,666
Total assets	¥9,068,590	¥7,243,106	$97,470
Current liabilities	¥4,058,924	¥3,209,734	$43,626
Long-term debt and others	2,881,365	2,523,645	30,969
Stockholders' equity	2,039,835	1,422,922	21,924
Noncontrolling interest	88,466	86,805	951
Total liabilities and stockholders' equity	¥9,068,590	¥7,243,106	$97,470

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	2010
Total trading transactions	¥6,786,973	¥7,478,281	¥7,724,465	$72,947
Gross trading profit	1,330,031	1,356,840	1,242,750	14,295
Net income	193,817	156,651	413,554	2,083
Net income attributable to shareholders of associated companies	193,366	156,367	412,725	2,078

Total trading transactions and purchases by the Company and its subsidiaries with associated companies for the years ended March 31, 2010, 2009 and 2008 were summarized as follows:

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	2010
Total trading transactions	¥719,937	¥652,515	¥806,445	$7,738
Purchases	¥159,038	¥296,652	¥198,681	$1,709

Dividends received from associated companies for the years ended March 31, 2010, 2009 and 2008 were ¥19,475 million ($210 million), ¥19,006 million and ¥14,794 million, respectively.

The Company and its subsidiaries invest in associated companies which issue convertible preference stocks. The Company and its subsidiaries' shares of reported profits and losses might be diluted by possible conversions of those preference stocks, and accordingly this may have a material effect on the results of operations of the Company and its subsidiaries.

Investments in the common stock of equity-method associated companies include marketable equity securities with carrying amounts of ¥289,295 million ($3,109 million) and ¥290,088 million at March 31, 2010 and 2009, respectively. Corresponding aggregate quoted market values were ¥255,177 million ($2,743 million) and ¥214,192 million at March 31, 2010 and 2009, respectively.

The differences between the carrying amounts of the investments in equity-method associated companies and the Company and its subsidiaries' equity in the underlying net assets of such equity-method associated companies were ¥229,833 million ($2,470 million) and ¥199,229 million at March 31, 2010 and 2009, respectively. The differences consist of certain fair value adjustments (net of taxes) at the time of the investments in equity-method associated companies and equity-method goodwill. The fair value adjustments are primarily attributed to land and intangible assets.

The Company recognized impairment losses of ¥11,928 million ($128 million) and ¥4,020 million ($43 million) on equity-method investments in Orient Corporation and Yoshinoya Holdings Co., Ltd., respectively, during the year ended March 31, 2010. The Company recognized impairment losses of ¥10,752 million and ¥2,628 million on equity-method investments in Orient Corporation and Yoshinoya Holdings Co., Ltd., respectively, during the year ended March 31, 2009. Considering the discounted cash flow analysis prepared by third party appraisers and the quoted market prices of the equity-method investments, the Company recognized the difference between the carrying amount and estimated fair value as an impairment loss, as the result of the judgment of an other-than-temporary decline. The above-mentioned impairment losses were included in "Equity in earnings (losses) of associated companies" in the accompanying consolidated statements of income.

6. Impaired Loans and Allowance for Doubtful Receivables

An analysis of the changes in the allowance for doubtful receivables for the years ended March 31, 2010, 2009 and 2008 was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	2010
Balance at beginning of year	¥74,573	¥68,948	¥81,808	$802
Provision for doubtful receivables	7,045	16,742	5,977	76
Charge-offs	(8,062)	(14,858)	(15,797)	(87)
Other	1,153	3,741	(3,040)	13
Balance at end of year	¥74,709	¥74,573	¥68,948	$804

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

The carrying amounts of impaired loans within the scope of ASC Topic 310 "Receivables" (formerly SFAS 114) and the allowance for doubtful receivables related to those impaired loans as of March 31, 2010 and 2009 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	2010
Impaired loans	¥69,800	¥75,458	$750
Allowance for doubtful receivables related to those impaired loans	¥59,876	¥59,704	$644

The recorded investment in the impaired loans, net of the allowance for doubtful receivables, is either secured by collateral or believed to be collectible.

The average amounts of impaired loans during the years ended March 31, 2010, 2009 and 2008 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	2010
Average amounts of impaired loans	¥72,629	¥71,861	¥69,755	$781

The amounts of interest income recognized on the impaired loans for the years ended March 31, 2010, 2009 and 2008 were not significant.

7. Impairment of Long-lived Assets

The Company and its subsidiaries recognized impairment losses on long-lived assets of ¥8,835 million ($95 million), ¥43,242 million and ¥5,932 million for the years ended March 31, 2010, 2009 and 2008, respectively, which were included in "Gain (loss) on property and equipment–net" in the consolidated statements of income.

The impaired assets were primarily Mineral rights in the Energy, Metals & Minerals operating segment for the year ended March 31, 2010. The impairments were generally due to the deterioration of earnings and expected cash flows. The impaired assets for the year ended March 31, 2009 were primarily Mineral rights, Machinery and equipment in the Energy, Metals & Minerals operating segment and golf courses in the Finance, Realty, Insurance & Logistics Services operating segment. The impairments were generally due to the deterioration of earnings and expected cash flows. For a discussion, regarding the impairment losses on the Entrada Oil and Natural Gas Project in the U.S. Gulf of Mexico of ¥29,207 million, refer to Note 24 "Regarding Loss Relating to the Entrada Oil and Natural Gas Project in the U.S. Gulf of Mexico."

The impaired assets were primarily golf courses in the Finance, Realty, Insurance & Logistics Services operating segment for the year ended March 31, 2008. The impairments were generally due to the deterioration of earnings of the golf courses.

The fair values of long-lived assets were determined based on discounted cash flows or independent appraisals.

Impairment losses recognized for the years ended March 31, 2010, 2009 and 2008 by operating segment were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	2010
Textile	¥ 38	¥ 105	¥ 56	$ 0
Machinery	—	936	62	—
ICT, Aerospace & Electronics	172	684	56	2
Energy, Metals & Minerals	7,443	36,222	—	80
Chemicals, Forest Products & General Merchandise	557	1,337	110	6
Food	625	1,245	886	7
Finance, Realty, Insurance & Logistics Services	—	2,706	4,635	—
Other, Adjustments & Eliminations	—	7	127	—
Total	¥8,835	¥43,242	¥5,932	$95

8. Pledged Assets

The following assets were pledged as collateral at March 31, 2010 and 2009:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	2010
Cash and cash equivalents and time deposits	¥ 947	¥ 535	$ 10
Marketable securities	—	133	—
Trade receivables	26,752	40,298	288
Inventories	11,719	21,592	126
Investments and non-current receivables	20,042	5,384	215
Property and equipment, at cost, less accumulated depreciation	34,412	28,495	370
Total	¥93,872	¥96,437	$1,009

Collateral was pledged to secure the following obligations at March 31, 2010 and 2009:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	2010
Short-term debt	¥11,238	¥17,199	$121
Long-term debt	17,508	27,881	188
Trade payables and others	4,170	2,479	45
Total	¥32,916	¥47,559	$354

In addition, acceptances payable were secured by trust receipts on merchandise and the proceeds from the sales thereof. Because of the large volume of import transactions, the amount of such pledged assets is not determinable.

Both short-term and long-term loans are generally made pursuant to agreements which customarily provide that, upon the request of the lender, collateral or guarantors (or additional collateral or guarantors) will be furnished with respect to the loans under certain circumstances and that the lender may treat any collateral, whether furnished for specific loans or otherwise, as collateral for present and future indebtedness to such lender. Several of the bank loan agreements also provide that the lending bank has the right to offset cash deposited with it against any debt (including debt arising out of contingent obligations) to the bank that has become due at stated maturity or earlier.

9. Goodwill and Other Intangible Assets

Intangible assets subject to amortization at March 31, 2010 and 2009 comprised the following:

	Millions of Yen				Millions of U.S. Dollars	
	2010		2009		2010	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Trademarks	¥ 52,846	¥(12,575)	¥ 37,596	¥(12,720)	$ 568	$(135)
Software	69,753	(38,742)	56,758	(33,052)	750	(416)
Other	43,419	(16,400)	40,390	(11,296)	467	(177)
Total	¥166,018	¥(67,717)	¥134,744	¥(57,068)	$1,785	$(728)

Intangible assets subject to amortization acquired during the year ended March 31, 2010 totaled ¥42,406 million ($456 million), and consisted primarily of trademarks of ¥18,626 million ($200million) and software of ¥17,544 million ($189 million). The weighted average amortization period for trademarks and software that were acquired during the year ended March 31, 2010 were 29 years and 5 years, respectively.

Impairment losses of intangible assets subject to amortization during the years ended March 31, 2010, 2009 and 2008 were ¥1,515 million ($16 million), ¥1,750 million and ¥1,977 million, respectively.

The impairment losses during the year ended March31, 2010 mainly consisted of customer relationships of ¥391 million ($4 million), trademarks of ¥308 million ($3 million) and software of ¥276 million ($3 million). The impairment losses during the year ended March31, 2009 mainly consisted of trademarks of ¥794 million and software of ¥575 million. The impairment losses during the year ended March31, 2008 mainly consisted of customer contracts of ¥1,034 million, held by MCL Group Limited (U.K.), which operates warehousing, retail and financing of motor vehicles. The impairment losses of intangible assets subject to amortization were included in "Gain (loss) on property and equipment–net" in the consolidated statements of income.

The aggregate amortization expenses for intangible assets during the years ended March 31, 2010, 2009 and 2008 were ¥16,782 million ($180 million), ¥13,258 million and ¥11,446 million, respectively.

The estimated aggregate amortization expense for intangible assets for the next five years is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2011	¥16,334	$176
2012	14,323	154
2013	11,106	119
2014	6,432	69
2015	3,300	35

The carrying amount of intangible assets with indefinite useful lives which are therefore not subject to amortization comprised the following at March 31, 2010 and 2009:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	2010
Trademarks	¥ 649	¥1,079	$ 8
Unlimited land lease	1,424	906	15
Other	1,430	1,460	15
Total	¥3,548	¥3,445	$38

Intangible assets with indefinite useful lives which are not subject to amortization acquired during the year ended March 31, 2010, totaled ¥520 million ($6 million), and mainly consisted of an unlimited land lease of ¥510 million ($5 million).

Impairment losses of intangible assets with indefinite useful lives which are not subject to amortization during the years ended March31, 2010, 2009 and 2008 were ¥359 million ($4 million), ¥853 million and ¥38 million, respectively.

The impairment losses during the year ended March31, 2010 mainly consisted of trademarks of ¥309 million ($3 million). The impairment losses during the year ended March31, 2009 mainly consisted of trademarks of ¥455 million. The impairment losses for all years were included in “Gain (loss) on property and equipment–net” in the consolidated statements of income.

The changes in the carrying amounts of goodwill by operating segment during the years ended March 31, 2010 and 2009 were as follows:

	Millions of Yen								
	Textile	Machinery	ICT, Aerospace & Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other	Total
Balance at March 31, 2008	¥ —	¥ 5,053	¥35,978	¥1,020	¥ 8,507	¥20,434	¥1,825	¥ 4,893	¥ 77,710
Acquired	8,915	1,489	631	353	2,957	—	—	1,593	15,938
Impairment losses	—	(340)	—	—	—	—	—	—	(340)
Other changes (Note)	51	(1,211)	—	(254)	(3,048)	—	(42)	(1,244)	(5,748)
Balance at March 31, 2009	¥ 8,966	¥ 4,991	¥36,609	¥1,119	¥ 8,416	¥20,434	¥1,783	¥ 5,242	¥ 87,560
Acquired	12,513	—	—	—	—	—	—	1,171	13,684
Impairment losses	—	(1,233)	—	—	—	—	—	(696)	(1,929)
Other changes (Note)	1,733	(550)	—	13	85	490	2	(1,031)	742
Balance at March 31, 2010	¥23,212	¥ 3,208	¥36,609	¥1,132	¥ 8,501	¥20,924	¥1,785	¥ 4,686	¥100,057

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

	Millions of U.S. Dollars								
	Textile	Machinery	ICT, Aerospace & Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other	Total
Balance at March 31, 2009	$ 96	$ 54	$394	$ 12	$ 90	$220	$ 19	$ 56	$ 941
Acquired	134	—	—	—	—	—	—	13	147
Impairment losses	—	(13)	—	—	—	—	—	(8)	(21)
Other changes (Note)	19	(6)	—	0	1	5	0	(11)	8
Balance at March 31, 2010	$249	$ 35	$394	$ 12	$ 91	$225	$ 19	$ 50	$1,075

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

As a result of testing for impairment of goodwill, impairment losses amounting to ¥1,929 million ($21 million), ¥340 million and ¥3,231 million, respectively, were recognized during the years ended March 31, 2010, 2009 and 2008. The impairment losses were included in "Other–net" in the consolidated statements of income. For the year ended March 31, 2010, an impairment loss in the Machinery segment was recognized by construction equipment-related business in ITOCHU International Inc. (U.S.A.) which was overseas trading subsidiary. For the year ended March 31, 2008, an impairment loss in Machinery segment was recognized by the above-mentioned MCL Group Limited (U.K.), and an impairment loss in Chemicals, Forest Products & General Merchandise segment was recognized by Am-Pac Tire Distributions Inc. (U.S.A.) which operated wholesale and retail of tires.

