ITOCHU Corporation

FINANCIAL INFORMATION REPORT 2023

For the Fiscal Year Ended March 31, 2023

Contents

Forward-Looking Statements

Data and projections contained in this Financial Information Report are based on the information available at the time of publication, and various factors may cause actual results to differ materially from those presented in such forward-looking statements. ITOCHU Corporation, therefore, wishes to caution that readers should not practice undue reliance on forward-looking statements, and further, that ITOCHU Corporation has no obligation to update any forward-looking statements as a result of new information, future events or other developments.

Summary

ITOCHU Corporation and its Subsidiaries

Fiscal years ended March 31	Millions of Yen 2023	2022	2021	2020	2019	2018	Millions of U.S. Dollars (Note 3) 2023
P/L (For the year):							
Revenues	**¥13,945,633**	¥12,293,348	¥10,362,628	¥10,982,968	¥11,600,485	¥5,510,059	**$104,438**
Gross trading profit	**2,129,903**	1,937,165	1,780,747	1,797,788	1,563,772	1,210,440	**15,951**
Net profit attributable to ITOCHU	**800,519**	820,269	401,433	501,322	500,523	400,333	**5,995**
Comprehensive income attributable to ITOCHU	**876,260**	1,086,431	655,259	279,832	464,785	390,022	**6,562**
Per share (Yen and U.S. Dollars):							
Basic earnings attributable to ITOCHU (Note 1)	**546.10**	552.86	269.83	335.58	324.07	257.94	**4.09**
Cash dividends	**140.0**	110.0	88.0	85.0	83.0	70.0	**1.05**
Shareholders' equity (Note 1)	**3,311.78**	2,857.50	2,232.84	2,010.33	1,930.47	1,722.06	**24.80**
B/S (At year-end):							
Total assets	**¥13,111,652**	¥12,153,658	¥11,178,432	¥10,919,598	¥10,098,703	¥8,663,937	**$ 98,193**
Current interest-bearing debt	**659,710**	522,448	710,213	684,406	650,909	526,867	**4,941**
Long-term interest-bearing debt	**2,346,928**	2,383,455	2,445,099	2,192,557	2,332,928	2,252,606	**17,576**
Interest-bearing debt	**3,006,638**	2,905,903	3,155,312	2,876,963	2,983,837	2,779,473	**22,517**
Net interest-bearing debt	**2,391,169**	2,283,003	2,601,358	2,256,882	2,406,756	2,320,418	**17,908**
Total shareholders' equity	**4,819,511**	4,199,325	3,316,281	2,995,951	2,936,908	2,669,483	**36,093**
Cash flows (For the year):							
Cash flows from operating activities	**¥ 938,058**	¥ 801,163	¥ 895,900	¥ 878,133	¥ 476,551	¥ 388,212	**$ 7,025**
Cash flows from investing activities	**(453,806)**	38,637	(207,296)	(248,766)	201,149	(256,350)	**(3,399)**
Cash flows from financing activities	**(500,081)**	(846,706)	(728,767)	(575,482)	(538,318)	(296,136)	**(3,745)**
Cash and cash equivalents at the end of the year	**606,002**	611,715	544,009	611,223	572,030	432,140	**4,538**
Ratios:							
ROA (%)	**6.3**	7.0	3.6	4.5	5.3	4.8	**—**
ROE (%)	**17.8**	21.8	12.7	17.0	17.9	15.8	**—**
Ratio of shareholders' equity to total assets (%)	**36.8**	34.6	29.7	27.4	29.1	30.8	**—**
Net debt-to-equity ratio (times)	**0.50**	0.54	0.78	0.75	0.82	0.87	**—**
Interest coverage (times) (Note 2)	**12.3**	23.6	13.2	8.7	8.3	9.3	**—**
Common stock information (For the year):							
Stock price (Yen and U.S. Dollars):							
Opening price	**¥ 4,143.0**	¥ 3,656.0	¥ 2,220.0	¥ 2,018.5	¥ 2,063.0	¥ 1,577.0	**$ 31.03**
High	**4,414.0**	4,249.0	3,653.0	2,695.5	2,302.5	2,254.0	**33.06**
Low	**3,478.0**	3,104.0	2,000.0	1,873.5	1,740.0	1,478.0	**26.05**
Closing price	**4,301.0**	4,144.0	3,587.0	2,242.5	2,002.5	2,066.5	**32.21**
Market capitalization (Yen and U.S. Dollars in billions)	**6,259**	6,090	5,328	3,342	3,046	3,203	**46.87**
Trading volume (yearly, million shares)	**775**	819	957	1,129	1,155	1,240	**—**
Number of shares of common stock issued (at year-end, 1,000 shares)	**1,584,889**	1,584,889	1,584,889	1,584,889	1,584,889	1,662,889	**—**
Exchange rates into U.S. currency							
(Federal Reserve Bank of New York):							
At year-end	**¥ 132.75**	¥ 121.44	¥ 110.61	¥ 107.53	¥ 110.68	¥ 106.20	**—**
Average for the year	**135.45**	112.33	106.09	108.72	110.88	110.80	**—**
Range:							
Low	**149.82**	123.25	110.61	112.00	114.19	114.25	**—**
High	**122.60**	107.94	102.70	102.52	105.99	104.83	**—**
Number of employees (At year-end, consolidated)	**110,698**	115,124	125,944	128,146	119,796	102,086	**—**

Notes: 1. Basic earnings attributable to ITOCHU and Shareholders' equity per share are calculated by using the number of shares outstanding for each year.
2. Interest coverage = (Gross trading profit + Selling, general and administrative expenses + Provision for doubtful accounts + Interest income + Dividends received) / Interest expense
3. Figures in yen for the fiscal year ended March 31, 2023, (FYE 2023 or the fiscal year), have been translated into U.S. dollars solely for the convenience of the reader at the rate of ¥133.53 = US$1, the exchange rate prevailing on March 31, 2023.

Management's Discussion and Analysis of Financial Condition and Results of Operations

All of the financial information provided herein is based on the Consolidated Financial Statements included in this annual report. These Consolidated Financial Statements have been prepared in conformity with International Financial Reporting Standards (IFRSs).

Figures in yen for the fiscal year ended March 31, 2023 (FYE 2023 or the fiscal year), have been translated into U.S. dollars solely for the convenience of the reader at the rate of ¥133.53 = US $1, the exchange rate prevailing on March 31, 2023.

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

Descriptions of the outlook for the fiscal year ending March 31, 2024 (FYE 2024), and later are forward-looking statements that are based on management's assumptions and beliefs, considering the information currently available at the end of FYE 2023. Thus, factors that could cause actual results to differ materially from such statements include, without limitation, the factors stated in the following Risk Information, other potential risks, and uncertain factors.

Management Policy for the Future

Outlook for FYE 2024

Regarding the business environment for the next fiscal year, there is a risk that the global economy may decelerate further, particularly in the U.S. and Europe, as the effects of monetary tightening by major central banks become more pronounced. In the Chinese economy, although domestic demand is expected to recover with the end of its zero-COVID-19 policy, the pace of recovery is expected to be slow due to sluggish exports. The Japanese economy is expected to recover despite sluggish exports, as rising wages, lower inflation, and continued monetary easing by the Bank of Japan bolster domestic demand, in addition to a further recovery in demand from inbound tourism. Looking at the U.S. dollar-yen exchange rate, the yen is forecast to appreciate in line with a downward trend in U.S. long-term interest rates. Crude oil prices are expected to remain firm around the US$80 per barrel price at the beginning of the fiscal year due to supply constraints by major oil-producing countries.

In addition to the high level of uncertainty surrounding the Russia-Ukraine situation, we will continue to closely monitor risks including that of a downturn in overseas economies due to tighter lending controls by banks in the U.S. and Europe.

Further Promoting Medium-Term Management Plan "Brand-new Deal 2023"

In FYE 2024, which is the final year of the Medium-Term Management Plan "Brand-new Deal 2023" (a three-year plan from FYE 2022 to FYE 2024), we will continue to address increasingly diverse market needs and contribute to achieving the SDGs, including effecting environmental improvements and maintaining people's quality of life through our businesses, by stepping up efforts concerning "realizing business transformation by shifting to a market-oriented perspective" and "enhancing our contribution to and engagement with SDGs through business activities."

We will proceed to powerfully strengthen and expand our business base capable of realizing sustainable growth through steady execution of growth-oriented investments and concerted application of hands-on management based on our non-financial position which consists of human capital strengths, etc., and our stable financial foundation.

Management Plan

Basic Policy

Realizing business transformation by shifting to a market-oriented perspective

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

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

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

Basic Policy

<Realizing business transformation by shifting to a market-oriented perspective>

To meet the explicit and implicit needs of diversified suppliers and buyers, and expand business growth through value chain reform from downstream to upstream, we will continue with our initiatives in the current medium-term management plan.

- Evolution of FamilyMart's business, the largest consumer base in the ITOCHU Group
- Transformation of the entire value chain, starting from downstream
- Expansion of profit opportunities through data utilization and DX

Beginning with FamilyMart, the ITOCHU Group's largest consumer base, we will further expand earnings through digitalization of FamilyMart by making the most of the Group's functions, building new revenue bases in media, finance, and other businesses by advancing customer engagement and utilizing data platforms while further enhancing the new consumer engagement and data platforms outside of FamilyMart.

<Enhancing our contribution to and engagement with SDGs through business activities>

We will contribute to achieving the SDGs with the view that this greatly changing business environment presents opportunities.

- Business expansion in accordance with a decarbonized society
- Leading development in the recycling business
- Sustained growth through strengthening the value chain

Shareholder Returns Policy and Distribution of the Current Fiscal Year’s Profit

Shareholder Returns Policy

ITOCHU continues the progressive dividend policy (consecutive increase in dividends) and commits to a payout ratio of 30%, in accordance with “Brand-new Deal 2023 New Dividend Policy” in FYE 2024, the final year of Medium-Term Management Plan. Meanwhile, we have set a dividend of ¥160 per share for FYE 2024, which renews the highest record.

In addition, we will actively and continuously execute share buybacks in consideration of market conditions and situation of cash allocation, aiming at total payout ratio of 33% or more.

Approach to Sustainability and Related Initiatives

ITOCHU Group's approach to sustainability and related initiatives are as follows.

The matters related to the future within sentences are based on ITOCHU Group’s assumptions as of the end of the fiscal year.