Gross amount of goodwill and accumulated impairment losses by operating segment at March 31, 2010, 2009 and 2008 were as follows:

	Millions of Yen								
	2010								
Balance at March 31,	Textile	Machinery	ICT, Aerospace& Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other	Total
Gross amount	¥23,212	¥6,188	¥36,609	¥1,132	¥8,501	¥20,924	¥1,785	¥ 7,843	¥106,194
Accumulated impairment losses	—	(2,980)	—	—	—	—	—	(3,157)	(6,137)

	Millions of Yen								
	2009								
Balance at March 31,	Textile	Machinery	ICT, Aerospace& Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other	Total
Gross amount	¥8,966	¥6,738	¥36,609	¥1,119	¥8,416	¥20,434	¥1,783	¥ 7,703	¥91,768
Accumulated impairment losses	—	(1,747)	—	—	—	—	—	(2,461)	(4,208)

	Millions of Yen								
	2008								
Balance at March 31,	Textile	Machinery	ICT, Aerospace& Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other	Total
Gross amount	¥—	¥ 6,460	¥35,978	¥1,020	¥10,450	¥20,434	¥1,825	¥ 7,354	¥83,521
Accumulated impairment losses	—	(1,407)	—	—	(1,943)	—	—	(2,461)	(5,811)

	Millions of U.S. Dollars								
	2010								
Balance at March 31,	Textile	Machinery	ICT, Aerospace& Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other	Total
Gross amount	$249	$ 67	$ 394	$ 12	$ 91	$ 225	$ 19	$ 84	$ 1,141
Accumulated impairment losses	—	(32)	—	—	—	—	—	(34)	(66)

10. Short-term and Long-term Debt

"Short-term debt" at March 31, 2010 and 2009 was as follows:

	Millions of Yen	Interest Rate	Millions of Yen	Interest Rate	Millions of U.S. Dollars
	2010		2009		2010
Short-term loans, mainly from banks	¥229,236	1.9%	¥453,224	2.1%	$2,464
Commercial paper	—	—	84,937	0.8%	—

Note: The interest rates represent weighted average rates on outstanding balances at March 31, 2010 and 2009.

"Long-term debt" at March 31, 2010 and 2009 is summarized below:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	2010
Banks and financial institutions:			
Secured:			
Japan Bank for International Cooperation, due 2009-2012, interest mainly 0.6%-4.4%	¥ 84	¥ 237	$ 1
Other, due 2009-2027, interest mainly 1.0%-16.5%	17,424	26,904	187
Unsecured			
Due 2009-2024, interest mainly 0.1%-14.7%.	1,767,898	1,659,585	19,002
Debentures:			
Secured bonds and notes:			
Issued in 2008, 1.92% Yen Bonds due 2010	—	496	—
Issued in 2008, 2.06% Yen Bonds due 2010	—	244	—
Debentures:			
Unsecured bonds and notes:			
Issued in 1997, 2.45% Yen Bonds due 2009	—	10,000	—
Issued in 1999, 3.19% Yen Bonds due 2009	—	10,000	—
Issued in 2003, 0.87% Yen Bonds due 2010	10,000	10,000	107
Issued in 2004, 1.04% Yen Bonds due 2009	—	10,000	—
Issued in 2004, 1.30% / 2.55% Yen Bonds due 2014 (note 1)	—	10,000	—
Issued in 2005, 1.46% Yen Bonds due 2012	10,000	10,000	107
Issued in 2006, 2.17% Yen Bonds due 2016	15,000	15,000	161
Issued in 2006, 2.09% Yen Bonds due 2016	10,000	10,000	107
Issued in 2007, 2.11% Yen Bonds due 2017	10,000	10,000	107
Issued in 2007, 2.02% Yen Bonds due 2017	10,000	10,000	107
Issued in 2007, 1.99% Yen Bonds due 2017	10,000	10,000	107
Issued in 2007, 1.90% Yen Bonds due 2017	10,000	10,000	107
Issued in 2008, 2.28% Yen Bonds due 2018	20,000	20,000	215
Issued in 2009, 1.49% Yen Bonds due 2014	25,000	—	269
Issued in 2009, 1.91% Yen Bonds due 2019	15,000	—	161
Issued in 2009, 1.65% Yen Bonds due 2019	10,000	—	107
Issued in 2010, 1.65% Yen Bonds due 2020	20,000	—	215
Issued in and after 1999, Medium-Term Notes. etc., maturing through 2013	6,049	8,060	69
Others	188,283	173,891	2,023
Total	2,154,738	2,014,417	23,159
ASC Topic 815 (formerly SFAS 133) fair value adjustment (note 2)	13,579	10,635	146
Total	2,168,317	2,025,052	23,305
Less current maturities	(60,728)	(90,631)	(653)
Long-term debt, less current maturities	¥2,107,589	¥1,934,421	$22,652

Note: 1. The bond, one-time callable, bears interest at the rate of 1.30% until November 25, 2009 then 2.55% from November 25, 2009 until the maturity date. The Company redeemed the full amount on November 25, 2009.
2. ASC Topic 815 (formerly SFAS 133) fair value adjustment: The amount of adjustment to record the fair value as of the balance sheet date for long-term debt which is hedged with derivatives.

Certain agreements with the Japan Finance Corporation and Japan Bank for International Cooperation ("JBIC") require the following:

(1) The Company applies all or a portion of its operating income or the proceeds from the sale of any debentures or common stock to the reduction of outstanding loans when JBIC believes that the Company is able to reduce such loans through increased earnings.

(2) JBIC may request that any proposed distribution of earnings be submitted to JBIC for review before presentation to the stockholders.

The Company has never received such a request and does not expect that any such request will be made.

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

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

The aggregate annual maturities of long-term debt after March 31, 2010 are as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2011	¥ 60,728	$ 653
2012	309,431	3,326
2013	319,691	3,436
2014	289,952	3,116
2015	278,821	2,997
2016 and thereafter	909,694	9,777
Total	¥2,168,317	$23,305

The Company has borrowing arrangements with many financial institutions and has entered into commitment line agreements with certain banks for working capital needs and stable funding. The aggregate amounts of the Japanese Yen facility available under such agreements totaled ¥400,000 million, consisting of ¥100,000 million for short-term debt and ¥300,000 million for long-term debt, as of March 31, 2010 and 2009. The $500 million U.S. dollar facility was held for short-term debt at March 31, 2010 and 2009. The Company intends to use the long-term commitment line agreements solely in support of refinancing the current maturities of long-term debt. Because the agreements demonstrate the Company's ability to refinance and the Company has expressed an intention to do so, the Company has changed the classification of ¥147,798 million ($1,589 million) and ¥199,889 million of the current maturities of long-term debt from current liabilities to non-current liabilities as of March 31, 2010 and 2009, respectively. The ¥147,798 million ($1,589 million) is included in "2016 and thereafter." The Company has consistently refinanced the current maturities of long-term debt reclassified into non-current liabilities for more than five years. The short-term commitment agreements were unused as of March 31, 2010 and 2009.

11. Asset Retirement Obligations

The Company and its subsidiaries account for asset retirement obligations, consisting of the costs related to dismantlement of facilities and mine reclamation, based on ASC Topic 410 "Asset Retirement and Environmental Obligations" (formerly SFAS 143 and FIN 47). The asset retirement obligations are principally related to the costs of dismantlement of coal mining, iron-ore mining and crude oil drilling facilities. These liabilities are included in "Other current liabilities" and "Long-term debt, excluding current maturities" on the consolidated balance sheets.

The changes in asset retirement obligations for the years ended March 31, 2010 and 2009 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	**2010**
Balance at beginning of year	**¥16,593**	¥21,568	**$178**
Liabilities incurred	**371**	2,054	**4**
Liabilities settled	**(1,581)**	(2,964)	**(17)**
Accretion expense	**924**	1,196	**10**
Revisions to cost estimate	**4,316**	1,913	**46**
Other	**2,302**	(7,174)	**25**
Balance at end of year	**¥22,925**	¥16,593	**$246**

Note: "Other" mainly includes foreign currency translation adjustments.

12. Leases

Lessor

The Company and its subsidiaries lease furniture and equipment for medical institutions, construction machinery and certain other assets, which are classified as direct financing leases under ASC Topic 840 "Leases" (formerly SFAS 13 "Accounting for Leases").

The components of the net investment in direct financing leases as of March 31, 2010 and 2009 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	2010
Total minimum lease payments to be received	**¥24,016**	¥12,391	**$258**
Less unearned income	**(3,501)**	(1,832)	**(37)**
Estimated unguaranteed residual value	**—**	137	**—**
Less allowance for doubtful receivables	**(436)**	(247)	**(5)**
Net investment in direct financing leases	**¥20,079**	¥10,449	**$216**

The schedule of future minimum lease payments to be received from direct financing leases for each of the five succeeding years and thereafter as of March 31, 2010 is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2011	¥ 6,590	$ 71
2012	5,602	60
2013	4,510	49
2014	3,298	35
2015	2,040	22
2016 and thereafter	1,976	21
Total	¥24,016	$258

The Company and its subsidiaries lease aircraft, real estate and certain other assets under operating leases. The cost and accumulated depreciation of the property held for lease by classes as of March 31, 2010 were as follows:

	Millions of Yen			Millions of U.S. Dollars		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Real estate	¥18,278	¥3,741	¥14,537	$196	$40	$156
Machinery and equipment.	16,352	3,261	13,091	176	35	141
Others	139	56	83	2	1	1
Total	¥34,769	¥7,058	¥27,711	$374	$76	$298

The schedule of minimum future rentals on noncancelable operating leases for each of the five succeeding years and thereafter as of March 31, 2010 is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2011	¥ 5,226	$ 56
2012	3,689	40
2013	2,453	26
2014	1,696	18
2015	877	9
2016 and thereafter	1,078	12
Total	¥15,019	$161

Lessee

The Company and its subsidiaries lease buildings, machinery and equipment and certain other assets under capital leases. The cost and accumulated depreciation of such leased assets by classes as of March 31, 2010 and 2009 were as follows:

	Millions of Yen			Millions of U.S. Dollars		
2010	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Buildings	¥ 50,998	¥20,532	¥30,466	$ 548	$221	$327
Machinery and equipment	31,688	9,008	22,680	340	96	244
Others	20,809	7,518	13,291	224	81	143
Total	¥103,495	¥37,058	¥66,437	$1,112	$398	$714

	Millions of Yen		
2009	Cost	Accumulated depreciation	Net
Buildings	¥25,353	¥12,095	¥13,258
Machinery and equipment	26,399	9,742	16,657
Others	16,323	4,252	12,071
Total	¥68,075	¥26,089	¥41,986

The components of the capital lease obligations as of March 31, 2010 and 2009 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	2010
Total minimum lease payments	¥105,239	¥50,787	$1,131
Less amount representing interest	(23,540)	(4,824)	(253)
Capital lease obligations	¥ 81,699	¥45,963	$ 878

The schedule of future minimum lease payments for each of the five succeeding years and thereafter as of March 31, 2010 is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2011	¥ 18,375	$ 197
2012	16,122	173
2013	11,957	129
2014	10,115	109
2015	10,157	109
2016 and thereafter	38,513	414
Total	¥105,239	$1,131

The total of minimum sublease rentals to be received in the future under noncancelable subleases is ¥12,655 million ($136 million).

The Company and its subsidiaries lease aircraft, real estate and certain other assets under operating leases. The schedule of future minimum lease payments under noncancelable operating leases for each of the five succeeding years and thereafter as of March 31, 2010 is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2011	¥ 29,301	$ 315
2012	22,827	245
2013	18,737	202
2014	16,185	174
2015	14,266	153
2016 and thereafter	46,412	499
Total	¥147,728	$1,588

The total of minimum sublease rentals to be received in the future under noncancelable subleases is ¥8,101 million ($87 million). Total rental expenses under operating leases for the years ended March 31, 2010 and 2009 were ¥47,255 ($508 million) and ¥26,473 million, respectively. Sublease rental income for the years ended March 31, 2010 and 2009 were ¥4,399 ($47 million) and ¥3,084 million, respectively.

13. Retirement and Severance Benefits

The Company and certain subsidiaries have defined benefit pension plans (e.g., the Corporate Pension Fund ("CPF") and the Tax-Qualified Pension Plan) covering substantially all of their employees. Benefits under these pension plans are based on years of service and certain other factors, and plan assets are comprised primarily of marketable securities, debt securities and other interest bearing securities. In addition, the Company and certain subsidiaries have both unfunded retirement and severance plans, which provide lump-sum payment benefits to their employees and defined contribution plans.

Certain subsidiaries and associated companies participate in a multiemployer plan (ITOCHU Union Pension Fund).

The changes in the benefit obligations and fair value of the plan assets and the funded status of the plans were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	2010
Change in projected benefit obligations:			
Projected benefit obligations at beginning of year	¥ 294,694	¥295,033	$3,167
Service cost	7,699	8,896	83
Interest cost	5,624	6,080	60
Plan participants' contributions	620	626	7
Net actuarial gain (loss)	(5,933)	1,990	(63)
Benefits paid from plan asset	(15,852)	(12,885)	(170)
Benefits paid by employer	(924)	(3,034)	(10)
Foreign currency translation adjustments	8,208	(4,922)	88
Acquisition	14,214	8,181	153
Settlement and curtailment	(280)	(5,112)	(3)
Other	137	(159)	1
Projected benefit obligations at end of year	308,207	294,694	3,313
Change in plan assets:			
Fair value of plan assets at beginning of year	241,076	305,508	2,591
Actual return (loss) on plan assets	21,338	(48,707)	229
Employer contributions	13,416	2,678	144
Plan participants' contributions	620	626	7
Benefits paid from plan assets	(15,852)	(12,885)	(170)
Translation adjustments	5,326	(4,271)	57
Acquisition	6,691	2,023	72
Settlement and curtailment	(119)	(3,896)	(1)
Fair value of plan assets at end of year	272,496	241,076	2,929
Funded status at end of year.	¥ (35,711)	¥ (53,618)	$ (384)

Amounts recognized in the consolidated balance sheets at March 31, 2010 and 2009 consisted of:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	2010
Prepaid pension cost	¥ 7,603	¥ 1,079	$ 82
Accrued retirement and severance benefits	(43,314)	(54,697)	(466)
	¥(35,711)	¥(53,618)	$(384)

Amounts recognized in accumulated other comprehensive income (loss), pre-tax, at March 31, 2010 and 2009 consisted of:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	2010
Net actuarial loss	¥170,169	¥204,126	$1,829
Prior service credit	(23,715)	(29,131)	(255)
	¥ 146,454	¥174,995	$1,574

The estimated amounts of net actuarial loss and prior service credit for the defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic pension cost for the year ending March 31, 2011 are approximately ¥10,000 million ($107 million) (loss) and ¥5,000 million ($54 million) (gain), respectively.

The accumulated benefit obligations for all defined benefit plans as of March 31, 2010 and 2009 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	2010
Accumulated benefit obligation	¥307,242	¥293,699	$3,302

Assumptions of projected benefit obligations and net periodic pension costs as of March 31, 2010 and 2009 were as follows:

	2010	2009
Weighted-average assumptions used to determine benefit obligations at the end of year:		
Discount rate	2.1%	2.2%
Rate of compensation increase	3.4%	1.1–7.6%
Weighted-average assumptions used to determine net periodic pension cost for the year:		
Discount rate	2.2%	2.3%
Expected long-term rate of return on plan assets	2.8%	2.8%
Rate of compensation increase	1.1–7.6%	1.0–6.0%

The prior service cost is amortized by the straight-line method over the average remaining service period of employees expected to receive related benefits. The net actuarial gain and loss is amortized over the average remaining service periods.

The fair value of equity securities of associated companies included in plan assets was ¥242 million ($3 million) and ¥198 million at March 31, 2010 and 2009, respectively.

The net periodic pension costs for retirement and severance benefits for the years ended March 31, 2010, 2009 and 2008 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	2010
Service cost	¥ 7,699	¥ 8,896	¥ 8,965	$ 83
Interest cost	5,624	6,080	6,182	60
Expected return on plan assets	(6,880)	(7,992)	(8,724)	(74)
Amortization of unrecognized prior service cost	(5,549)	(5,490)	(5,700)	(60)
Amortization of unrecognized net actuarial loss	16,242	11,318	5,855	175
Settlement curtailment loss (gain)	—	(1,230)	(906)	—
Net periodic pension cost	¥17,136	¥11,582	¥ 5,672	$184

Total expenses related to pension plans for the years ended March 31, 2010, 2009 and 2008 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	2010
Net periodic pension cost for defined benefit pension plans	¥17,136	¥11,582	¥5,672	$184
The amount of cost recognized for defined contribution pension plans	2,546	2,241	1,360	27
Total expenses for pension plans	¥19,682	¥13,823	¥7,032	$211

The amount of contribution to the multi employer plan (ITOCHU Union Pension Fund) was ¥5,564 million ($60 million) and ¥5,442 million for the years ended March 31, 2010 and 2009, respectively.

As of March 31, 2010, plan assets held by the Company and its subsidiaries were as follows, by category.

For information used to measure fair value, please refer to Note 21 to the consolidated financial statements, "Fair Value Measurements."

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Equity securities:				
Domestic	¥41,609	¥ 50,411	¥ —	¥ 92,020
Overseas	5,983	12,675	—	18,658
Debt securities:				
Domestic	5,598	68,707	—	74,305
Overseas	14,190	9,249	—	23,439
Other assets:				
Cash and cash equivalents	27,946	212	—	28,158
Life insurance company general accounts	—	30,633	—	30,633
Others	—	5,283	—	5,283
Total	95,326	177,170	—	272,496

	Millions of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Equity securities:				
Domestic	$447	$542	—	$989
Overseas	65	136	—	201
Debt securities:				
Domestic	60	739	—	799
Overseas	153	99	—	252
Other assets:				
Cash and cash equivalents	300	2	—	302
Life insurance company general accounts	—	329	—	329
Others	—	57	—	57
Total	1,025	1,904	—	2,929

In setting its portfolio investment policy for plan assets, the Company, on a long-term basis, focuses on securing investment returns that are sufficient to provide for the future benefit payments for employees in the context of a tolerable level of risk control. In order to achieve the objectives of the investment policy, the Company establishes the most appropriate portfolio considering the past return results as well as the estimated returns on invested assets and manages the portfolio.

The Company's standard for its portfolio of plan assets is to invest 60% in domestic and overseas debt securities and 40% in domestic and overseas equity securities. The Company's allocation of assets may also include cash, corporate pension plans and alternative investments, as appropriate. The Company's basic policy is to emphasize asset liquidity and a thorough diversification of its investments. In addition, the Company establishes an employee pension trust mainly comprised of domestic equity securities as a part of plan assets. The Company's holdings of marketable securities consist primarily of shares in listed companies. Debt securities principally comprise highly-rated government bonds. The Insurance Business Law Enforcement Regulations stipulate that the investment of assets in corporate pension plans (general account) be conducted in a manner that provides a specific assumed interest rate and a principal guarantee.

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

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

Cash Flow of the Company and Certain Subsidiaries: The Company and certain subsidiaries expect to contribute about ¥3,400 million ($37 million) to defined benefit pension plans in the year ending March 31, 2011.

The following benefit payments, which reflect expected future service, are expected to be paid:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2011	¥16,798	$181
2012	16,612	179
2013	15,707	169
2014	15,502	167
2015	15,399	166
2016–2020	71,457	768

14. Foreign Exchange Gains and Losses

Net foreign exchange gains of ¥144 million ($2 million), losses of ¥3,290 million, and losses of ¥631 million for the years ended March 31, 2010, 2009 and 2008, respectively, were included in "Other–net" in the consolidated statements of income.

15. Income Taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which in the aggregate result in a normal income tax rate of approximately 41%.

Foreign subsidiaries are subject to income taxes of the countries where they operate.

Effective commencing the year ended March 31, 2003, the Company adopted a consolidated taxation system.

A reconciliation between the normal income tax rate and the effective income tax rate for the years ended March 31, 2010, 2009 and 2008 is as follows:

	2010	2009	2008
Normal income tax rate	**41.0%**	41.0%	41.0%
Expenses not deductible for tax purposes	**3.6**	2.3	1.3
Difference of tax rates for foreign subsidiaries	**(4.2)**	(8.6)	(4.3)
Tax effect on dividends received	**(8.5)**	2.9	0.9
Valuation allowance	**3.4**	(0.9)	(0.5)
Tax effect on investments in equity-method associated companies	**(4.3)**	(2.4)	6.0
Other	**2.3**	0.6	(1.2)
Effective income tax rate	**33.3%**	34.9%	43.2%

Amounts provided for income taxes for the years ended March 31, 2010, 2009 and 2008 were allocated as follows:

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	2010
Income taxes	**¥51,571**	¥ 72,757	¥121,108	**$554**
Other comprehensive (income) loss	**28,929**	(59,847)	(57,505)	**311**
Total income tax (benefit) expense	**¥80,500**	¥ 12,910	¥ 63,603	**$865**

Significant components of deferred tax assets and liabilities at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	2010
Deferred tax assets:			
Inventories, property and equipment	**¥ 73,864**	¥ 101,484	**$ 794**
Allowance for doubtful receivables	**20,858**	17,232	**224**
Net operating loss carryforwards	**64,979**	27,383	**698**
Accrued retirement and severance benefits	**63,792**	60,672	**686**
Marketable securities and investments	**85,742**	95,265	**921**
Other	**64,013**	48,995	**688**
Total deferred tax assets	**373,248**	351,031	**4,011**
Less valuation allowance	**(82,353)**	(69,252)	**(885)**
Deferred tax assets–net	**290,895**	281,779	**3,126**
Deferred tax liabilities:			
Accrued retirement and severance benefits	**(51,813)**	(44,282)	**(557)**
Marketable securities and investments	**(37,866)**	(15,561)	**(407)**
Undistributed earnings	**(26,402)**	(33,202)	**(283)**
Property, equipment and other intangible assets	**(32,666)**	(18,637)	**(351)**
Other	**(10,974)**	(11,637)	**(118)**
Total deferred tax liabilities	**(159,721)**	(123,319)	**(1,716)**
Net deferred tax assets	**¥ 131,174**	¥ 158,460	**$ 1,410**

Net changes in the valuation allowance for the years ended March 31, 2010, 2009 and 2008 were an increase of ¥13,101 million ($141 million), an increase of ¥8,114million and a increase of ¥4,833 million, respectively.

The amount of undistributed earnings of foreign subsidiaries for which no deferred tax liability has been provided totaled ¥249,145 million ($2,678 million) and ¥244,215 million at March 31, 2010 and 2009, respectively. Most of the undistributed earnings of domestic subsidiaries are not considered to be a taxable temporary difference under present Japanese tax laws. It is not practicable to determine the deferred tax liability for undistributed earnings of foreign subsidiaries.

Net operating loss carryforwards are available to reduce future income taxes. If not utilized, such operating loss carryforwards expire as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
Within 1 year	¥ 1,252	$ 13
Within 2 years	14,736	158
Within 3 years	1,553	17
Within 4 years	12,153	131
Within 5 years	11,898	128
After 5 to 10 years	76,730	825
After 10 to 15 years	1,305	14
After 15 years	49,622	533
Total	¥169,249	$1,819

Unused foreign tax credit carryforwards for the year ended March 31, 2010 were ¥5,577million ($60million), which do not expire until March 31, 2013.

"Income before income taxes and equity in earnings (losses) of associated companies" for the years ended March 31, 2010, 2009 and 2008 comprised the following:

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	2010
The Company and its domestic subsidiaries	¥ 92,410	¥ 68,236	¥145,754	$ 993
Foreign subsidiaries	62,576	140,022	134,777	673
Total	¥154,986	¥208,258	¥280,531	$1,666

"Income taxes" for the years ended March 31, 2010, 2009 and 2008 comprised the following:

	Millions of Yen									Millions of U.S. Dollars		
	2010			2009			2008			2010		
	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total
The Company and its domestic subsidiaries	¥33,562	¥ (16)	¥33,546	¥41,010	¥(16,656)	¥24,354	¥51,513	¥32,272	¥ 83,785	$360	$(—)	$360
Foreign subsidiaries	21,564	(3,539)	18,025	54,563	(6,160)	48,403	40,409	(3,086)	37,323	232	(38)	194
Total	¥55,126	¥(3,555)	¥51,571	¥95,573	¥(22,816)	¥72,757	¥91,922	¥29,186	¥121,108	$592	$(38)	$554

A reconciliation of the beginning and ending total gross unrecognized tax benefits for the years ended March 31, 2010 and 2009, respectively, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	2010
Balance at beginning of year	¥1,126	¥ 1,747	$ 11
Additions based on tax positions related to the current year	55	17	1
Additions for tax positions of prior years	45	837	1
Reductions for tax positions of prior years	—	(3)	—
Reductions as a result of a lapse of the applicable statute of limitations	—	(27)	—
Settlements	(621)	(1,083)	(6)
Effects on foreign currency translation	33	(362)	0
Balance at ending of year	¥ 638	¥ 1,126	$ 7

Of the ending balances of ¥638 million ($7 million) in 2010 and ¥1,126 million in 2009, ¥597 million ($6 million) and ¥802 million, respectively, represent the amount of benefits that, if recognized would favorably affect the effective tax rate.

Although the Company and its subsidiaries believe its estimates and assumptions of unrecognized tax benefits are reasonable, uncertainty regarding the final determination of tax audit settlements and any related litigation could affect the effective tax rate in future periods.

Based on each of the items of which the Company and its subsidiaries are aware as of March 31, 2010, no significant changes to the unrecognized tax benefits are expected within the next twelve months.

The Company and its subsidiaries recognize interest and penalties accrued related to unrecognized tax benefits in Income taxes in the consolidated statements of income.

Both interest and penalties accrued as of March 31, 2010 and 2009, and interest and penalties included in income taxes for the year ended March 31, 2010 and 2009 are not material.

The Company and its subsidiaries file income tax returns in Japan and various foreign tax jurisdictions. In Japan, the Company and its subsidiaries understand that regular income tax examinations by tax authorities through the year ended March 31, 2008 have been substantially completed. However according to the income tax regulation in Japan, Japanese tax authorities still retain the right to execute income tax examinations for the years ended March 31, 2004 and later. Moreover, the Company and its subsidiaries might be subject to income tax examinations by each jurisdiction's tax authority for certain years based on their respective tax regulation.

16. Net Income Attributable to ITOCHU Per Share

The reconciliation of the numerators and denominators of the basic net income attributable to ITOCHU per share computations for the years ended March 31, 2010, 2009 and 2008 was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	**2010**
Numerator:				
Net income attributable to ITOCHU	**¥128,153**	¥165,390	¥217,301	**$1,377**
Effect of dilutive securities:				
Convertible preferred stock	**(284)**	(1,106)	(15,411)	**(3)**
Diluted net income attributable to ITOCHU	**¥127,869**	¥164,284	¥201,890	**$1,374**

	Number of Shares		
	2010	2009	2008
Denominator:			
Weighted-average number of common shares outstanding	**1,580,448,671**	1,580,579,472	1,580,878,959

	Yen			U.S. Dollars
	2010	2009	2008	**2010**
Basic net income attributable to ITOCHU per common share	¥81.09	¥104.64	¥137.46	**$0.87**
Diluted net income attributable to ITOCHU per common share	¥80.91	¥103.94	¥127.71	**$0.87**

17. Segment Information

ITOCHU Corporation and its subsidiaries, have a diverse palette of functions and expertise through investments in resources development operations and also as a strategic partner, as well as a wide range of business activities such as trading, finance, logistics and coordinating projects. By using these diverse palette and global network, 7 division companies have been promoting and developing many kinds of business in textile, food and general merchandise as the Consumer-related sector, metal resources, oil and gas as Natural resource / energy-related sector, chemicals, machinery, information technology, finance and real-estate as the Other sectors, as well as life care, ecology and new energy as the New business sector.

The Company and its subsidiaries have introduced a division company system and information on operating segments is prepared and presented according to this system. This system is regularly used for decisions in operations, including resource allocations, and evaluations by the management.

The operating segments of the Company and its subsidiaries are as follows:

Textile

The Textile segment is engaged in all stages of the textile business from rough material, thread and textile to the final products for garments, home furnishings and industrial materials. This segment performs production and sales on a worldwide scale. In addition, the segment promotes brand businesses, development of high technology, and retail operations of TV and Internet shopping.

Machinery

The Machinery segment is engaged in diverse business activities ranging from projects in plants, bridges, railways and other infrastructures to automobiles, ships, construction machinery and other items. This segment also conducts business in water resources and environment-related equipment as well as activities related to renewable and alternative energy.