(1) Approach to Sustainability

Guided by our founding spirit and corporate mission of “Sampo-yoshi” (not only good for the seller and the buyer, but also for society), ITOCHU aims to contribute to the resolution of societal challenges by pursing not only our own profits, but also striving to meet the trust and expectations of our diverse stakeholders, including our shareholders, investors, business partners, and employees.

In April 2018, we adopted an environmental, social, and governance (ESG)-oriented management approach, identifying seven Material Issues (key sustainability issues) from two perspectives: societal impact and business impact. We believe that addressing these Material Issues in terms of both the associated risks and opportunities will serve to enhance our corporate value over the medium- to long-term. For more details, please refer to the Identification and Review Process for Material Issues section on page 15 of the ITOCHU ESG Report 2022.

We will work to contribute to the realization of a sustainable society by addressing these Material Issues through our core business from the following three perspectives while considering the current business environment in which we operate.

1) Sustainable Enhancement of Corporate Value

Over more than 160 years of history, ITOCHU Group has evolved by transforming its product mix and business domains with the times, viewing change as an opportunity and expanding its scope of influence from upstream raw materials to downstream retail sector. Therefore, we believe that constantly transcending the framework of our existing business to create new value will contribute to sustainable enhancement of the Group’s corporate value. We understand that it is important to provide new value in our products and services through a market-oriented approach that recognizes the needs of sellers, buyers, and society by leveraging our strength in consumer contacts in the consumer products field while also conducting our business activities with due consideration for the environment and human rights, including our supply chain.

2) Response to Climate Change

ITOCHU Group recognizes that climate change is one of the most pressing environmental challenges facing the world today, and as a global business, is committed to adapting to changes in the business environment due to climate change while viewing these changes as an opportunity for further growth. In addition, we enhance our corporate value through developing and implementing greenhouse gas (GHG) emission reduction targets and specific actions for 2030, 2040, and 2050.

3) Human Capital Management & Diversity

ITOCHU Group strives to recruit and develop human resources who can carry on the spirit of “Sampo-yoshi,” our corporate mission, and embody our corporate Guideline of Conduct, “I am One with Infinite Missions”. In order to achieve this, it is important to develop a human resource strategy and corporate environment that allows each and every employee to realize their full potential, regardless of race, gender, religion, nationality, age, or other attributes. We share case studies of our company’s work style reforms and human resource policies with our Group companies, such as our morning-focused work system and health management, and develop unique human resource strategies that best suit the business needs of our respective Group companies. In addition, the Group is working as one to enhance its corporate value by providing in-depth support for the challenges faced by each Group company, including recruitment, talent development, and labor management.

(2) Sustainability Initiatives

1) Governance

ITOCHU’s governance structure for sustainability (as of June 23, 2023) is shown below.

a) Supervisory Function: Board of Directors

ITOCHU Group recognizes that addressing sustainability challenges is one of its most important management priorities. The Board of Directors approves Group policies, strategies, and business initiatives related to sustainability, and also provides oversight on the appropriateness of sustainability-related information that is to be disclosed.

The Board of Directors oversees the appropriateness of Material Issues by reviewing important matters such as policies toward risks and opportunities and specific actions to address them, as well as key performance indicators and progress toward their achievement.

Regarding the implementation of business and investment strategies for sustainability-related risks and opportunities, including environmental and social risks (including the review of strategies and decisions on withdrawal from business), we use the ESG Checklist for Investments as a preliminary ESG risk assessment for all new investments, identify and analyze policies, structures and initiatives associated to sustainability-related risk. Those sustainability-related risks are verified at the Headquarters Management Committee (HMC), a committee where important matters are discussed. After implementation, investments are followed up from a multi-faceted perspective, including monitoring and reviewing operating companies to prevent sustainability-related risks, and conducting on-site inspections to prevent environmental pollution and other risks. The Chief Administrative Officer (CAO) reports regularly to the Board of Directors on the content of deliberations at the HMC and initiatives taken, and the Board of Directors supervises the Company’s efforts to address sustainability-related issues.

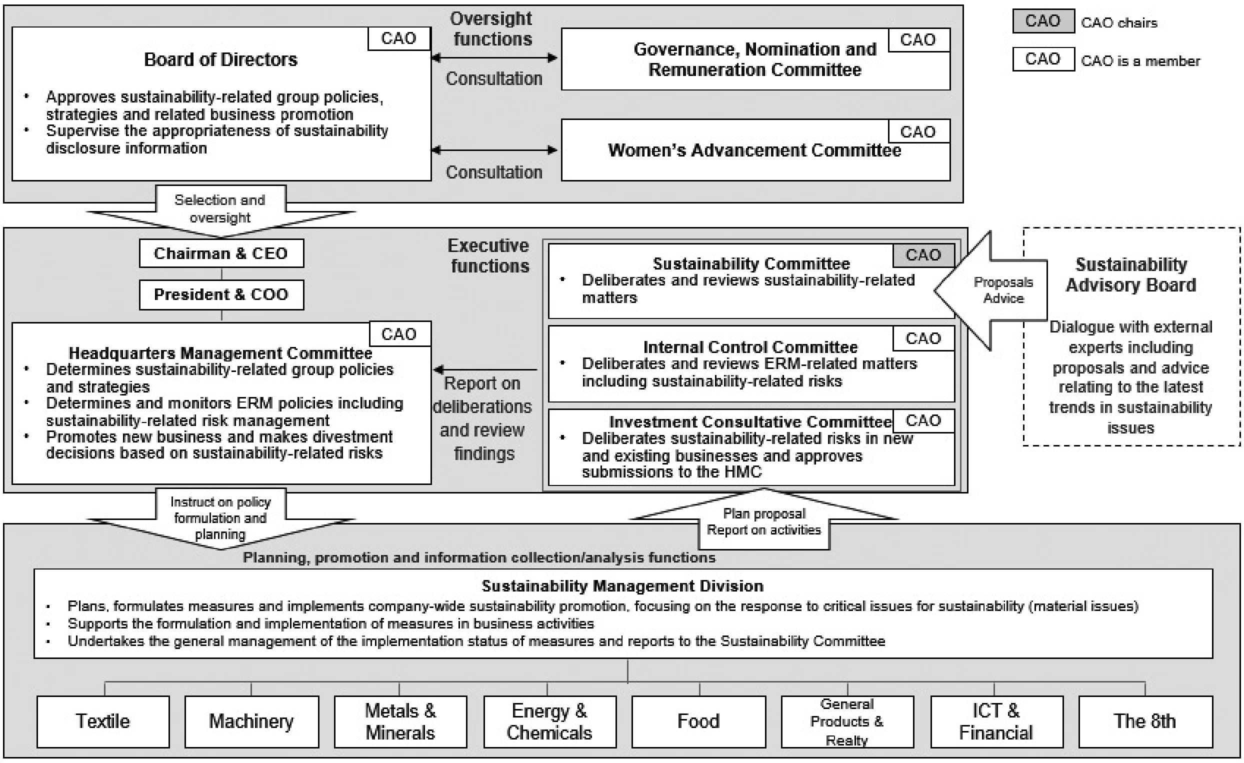
b) Supervisory Function: Skills and Competencies of the Board of Directors

ITOCHU's CAO possesses specialized knowledge and experience in the SDGs and ESG fields, and receives regular reports from the Sustainability Management Division, the organization responsible for planning and implementing a range of sustainability-related policies and measures, on approximately a twice-monthly basis. In addition, external experts are invited to annual Sustainability Advisory Board meetings and deliver lectures and discuss key issues with members, thus deepening our understanding of sustainability-related trends occurring in society, the expectations placed on the Company, and issues that the Company should address.

ITOCHU's CAO, who is also a representative director of the Company, is a member of the HMC, which is responsible for deliberating the Company's overarching management policies and other key management matters, and also serves as chairperson of the Sustainability Committee, making decisions on matters deliberated by the Sustainability Committee as the officer with overall responsibility for sustainability. Matters of particular importance receive final approval by the HMC following decision by the CAO. The CAO reports such decisions to the Board of Directors as appropriate, in addition to the status of major sustainability promotion initiatives, thereby ensuring competency in the oversight provided by the Board of Directors.

c) Executive Function: Sustainability Committee

The Sustainability Committee, which discusses the planning and implementation of the Company's various initiatives to address sustainability-related matters, works to set sustainability-related goals, tracks their progress, and identifies, evaluates, and manages current sustainability-related risks and opportunities. The Board of Directors is responsible for overseeing the implementation of business and investment strategies to address sustainability-related risks and opportunities (including the review of strategies and decisions on withdrawal from business). In addition, the management of each operating segment and administrative department have been designated as ESG Officers on the executive side. ESG Officers are responsible for overseeing the progress of various sustainability-related measures and initiatives, and reporting this progress to the Sustainability Committee.



Sustainability-Related Deliberations and Reporting in FYE 2023

Sustainability-related Meetings/Committees	Number of times held	Main items for approval/deliberation/reporting
Board of Directors	3	・Reporting contents of deliberations by the Sustainability Committee and decisions by the CAO ・Reports on social contribution initiatives
Sustainability Committee	3	Items for Approval ・Establishment and revision of sustainability-related policies ・Revision of ESG Checklist for Investments ・Disclosure of sustainability-related information in Annual Securities Report Matters to be Reported ・Response to climate change ・Sustainability Action Plan reviews ・Human rights due diligence, sustainability survey review ・ISO 14001 environmental management review ・ESG ratings ・Results of environmental and social risk monitoring/reviews ・Confirmation of Material Issues ・TNFD (Taskforce on Nature-related Financial Disclosures) disclosure preparations

2) Strategy

ITOCHU Group has established the ITOCHU Group Sustainability Policy based on its corporate mission and changes in the external environment, and works to promote initiatives that contribute to sustainability in a structured and systematic manner. Specifically, we incorporate the Group's Material Issues into Sustainability Action Plans, and we aim to help resolve key sustainability challenges through trading and business investments that we are working to implement based on the policies set out in our medium-term management plan.

We review and disclose our Sustainability Action Plans on an annual basis, including key challenges to be addressed, target business areas, specific approaches, key performance indicators, and the status of progress toward them.

a) The ITOCHU Group Sustainability Policy

The ITOCHU Group Sustainability Policy is as follows:

The ITOCHU Group Sustainability Policy

ITOCHU Group, conducting business globally under the spirit of "Sampo-yoshi," the founding spirit and our Corporate Mission, considers that addressing global environmental and social issues is one of the top priorities in our management policy. We have formulated this policy based on The ITOCHU Group Corporate Guideline of Conduct, "I am One with Infinite Missions," and The ITOCHU Group Code of Ethical Conduct for the realization of sustainable society.