ICT, Aerospace & Electronics
The ICT, Aerospace & Electronics segment is engaged in business activities involving IT-related systems/ provider business, Internet service business, investment in venture business, mobile phone sales/content distribution, video distribution/service business (broadcast-related, etc.),industrial machinery, environmental equipment, electronic equipment transactions and aircraft and related equipment.

Energy, Metals & Minerals
The Energy, Metals & Minerals segment is engaged in metal and mineral resource development, processing of steel products, environmental business including trading in greenhouse gas emissions, and trading in iron ore, coal, pig iron and ferrous raw materials, non-ferrous and light metal and steel products in Japan and overseas. Also the segment is engaged in energy resource development and trading in crude oil, oil products, gas and nuclear fuels both domestically and abroad.

Chemicals, Forest Products & General Merchandise
The Chemicals, Forest Products & General Merchandise segment is engaged in business activities involving various consumer products such as lumber, pulp, paper, rubber, tire, cement and ceramic, and in basic chemicals, fine chemicals, plastics and inorganic chemicals.

Food
The Food segment pursues efficiency-oriented operations from production and distribution to retail in all areas of food from raw materials to finished products both domestically and abroad.

Finance, Realty, Insurance & Logistics Services
The Finance, Realty, Insurance & Logistics Services segment is engaged in structuring and sales of financial products and agency, broker and consulting services of insurance and reinsurance. In addition, this segment is engaged in third-party logistics, warehousing, trucking, international intermodal transport and the development and operation of real estate.

Management evaluates segment performance based on several factors such as net income (loss), determined in accordance with U.S. GAAP.

In addition, management utilizes internally developed management control methods for the purpose of internal operating decisions.

Intersegment transactions are priced with reference to prices applicable to transactions with unaffiliated parties.

There have been no trading transactions with any single major external customer (10% or more of total) for the years ended March 31, 2010, 2009 and 2008.

Information concerning operations in different operating segments for the years ended March 31, 2010, 2009 and 2008 was as follows:

	Millions of Yen								
	2010								
	Textile	Machinery	ICT, Aerospace & Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other, Adjustments & Eliminations	Consolidated
Trading transactions:									
Unaffiliated customers and associated companies	¥516,808	¥751,896	¥607,839	¥3,272,623	¥1,795,544	¥3,032,399	¥166,921	¥ 162,769	¥10,306,799
Transfers between operating segments	567	1,332	6,353	437	21,055	1,782	15,950	(47,476)	—
Total trading transactions	¥517,375	¥753,228	¥614,192	¥3,273,060	¥1,816,599	¥3,034,181	¥182,871	¥115,293	¥10,306,799
Gross trading profit	¥102,733	¥ 43,257	¥136,432	¥ 141,591	¥ 110,073	¥ 335,487	¥ 35,642	¥ 19,151	¥ 924,366
Equity in earnings (losses) of associated companies	¥ 8,019	¥ 10,489	¥ 2,063	¥ 9,186	¥ 1,629	¥ 13,015	¥ (7,114)	¥ (1,018)	¥ 36,269
Net income attributable to ITOCHU	¥ 22,401	¥ 3,692	¥ 6,017	¥ 65,661	¥ 19,270	¥ 27,808	¥ (4,247)	¥ (12,449)	¥ 128,153
Total assets at March 31	¥417,380	¥544,958	¥513,249	¥1,249,048	¥ 727,944	¥1,130,719	¥382,135	¥511,364	¥ 5,476,847
Depreciation and amortization	¥ 4,147	¥ 5,311	¥ 7,288	¥ 31,213	¥ 7,652	¥ 11,555	¥ 2,537	¥ 6,674	¥ 76,377

	Millions of Yen								
	2009								
	Textile	Machinery	ICT, Aerospace & Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other, Adjustments & Eliminations	Consolidated
Trading transactions:									
Unaffiliated customers and associated companies	¥589,596	¥1,370,207	¥633,766	¥3,916,776	¥2,024,015	¥3,188,363	¥167,254	¥175,132	¥12,065,109
Transfers between operating segments	618	1,541	3,793	557	19,927	460	9	(26,905)	—
Total trading transactions	¥590,214	¥1,371,748	¥637,559	¥3,917,333	¥2,043,942	¥3,188,823	¥167,263	¥148,227	¥12,065,109
Gross trading profit	¥102,626	¥ 71,854	¥138,859	¥ 222,263	¥ 114,277	¥ 335,606	¥ 42,042	¥ 32,994	¥ 1,060,521
Equity in earnings (losses) of associated companies	¥ 3,602	¥ 1,759	¥ 307	¥ 24,710	¥ 2,949	¥ 10,073	¥ (2,880)	¥ 784	¥ 41,304
Net income attributable to ITOCHU	¥ 22,898	¥ (15,457)	¥ 8,026	¥ 114,695	¥ 19,025	¥ 20,185	¥ (1,212)	¥ (2,770)	¥ 165,390
Total assets at March 31	¥360,431	¥ 639,939	¥490,159	¥1,016,596	¥ 611,375	¥1,054,127	¥381,800	¥637,665	¥ 5,192,092
Depreciation and amortization	¥ 3,341	¥ 6,341	¥ 7,340	¥ 25,405	¥ 4,514	¥ 10,297	¥ 1,119	¥ 6,631	¥ 64,988

	Millions of Yen								
	2008								
	Textile	Machinery	ICT, Aerospace & Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other, Adjustments & Eliminations	Consolidated
Trading transactions:									
Unaffiliated customers and associated companies	¥690,690	¥1,407,760	¥722,625	¥3,170,281	¥2,289,521	¥3,036,830	¥182,068	¥229,307	¥11,729,082
Transfers between operating segments	609	677	4,275	322	18,937	279	111	(25,210)	—
Total trading transactions	¥691,299	¥1,408,437	¥726,900	¥3,170,603	¥2,308,458	¥3,037,109	¥182,179	¥204,097	¥11,729,082
Gross trading profit	¥115,236	¥ 99,120	¥138,952	¥ 127,464	¥ 122,640	¥ 324,665	¥ 41,381	¥ 25,089	¥ 994,547
Equity in earnings (losses) of associated companies	¥ 2,039	¥ 4,752	¥ (1,233)	¥ 25,463	¥ 2,017	¥ 7,951	¥ 29,595	¥ (346)	¥ 70,238
Net income attributable to ITOCHU	¥ 20,500	¥ 21,350	¥ 14,583	¥ 105,716	¥ 19,677	¥ 18,657	¥ 10,828	¥ 5,990	¥ 217,301
Total assets at March 31	¥364,349	¥ 709,708	¥513,870	¥ 916,571	¥ 766,790	¥1,064,825	¥420,501	¥517,585	¥ 5,274,199
Depreciation and amortization	¥ 3,419	¥ 5,444	¥ 6,394	¥ 34,272	¥ 4,307	¥ 9,577	¥ 1,894	¥ 6,262	¥ 71,569

	Millions of U.S. Dollars								
	2010								
	Textile	Machinery	ICT, Aerospace & Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other, Adjustments & Eliminations	Consolidated
Trading transactions:									
Unaffiliated customers and associated companies	$5,555	$8,082	$6,533	$35,174	$19,299	$32,592	$1,794	$1,749	$110,778
Transfers between operating segments	6	14	68	5	226	20	171	(510)	—
Total trading transactions	$5,561	$8,096	$6,601	$35,179	$19,525	$32,612	$1,965	$1,239	$110,778
Gross trading profit	$1,104	$ 465	$1,466	$ 1,522	$ 1,183	$ 3,606	$ 383	$ 206	$ 9,935
Equity in earnings (losses) of associated companies	$ 86	$ 113	$ 22	$ 99	$ 17	$ 140	$ (76)	$ (11)	$ 390
Net income attributable to ITOCHU	$ 241	$ 40	$ 64	$ 706	$ 207	$ 299	$ (46)	$ 134	$ 1,377
Total assets at March 31	$4,486	$5,857	$5,517	$13,425	$ 7,825	$12,153	$4,107	$5,496	$ 58,866
Depreciation and amortization	$ 45	$ 57	$ 78	$ 335	$ 82	$ 124	$ 27	$ 72	$ 821

Note: 1. Total trading transactions are presented in accordance with Japanese accounting practice.
2. "Other, Adjustments & Eliminations" includes trading transactions, gross trading profit, equity in earnings (losses) of associated companies, net income (loss), total assets not allocated to the specified operating segments in domestic and foreign areas, eliminations and adjustments, etc.

Geographic Information

Information concerning operations in different countries for the years ended March 31, 2010, 2009 and 2008 was as follows:

	Millions of Yen				
	2010				
	Japan	United States	Australia	Other	Consolidated
Revenue	¥2,563,123	¥366,440	¥129,088	¥357,986	¥3,416,637

	Millions of Yen				
	2010				
	Japan	Australia	United States	Other	Consolidated
Long-lived assets	¥417,158	¥146,173	¥46,974	¥56,046	¥666,351

	Millions of Yen				
	2009				
	Japan	United States	Australia	Other	Consolidated
Revenue	¥2,158,827	¥558,512	¥200,592	¥501,130	¥3,419,061

	Millions of Yen				
	2009				
	Japan	Australia	United States	Other	Consolidated
Long-lived assets	¥347,773	¥102,631	¥52,683	¥57,687	¥560,774

	Millions of Yen				
	2008				
	Japan	United States	Australia	Other	Consolidated
Revenue	¥1,614,289	¥615,610	¥124,542	¥505,412	¥2,859,853

	Millions of U.S. Dollars				
	2010				
	Japan	United States	Australia	Other	Consolidated
Revenue	$27,549	$3,939	$1,387	$3,847	$36,722

	Millions of U.S. Dollars				
	2010				
	Japan	Australia	United States	Other	Consolidated
Long-lived assets	$4,484	$1,571	$505	$602	$7,162

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

18. Common Stock, Capital Surplus and Retained Earnings

On May 1, 2006, the Companies Act in Japan superseded various laws covering the regulation of companies (Chapter II of the Commercial Code; Law for Special Provisions for the Commercial Code concerning Audits; Limited Liability Company Law. Hereafter referred to as "Commercial Code prior to revision").

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

The Companies Act in Japan provides that upon payment of dividends, an amount equal to 10% of the paid dividends must be appropriated as additional paid-in capital (a component of capital surplus) or as legal reserve (a component of retained earnings) depending on the equity account charged upon the payment of such dividends until the total aggregate amount of additional paid-in capital and legal reserve equals 25% of the common stock.

The Companies Act provides that there is a limit to the amount that can be distributed as dividends and the amount available for the purchase of treasury stocks. This amount is based on the amount recorded in the Company's statutory standalone financial statements in accordance with the financial accounting standards of Japan. The adjustments included in the accompanying consolidated financial statements to conform with U.S. GAAP, but not recorded in the statutory standalone financial statements, have no effect on the determination of the available balance as dividends or the purchase of treasury stocks under the Companies Act. The amount available as dividends or the purchase of treasury stocks under the Companies Act was ¥251,827 million as of March 31, 2010, provided however this figure might change by such as purchase of treasury stocks thereafter.

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as (1) having the Board of Directors, (2) having the Board of Corporate Auditors, (3) appointing independent auditors, and (4) the term of service of the directors is prescribed as one year, the Board of Directors may decide dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation. Companies under the Board of Directors' system may declare dividends once during the fiscal year by resolution of the Board of Directors (cash dividends only) if the company has prescribed so in its articles of incorporation.

The Companies Act also provides for companies, provided so resolved by the Board of Directors, to dispose of treasury stock, or to purchase it as prescribed in their articles of incorporation. The amount of treasury stock so purchased must be within the limits previously described as determined by the Companies Act.

The Companies Act permits reclassification among common stock, capital surplus and retained earnings by resolution of the shareholders' meeting, such as the transfer of a portion or all of retained earnings to the common stock account.

At the June 29, 2000 shareholders' meeting of the Company, held under the Commercial Code prior to revision, the shareholders approved a proposal to eliminate the Company's accumulated deficits of ¥109,799 million from the Company's books of account by a transfer from capital surplus as permitted by the Commercial Code prior to revision. Because the Company's accumulated deficits in the U.S. GAAP consolidated financial statements on that date was not significantly different from the Company's books of account, the Company reflected the deficit reclassification entry on its books of account when preparing the consolidated financial statements, following private company's practices in the United States of America. The balance of consolidated retained earnings at March 31, 2010 would have been ¥790,598 million, including a legal reserve of ¥16,117 million, had the Company not eliminated the accumulated deficits.