1. Identification of Material Issues and Promotion of Businesses that Address the Social Issues
   As a member of the international community, we will identify and assess material issues where we can create the most social and environmental value for that can enhance the sustainable growth of both society and our business.

2. Establishment of Mutual Trust with Society
   We will take necessary measures to ensure that we disclose accurate and clear information and expand the information we disclose, and maintain a communicative relationship with our stakeholders. In doing so, we aim to be receptive and responsive to the expectations and demands of society.

3. Strengthening Sustainable Supply Chain and Business Investment Management
   We will promote sustainable business activities by preventing and continuing to give consideration to problems for the conservation of the global environment, climate change mitigation and adaption, pollution control, resource recycling, protection of biodiversity and ecosystems, and basic human and labor rights.
   We will endeavor to effectively use resources (such as air, water, land, food, minerals, fossil fuels, animals and plants), respect human rights and consider occupational health and safety in the businesses where we invest and in the supply chains of the products we handle.
   We request our business partners to understand and implement the concept of sustainability in the ITOCHU Group, and aim to build a sustainable value chain.
   We will respect the legal systems of each country and international norms. We will strive to understand the cultures, traditions and customs of countries and regions around the world. We will then engage in fair and sincere corporate activities.

4. Education and Awareness of Employees to Promote Sustainability
   We believe that the promotion of sustainability starts with each and every employee. Therefore, we will take necessary measures to educate our employees on the material issues we have identified and nurture a sustainability mindset among the workforce. Every employee is expected to adhere to this policy by executing respective action plans drafted in alignment to this policy.

Fumihiko Kobayashi
Member of the Board
Executive Vice President
Chief Administrative Officer

b) Strategy for Each Material Issue

ITOCHU classifies related risks and opportunities for each Material Issue based on third-party input and other factors and the Sustainability Committee deliberates on and reviews these risks and opportunities as necessary.

Regarding the specific initiatives taken in relation to Material Issues, each operating segment or administraive organization identifies the risks and opportunities associated with their respective fields, establishes a Sustainability Action Plan aimed at achieving medium- to long-term goals, conducts progress reviews based on the key performance indicators set, reports this progress to the Sustainability Committee, and implements the PDCA cycle to ensure that progress toward Material Issues continues.

For details, refer to the Sustainability Action Plan section of the ITOCHU ESG Report 2023, scheduled to be published in September 2023.

Risks and Opportunities of Each Material Issue

Material Issues	Risks	Opportunities
Evolve Businesses through Technological Innovation	•Obsolescence of existing business models resulting from the emergence of new technologies, such as IoT and AI. •Labor shortage in developed countries, loss of excellent human resources in businesses in which efficiency improvement is delayed.	•Creation of new markets and provision of innovative services. •Utilizing new technologies for optimizing human resources and logistics, increasing competitiveness by promoting work style reform.
Address Climate Change (Contribute to a Decarbonized Society)	Transition Risk •Reduction in demand for fossil fuels due to business restrictions on GHG emissions. Physical Risk •Damage to business due to the increase in abnormal weather (e.g., droughts, flooding, typhoons and hurricanes).	•Increase in renewable energy and other business opportunities which will contribute to alleviating climate change. •Retention and acquisition of customers by strengthening supply structures that can adapt to abnormal weather.
Develop a Rewarding Work Environment	•Decline in labor productivity, loss of excellent human resources, missed business opportunities, increase in health-related expenses, and other events that would result from failure to take appropriate measures.	•Improvement of labor productivity, health and motivation, securing of excellent human resources, enhanced capability of responding to changes and business opportunities, and other events that will result from providing a motivating workplace environment.
Respect and Consider Human Rights	•Business delay or business continuity risk resulting from the occurrence of a human rights problem in business activities that expands (geographically). •Decline in credibility that may result from defects in the social infrastructure services we provide.	•Stabilization of business or securing of excellent human resources resulting from harmonious coexistence with local communities. •Establishment of safe, stable supply system for product enabled by the consideration of human rights and improvement of work environment in the supply chain.
Contribute to Healthier and More Affluent Lifestyles	•Decline in credibility that would result from the occurrence of consumers and service users' safety or health issues. •Impact on business of destabilization of the market or social security system based on policy change.	•Increase in demand for food safety, security and health improvement. •Expansion of information, financial and logistics services resulting from an increase in consumer spending or penetration of the internet.
Ensure Stable Procurement and Supply	•Impact of opposition movement resulting from the occurrence of an environmental problem and worsening relationship with local communities. •Structural exhaustion of the overall industry caused by the occurrence of price competition, mainly in the consumer-related sector.	•Increase in resource demand attributed to an increase in population and improvement of living standard in emerging countries. •Winning customer trust or creating new businesses with a stable supply of environmentally friendly resources and materials.
Maintain Rigorous Governance Structures	•Occurrence of business continuity risk or unexpected loss resulting from the malfunction of corporate governance or internal control.	•Improvement of transparency in decision-making, appropriate response to changes and establishment of a stable basis of growth enabled by the establishment of a firm governance system.

c) Specific Approach

In FYE 2022, ITOCHU Group set a basic policy of “Enhancing our contribution to and engagement with the SDGs through business activities” as a growth strategy in “Brand-new Deal 2023”, its three-year medium-term management plan spanning FYE 2022 to 2024, in consideration of sustainability-related issues surrounding the Company. In accordance with this resolution by the Board of Directors, the Sustainability Committee deliberates and reviews the progress toward the specific measures and targets for each Material Issue, with respective operating segments implementing these measures on an ongoing basis. In addition, the Group has clearly defined its human resource strategy as one of its key management strategies, and the Group is working to implement related measures across the entire organization.

Specific response approaches are outlined below.

	Operating Segment	Specific Approaches
Sustainable Enhancement of Corporate Value (Note 1)	Textile	Strategic Alliances and Investments for Accelerating a Circular Economy
	Food	Rooibos Tea Products and Supply Chains
	General Products & Realty	Strengthening of relations with Metsä Fibre Oy
	ICT & Financial Business	Singapore-based Docquity Holdings Pte. Ltd. becomes an Equity-method Associated Company
	The 8th	Growth of the Advertising and Media Business
		Start of the Famimacy Convenience Store Prescription Pickup Service
	Others	More Contents from the ITOCHU SDGs Studio
Response to Climate Change (Note 1)	Machinery	Enhancing Renewable Energy Business in North America
	Metals & Minerals	Investment in interest of Canada’s Largest Iron Ore and Production of Valuable High-grade Iron Ore
	Energy & Chemicals	Start in full swing of Solar Power Off-site Corporate PPA Business
		Growth of the Sustainable Aviation Fuel Business
Human Capital Management & Diversity (Note 2)	All Segments	Recruiting Outstanding Human Resources
		Evolving Work Styles
		Enhancing Health
		Supporting Employee-Led Career Development
		Providing Evaluation and Compensation Commensurate with Results
		Increasing Awareness of Participation in Management, in order to increase our corporate value through greater labor productivity

Notes: 1. Refer to Management’s Discussion and Analysis of Financial Condition and Results of Operations, Overview.

2. Refer to Management’s Discussion and Analysis of Financial Condition and Results of Operations, Human Capital Management and Diversity.

3) Risk Management

a) Identification of Sustainability-related Risks and Opportunities

As a corporate group with global operations, ITOCHU Group constantly monitors the risks to its business arising from changes in society and the business environment, including environmental and societal measures and legislation in respective countries. The Division Company Management Committee (DMC), which serves as an advisory body to the Division Company President of each operating segment, who hold responsibility for overseeing the management and business activities of their respective companies, annually reviews business risks and opportunities, including those related to environmental, social and other sustainability-related issues, and formulates the plan that sets out a range of measures and business priorities. The plan for each operating segment is submitted to the HMC and to the Board of Directors, which serves as the Group’s supervisory body, and is approved by the Board of Directors following a final comprehensive analysis and deliberation from a sustainability perspective.

b) Evaluation of Sustainability-related Risks and Opportunities

ITOCHU Group recognizes that risk management is an important management priority. Accordingly, we have established a basic policy for risk management at the Group with reference to the COSO-ERM framework, and developed the required risk management systems and methodologies. We identify risks by gathering information on a regular basis regarding regulatory and other trends related to sustainability, including climate change, supply chain issues, and human rights, as well as sustainability-related risks and opportunities impacting our business operations throughout the world.

c) Management of Sustainability-related Risks and Opportunities

ITOCHU Group delegates authority to its operating segments in order to enable swift decision-making and to manage sustainability-related risks and opportunities associated with their business operations. At each operating segment’s DMC, management policies as well as investments, loans, guarantees, and businesses and other matters affecting Company’s management are deliberated, with final decisions made by the Division Company President. These decisions are managed, as appropriate to the circumstances at each stage of the business.

d) Integration into Company-wide Risk Management System

ITOCHU Group has established a variety of internal committees and responsible divisions to address various risks and opportunities including sustainability-related risks and opportunities. We have also established the required risk management systems and methods, including various management regulations, investment criteria, risk and transaction limits, and reporting and monitoring systems, in order to manage risks and opportunities on both an individual and company-wide basis.

Risks and opportunities managed by each operating segment are reported to the respective internal committees, and after deliberation by the respective committees, are approved by the HMC or the Board of Directors as necessary in accordance with their level of importance. The effectiveness of the Group’s management systems is reviewed annually by the Internal Control Committee and reported to the Board of Directors.

For more details, refer to the Risk Management section on page 179 of the ITOCHU ESG Report 2022.

4) Metrics and Targets

For more details regarding the issues to be addressed, approaches, key performance indicators, and progress of the Sustainability Action Plans, refer to the Sustainability Action Plan section in the ITOCHU ESG Report 2023, scheduled to be published in September 2023.

(3) Response to Climate Change

ITOCHU recognizes the importance of climate-related financial disclosure, and in May 2019, we announced our endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Thereafter, we have endeavored to disclose information in accordance with the TCFD recommendations.

For more details, refer to the Climate Change (Information Disclosure Based on TCFD Recommendations) section on page 37 of the ITOCHU ESG Report 2022.

1) Governance

Important matters such as policies for addressing climate change-related risks and opportunities, targets for GHG emission reductions and related initiatives, and annual budgets and business plans that take climate change risks and opportunities into account are managed and overseen in an integrated manner as part of our aforementioned overall sustainability governance, as one of the risks and opportunities related to sustainability.

2) Strategy

Our business is subject to climate change transition risks and physical risks spanning a range of time frames, including the short, medium, and long term. Accordingly, we identify, evaluate, and manage risks and opportunities that could have a significant financial impact on our business, strategy, value chain, and other matters as part of the implementation process for each business project and as part of the process for managing environmental and social risks, including climate change.

a) Risks and Opportunities Related to Climate Change

Climate-Related Risks and Opportunities		Impact of Climate-related Risks and Opportunities on the Organization's Business, Strategy, and Financial Planning	Impact Timeline (Note)	Impacted Value Chains	Examples of Affected Businesses/Industries
Transition Risks and Opportunities	Policy and Legal Systems	•If countries around the world take a more aggressive approach in their GHG emissions reduction targets and subsequently strengthen laws and regulations regarding corporate emissions, fossil fuel demand may see a sharp decrease. •Increased operating costs due to carbon pricing (e.g. carbon tax, etc.) or business regulations.	Medium-term, Long-term	Upstream, ITOCHU Group	Power generation business/operations, Fossil fuel business, Iron ore business, Automobile business, Chemical products business
	Technical Innovation	Business opportunities that contribute to combatting and adapting to climate change are expected to increase (e.g. renewable energy, energy storage systems, low-carbon fuels, low-carbon steel raw materials).	Short-term, Medium-term, Long-term	ITOCHU Group	Renewable energy/Energy storage system businesses, Low-carbon fuel business, New materials business, Iron ore business
	Changes in Market Conditions	Demand for certain products and services may increase/decrease due to market risks related to public policy, laws and regulations, or technological advancements (e.g. clean technology, etc.).	Short-term, Medium-term, Long-term	Upstream, ITOCHU Group	Fossil fuel business, Chemical products business, Automobile business, Renewable energy/Energy storage systems businesses, New materials business, CCUS/Emissions credit-related businesses
Physical Risks and Opportunities	Acute Physical Risks and Opportunities	Operations may be impacted or damaged by increased occurrences of abnormal weather patterns (e.g. droughts, floods, typhoons, hurricanes, etc.).	Short-term, Medium-term, Long-term	Upstream, ITOCHU Group, Downstream	Food business, Forestry-related businesses, Mining business
		We may be able to strengthen customer retention and/or attraction by strengthening our supply chain resilience to extreme weather patterns and promoting stable supply as a value proposition.	Short-term, Medium-term, Long-term	Upstream, ITOCHU Group, Downstream	Food business, Forestry-related businesses
	Chronic Physical Risks and Opportunities	The quantity of agricultural and forestry-related harvests and products manufactured using these yields, may be impacted by climate-related changes such as increasing temperatures and likelihood of droughts.	Medium-term, Long-term	Upstream, ITOCHU Group, Downstream	Food business, Forestry-related businesses

Note: Short-term: less than 1 year, Medium-term: up to 3 years, Long-term: 4 or more years

b) Scenario Analysis

ITOCHU conducted a study to identify all business sectors significantly affected by changes in the business environment related to climate change mitigation, and classified the Power Generation, Energy, Coal, Iron Ore, Chemical Products, and Automobile businesses as those most affected by transition risks such as policy and legal risks, and the Dole, Pulp, and Feed & Grain businesses as those most affected by the physical risks associated with climate change.

When selecting the business sectors that are significantly affected by changes in the business environment related to climate change mitigation, we referred to the four non-financial sectors designated by the TCFD as potentially significantly affected by climate change (energy, transportation, materials and buildings, and agriculture, food and wood products), and the businesses selected were included in these sectors.

c) Impact on Existing Strategies and Transition Plans for Affected Businesses

During scenario analysis, we identified the risks that could have a significant negative financial impact if climate change countermeasures such as shifting current business strategies and regions are not taken, and have already begun to formulate specific business transition plans and financial plans (including portfolio restructuring) under the basic policy of our medium-term management plan “Brand-new Deal 2023”, “Enhancing our contribution to and engagement with the SDGs through business activities”.

3) Risk Management

We conduct integrated management of climate change risk as one of our sustainability-related risks and opportunity areas, as previously described in the overall sustainability risk management section. In addition, climate change risk management is incorporated into the evaluation methods for each phase of business as follows.

Evaluation Methods for Each Business Phase

Business Phase	Evaluation Method
Business start	Environmental risk assessments for new investment project (approx. 80 per year)
Business management	•Environmental risk assessments for handled products (overall supply chain evaluation) •Group company environmental status survey (2, 3 companies per year) •Supply chain sustainability surveys (ITOCHU and consolidated subsidiaries) •Internal environmental audits based on ISO14001 (ITOCHU, 3 applicable Group companies) (once per year)
Review business strategy	Consider business strategy, portfolio restructuring

If risks or opportunities are identified during the evaluation methods at each phase of business level, the impact of the risks and opportunities on the business is also assessed. This includes quantitative assessments such as scenario analysis and stress testing, as well as qualitative assessments such as compliance with investment policy and with GHG emissions reduction targets. Quantitative information on non-climate change-related risks and opportunities is added to the quantitative information on climate change-related risks and opportunities in order to analyze the contribution of climate change to revenue.

4) Metrics and Targets

ITOCHU Group has established the following metrics and targets for GHG emissions, electricity consumption, and clean-tech business as part of its efforts to address climate change-related risks and opportunities. In setting these metrics and targets, we refer to materials such as the Japanese Government Target and the International Energy Agency (IEA), which are highly recognized internationally and can cover a wide range of business domains.

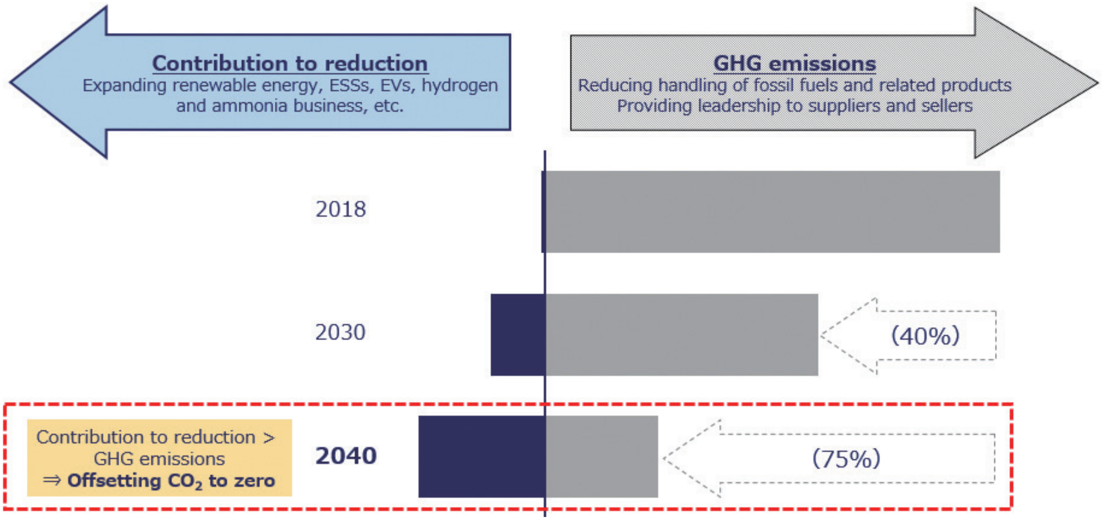
<GHG Emission Reduction and Offset Targets>

Metrics (aggregation range):

Scope 1/2/3 (ITOCHU and consolidated subsidiaries), fossil fuel business and interests (ITOCHU, consolidated subsidiaries, associates, and general investments)

Targets:

- Achieve net zero GHG emissions by 2050.
- Achieve 75% reduction from 2018 levels by 2040, aim for “offset zero” (Note) through aggressive promotion of businesses that contribute to GHG emission reductions.
  (Note)Offset zero:When reduction contributions exceed company GHG emissions
- Achieve 40% reduction from 2018 levels by 2030.



5) GHG Emissions Data

(Unit: 1,000 t-CO2e)

	Year ended March 31, 2022
Scope 1	1,485
Scope 2	716

- Figures above shown in thousands of t-CO2e are rounded to the nearest thousand t-CO2e.
- Scope 1 and Scope 2 emissions for the fiscal year ended March 31, 2022 are taken from ITOCHU ESG Report 2022, and these figures have been independently verified. For details on the scope of aggregation, calculation method, and third-party verification, refer to the notes under “Scope of Aggregation” and “Climate Change Performance Data” in the ESG Data (Environment) section on page 83 of ITOCHU ESG Report 2022, as well as the Independent Assurance Report.
- For Scope 1 and Scope 2 emissions in the fiscal year ended March 31, 2023, refer to the ITOCHU ESG Report 2023, scheduled to be issued in September 2023.

(4) Human Capital Management and Diversity

In order to ensure the steady implementation of human capital management, ITOCHU Group strives to “Develop a Rewarding Work Environment” that allows each and every employee to perform to their maximum potential. We are also striving to steadily implement our human resources strategy, which consists of (1)Recruiting Outstanding Human Resources, (2)Evolving Work Styles, (3)Enhancing Health, (4)Supporting Employee-Led Career Development, (5)Providing Evaluation and Compensation Commensurate with Results, and (6)Increasing Awareness of Participation in Management, in order to increase our corporate value through greater labor productivity.

1) Governance

In order to realize ITOCHU Group’s corporate mission of “Sampo-yoshi,” we have positioned our human resource strategy as one of our key management strategies. In addition, key human resources policies that have a major impact on management policy as well as other related matters are proposed by the Human Resources & General Affairs Division and reviewed by the CAO, Chief Strategy Officer (CSO), and the Corporate Planning & Administration Division before being approved by the HMC, which is responsible for deliberating overall management policy and important matters related to management. Decisions that are implemented are regularly reported by the CAO to the Board of Directors, which provides oversight. In order to strengthen corporate governance, the Group dispatches appropriate personnel to respective Group companies. In addition, to accelerate the priority task of supporting women’s advancement against the backdrop of increasing societal expectations for diversification of human resources in accordance with the revised Japan’s Corporate Governance Code and other developments, we established the Women's Advancement Committee, a voluntary advisory committee of the Board of Directors, in October 2021, with the Board holding responsibility for overseeing key initiatives in this area. This committee is chaired by an outside director, and more than half its members are outside officers. Going forward, we will continue a cycle of (1) Discussions with the frontline worksites, (2) Discussions at the Women’s Advancement Committee, and (3) Reporting to the Board of Directors, based on an understanding of the situation at frontline worksites and individual circumstances, and work to translate these discussions into effective measures. By systematically recruiting and training female talent, we will increase the number of candidates for managerial positions, one of our key policies. We will also strive to promote women's advancement across the Group through personnel exchanges with other Group companies.