19. Other Comprehensive Income (Loss)

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

	Millions of Yen		
	2010		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities	¥ 94,225	¥ 32	¥ 94,257
Reclassification adjustments for gains and losses realized upon sale or liquidation of investments in foreign entities	1,011	—	1,011
Net change in foreign currency translation adjustments attributable to ITOCHU during the year	95,236	32	95,268
Net change in foreign currency translation adjustments attributable to the noncontrolling interest during the year	1,178	—	1,178
Net change in foreign currency translation adjustments during the year	96,414	32	96,446
Pension liability adjustments:			
Amount arising during the year on pension liability adjustments	41,770	(16,088)	25,682
Reclassification adjustments for gains and losses realized in net income	(10,361)	4,220	(6,141)
Net change in pension liability adjustments attributable to ITOCHU during the year	31,409	(11,868)	19,541
Net change in pension liability adjustments attributable to the noncontrolling interest during the year	267	(108)	159
Net change in pension liability adjustments during the year	31,676	(11,976)	19,700
Unrealized holding gains and losses on securities:			
Amount arising during the year on available-for-sale securities	47,168	(16,749)	30,419
Reclassification adjustments for gains and losses realized in net income	(5,707)	2,134	(3,573)
Net change in unrealized holding gains and losses on securities attributable to ITOCHU during the year	41,461	(14,615)	26,846
Net change in unrealized holding gains and losses on securities attributable to the noncontrolling interest during the year	1,648	(626)	1,022
Net change in unrealized holding gains and losses on securities during the year	43,109	(15,241)	27,868
Unrealized holding gains and losses on derivative instruments:			
Amount arising during the year on derivative instruments for cash flow hedges	980	5	985
Reclassification adjustments for gains and losses realized in net income	4,209	(1,724)	2,485
Net change in unrealized holding gains and losses on derivative instruments attributable to ITOCHU during the year	5,189	(1,719)	3,470
Net change in unrealized holding gains and losses on derivative instruments attributable to the noncontrolling interest during the year	57	(25)	32
Net change in unrealized holding gains and losses on derivative instruments during the year	5,246	(1,744)	3,502
Other comprehensive income (loss)	176,445	(28,929)	147,516

	Millions of Yen		
	2009		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities	¥ (160,412)	¥ 431	¥ (159,981)
Reclassification adjustments for gains and losses realized upon sale or liquidation of investments in foreign entities	(434)	—	(434)
Net change in foreign currency translation adjustments attributable to ITOCHU during the year	(160,846)	431	(160,415)
Net change in foreign currency translation adjustments attributable to the noncontrolling interest during the year	(2,336)	—	(2,336)
Net change in foreign currency translation adjustments during the year	(163,182)	431	(162,751)
Pension liability adjustments:			
Amount arising during the year on pension liability adjustments	(48,456)	19,246	(29,210)
Reclassification adjustments for gains and losses realized in net income	(5,814)	2,390	(3,424)
Net change in pension liability adjustments attributable to ITOCHU during the year	(54,270)	21,636	(32,634)
Net change in pension liability adjustments attributable to the noncontrolling interest during the year	(1,907)	782	(1,125)
Net change in pension liability adjustments during the year	(56,177)	22,418	(33,759)
Unrealized holding gains and losses on securities:			
Amount arising during the year on available-for-sale securities	(129,235)	48,623	(80,612)
Reclassification adjustments for gains and losses realized in net income	33,478	(13,569)	19,909
Net change in unrealized holding gains and losses on securities attributable to ITOCHU during the year	(95,757)	35,054	(60,703)
Net change in unrealized holding gains and losses on securities attributable to the noncontrolling interest during the year	(1,958)	671	(1,287)
Net change in unrealized holding gains and losses on securities during the year	(97,715)	35,725	(61,990)
Unrealized holding gains and losses on derivative instruments:			
Amount arising during the year on derivative instruments for cash flow hedges	(4,735)	1,384	(3,351)
Reclassification adjustments for gains and losses realized in net income	(464)	(157)	(621)
Net change in unrealized holding gains and losses on derivative instruments attributable to ITOCHU during the year	(5,199)	1,227	(3,972)
Net change in unrealized holding gains and losses on derivative instruments attributable to the noncontrolling interest during the year	(79)	46	(33)
Net change in unrealized holding gains and losses on derivative instruments during the year	(5,278)	1,273	(4,005)
Other comprehensive income (loss)	(322,352)	59,847	(262,505)

	Millions of Yen		
	2008		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities	¥ (26,509)	¥ 14	¥ (26,495)
Reclassification adjustments for gains and losses realized upon sale or liquidation of investments in foreign entities	644	—	644
Net change in foreign currency translation adjustments attributable to ITOCHU during the year	(25,865)	14	(25,851)
Net change in foreign currency translation adjustments attributable to the noncontrolling interest during the year	219	(1)	218
Net change in foreign currency translation adjustments during the year	(25,646)	13	(25,633)
Pension liability adjustments:			
Amount arising during the year on pension liability adjustments	(54,908)	22,885	(32,023)
Reclassification adjustments for gains and losses realized in net income	(30)	9	(21)
Net change in pension liability adjustments attributable to ITOCHU during the year	(54,938)	22,894	(32,044)
Net change in pension liability adjustments attributable to the noncontrolling interest during the year	(386)	158	(228)
Net change in pension liability adjustments during the year	(55,324)	23,052	(32,272)
Unrealized holding gains and losses on securities:			
Amount arising during the year on available-for-sale securities	(82,362)	32,889	(49,473)
Reclassification adjustments for gains and losses realized in net income	2,568	(1,442)	1,126
Net change in unrealized holding gains and losses on securities attributable to ITOCHU during the year	(79,794)	31,447	(48,347)
Net change in unrealized holding gains and losses on securities attributable to the noncontrolling interest during the year	(3,643)	1,413	(2,230)
Net change in unrealized holding gains and losses on securities during the year	(83,437)	32,860	(50,577)
Unrealized holding gains and losses on derivative instruments:			
Amount arising during the year on derivative instruments for cash flow hedges	(3,542)	1,605	(1,937)
Reclassification adjustments for gains and losses realized in net income	(190)	58	(132)
Net change in unrealized holding gains and losses on derivative instruments attributable to ITOCHU during the year	(3,732)	1,663	(2,069)
Net change in unrealized holding gains and losses on derivative instruments attributable to the noncontrolling interest during the year	163	(83)	80
Net change in unrealized holding gains and losses on derivative instruments during the year	(3,569)	1,580	(1,989)
Other comprehensive income (loss)	(167,976)	57,505	(110,471)

	Millions of U.S. Dollars		
	2010		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities	$1,013	$ 0	$1,013
Reclassification adjustments for gains and losses realized upon sale or liquidation of investments in foreign entities	11	—	11
Net change in foreign currency translation adjustments attributable to ITOCHU during the year	1,024	0	1,024
Net change in foreign currency translation adjustments attributable to the noncontrolling interest during the year	13	—	13
Net change in foreign currency translation adjustments during the year	1,037	0	1,037
Pension liability adjustments:			
Amount arising during the year on pension liability adjustments	449	(173)	276
Reclassification adjustments for gains and losses realized in net income	(112)	46	(66)
Net change in pension liability adjustments attributable to ITOCHU during the year	337	(127)	210
Net change in pension liability adjustments attributable to the noncontrolling interest during the year	3	(1)	2
Net change in pension liability adjustments during the year	340	(128)	212
Unrealized holding gains and losses on securities:			
Amount arising during the year on available-for-sale securities	507	(180)	327
Reclassification adjustments for gains and losses realized in net income	(61)	23	(38)
Net change in unrealized holding gains and losses on securities attributable to ITOCHU during the year	446	(157)	289
Net change in unrealized holding gains and losses on securities attributable to the noncontrolling interest during the year	18	(7)	11
Net change in unrealized holding gains and losses on securities during the year	464	(164)	300
Unrealized holding gains and losses on derivative instruments:			
Amount arising during the year on derivative instruments for cash flow hedges	11	0	11
Reclassification adjustments for gains and losses realized in net income	45	(19)	26
Net change in unrealized holding gains and losses on derivative instruments attributable to ITOCHU during the year	56	(19)	37
Net change in unrealized holding gains and losses on derivative instruments attributable to the noncontrolling interest during the year	0	(0)	0
Net change in unrealized holding gains and losses on derivative instruments during the year	56	(19)	37
Other comprehensive income (loss)	1,897	(311)	1,586

20. Derivative Instruments and Hedging Activities

The Company and its subsidiaries are exposed to a variety of risks in relation to their ongoing business activities. The Company and its subsidiaries utilize certain derivative instruments principally to manage the following risks.

Foreign Exchange Rate Risk
The Company and its subsidiaries have assets and liabilities that are exposed to foreign exchange rate risks. In order to reduce the risks, mainly for exchange between U.S. dollar and Japanese yen, the Company and its subsidiaries use foreign exchange contracts, currency swap agreements, and currency option contracts (hereafter collectively referred to as "currency derivatives").

Interest Rate Risk
The Company and its subsidiaries reduce risk related to fluctuations in the fair value of loan receivables/payables in which the Company and its subsidiaries agree to receive/pay interest on a fixed rate basis, and risk related to fluctuations in future cash flows due to future fluctuations in interest rates by using interest rate swap agreements and interest rate option agreements (hereafter collectively referred to as "interest rate derivatives").

Commodity Price Risk
The Company and its subsidiaries reduce risk related to fluctuations in prices of marketable commodities by using futures, forward contracts, commodity swap agreements, and commodity option agreements (hereafter collectively referred to as "commodity derivatives").

Moreover, the Company and its subsidiaries hold currency derivatives, interest rate derivatives, and commodity derivatives for trading purposes.

ASC Topic 815 "Derivatives and Hedging" (formerly SFAS 133) requires that all derivatives be recognized as assets or liabilities at fair value in balance sheets. Further, ASC Topic 815 requires that changes in the fair value of derivative instruments that are designated and qualify as fair value hedges be recognized in earnings or losses together with changes in the fair value of the corresponding hedged items. In addition, ASC Topic 815 requires that changes in the fair value of derivative instruments that are designated and qualified as cash flow hedges be recognized in accumulated other comprehensive income (loss) ("AOCI"). Also, ASC Topic 815 requires that these amounts be reclassified into earnings or losses in the same period as the hedged items affect earnings or losses.

In accordance with ASC Topic 815, the Company and its subsidiaries designate derivatives owned by them as hedging instruments in accordance with the following manner:

Currency Derivatives
Currency derivatives held to hedge foreign exchange rate risk regarding unrecognized firm commitments are designated as a fair value hedge, and currency derivatives held to minimize the fluctuation of cash flow of forecasted transactions caused by foreign exchange rate changes are designated as a cash flow hedge. As of March 31, 2010 and 2009, the total principal amounts of currency derivatives that were designated and qualified as fair value hedges were ¥36,904 million ($397 million) and ¥49,299 million, respectively; the total principal amounts of currency derivatives that were designated and qualified as cash flow hedges were ¥73,101 million ($786 million) and ¥9,472 million, respectively; and the total principal amounts of currency derivatives that were not designated or did not qualify as hedging instruments were ¥240,644 million ($2,586 million) and ¥220,448 million, respectively.

Interest Rate Derivatives
Interest rate derivatives that hedge risk related to fluctuations in the fair value of loan receivables/payables on a fixed interest rate basis are designated as a fair value hedge. Interest rate derivatives that hedge risk related to fluctuations in cash flows due to future fluctuations in interest rates are designated as a cash flow hedge. As of March 31, 2010 and 2009, the total notional amounts of interest rate derivatives that were designated and qualified as fair value hedges were ¥592,990 million ($6,373 million) and ¥537,555 million, respectively; the total notional amounts of interest rate derivatives that were designated and qualified as cash flow hedges were ¥1,004,660 million ($10,798 million) and ¥1,185,926 million, respectively; and the total notional amounts of interest rate derivatives that were not designated or did not qualify as hedging instruments were ¥18,595 million ($200 million) and ¥252,300 million, respectively.

Commodity Derivatives
Commodity derivatives held for the hedging of commodity price risk in unrecognized firm commitments and inventories are designated as a fair value hedge, and commodity derivatives held to minimize the fluctuation of cash flow of forecasted transactions due to commodity price changes are designated as a cash flow hedge. As of March 31, 2010 and 2009, the total principal amounts of commodity derivatives that were designated and qualified as fair value hedges were ¥38,538 million ($414 million) and ¥32,073 million, respectively; the total principal amounts of commodity derivatives that were designated and qualified as cash flow hedges were ¥678 million ($7 million) and ¥1,819 million, respectively; and the total principal amounts of commodity derivatives that were not designated or did not qualify as hedging instruments were ¥641,162 million ($6,891 million) and ¥114,640 million, respectively.

(1) Fair values of derivative instruments

The fair values of derivative instruments as of March 31, 2010 and 2009, were as follows.

(a) Derivatives Designated as Hedging Instruments under ASC Topic 815

	Millions of Yen		Millions of Yen		Millions of U.S. Dollars	
	2010		2009		2010	
	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives
Currency derivatives	¥ 1,207	¥2,377	¥ 367	¥ 1,897	$ 13	$26
Interest rate derivatives	13,578	3,833	10,751	7,773	146	41
Commodity derivatives	2,136	749	1,177	1,072	23	8
Total	¥16,921	¥6,959	¥12,295	¥10,742	$182	$75

(b) Derivatives Not Designated as Hedging Instruments under ASC Topic 815

	Millions of Yen		Millions of Yen		Millions of U.S. Dollars	
	2010		2009		2010	
	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives
Currency derivatives	¥ 3,980	¥ 3,142	¥ 4,346	¥1,631	$ 43	$ 34
Interest rate derivatives	266	421	81	151	3	5
Commodity derivatives	18,422	18,685	9,074	7,697	198	200
Other	4	6	0	1	0	0
Total	¥22,672	¥22,254	¥13,501	¥9,480	$244	$239

As for the balance sheet location for those items, asset derivatives were included in Other current assets and Other assets, and liability derivatives were included in Other current liabilities and Long-term debt, excluding current maturities.

(2) Gains and losses related to derivative instruments

Gains and losses related to derivative instruments for the year ended March 31, 2010 and the three months ended March 31, 2009 were as follows. The Company and its subsidiaries adopted ASC Topic 815 "Derivatives and Hedging" (formerly FSP FAS 133-1 and 45-4 "Disclosures about Credit Derivatives and Certain Guarantees") and disclose the information regarding gains and losses related to derivative instruments required by ASC Topic 815 "Derivatives and Hedging" (formerly SFAS 161 "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133") for the three months ended March 31, 2009 only.

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

		Millions of Yen	Millions of U.S. Dollars
		2010	2010
	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative
Currency derivatives	Other-net	¥ (848)	$ (9)
Interest rate derivatives	Interest expense	6,866	74
Commodity derivatives	Trading margins and commissions on trading transactions	(817)	(9)
Total		¥5,201	$56

		Millions of Yen
		2009
	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative
Currency derivatives	Other-net	¥ 3,070
Interest rate derivatives	Interest expense	(1,751)
Commodity derivatives	Trading margins and commissions on trading transactions	1,722
Total		¥ 3,041

The amount of hedge ineffectiveness and the net gain or loss excluded from the assessment of hedge effectiveness was not material for the year ended March 31, 2010 and the three months ended March 31, 2009.

The amount of firm commitments that no longer qualified as fair value hedges was not material for the year ended March 31, 2010 and the three months ended March 31, 2009.