2) Strategy

ITOCHU Group’s policies for talent development and the internal environment development are outlined below.

<Human Resources Development Policy>

ITOCHU Group works together as one to provide each employees with opportunities to pursue spontaneous learning and take on new challenges to gain robust business experience. By doing so, we push ahead with human resource development and provide career building assistance in a way that is aligned with the diverse skills and aptitudes our employees possess. In addition, Human resource development expenses were, in FYE 2000, repositioned by the Company as investment in human capital essential to supporting sustainable improvement in corporate value. Therefore, we regularly review these expenses on a Company-wide basis and direct investment to achieve the best possible outcomes in terms of human resource development. Through these Group-wide initiatives, we develop Merchants capable of fulfilling “Infinite Missions” and adapting to changes in the social environment and customer needs, with the aim of realizing “Sampo-yoshi,” the ITOCHU Group’s corporate mission.

<Company Environment Improvement Policy>

ITOCHU believes improving employee health is a cornerstone for supporting the enhancement of its human resource capabilities which will, in turn, enable the fulfillment of its Guideline of Conduct, “I Am One with Infinite Missions”. Based on this concept, the Company has established the ITOCHU Health Charter. Moreover, we have developed a robust health and safety management structure aimed at, for example, helping employees who strive to balance cancer care and work. In addition, our industrial physicians support our Group companies such as by providing information on occupational health and safety. With the health of each of our employees as our top priority, our entire group will strive to realize a workplace aim to realize a working environment where our employees can work with peace of mind in the future.

3) Risk Management

ITOCHU is committed to developing a platform that enables each and every employee, who are the driving force behind the Company’s value creation, to reach their maximum potential. As part of these efforts, we delegate authority to operating segments in order to enable swift decision-making and to manage human resource-related risks and opportunities associated with their business operations. Based on human resource strategies that is aligned with management strategies, the Division Company President of each operating segment work to secure and assign the right talent for their specific needs. In addition, we conduct regular employee engagement surveys and report the results to each operating segment in order to establish a structure for monitoring the job satisfaction of our employees. We also strive to provide detailed support to Group companies to help them identify and address labor management and human resource risks and challenges through each operating segment.

4) Metrics and Targets

a) Talent Development

Metrics	Results	Scopes
Total investment in talent development	1.63 billion yen	ITOCHU
Investment in talent development per employee	396,000 yen	ITOCHU
Number of employees receiving training (cumulative)	48,044	ITOCHU
Number of employees visiting site of Company’s foundation to gain a deeper understanding of “Sampo-yoshi” corporate mission (cumulative total) (Note)	3,027	ITOCHU Group

Note: Cumulative number of employees visiting to site of company's foundation since FYE 2005.

b) Developing the Internal Environment

Metrics	Results	Scopes
Percentage of employees eligible taking special cancer screening	93.1%	ITOCHU
Number of work-related injuries:	3	ITOCHU
Number of work-related fatalities	0	ITOCHU
Response rate for Group Compliance Awareness Survey (Note)	99.4%	ITOCHU Group

Note: Scope of survey includes 53,163 employees of consolidated subsidiaries and their operating companies in Japan and overseas, excluding listed subsidiaries that conduct their own surveys.

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. To respond to these risks, ITOCHU Group establishes necessary risk managing system / method, monitors and controls such risks. However, there is no assurance that it can completely avoid such risks.

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

With respect to descriptions about future events, ITOCHU appropriately has determined its assumptions and estimates based on information currently available as of March 31, 2023.

(1) Risks Associated with Macroeconomic Factors and Business Model

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

Furthermore, global economic trends including specific regional trends, changes in industrial structures due to rapid technological innovation in recent years, increasing competition from companies in newly developing countries due to globalization, and changes in the business environment due to deregulation and entrants from other industries could significantly affect the existing business model and the competitiveness, financial position and results of operations of ITOCHU Group.

(2) Market Risk

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

a) Foreign Exchange Rate Risk

ITOCHU Group is exposed to foreign exchange rate risk related to transactions in foreign currencies due to its significant involvement in import / export trading. Therefore, ITOCHU Group works to minimize foreign exchange rate risk through hedge transactions that utilize derivatives, such as foreign exchange forward contacts, however, cannot completely avoid such risk.

Further, ITOCHU's investments in overseas businesses expose ITOCHU Group to the risk that fluctuations in foreign exchange rates could affect shareholders' equity through the accounting for foreign currency translation adjustments and the risk that fluctuations in foreign exchange rates could affect the amount of periodic income when converted to yen. These foreign exchange rate risks could significantly affect the financial position and results of operations of ITOCHU Group.

For more details, please refer to "Foreign exchange rate risk management" in "Notes to Consolidated Financial Statements 25. Financial Instruments."

b) Interest Rate Risk

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

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

As ITOCHU Group hold financial instruments in reference to USD Libor, the Group may be impacted by interest rate benchmark reform associated with the permanent discontinuation of USD Libor. However, negotiations with financial institutions toward the transition to an alternative interest rate benchmark were mostly completed by the end of the fiscal year ended March 31, 2023.

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

c) Commodity Price Risk

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

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

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

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

For more details, please refer to "Commodity price risk management" in "Notes to Consolidated Financial Statements 25. Financial Instruments."

d) Stock Price Risk

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

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

For more details, please refer to "Stock price risk management" in "Notes to Consolidated Financial Statements 25. Financial Instruments."

(3) Investment Risk

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

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

(4) Risks Associated with Impairment Loss on Fixed Assets

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

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

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

(5) Credit Risk

Through trade receivables, loans, guarantees, and other formats, ITOCHU Group grants credit to its trading partners, both domestically and overseas. The Group, therefore, bears the credit risk in relation to such receivables becoming uncollectible due to the deteriorating credit status or insolvency of the Group's partners, and in relation to assuming responsibilities to fulfill contracts where an involved party is unable to continue its business and therefore cannot fulfill its obligations under the contracts. Therefore, when granting credit, ITOCHU Group works to reduce risk by conducting risk management through the establishment of credit limits and the acquisition of collateral or guarantees as needed. At the same time, the Group establishes an allowance for doubtful accounts by estimating expected credit losses based on the creditworthiness, the status of collection, and the status of receivables in arrears of business partners.

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

For more details, please refer to "Credit risk management" in "Notes to Consolidated Financial Statements 25. Financial Instruments."

(6) Country Risk

ITOCHU Group conducts transactions and business activities in various countries and regions overseas. The Group is exposed to country risk, including unforeseen situations arising from the political, economic and social conditions of these countries and regions and national expropriation or remittance suspension due to changes in various laws and regulations.

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

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

With regards to the impact from the Russia-Ukraine situation, ITOCHU Group has exposure including resource-related investments in Russia, the ratio of them to our total assets is less than 1% as of March 31, 2023. As a result of appropriate accounting treatment reflecting the most recent situation for our Russia-Ukraine-related assets in this fiscal year, we do not expect a material impact on our financial position and operating results.

(7) Risks Associated with Fund-raising

ITOCHU Group procures the necessary funding for its businesses through debt from domestic and international financial institutions, as well as the issuance of commercial papers and debentures. However, should ITOCHU's credit worthiness in the capital market deteriorate due to a significant lowering of the Company's credit rating, or should there be an upheaval in the financial systems in major financial markets, there are risks that the Group may experience an inability to raise funds from financial institutions or investors when necessary or under desirable conditions and may consequently experience an increase in funding costs. Therefore, while securing adequate liquidity by utilizing cash deposits and commitment line, the Group has taken steps to diversify its sources of funds and methods of fundraising, however, cannot completely avoid such risks. The actualization of such risks could significantly affect the financial position and results of operations of ITOCHU Group.

For more details, please refer to "Liquidity risk management" in "Notes to Consolidated Financial Statements 25. Financial Instruments."

(8) Risks Associated with Taxes

ITOCHU Group has established the Group tax policy, whose basic principles are to conduct our tax affairs in a sincere manner in accordance with the provisions, significance, and legislative intent of the taxation system, not to engage in transactions designed to avoid taxation, and to pay appropriate taxes based on income earned through our business activities. In addition, to ensure appropriate and fair taxation, we strive to ensure tax transparency throughout the Group through timely and appropriate information disclosure, build relationships of trust through sincere responses to tax authorities in each country and region, and maintain fair relationships through constructive dialogues. Through these measures, we are addressing risks such as damage to corporate value due to increased tax expenses resulting from differences in views with tax authorities.

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

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

(9) Risks Associated with Significant Lawsuits

Currently, there is no significant pending lawsuit, arbitration, or other legal proceeding that may significantly affect the financial position and results of the operations of ITOCHU Group.

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

(10) Risks Associated with Laws and Regulations

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

To be specific, ITOCHU Group is required to adhere to laws and regulations such as the laws for each industry, including companies act, financial instruments and exchange laws, and tax laws, as well as all laws pertaining to trade such as foreign exchange control laws, antitrust laws, intellectual property laws, environmental-related laws, anti-bribery-related laws and the laws of each country in which ITOCHU Group conducts business overseas. ITOCHU Group has made every effort to observe these laws and regulations by reinforcing the compliance system, being aware that the observance of laws and regulations is a serious obligation of the Group. However, even with all these measures, there is a possibility of the situation where, including personal misconduct by directors and employees, risks associated with compliance or suffering social disgrace cannot be avoided.

Also, the possibility of unexpected, additional enactment or changes in laws and regulations by both domestic / foreign legislative, judicial and regulatory bodies, and the possibility of major changes in laws and regulations by political / economical changes cannot be ruled out. Such occurrences could significantly affect the financial position and results of operations of ITOCHU Group.