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

	Millions of Yen			Millions of U.S. Dollars	
	2010			2010	
	Amount of Gain or (Loss) Recognized In OCI on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from AOCI into income (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCI into income (Effective Portion)	Amount of Gain or (Loss) Recognized In OCI on Derivative (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCI into income (Effective Portion)
Currency derivatives	¥ 446	Other-net	¥ 461	$ 5	$ 5
Interest rate derivatives	(530)	Interest expense	4,162	(6)	45
Commodity derivatives	(258)	Trading margins and commissions on trading transactions	194	(3)	2
Total	¥(342)		¥4,817	$(4)	$52

	Millions of Yen		
	2009		
	Amount of Gain or (Loss) Recognized In OCI on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from AOCI into income (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCI into income (Effective Portion)
Currency derivatives	¥ 656	Other-net	¥3,881
Interest rate derivatives	195	Interest expense	606
Commodity derivatives	337	Trading margins and commissions on trading transactions	(21)
Total	¥1,188		¥4,466

The amount of hedge ineffectiveness and the net gain or loss excluded from the assessment of hedge effectiveness was not material for the year ended March 31, 2010 and the three months ended March 31, 2009.

A net gain (pre-tax) of ¥2,227 million ($24 million) in AOCI at March 31, 2010 is expected to be reclassified into earnings within the next 12 months.

As of March 31, 2010, the maximum length of time over which the Company and its subsidiaries hedged their exposure to variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was approximately 25 months.

The amount of net gain or loss reclassified from AOCI into earnings or losses because it was probable that forecasted transactions would not occur was not material for the year ended March 31, 2010 and the three months ended March 31, 2009.

(c) Derivatives Not Designated as Hedging Instruments under ASC Topic 815

	Location of Gain or (Loss) Recognized in Income on Derivative	Millions of Yen 2010 Amount of Gain or (Loss) Recognized in Income on Derivative	Millions of U.S. Dollars 2010 Amount of Gain or (Loss) Recognized in Income on Derivative
Currency derivatives	Trading margins and commissions on trading transactions	¥ 3,140	$ 34
	Other-net	(1,227)	(13)
Interest rate derivatives	Other-net	(111)	(1)
Commodity derivatives	Trading margins and commissions on trading transactions	2,640	28
Other	Other-net	87	1
Total		¥ 4,529	$ 49

	Location of Gain or (Loss) Recognized in Income on Derivative	Millions of Yen 2009 Amount of Gain or (Loss) Recognized in Income on Derivative
Currency derivatives	Trading margins and commissions on trading transactions	¥ (290)
	Other-net	193
Interest rate derivatives	Other-net	57
Commodity derivatives	Trading margins and commissions on trading transactions	8,311
Other	Other-net	(12)
Total		¥8,259

The Company and its subsidiaries have various derivative instruments and as such are exposed to credit losses in the event of non-performance by counterparties. The Company and its subsidiaries seek to minimize credit risk by entering into contracts only with major counterparties and avoiding concentration on specific counterparties or groups of counterparties. The policies of the Company and its subsidiaries prescribe monitoring of creditworthiness and exposure on a counterparty-by-counterparty basis. Further, the Company and its subsidiaries do not have derivative agreements that require immediate settlement nor provision of collateral required by any downgrade of their credit ratings. In addition, there are no material items to be mentioned regarding disclosure of credit derivatives in which the Company and its subsidiaries are involved as the seller.

21. Fair Value Measurements

(1) Fair Value Measurements

The Company and its subsidiaries defines, in accordance with ASC Topic 820 "Fair Value Measurements and Disclosures" (formerly SFAS 157 "Fair Value Measurements"), fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Standard 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.

(a) Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Company and its subsidiaries' assets and liabilities that are measured at fair value on a recurring basis consist primarily of trading securities, available-for-sale securities, derivative assets and derivative liabilities.

The following table provides information by level for assets and liabilities that were measured at fair value on a recurring basis at March 31, 2010 and 2009, respectively.

	Millions of Yen			
	2010			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	¥ —	¥13,598	¥ —	¥ 13,598
Trading securities	—	—	6,701	6,701
Available-for-sale securities				
Equity securities	222,757	4,507	—	227,264
Debt securities	67	5,723	2,448	8,238
Derivative assets	7,407	32,186	—	39,593
Liabilities:				
Derivative liabilities	¥ 5,032	¥24,181	¥ —	¥ 29,213

	Millions of Yen			
	2009			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	¥ —	¥ 5,991	¥ —	¥ 5,991
Trading securities	—	—	9,121	9,121
Available-for-sale securities				
Equity securities	179,299	—	1,969	181,268
Debt securities	160	1,755	1,295	3,210
Derivative assets	3,531	22,265	—	25,796
Liabilities:				
Derivative liabilities	¥ 1,776	¥18,446	¥ —	¥ 20,222

	Millions of U.S. Dollars			
	2010			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$ —	$146	$ —	$ 146
Trading securities	—	—	72	72
Available-for-sale securities				
Equity securities	2,394	49	—	2,443
Debt securities	1	62	26	89
Derivative assets	80	346	—	426
Liabilities:				
Derivative liabilities	$ 54	$260	$ —	$ 314

The Available-for-sale securities above are mainly classified in "Other Investments" on the Consolidated Balance Sheets. Debt securities with a remaining maturity of one year or less are classified in "Short-term investments" on the Consolidated Balance Sheets.

The following table provides the changes in Level 3 items for the fiscal years ended March 31, 2010 and 2009, respectively.

	Millions of Yen	
	2010	
	Trading Securities	Available-for-sale Securities
Beginning balance	¥ 9,121	¥3,264
Total gains or losses (realized /unrealized)	(50)	(32)
Included in earnings	(50)	—
Included in other comprehensive income (loss)	—	(32)
Purchases, issuances and settlements	(1,905)	(784)
Effect of exchange rate changes	(465)	—
Ending balance	6,701	2,448
The amount of total gains or losses (in Gain (loss) on investments–net) for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at March 31, 2010	¥ (175)	¥ —

	2009	
	Trading Securities	Available-for-sale Securities
Beginning balance	¥ 29,754	¥2,125
Total gains or losses (realized /unrealized)	(3,847)	(64)
Included in earnings	(3,847)	—
Included in other comprehensive income (loss)	—	(64)
Purchases, issuances and settlements	(14,750)	1,203
Effect of exchange rate changes	(2,036)	—
Ending balance	9,121	3,264
The amount of total gains or losses (in Gain (loss) on investments–net) for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at March 31, 2009	¥ (3,029)	¥ —

	Millions of U.S. Dollars	
	2010	
	Trading Securities	Available-for-sale Securities
Beginning balance	$ 98	$35
Total gains or losses (realized /unrealized)	(1)	(0)
Included in earnings	(1)	—
Included in other comprehensive income (loss)	—	(0)
Purchases, issuances and settlements	(20)	(9)
Effect of exchange rate changes	(5)	—
Ending balance	72	26
The amount of total gains or losses (in Gain (loss) on investments–net) for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at March 31, 2010	$ (2)	$—

The Company and its subsidiaries use the following valuation techniques for the assets and liabilities that are measured at fair value on a recurring basis.

The cash equivalents that are measured at fair value on a recurring basis consist primarily of commercial papers with original maturities of three months or less. The Company and its subsidiaries measure their fair value using the quoted market prices and classify them as Level 2.

The trading securities and available-for-sale securities primarily consist of marketable securities that are listed on exchanges and alternative investments. Marketable securities that are listed on exchanges are measured using quoted market prices. When quoted prices in active markets in which transactions occur with sufficient frequency are available, they are included in Level 1. On the other hand, instruments that are measured at quoted prices in markets in which there are relatively few transactions are included in Level 2. Level 3 items consist of other investments such as alternative investments (classified as trading securities or available-for-sale securities by holding purposes), which are measured at fair value using unobservable inputs of investees' specific fundamentals including estimated future cash flows, as well as referring to index data available in active markets as of the fiscal year end.

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

(b) Financial Assets Measured at Fair Value on a Nonrecurring Basis

The following table provides information by level for financial assets that were measured at fair value during the years ended March 31, 2010 and 2009 on a nonrecurring basis, respectively.

	Millions of Yen		
	2010		
	Level 3	Total	Impairment loss (pre-tax)
Assets:			
Non-marketable investments (Note 1)	¥ 2,310	¥ 2,310	¥ 11,255
Investments in associated companies (Note 2)	31,685	31,685	15,948
Long-lived Assets (Note 3)	29,556	29,556	8,835
Goodwill and Other Intangible Assets (Note 4)	11,658	11,658	3,803

	Millions of Yen		
	2009		
	Level 3	Total	Impairment loss (pre-tax)
Assets:			
Non-marketable investments (Note 1)	¥ 1,518	¥ 1,518	¥ 4,377
Investments in associated companies (Note 2)	48,460	48,460	13,380

	Millions of U.S. Dollars		
	2010		
	Level 3	Total	Impairment loss (pre-tax)
Assets:			
Non-marketable investments (Note 1)	$ 25	$ 25	$121
Investments in associated companies (Note 2)	341	341	171
Long-lived Assets (Note 3)	318	318	95
Goodwill and Other Intangible Assets (Note 4)	125	125	41

Note 1: The Company and subsidiaries recognized impairment of non-marketable investments at their fair values as their fair values were below the carrying amounts and the decline in fair values was considered to be other-than-temporary. Their fair values were measured as a result of considering various unobservable inputs which were available to the Company and its subsidiaries, including expectation of future income of the investees, net asset value of the investees, and material unrealized losses to be considered in assets and liabilities held by the investees.

Note 2: The Company and subsidiaries recognized impairment of investments in associated companies at their fair values as their fair values were below the carrying amounts and the decline in fair values was considered to be other-than-temporary. Their fair values were measured primarily using future cash flow projection of the investees, with consideration of other factors such as the quoted market price of the investee, if available. Measurement using the future cash flow projection of the investee was based upon unobservable inputs which were available to the Company and its subsidiaries. The Company and its subsidiaries utilized these inputs confirming that such inputs were based upon the Company's best estimates as of the measurement date and also verified rationality of the measured amounts through review by independent professional advisors.

Note3: Their fair values are measured primarily using the sum of income from continuing operation of using the long-lived asset and future cash flows (before discounts) resulting from its sale, which are unobservable inputs.

Note4: Their fair values were measured primarily using discounted future cash flow on the business plan which are unobservable inputs.

(2) Fair Value of Financial Instruments

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

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

The carrying amounts, and estimated fair values for the purpose of the disclosure requirements of ASC Topic 825 "Financial Instruments" (formerly SFAS 107 "Disclosures about Fair Value of Financial Instruments") and valuation techniques for other non-current receivables, advances to associated companies and long-term debt as of March 31, 2010 and 2009 were as follows (for fair value of Short-term investments and Other investments, and for fair value of asset/liability derivatives, please refer to "4.Marketable Securities and Investments" and "20. Derivative Instruments and Hedging Activities" respectively):

	Millions of Yen				Millions of U.S. Dollars	
	2010		2009		2010	
	Carrying Amount	Estimated Far Value	Carrying Amount	Estimated Far Value	Carrying Amount	Estimated Far Value
Financial assets:						
Other non-current receivables and advances to associated companies (less allowance for doubtful receivables)	¥ 126,597	¥ 127,383	¥ 107,337	¥ 109,035	$ 1,361	$ 1,369
Financial liabilities:						
Long-term debt (including current maturities)	¥ 2,168,317	¥ 2,168,527	¥2,025,052	¥2,016,519	$23,305	$23,307

Valuation Techniques for Fair Values of Other Non-current Receivables and Advances to Associated Companies:
The fair values of Other non-current receivables and advances to associated companies are estimated based on the present value of future cash flows discounted using the current rates of loans or receivables with similar terms, conditions and maturities being offered to borrowers or customers with similar credit ratings.

Valuation Techniques for Fair Values of Long-term Debt:
The fair values of Long-term debt are based on the present value of future cash flows discounted using the current borrowing rates of similar to debt instruments having comparable maturities.

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

22. Issuance of Stock by Subsidiaries or Associated Companies

FX PRIME Corporation, a consolidated subsidiary, which is engaged in online foreign exchange brokerage, issued 1,250,000 shares of common stock in a public offering to third parties on September 18, 2008, coincident with its listing on the JASDAQ market. The offering price per share was ¥1,100 and the total amount of the issuance was ¥1,375 million. This issuance decreased the Company's ownership of the subsidiary from 81.5% to 69.3%.

The offering price per share of the issuance was in excess of the Company's carrying value per share of the subsidiary stock. The issuance of these shares was regarded as a sale of a part of the Company's interest in the subsidiary and the Company recognized a gain of ¥555 million for the year ended March 31, 2009, which is included in "Gain (loss) on investments–net." The Company recognized a deferred tax liability of ¥228 million on the gain which is included in "Income taxes–Deferred."

There is no material item for the year ended March 31, 2010.

23. Variable Interest Entities

The Company and its subsidiaries are involved in certain businesses, such as ocean plying vessels, property development, and providing loans to third parties, which are conducted through special purpose entities. The Company and its subsidiaries retain variable interests through loans, guarantees, and equity investments in these special purpose entities, which are classified as variable interest entities under ASC Topic 810 (formerly FIN 46 (R)).

In accordance with ASC Topic 810 (formerly FIN 46 (R)), the Company and its subsidiaries determine whether those entities are variable interest entities, in which both of the following conditions are met: (i) The Company and its subsidiaries have exposure in the form of loans, investments or guarantees and the Company and its subsidiaries have rights or obligations to take benefits or risks that arise from changes in the assets or liabilities held by those entities; (ii) Those entities do not have sufficient capital to cover the risk associated with them or the holders of the equity investment at risk lack control of them at the beginning of involvement.

In addition, the Company and its subsidiaries consider the contractual relationships with each variable interest entity, and deicide if they are deemed to be the primary beneficiary of a variable interest entity if they are to absorb more than half of the losses expected to arise from a variable interest entity. Even if no party absorbs more than half of expected losses, if the Company and its subsidiaries receive more than half of the expected residual returns, the Company and its subsidiaries are deemed to be the primary beneficiary of those variable interest entities.