(11) Risks Associated with Human Resources

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

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

(12) Risks Associated with the Environment and Society

ITOCHU Group positions the resolution of global issues related to the environment and society as one of the most important management issues. Accordingly, we have formulated a basic policy on sustainability and identified material sustainability issues. The Group takes an active approach to managing risks. These efforts include establishing an environmental policy and building an environmental management system (ISO 14001) to minimize environmental risk, such as the risk of infringement of laws and regulations in the handling of goods, the provision of services and business investment; conducting extensive sustainability studies of supply chains; identifying and evaluating the effects of businesses on human rights; and building human rights due diligence processes; and evaluating proposed new business investments in relation to environmental, social, and governance (ESG) factors. Specific actions include establishment of the Sustainability Committee, the formulation and revision of policies related to sustainability, and annual reviews of Companywide activities as well as the promotion of environmental and social management activities in individual departments.

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

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

(13) Risks Associated with Natural Disasters

In the countries and regions in which ITOCHU Group conducts business activities, natural disasters, such as earthquakes, or the outbreak of infectious diseases may adversely affect its business activities. ITOCHU has implemented measures such as developing Business Continuity Plans (BCPs) for large-scale disasters and the outbreak of infectious disease including COVID-19, introducing a safety confirmation system, and conducting emergency drills. Also, various measures have been implemented individually in each Group company.

However, ITOCHU Group conducts business activities across a wide range of regions and it cannot completely avoid being impacted for damages arising from natural disasters or the outbreak of infectious diseases. Therefore, such occurrences could significantly affect the financial position and results of operations of ITOCHU Group.

(14) Risks Associated with Information Systems and Information Security

In ITOCHU Group, a code of conduct concerning the handling of information is enforced on all directors and employees and high priority is placed on maintaining a high information security level. ITOCHU Group continues to work on thorough crisis management response by developing a company-wide information strategy for digitalization and data utilization; taking measures to build and operate information systems that promote information sharing and operational efficiency; establishing and monitoring the compliance with security guidelines that take cybersecurity risks into consideration by ensuring the safe operation of information systems; putting in place protections of domestic and overseas core system and server; enhancing technological security countermeasures to malware; enhancing our structures through a cyber-security response team and the operating company that protect ITOCHU Group from the threat of cyber-attacks.

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

Overview

The global economy underwent a general slowdown in the fiscal year ended March 31, 2023. The U.S. and European economies slowed mainly due to rising prices and interest rate increases by major central banks, while the Chinese economy was primarily weighed down by strict prevention measures against COVID-19 that remained in place through to December. The WTI crude oil price rose from the US$101 per barrel level at the beginning of the fiscal year to the US$123 per barrel level in the middle of June due to the uncertainty over crude oil supply resulting from the economic sanctions imposed on Russia by various countries and other factors. However, it subsequently fell due to the slowdown of the global economy. Although the price temporarily dropped to the US $64 per barrel level in March due to the deteriorating financial condition of some banks in the U.S. and Europe, it closed the fiscal year at the US$75 per barrel level.

The Japanese economy saw a pick-up primarily driven by the service sector, due to a resumption in consumer activity as restrictions on activity under COVID-19 were eased. However, the recovery was limited to a moderate increase due to the resurgence of COVID-19 in the summer and winter seasons, rising prices, and the slowdown in the global economy. The U.S. dollar-yen exchange rate started at the ¥122 per dollar level at the beginning of the fiscal year, with the yen subsequently depreciating to the ¥151 per dollar level at one point by late October due to a rise in U.S. long-term interest rates. However, the yen subsequently appreciated to the ¥127 per dollar level through to middle of January as a result of factors including the foreign exchange intervention by the Japanese government, and closed at the ¥133 per dollar level at the end of the fiscal year. The Nikkei Stock Average continued to fluctuate, declining at certain points as lower U.S. stock prices put downward pressure on the index, while rebounding on occasions due to the depreciation of the yen and a recovery in the domestic economy, before closing the fiscal year at above the ¥28,000 mark, slightly higher than the upper ¥27,000 level at the beginning of the fiscal year. The yield on 10-year Japanese government bonds rose to around 0.50% in late December from the previous upper limit of around 0.25%, as the Bank of Japan expanded the range of fluctuation of its long-term interest rate target amid increasing upward pressure in line with the rise in the U.S. long-term interest rates. However, from middle of March onward the yield declined due to widespread purchases of safe assets in response to deteriorating financial conditions of some banks in the U.S. and Europe, closing the fiscal year at 0.39%.

ITOCHU Group has established “realizing business transformation by shifting to a market-oriented perspective” and “enhancing our contribution to and engagement with the SDGs through business activities” as the basic policies of the medium-term management plan, “Brand-new Deal 2023” (Three-Year Plan from FYE 2022 to FYE 2024). The following are the specific achievements made in FYE 2023, the second fiscal year of Brand-new Deal 2023.

Textile Company

Acquisition of Marketing Rights and License Rights to Reebok in Japan

ITOCHU acquired the marketing rights and license rights to Reebok in Japan, a sporting goods brand that is known worldwide for products with outstanding designs and innovative functions. The aim is to further increase the value of the Reebok brand in Japan by utilizing ITOCHU’s brand business expertise and the shoe business of JADE GROUP, Inc. (The company’s name changed from LOCONDO, Inc. on June 1, 2023), a large Japanese e-commerce company. Plans include the sale of a broad lineup of merchandise extending from shoes to apparel and more promotional activities.

Backed by its strengths in the consumer-related businesses, ITOCHU will use a market-in approach to incorporate market and consumer needs in products in order to strengthen profit base for business activities in the sports-related business, which is a key component of the Textile Business.

Strategic Alliances and Investments for Accelerating a Circular Economy

ITOCHU has stepped up activities involving alliances with partner companies in Japan and other countries concerning the collection and recycling of textile products. Operations in this sector are centered on ITOCHU’s RENU Project, which uses innovative ideas to help to solve textile disposal and reuse problems. During the past fiscal year, there were investments in ecommit Corporation, which operates a used apparel collection service, RePEaT Co., Ltd., which licenses technology for the chemical recycling of polyester products. By using a value chain extending from textile raw materials to textile, clothing materials, apparel, and retail sales of these products, which has one of the largest scale in a general trading company, ITOCHU is playing a role in achieving the SDGs in order to realize a circular economy.

Machinery Company

Establishment of ZAXIS Financial Services Americas, LLC for Construction Machinery Financing and Leasing in North America

In 2022, ITOCHU purchased stock with 26.0% of the voting rights of Hitachi Construction Machinery Co., Ltd., through a company jointly owned with Japan Industrial Partners, Inc., and it makes ITOCHU the largest shareholder of this company. As the first step following the establishment of a capital and business alliance with Hitachi Construction Machinery Co., Ltd., ITOCHU, Hitachi Construction Machinery Co., Ltd., and Tokyo Century Corporation established ZAXIS Financial Services Americas, LLC to provide finance and leasing services involving sales of Hitachi Construction Machinery products in North America, which is globally the largest market for construction machinery, accounting for about 40% of global market sales.

ITOCHU and Tokyo Century Corporation will provide various services and increase sales of Hitachi Construction Machinery products in North America by using many types of finance services, which, Hitachi Construction Machinery Co., Ltd. until now was unable to provide in North America by making use of many years of experience in the finance business in North America.

Enhancing Renewable Energy Business in North America

Tyr Energy, Inc., a subsidiary of ITOCHU in the United States, has established Tyr Energy Development Renewables, LLC (TED), a wholly-owned subsidiary that specializes in the development of renewable energy in the United States. ITOCHU constructed the series of services necessary for the development of renewable energy through TED, such as securing land, connecting to power grids, acquiring different types of permits, selecting core equipment and construction companies, negotiating and concluding power purchase agreements, and making financing arrangements, which are completed in house only in general trading companies. ITOCHU has already developed a solar power facility with output of approximately 2GW. In addition, Tyr Wind, LLC, a wholly-owned subsidiary of ITOCHU in the United States, has invested in six wind power projects in North America. Furthermore, ITOCHU accelerates the renewable energy business in North America which is expected to expand by leveraging the capability of NAES Corporation, another wholly-owned subsidiary of ITOCHU in the United States and the largest independent power plant operation and maintenance service company in the world.

Metals & Minerals Company

Investment in interest of Canada's Largest Iron Ore and Production of Valuable High-grade Iron Ore

ITOCHU has acquired equity stakes in ArcelorMittal Canada G.P. and ArcelorMittal Infrastructure Canada G.P. (AMMC), conducting the largest iron ore business in Canada, which ArcelorMittal Mining Canada Inc., Posco Holdings Inc. of South Korea, and China Steel Corporation of Taiwan operate. AMMC, which is one of the largest iron ore mines in Canada, owns the entire important infrastructure required for producing and shipping iron ore and pellets (including a railroad, port, pellet plant and other facilities). This fully integrated operation leads to highly cost competitiveness, and AMMC generates annual output of 25 million tons of iron ore and pellets stability. The produced high-grade iron ore is essential for the direct-reduced iron. As manufacturing steel by using direct-reduced iron may eliminate CO2 emissions by as much as half compared with conventional steelmaking, a big contribution to decarbonization in the steel industry is expected.

By making this investment, ITOCHU has interests in high-quality iron ore production bases in the Oceania region, South America and North America. No other company has an iron ore business of this scale. ITOCHU plans to continue upgrading its ability to maintain reliable supplies of iron ore and contribute of decarbonization of the steel industry together with the partners.

Energy & Chemicals Company

Start in full swing of Solar Power Off-site Corporate PPA Business

In 2021, ITOCHU made an equity investment in Clean Energy Connect Inc. (CEC), a company that aggregates green electricity by developing and owning many small and midsize solar power plants in Japan. CEC enables the productive use of previously idle land. Furthermore, CEC supplies environmentally responsible electricity along with environmental value to urban office buildings and other locations of customers based on long-term contracts. ITOCHU began power generation with 500 power generation plants throughout Japan through CEC, and established the Japan's leader's position in the off-site PPA sector in FYE 2023. In February 2023, CEC began the long-term supply of electricity from renewable energy with additionally to Amazon in Japan by using the off-site corporate PPA format. By FYE 2025, CEC plans to have about 700 power generating power plants in Japan and to develop non-FIT low-pressure solar power plants exclusively for Amazon with a total output of 70MW.