The Company and its subsidiaries believe that there are no variable interest entities where the Company and its subsidiaries currently undertake any support, or is likely to do so in the future, although contractually they have no obligation. In addition, as of March 31, 2010 a reconsideration of contractual relationships with existing variable interest entities resulted in no change in assessments of whether or not the Company and its subsidiaries was the primary beneficiary.

As of March 31, 2010, among variable interest entities, those in which the Company and its subsidiaries are the primary beneficiary were principally entities undertaking real estate development businesses. Quantitative information regarding those entities is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	2010
Cash and cash equivalents	¥1,094	¥ 1,165	$ 12
Inventories	5,805	10,757	62
Other	2,508	1,191	27
Total assets	¥9,407	¥13,113	$101
Total current liabilities	¥ 612	¥ 1,276	$ 7
Long-term debt, excluding current maturities	2,371	7,330	25
Total equity	6,424	4,507	69
Total liabilities and equity	¥9,407	¥13,113	$101

Note: “Other” mainly includes property and equipment, at cost. Further, most inventories were pledged as collateral, mainly to secure long-term debt.

In addition, the creditors or beneficial interest holders of those entities do not have recourse to the general credit of the Company and its subsidiaries.

The Company and its subsidiaries have variable interest entities for which the Company and its subsidiaries are not the primary beneficiary established for the ocean plying vessels and real estate development businesses. The aggregated amounts of the assets associated with entities in which the Company and its subsidiaries have significant variable interests which are recognized in the consolidated balance sheets are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2010	2009	2010
Due from associated companies	¥ 1,142	¥13,364	$ 12
Other current assets	352	313	4
Total current assets	¥ 1,494	¥13,677	$ 16
Investments in and advances to associated companies	¥17,707	¥ 7,628	$191
Other non-current receivables	3,460	3,756	37
Total assets	¥22,661	¥25,061	$244

The total assets and the maximum exposure to loss to the Company and its subsidiaries as a result of their involvement in variable interest entities in which the Company and its subsidiaries are not the primary beneficiary but have significant variable interests were ¥485,518 million ($5,218 million) and ¥45,319 million ($487 million), respectively as of March 31, 2010 and ¥464,492 million and ¥41,995 million, respectively as of March 31, 2009. The major difference between the maximum exposure to loss and the recorded consolidated balance sheet amounts was due to guarantees.

The maximum exposure to loss includes investments, loans, and guarantees. The calculation of the maximum exposure to loss is based on assessments of the involvement of the Company and its subsidiaries considering various factors including the contractual relationships with such variable interest entities.

24. Regarding Loss Relating to the Entrada Oil and Natural Gas Project in the U.S. Gulf of Mexico

In March 2009 the Company decided to definitively withdraw from the Entrada oil and natural gas project in the Gulf of Mexico, which the Company participated through CIECO (Entrada) LLC, a wholly-owned subsidiary of CIECO Energy (US) Limited, a wholly-owned subsidiary of the Company, because the Company and its partner were unable to define an economically viable development plan nor a reasonable divestiture of the equity interest in the lease to third parties.

As a result, the Company recognized a loss for the project in the amount of ¥36,274 million for the year ended March 31, 2009.

The loss consisted of a ¥29,207 million impairment loss related to the amount held under mineral rights, machinery, and equipment by CIECO Energy (US) Limited, which is included in "Gain (loss) on property and equipment–net" and a ¥7,067 million impairment loss due to additional expenditures and unrecoverable costs included in "Other–net" in the consolidated statements of income.

25. Commitments and Contingent Liabilities

The Company and its subsidiaries enter into purchase contracts for certain items, principally energy, machinery and chemical materials, either at fixed or variable prices. In most cases, these contracts are matched with counterparty sales contracts. The outstanding purchase contracts amounted to ¥1,734,273 million ($18,640 million), and ¥1,421,451 million at March 31, 2010 and 2009, respectively. The deliveries are at various dates through 2026.

The Company and its subsidiaries also had long-term financing commitments aggregating ¥76,750 million ($825 million) and ¥109,317 million at March 31, 2010 and 2009, respectively, for loans and investments in equity capital.

The Company and its subsidiaries issue various guarantees for indebtedness of equity-method associated companies and customers. The guarantees are principally for monetary indebtedness by third parties to enhance their credit standings. If a guaranteed party fails to fulfill its obligation, the Company and its subsidiaries would be required to execute payments. The maximum potential amount of future payments and the amount of substantial risk at March 31, 2010, and 2009 are summarized below:

	Millions of Yen		
	2010		
	Guarantees for Monetary Indebtedness	Other guarantees	Total
Guarantees for equity-method associated companies:			
Maximum potential amount of future payments	¥ 70,525	¥13,038	¥ 83,563
Amount of substantial risk	37,931	12,705	50,636
Guarantees for customers:			
Maximum potential amount of future payments	55,191	14,230	69,421
Amount of substantial risk	26,040	10,445	36,485
Total:			
Maximum potential amount of future payments	¥125,716	¥27,268	¥152,984
Amount of substantial risk	63,971	23,150	87,121

	Millions of Yen		
	2009		
	Guarantees for Monetary Indebtedness	Other guarantees	Total
Guarantees for equity-method associated companies:			
Maximum potential amount of future payments	¥ 50,622	¥12,280	¥ 62,902
Amount of substantial risk	24,341	11,983	36,324
Guarantees for customers:			
Maximum potential amount of future payments	56,230	18,327	74,557
Amount of substantial risk	33,719	17,846	51,565
Total:			
Maximum potential amount of future payments	¥106,852	¥30,607	¥137,459
Amount of substantial risk	58,060	29,829	87,889

	Millions of U.S. Dollars		
	2010		
	Guarantees for Monetary Indebtedness	Other guarantees	Total
Guarantees for equity-method associated companies:			
Maximum potential amount of future payments	$ 758	$140	$ 898
Amount of substantial risk	408	136	544
Guarantees for customers:			
Maximum potential amount of future payments	593	153	746
Amount of substantial risk	280	112	392
Total:			
Maximum potential amount of future payments	$1,351	$293	$1,644
Amount of substantial risk	688	248	936

The amount of substantial risk at March 31, 2010 and 2009 represents the actual amount of liability incurred by the guaranteed parties within the pre-determined guaranteed limits established under the guarantee contracts. The amounts that might be recovered from third parties have been excluded in determining the amount of substantial risk.

The carrying amount of the liability recognized for guarantees was ¥787 million ($8 million) and ¥807 million at March 31, 2010 and 2009, respectively. The Company guarantees housing loans of its employees and those of certain subsidiaries as a part of the benefit program. These guarantees are included in the above guarantees. If the employees default on a payment, the Company would be required to make payments under the contracts. The maximum potential amounts of future payments under the contracts were ¥8,069 million ($87 million) and ¥8,779 million at March 31, 2010 and 2009, respectively. No provisions relating to the guarantees have been recorded in the consolidated financial statements.

Including those guarantees, the Company controls the credit exposure provided for equity-method associated companies and other customers considered a part of its group companies, by an assessment of creditability in advance and periodical monitoring of customer circumstances as follows.

For credit lines provided for equity-method associated companies, the Company recognizes them as having risk exposure to be controlled along with other risks related to investment in affiliates, and from time to time monitors the circumstances of their operations. Accordingly, for the undertaking of guarantees for equity-method associated companies, any guarantee is undertaken only after an assessment by the affiliate control departments which are independent of the business departments handling management of the said companies. Further, for any guarantee credit line, the Company sets an appropriate credit limit and an expiration date. Moreover, regular reviews are performed individually at least once a year in order to check the business circumstances and efficiency of the investment. For guarantees undertaken for equity-method associated companies as of March 31, 2010, the Company does not expect any significant contingencies which might lead to demands of performance on guarantees, nor does the Company expect an increase of guarantee amounts due to the deterioration of management conditions at equity-method associated companies.

For credit lines provided for customers other than the Company's group companies, the Company's credit control departments, which are independent of the business departments, sets an appropriate credit limit together with an expiration date on an item by item basis equivalent to the creditworthiness of each customer. Accordingly, the Company regularly monitors the condition of credit limits and the collection of receivables, and reviews from time to time the situation of overdue receivables. For guarantees undertaken for customers other than the Company's group companies as of March 31, 2010, there have been no significant contingencies which might lead to demands of performance on guarantees.

The amounts that might be recovered from third parties have been excluded from determining the maximum potential amount of future payments. The recoverable amounts were ¥33,964 million ($365 million) and ¥40,553 million at March 31, 2010 and 2009, respectively.

Guarantees issued by the Company and its subsidiaries with the longest term for indebtedness of equity-method associated companies and customers expire on June 30, 2036.

The major equity-method associated companies and customers and the substantial risk of the related guarantees for monetary indebtedness at March 31, 2010 and 2009 were as follows:

	Millions of Yen	Millions of U.S. Dollars		Millions of Yen
	2010			2009
Famima Credit Corporation	¥13,263	$143	Sakhalin Oil and Gas Development Co., Ltd.	¥14,305
Sakhalin Oil and Gas Development Co., Ltd.	9,982	107	Ningbo Mitsubishi Chemical Co., Ltd.	6,162
NEFERTITI LNG SHIPPING CO., LTD.	6,960	75	AI Beverage Holding Co. Ltd.	4,869
JAPAN ALUMINA ASSOCIATES (AUSTRALIA) PTY LTD	6,163	66	Japan Brazil Paper and Pulp Resources Development Co., Ltd.	3,688
Ningbo Mitsubishi Chemical Co., Ltd.	5,046	54	Famima Credit Corporation	3,163
Consolidated Grain & Barge Co.	2,789	30	Consolidated Grain & Barge Co.	2,945
			MOON RISE SHIPPING CO., S.A.	1,622
Japan Brazil Paper and Pulp Resources Development Co., Ltd.	2,227	24	Zhejiang Zhongpeng Chemical Company Limited	1,525
MOON RISE SHIPPING CO., S.A.	1,501	16	BEIJING BEER ASAHI CO., LTD.	1,355
BEIJING BEER ASAHI CO., LTD.	1,284	14	Asahi Breweries Itochu (Holdings) Limited	982
ISUZU Finance of America, Inc.	991	11		

The Company and its subsidiaries were contingently liable in the amounts of ¥438 million ($5 million) and ¥172 million for the trade notes receivable endorsed to suppliers in the settlement of accounts payable and discounted trade notes receivable on a recourse basis with banks at March 31, 2010 and 2009, respectively. The amounts of export bills of exchange discounted with banks in the ordinary course of business were ¥69,115 million ($743 million) and ¥65,978 million at March 31, 2010 and 2009, respectively.

There are currently no significant pending lawsuits, arbitration, or other legal proceedings that may materially affect the financial position or results of operations of the ITOCHU Group.

However, there is no assurance that domestic or overseas business activities of the ITOCHU Group may not become subject to any such lawsuits, arbitrations or other legal proceedings in the future.

26. Subsequent Events

The Company evaluated subsequent events through June 25, 2010, on which the financial statements were available to be issued. Subsequent events were as follows.

The Company issued both 0.653% Yen Bonds due 2015 in Japan in an aggregate amount of ¥20,000 million ($215 million) and 1.53% Yen Bonds due 2020 in Japan in an aggregate amount of ¥10,000 million ($107 million) on May 25, 2010, in accordance with an approved resolution of the Board of Directors held on May 15, 2009.

At the ordinary general meeting of shareholders held on June 25, 2010, the Company was authorized to pay a cash dividend of ¥7.5 ($0.08) per share, or a total ¥11,865 million ($128 million) to shareholders of record on March 31, 2010. The effective date of the dividend payment is June 28, 2010.

Deloitte

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
ITOCHU Corporation:

We have audited the accompanying consolidated balance sheets of ITOCHU Corporation and subsidiaries (the "Company") as of March 31, 2010 and 2009, and the related consolidated statements of income, equity, and cash flows for each of the three years in the period ended March 31, 2010 (all expressed in Japanese yen). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion in accordance with attestation standards established by the American Institute of Certified Public Accountants on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of ITOCHU Corporation and subsidiaries as of March 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, effective April 1, 2009, the Company changed its method of accounting for noncontrolling interests in the consolidated financial statements to conform to FASB Accounting Standards Codification Topic 810, "Consolidation" (formerly FASB Statement No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51"), which was retrospectively applied to the presentation of noncontrolling interests in the consolidated financial statements for all prior periods presented.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of oil and gas reserve estimation and related disclosures in the consolidated financial statements to conform to FASB Accounting Standards Codification Topic 932, "Extractive Activities—Oil and Gas" in the year ended March 31, 2010.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 25, 2010

NOTE TO READERS:
Notwithstanding the second paragraph of the Independent Auditors' Report, Deloitte Touche Tohmatsu LLC ("DTT") has performed an audit of management's report on internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act of Japan. A translated copy of management's report on ICFR along with a translated copy of DTT's report is included within this annual report as information for readers.

Internal Controls Over Financial Reporting in Japan

The Financial Instruments and Exchange Act in Japan ("the Act") requires the management of Japanese public companies to annually evaluate whether internal controls over financial reporting ("ICFR") are effective as of each fiscal year-end and to disclose the assessment to investors in "Management Internal Control Report." The Act also requires that the independent auditors of the financial statements of these companies report on management's assessment of the effectiveness of ICFR in an Independent Auditors' Report ("indirect reporting"). Under the Act these reports are required for fiscal years beginning on or after April 1, 2008.

We have thus evaluated its internal controls over financial reporting as of March 31, 2010 in accordance with "The Standards and Practice Standards for Management Assessment and Audit of Internal Control Over Financial Reporting" published by the Business Accounting Council.

As a result of conducting an evaluation of internal controls over financial reporting in the fiscal year ended March 31, 2010, we concluded that its internal control system over financial reporting as of March 31, 2010 was effective and reported such in its Management Internal Control Report.