By working with CEC, ITOCHU aims to increase the number of solar power plants by about 10 times from the current level by FYE 2026 to a total of about 5,000 locations and a total output of 500MW, and to be the largest off-site corporate PPA operator in Japan, to accelerate to prevail the use of distributed power supplies from renewable energy.

Growth of the Sustainable Aviation Fuel Business

ITOCHU is at the forefront of the sustainable aviation fuel (SAF) supplier used for the first commercial flights in Japan. SAF produced by Finland Neste OYJ, the world's largest producer of renewable fuels, is supplied to All NIPPON AIRWAYS CO., LTD. and Japan Airlines Co., Ltd. ITOCHU has also started selling SAF to Etihad Airways PJSC, which is based in Abu Dhabi, becoming the first Japanese company to supply fuel to an airline of another country. In a demonstration trial of the Civil Aviation Bureau of Ministry of Land, Infrastructure, Transport and Tourism to promote the use of SAF, undiluted SAF was imported to Japan. With the cooperation of Fuji Oil Company, Ltd., the SAF was mixed with petroleum-derived jet fuel in Japan in order to establish a supply chain for blended SAF.

The objective of these activities is to accelerate progress with the use of next-generation fuels and the establishment and expansion of supply chains in order to help achieve a decarbonized society.

Food Company

Reorganization in Domestic Sugar Companies

In January 2023, ITOCHU SUGAR CO., LTD., a wholly-owned subsidiary of ITOCHU at the time, and Nissin Sugar Co., Ltd., a company listed in Tokyo Stock Exchange Prime Market where Sumitomo Corporation is the largest shareholder, conducted a management integration. This integration is expected to enable the companies to adapt more easily to Japan's changing population and the increasing diversity of the demand for sugar. The two companies are now owned by a holding company called WELLNEO SUGAR CO., LTD., which ITOCHU is the largest shareholder. ITOCHU has a strong value chain of sugar business backed by more than 50 years of experience. ITOCHU has extended operations from the consistent procurement of raw sugar, taking full advantage of ITOCHU's global network, to the sale of high-quality sugar produced at ITOCHU SUGAR CO., LTD.'s refinery which is one of the most efficient in Japan. WELLNEO SUGAR CO., LTD. has a market share of about 30% in Japan. ITOCHU SUGAR CO., LTD. and Nissin Sugar Co., Ltd. each have local brands well-known in Chukyo area and the metropolitan area such as Tokyo and Osaka in Japan, resulting in a lineup of retail products sold in every part of the country.

This integration is expected to produce sales synergies backed by the overseas raw material procurement capability of ITOCHU, ranking one of the best among other general trading companies, and the ITOCHU Group's business networks in the midstream and downstream sectors of the supply chain. Furthermore, by using the combined R&D resources of the two companies, ITOCHU pursues the integration effect to accelerate development of oligosaccharide products and other products for health-conscious consumers and expands the sugar business.

Rooibos Tea Products and Supply Chains

Interest in rooibos tea has been increasing due to the growing demand for beverages without caffeine as people seek more ways to lead health and beauty. ITOCHU imports and processes rooibos leaves and, along with branding operations, sells products to beverage, convenience store and other companies. Rooibos is a rare and valuable plant grown only in the Republic of South Africa and about half of the production is exported. Exports to Japan have increased by about seven times during the past decade. In addition to selling tea leaves, ITOCHU works with manufacturers to create products that match the preferences of consumers. ITOCHU and ITOCHU Food Sales and Marketing Co.,Ltd. have functioned as organizers for the establishment of a value chain and, with a market share of about 50%, are the overwhelming suppliers of rooibos to prominent beverage producers in Japan.

ITOCHU will promote to develop new products such as rooibos tea bags and chocolate by using ITOCHU's own brands and the high function product such as rooibos all over the world. Furthermore, through developing finished products with added value reflecting consumers' needs, ITOCHU promotes to construct supply chains that are possible only ITOCHU that has many group companies in the midstream and downstream sectors of the supply chain.

General Products & Realty Company

Acquisition of a North American Engineered Wood Products

ITOCHU, through Pacific Woodtech Corporation, a U.S. manufacturer and distributor of residential structural materials, has acquired the engineered wood products business of Louisiana-Pacific Corporation. The acquisition makes ITOCHU one of the North American largest suppliers of engineered wood products coverage consisting of U.S. factories in California and North Carolina and a Canadian factory in British Columbia.

The North American construction materials business already ranks first in the fence category. This acquisition creates a powerful value chain in the residential structural materials category too and makes this business the largest manufacturer specializing in laminated veneer lumber, a high strength engineered wood product. Manufacturing capabilities for products with substantial added value will be further refined in order to build a base for more growth and higher profitability.

Strengthening of relations with Metsä Fibre Oy

ITOCHU, through wholly-owned subsidiary ITOCHU FIBRE LIMITED, holds a 25.0% equity share in Metsä Fibre Oy of Finland, the world's largest softwood pulp producer. In October 2022, Metsä Fibre Oy started operating a new pulp mill with leading-edge facilities that minimizes labor with a ceremony that was attended by Finland's prime minister. Business operations have the strong support of the public. ITOCHU FIBRE LIMITED posted record-high earnings in FYE 2023 because of high pulp prices and operations backed by the ITOCHU's sales network assembled over many years. Metsä Fibre Oy, which plans to start operating a new pulp mill in FYE 2024, expects annual production capacity to increase to 4 million tons. This will further solidify ITOCHU's leadership in this industry, far ahead of other trading companies. In addition, a renewable energy derived from wood which is generated electricity in pulp mills supplies to nearby residents except the usage of Metsä Fibre Oy and contributes protect the regional environment.

For more growth of the pulp business, Metsä Fibre Oy will manufacture pulp and ITOCHU will conduct sales activities worldwide with emphasis on the growing markets of Asia.

ICT & Financial Business Company

Gaitame.Com Co., Ltd. Becomes an Equity-method Associated Company

In September 2022, ITOCHU purchased 40.2% of the equity of Gaitame.Com Co., Ltd., one of Japan's largest foreign exchange margin trading companies, making this company an equity-method associated company. ITOCHU is now the second-largest shareholder after Tradition Group, a Swiss-based organization that is one of the world's largest interdealer brokers. The foreign exchange market is growing year after year and posted record-high monetary trading volume in 2022. The key strength of Gaitame.Com Co., Ltd. is the provision of services from the standpoint of customers based on a resolute commitment to always putting the customer first. The company has the industry's lowest commissions, a saving service linked to long-term investments, a service providing high-quality foreign exchange information, and other benefits for customers. The number of customer accounts has increased to about 580,000 and the number of customers continues to climb.

ITOCHU's retail financial operations are far more powerful than those of other trading companies. Retail financial businesses include POCKET CARD CO.,LTD. and Orient Corporation in Japan and consumer finance companies in Hong Kong, Thailand, Britain and other countries. This investment in Gaitame.Com Co., Ltd is expected to support more growth in the number of retail finance customers by linking the finance and payment processing sectors. ITOCHU also anticipates an even greater competitive edge due to the expansion of business operations to include asset management products that target the needs of consumers.

Singapore-based Docquity Holdings Pte. Ltd. Becomes an Equity-method Associated Company

ITOCHU purchased stock with 29% and became the largest shareholder of Docquity Holdings Pte. Ltd. (Docquity) which develops and sells an online platform for physicians, and Docquity became the equity-method associated company of ITOCHU. In the Southeast Asia, given the accelerating digitalization of the medical and healthcare fields in recent years, it is becoming increasingly popular to share knowledge among physicians across countries and use online networks in providing drug information from pharmaceutical companies to physicians. Docquity's platform is the largest of its type in Southeast Asia with about 350,000 members, primarily in Southeast Asia, which is more than 70% of all physicians in this region. ITOCHU has expertise and many years of experience in the fields of ICT and health care. These strengths make it possible to stay ahead of other trading companies by making investments in leading-edge companies like Docquity.

Docquity's pharmaceutical and medical equipment marketing business by using the knowledge of A2 Healthcare Corporation, a major clinical development contract services company, about the pharmaceutical industry and the ITOCHU Group's global business network. ITOCHU promotes the digital transformation of the health care sector, such as adding digital services for physicians and medical institutions.

The 8th Company

Growth of the Advertising and Media Business.

Data One Corp. runs digital advertising distribution business that precisely match the needs of consumers and advertisers in Japan's digital advertising market, which grew by 14% compared to previous period. Advertisements incorporate purchasing data at FamilyMart convenience stores, which serve about 15 million customers every day, and d POINT rewards point program data of wireless network operator NTT DOCOMO, INC. Normally, the effectiveness of advertisements can be measured only roughly by monitoring changes in sales. Data One Corp. provides a service that allows using actual purchasing data for precisely determining the benefits of advertisements. The service is highly rated by many advertisers. Using this service makes it possible to distribute advertisements that match customer segment characteristics based on purchasing data. As a result, consumers can view advertisements with no stress because the content reflects their needs. Currently, Data One Corp. ranks among the leaders in Japan in this business with the ability to send advertisements to about 29 million people.

Data One Corp. plans to further increase activities involving the growing media business at FamilyMart stores. By the end of FYE 2024, digital signage for the distribution of advertisements is to be placed in about 10,000 of these stores. Linking these advertisements and the digital advertisements of Data One Corp. will enable this company to create a new type of advertising business for the convergence of real and online advertisements.

Start of the Famimacy Convenience Store Prescription Pickup Service

In May 2022, FamilyMart Co., Ltd. started offering a service called Famimacy that allows customers to pick up prescriptions at the company's convenience stores. This service is provided with the Todokusuri Yakkyoku ("delivery drug pharmacy") service of a member of the Toppan INC. Group. By using this service, people can receive a prescription with no delivery charge or fee the next day at the shortest at about 4,500 FamilyMart stores in the Tokyo area, which are open 24 hours. There is no need to take a prescription to a pharmacy and wait for the drugs to be prepared.

FamilyMart Co., Ltd. plans to expand this service to more areas of Japan and provides more convenient services based on the needs of consumers through a market-oriented perspective.