Our Independent Auditors, Deloitte Touche Tohmatsu, performed an audit of the Management Internal Control Report under the Act.

An English translation of the Management Internal Control Report and the Independent Auditors' Report filed under the Act is attached on the following pages.

ITOCHU Corporation

NOTE TO READERS:

Following is an English translation of management's report on internal control over financial reporting ("ICFR") filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

There are differences between management assessment of ICFR under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the attestation standards established by the American Institute of Certified Public Accountants ("AICPA").

In management assessment of ICFR under FIEA, there is detailed guidance on the scope of management assessment of ICFR such as quantitative guidance on business location selection and/or account selection. In management assessment of ICFR under the attestation standards established by the AICPA, there is no such detailed guidance. Accordingly, based on the quantitative guidance which provides an approximate measure for the scope of assessment of internal control over business processes, we used a measure of more than two thirds of revenue and gross trading profit for the selection of significant locations and business units. We included in the scope of assessment, at the selected significant locations and/or business units, business processes relating to revenue, gross trading profit, accounts receivable, inventories, and investments as significant accounts that may have a material impact on the business objectives of the Company.

(TRANSLATION)

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

Masahiro Okafuji, President & Chief Executive Officer and Tadayuki Seki, Chief Financial Officer are responsible for designing and operating effective internal control over financial reporting of our company (the "Company") and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "The Standards and Practice Standards for Management Assessment and Audit of Internal Control Over Financial Reporting" published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that material misstatements may not be completely prevented or detected by internal control over financial reporting.

2. [Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures]

The assessment of internal control over financial reporting was performed as of March 31, 2010, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

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

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method associated companies, from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts on financial reporting based upon four key financial figures: "Revenue", "Gross trading profit", "Total assets" (for equity-method associated companies, carrying amount of investments in associated companies), and summation of "Income before income taxes and equity in earnings of associated companies" and "Equity in earnings of associated companies" before elimination of inter-company transactions for the year ended March 31, 2010. The Company and 158 consolidated subsidiaries and equity-method associated companies (the "158 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 158 entities, we reasonably determined the required scope of assessment of internal controls over business processes.

(Note) The 158 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 158 entities, however we included major special purpose entities into the scope of assessment. Regarding entities other than the 158 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 42 entities as "significant locations and/or business units". We verified that combined revenue and gross trading profit of in-scope entities exceeded two thirds of totals for the year ended March 31, 2010. 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.

NOTE TO READERS:

Following is an English translation of the Independent Auditors' Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

There are differences between an audit of internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the attestation standards established by the American Institute of Certified Public Accountants ("AICPA").

In an audit of ICFR under FIEA, the auditors express an opinion on management's report on ICFR, and do not express an opinion on the Company's ICFR directly. In an audit of ICFR under the attestation standards established by the AICPA, the auditors express an opinion on the Company's ICFR directly. Also in an audit of ICFR under FIEA, there is detailed guidance on the scope of an audit of ICFR, such as quantitative guidance on business location selection and/or account selection. In an audit of ICFR under the attestation standards established by the AICPA, there is no such detailed guidance. Accordingly, based on the quantitative guidance which provides an approximate measure for the scope of assessment of internal control over business processes, we used a measure of more than two thirds of revenue and gross trading profit for the selection of significant location and business units. The auditors included in the scope of assessment, at the selected significant locations and/or business units, business processes relating to revenue, gross trading profit, accounts receivable, inventories, and investments as significant accounts that may have a material impact on the business objectives of the Company.

(TRANSLATION)

INDEPENDENT AUDITORS' REPORT

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

June 25, 2010

To the Board of Directors of ITOCHU Corporation:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Yoshitsugu Oba

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Shigeo Hasegawa

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Koichi Okubo

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Yasuhiro Katsushima

[Audit of Financial Statements]

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated balance sheet as of March 31, 2010 of ITOCHU Corporation and subsidiaries (the "Company") and the related consolidated statements of income, equity and cash flows, and consolidated supplementary schedules for the fiscal year from April 1, 2009 to March 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2010, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America (Refer to "Basis of Presenting Consolidated Financial Statements").

As discussed in Note 2 to the consolidated financial statements, effective April 1, 2009, the Company adopted Accounting Standards Codification Topic 810, "Consolidation" (formerly FASB Statement No. 160, "Noncontrolling Interest in Consolidated Financial Statements—an amendment of ARB No. 51").

[Audit of Internal Control over Financial Reporting]

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 and subsidiaries as of March 31, 2010. The Company's management is responsible for designing and operating effective internal control over financial reporting and preparing its report on internal control over financial reporting. Our responsibility is to express an opinion on management's report on internal control over financial reporting based on our audit. There is a possibility that material misstatements will not completely be prevented or detected by internal control over financial reporting.

We conducted our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control over financial reporting is free of material misstatement. An audit includes examining, on a test basis, the scope, procedures and results of assessment of internal control made by management, as well as evaluating the overall presentation of the management's report on internal control over financial reporting. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of ITOCHU Corporation and subsidiaries as of March 31, 2010 is effectively maintained, presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Our firm and the engagement partners do not have any financial interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

(The above represents a translation, for convenience only, of the original report issued in the Japanese language.)

The Company and its subsidiaries' oil and gas exploration, development and production activities are conducted through subsidiaries and associated companies in offshore and onshore areas of the U.K. North Sea, America, Africa, and the area of Caspian Sea and Pacific Rim. Supplementary information on the subsidiaries and associated companies presented below is prepared in accordance with FASB disclosure requirements as of March 31, 2010, 2009 and 2008.

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

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	2010
Unproved oil and gas properties	¥ 16,869	¥ 18,884	¥ 29,285	$ 181
Proved oil and gas properties	168,259	152,189	194,357	1,808
Subtotal	¥185,128	¥171,073	¥223,642	$ 1,989
Accumulated depreciation, depletion, amortization and valuation allowance	¥ (98,202)	(78,448)	(96,059)	(1,055)
Net capitalized costs	86,926	¥ 92,625	¥127,583	$ 934
The Company's share of associated companies' net capitalized costs	¥ 2	¥ 5	¥ 4	$ 0

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

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	2010
Acquisition of proved properties	¥ —	¥17,615	¥26,076	$ —
Acquisition of unproved properties	—	—	30,541	—
Exploration costs	1,869	1,685	2,253	20
Development costs	8,157	32,658	19,061	88
Total costs incurred	¥10,026	¥51,958	¥77,931	$108
The Company's share of associated companies' costs of property acquisition, exploration and development	¥ 12	¥ 30	¥ 959	$ 0

Table 3: Results of Operations for Producing Activities

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	2010
Revenues:				
Sales to unaffiliated companies	¥ 9,566	¥ 21,082	¥21,543	$103
Sales to affiliated companies	26,499	52,924	73,310	285
Total revenues	¥36,065	¥ 74,006	¥94,853	$388
Expenses:				
Production costs	¥10,886	¥ 13,185	¥18,680	$117
Exploration expenses	14	28	1,376	0
Depreciation, depletion, amortization and valuation allowances	21,725	52,415	23,106	234
Income tax expenses	2,066	19,285	22,689	22
Total expenses	¥34,691	¥ 84,913	¥65,851	$373
Results of operations from producing activities (excluding corporate overhead and interest costs)	¥ 1,374	¥(10,907)	¥29,002	$ 15
The Company's share of associated companies' result of operations from producing activities	¥ (12)	¥ (30)	¥ (955)	$ (0)

Table 4: Reserve Quantity Information

In accordance with U.S. GAAP, the following table describes proved oil reserves and changes for the years ended March 31, 2010, 2009 and 2008.

	Crude Oil (Millions of Barrels)			Natural Gas (Billions of Cubic Feet)		
	2010	2009	2008	2010	2009	2008
Proved developed and undeveloped reserves:						
Beginning of year	71	70	80	20	31	—
Revision of previous estimates	(10)	8	(1)	1	(8)	—
Extensions and discoveries	8	—	—	—	—	—
Purchases	—	—	2	—	—	34
Production	(6)	(7)	(11)	(3)	(3)	(3)
End of year	63	71	70	18	20	31
Proved developed reserves–end of year	27	20	27	15	17	24

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

In accordance with U.S. GAAP, a standardized measure of discounted future net cash flows relating to the proved reserve quantities is based on the prices and costs at the end of the year, currently enacted tax rates and a 10% annual discount factor for the years ended March 31, 2008 and 2009. For the year ended March 31, 2010, the standardized measure of discounted future net cash flows is based on first-day-of-the month average prices, year-end costs, currently enacted tax rates and a 10% annual discount factor. The oil activities' standardized measure of discounted future net cash flows includes the full committed costs of development and operation for the asset under the Production Sharing Agreement.

On the other hand, revenues are registered only in relation to the currently estimated proved reserves stated in Table 4 (Reserve Quantity Information). Estimates of proved reserve quantities may change over time as new information becomes available. Consequently, the information provided here does not represent management's estimate of the Company and its subsidiaries' expected future cash flows or value of the proved reserves.

(1) Standardized Measure of Discounted Future Net Cash Flows

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	2010
Future cash inflows	¥ 360,713	¥ 257,718	¥ 776,530	$ 3,877
Future production costs	(130,521)	(127,055)	(193,027)	(1,403)
Future development costs	(88,957)	(68,566)	(97,195)	(956)
Future income tax expenses	(55,278)	(18,214)	(194,185)	(594)
Undiscounted future net cash flows	85,957	43,883	292,123	924
10% annual discount for estimated timing of cash flows	(34,813)	(17,177)	(117,591)	(374)
Standardized measure of discounted future net cash flows	¥ 51,144	¥ 26,706	¥ 174,532	$ 550

(2) Details of Changes for the Year

	Millions of Yen			Millions of U.S. Dollars
	2010	2009	2008	2010
Discounted future net cash flows at April 1	¥ 26,706	¥ 174,532	¥133,624	$ 287
Sales and transfer of oil and gas produced, net of production costs	(24,826)	(58,310)	(75,125)	(267)
Development costs incurred	7,936	13,352	16,375	85
Purchases of reserves	—	—	22,584	—
Net changes in prices, development and production costs	74,061	(187,112)	118,773	796
Extensions, discoveries and improved recovery, less related costs	4,086	(467)	3,607	44
Revisions of previous quantity estimates	(16,007)	(18,887)	(19,260)	(172)
Accretion of discount (10%)	3,675	29,215	21,352	40
Net changes in income taxes	(24,962)	95,293	(39,648)	(268)
Difference of foreign exchange rates	475	(20,910)	(7,750)	5
Discounted future net cash flows at March 31	¥ 51,144	¥ 26,706	¥174,532	$ 550

As of March 31, 2010

Company Name:
ITOCHU Corporation

Founded:
1858

Incorporated:
1949

Common Stock:
¥202,241 million

Tokyo Head Office:
5-1, Kita-Aoyama 2-chome,
Minato-ku, Tokyo 107-8077, Japan
Telephone: 81 (3) 3497-2121
Facsimile: 81 (3) 3497-4141

Osaka Head Office:
1-3, Kyutaromachi 4-chome,
Chuo-ku, Osaka 541-8577, Japan
Telephone: 81 (6) 6241-2121

Homepage:
http://www.itochu.co.jp/en/

(Investor Information)
http://www.itochu.co.jp/en/ir/

Offices:
Domestic: 15
Overseas: 136

Number of Employees:
Consolidated*: 62,379
Non-consolidated: 4,259
*The number of consolidated employees is based on actual working employees excluding temporary staff.

Transfer Agent of Common Stock:
The Chuo Mitsui Trust & Banking Co., Ltd.

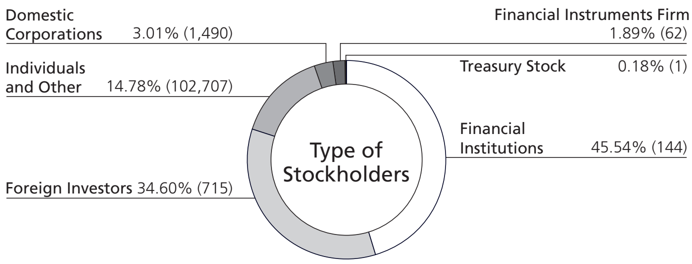
Stock Listings:
Tokyo, Osaka, Nagoya, Fukuoka, Sapporo

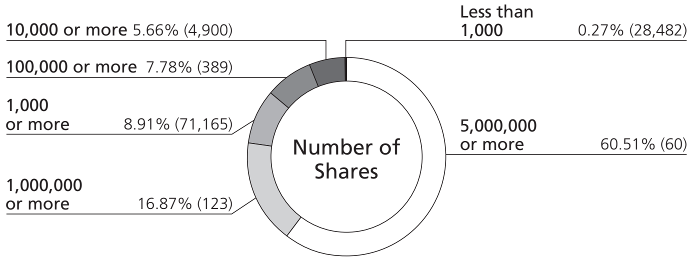
General Meeting of Stockholders:
June 25, 2010

Number of Common Stock Issued:
1,584,889,504

Number of Stockholders:
105,119

Breakdown of Stockholders:
% (Number of Stockholders)





Major Stockholders:

Stock holders	Number of stocks held (1,000 shares)	Stock holding ratio (%)
Japan Trustee Services Bank, Ltd. (trust account)	107,172	6.76
The Master Trust Bank of Japan, Ltd. (trust account)	88,943	5.61
Japan Trustee Services Bank, Ltd. (trust account 9)	43,826	2.77
Mitsui Sumitomo Insurance Co., Ltd.	41,150	2.60
Nippon Life Insurance Company	41,057	2.59
NIPPONKOA Insurance Co., Ltd.	37,748	2.38
Tokio Marine & Nichido Fire Insurance Co., Ltd.	37,144	2.34
Asahi Mutual Life Insurance Company	27,530	1.74
Mizuho Corporate Bank, Ltd.	20,703	1.31
Sumitomo Mitsui Banking Corporation	20,667	1.30

Forward-Looking Statements

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


Adding Value and Taking the Initiative

ITOCHU Corporation

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