Other

More Contents from the ITOCHU SDGs Studio

ITOCHU began operating the ITOCHU SDGs STUDIO KIDS PARK in July 2022 for the purpose of enabling children to learn about the SDGs as they play. Every day, all 300 reservations for children are filled due to the high level of interest in this safe facility that has no entry fee. In 2022, the number of visitors increased by about five times to approximately 100,000 from the previous year due to exhibitions for children, the on-site taping of a J-WAVE radio program sponsored by ITOCHU and other activities. As a result, the studio has become a base for SDGs information on an unprecedented scale. Furthermore, the studio has more than 30,000 SNS followers, which further increases the ability to supply information. The studio will continue to increase points of contact with consumers in order to give a broad range of people the opportunity to learn about the SDGs.

Analysis of Results of Operations in FYE 2023

The analysis of the financial position and results of operations for FYE 2023 were as follows.

Revenues

Revenues for the fiscal year ended March 31, 2023 increased by 13.4%, or 1,652.3 billion yen, compared to the previous fiscal year to 13,945.6 billion yen (US$104,438 million). This increase was attributable to higher revenue from Energy & Chemicals Company, due to higher market prices in energy trading transactions, chemical-related transactions, and energy-related companies; higher revenue from Food Company, due to higher market prices in provisions-related transactions and higher transaction volume in food-distribution-related companies; higher revenue from General Products & Realty Company, due to higher market prices in construction materials business, the improvement in profitability in European Tyre Enterprise Limited (European tire-related company), and the conversion of a North American engineered wood products company into a subsidiary; and higher revenue from Metals & Minerals Company, due to higher coal prices and the depreciation of the yen, partially offset by lower iron ore prices. Furthermore, the breakdown of Revenues for the fiscal year ended March 31, 2023 was ¥12,605.6 billion (US$94,403 million) for Revenues from sale of goods, and ¥1,340.0 billion (US$10,035 million) for Revenues from rendering of services and royalties.

Gross Trading Profit

Gross trading profit increased by 9.9%, or 192.7 billion yen, compared to the previous fiscal year to 2,129.9 billion yen (US $15,951 million). Gross trading profits increased in Energy & Chemicals Company, due to the improvement in profitability in energy trading transactions resulting from higher market prices and the stable performance in electricity transactions; in Metals & Minerals Company, due to higher coal prices and the depreciation of the yen, partially offset by lower iron ore prices; in General Products & Realty Company, due to the stable performance in domestic real estate companies, the improvement in profitability in European Tyre Enterprise Limited, and the conversion of a North American engineered wood products company into a subsidiary; and in Machinery Company, due to the favorable sales in automobile-related companies and North American construction machinery companies.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 5.4%, or 72.4 billion yen, compared to the previous fiscal year to 1,419.1 billion yen (US$10,628 million), due to the increase in expenses resulting from the stable growth in revenue and the depreciation of the yen, partially offset by the decrease because of the conversion of Taiwan FamilyMart Co., Ltd. (“Taiwan FamilyMart”) into an investment accounted for by the equity method from a subsidiary at the end of the first quarter of previous fiscal year.

Provision for Doubtful Accounts

Provision for doubtful accounts increased by 0.9 billion yen, compared to the previous fiscal year to a loss of 8.9 billion yen (US $66 million), due to the increases in provision for doubtful accounts in general receivables.

Gains (Losses) on Investments

Gains (losses) on investments decreased by 68.3%, or 144.7 billion yen, compared to the previous fiscal year to a gain of 67.2 billion yen (US$503 million), due to the deterioration of remeasurement gains (losses) for fund held investments and the absence of gains on the partial sale of Taiwan FamilyMart, the de-consolidation of Paidy Inc., and the sale of Japan Brazil Paper & Pulp Resources Development Co., Ltd., in addition to the realization of foreign exchange gains due to the de-consolidation of ITOCHU Coal Americas Inc. in the previous fiscal year, partially offset by the gains on the sales of a North American beverage-equipment-maintenance company and CONEXIO Corporation.

Gains (Losses) on Property, Plant, Equipment and Intangible Assets

Gains (losses) on property, plant, equipment and intangible assets deteriorated by 32.5 billion yen, compared to the previous fiscal year to a loss of 50.1 billion yen (US$376 million), due to the impairment loss in Dole.

Other-net

Other-net increased by 5.4 billion yen, compared to the previous fiscal year to a gain of 15.1 billion yen (US$113 million), due to the gains on a specific overseas project and business.

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

Net interest expenses, which is the total of Interest income and Interest expense, deteriorated by 18.9 billion yen, compared to the previous fiscal year to expenses of 27.5 billion yen (US$206 million), due to the increase in interest expense with higher U.S. dollar interest rates. Dividends received decreased by 1.3%, or 1.1 billion yen, compared to the previous fiscal year to 79.7 billion yen (US$597 million), due to the decrease in dividends from oil and gas related investments in upstream interests, partially offset by the increase in dividends from LNG projects and Brazilian iron-ore-related investments. Net financial income, which is the total of net interest expenses and dividends received, decreased by 20.0 billion yen, compared to the previous fiscal year to a gain of 52.2 billion yen (US$391 million).

Equity in Earnings of Associates and Joint Ventures

Equity in earnings of associates and joint ventures increased by 10.0%, or 29.2 billion yen, compared to the previous fiscal year to 320.7 billion yen (US$2,401 million). This increase was attributable to increases in Others, Adjustments & Eliminations (Note), due to higher earnings in CITIC Limited resulting from the stable performance in comprehensive financial business, revaluation gain on securities business, and the depreciation of the yen even with the impact of lower iron ore prices and the impairment losses on its group companies; in Metals & Minerals Company, due to higher earnings in Marubeni-Itochu Steel Inc. resulting from the stable performance in North American business and the depreciation of the yen, partially offset by lower earnings in iron ore companies resulting from lower prices; in General Products & Realty Company, due to the gain on sales of properties in overseas real estate business and higher earnings in ITOCHU FIBRE LIMITED (European pulp-related company) resulting from higher pulp prices; and a decrease in Food Company, due to lower earnings in North American meat-products-related companies resulting from lower sales prices in China, unfavorable sales to Japan caused by the depreciation of the yen, the increase in production cost caused by higher grain prices, and the impairment losses, partially offset by the stable performance in North American grain-related companies.

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

Net Profit Attributable to ITOCHU

Consequently, Profit before tax decreased by 3.8%, or 43.2 billion yen, compared to the previous fiscal year to 1,106.9 billion yen (US $8,289 million). Income tax expense decreased by 3.3%, or 8.9 billion yen, compared to the previous fiscal year to 262.2 billion yen (US$1,963 million), due to lower profit before tax. Net profit, which is calculated as profit before tax of 1,106.9 billion yen minus income tax expense of 262.2 billion yen, decreased by 3.9%, or 34.3 billion yen, compared to the previous fiscal year to 844.7 billion yen (US $6,326 million). Net profit attributable to ITOCHU, which is calculated as Net profit minus Net profit attributable to non-controlling interests of 44.2 billion yen (US$331 million), decreased by 2.4%, or 19.8 billion yen, compared to the previous fiscal year to 800.5 billion yen (US$5,995 million).

(Reference)

“Trading income” in accordance with Japanese accounting practices (“Trading income” = “Gross trading profit” + “Selling, general and administrative expenses” + “Provision for doubtful accounts”) increased by 20.5%, or 119.4 billion yen, compared to the previous fiscal year to 701.9 billion yen (US$5,257 million). This increase was attributable to increases in Energy & Chemicals Company, due to the improvement in profitability in energy trading transactions resulting from higher market prices and the stable performance in electricity transactions; in Metals & Minerals Company, due to higher coal prices and the depreciation of the yen, partially offset by lower iron ore prices; in Machinery Company, due to the favorable sales in automobile-related companies and North American construction machinery companies; and in General Products & Realty Company, due to the stable performance in domestic real estate companies, the improvement in profitability in European Tyre Enterprise Limited, and the conversion of a North American engineered wood products company into a subsidiary.

Operating Segment Information

Business results by operating segment are as follows. ITOCHU uses a Division Company system, and the following is in accordance with the categories of that system.

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

Textile

Revenues increased by 19.2%, or ¥85.4 billion, to ¥530.1 billion (US$3,970 million), due to the improvement of apparel-related companies resulting from the alleviation of the impact of COVID-19. Gross trading profit increased by 20.4%, or ¥19.7 billion, to ¥116.5 billion (US$873 million), due to the same reason noted above. Net profit attributable to ITOCHU increased by 1.3%, or ¥0.3 billion, to ¥25.5 billion (US$191 million), due to the improvement of apparel-related companies resulting from the alleviation of the impact of COVID-19, partially offset by the decrease in extraordinary gains. Total assets increased by 4.8%, or ¥20.9 billion, to ¥457.7 billion (US$3,427 million), due to the increase in trade receivables and inventories due to higher transaction volume resulting from the alleviation of the impact of COVID-19, the acquisition of apparel-related companies, and the depreciation of the yen, partially offset by the return of investment in a Chinese apparel-related company.

Machinery

Revenues increased by 16.7%, or ¥199.5 billion, to ¥1,393.5 billion (US$10,436 million), due to sales volume increase in aircraft-related companies, the favorable sales in automobile-related companies and North American construction machinery companies, and the depreciation of the yen. Gross trading profit increased by 14.1%, or ¥29.0 billion, to ¥234.8 billion (US$1,758 million), due to the favorable sales in automobile-related companies and North American construction machinery companies. Net profit attributable to ITOCHU increased by 33.4%, or ¥26.8 billion, to ¥107.1 billion (US$802 million), due to favorable performance in automobile-related companies and North American construction machinery companies, the start of equity pick-up of Hitachi Construction Machinery Co., Ltd. and the gain on the sale of a North American beverage-equipment-maintenance company, partially offset by the losses on aircrafts leased to Russian airlines in a leasing-related company and the impairment losses in foreign companies. Total assets increased by 27.8%, or ¥362.0 billion, to ¥1,664.6 billion (US $12,467 million), due to the increase in trade receivables, inventories, equity method investments due to the investment in shares in Hitachi Construction Machinery Co., Ltd., and the depreciation of the yen.

Metals & Minerals

Revenues increased by 21.6%, or 225.0 billion, to ¥1,268.1 billion (US$9,496 million), due to higher coal prices and the depreciation of the yen, partially offset by lower iron ore prices. Gross trading profit increased by 24.1%, or ¥43.1 billion, to ¥222.0 billion (US $1,663 million), due to the same reason noted above. Net profit attributable to ITOCHU increased by 9.0%, or ¥20.4 billion, to ¥246.9 billion (US$1,849 million), due to higher coal prices, the stable performance in North American business in Marubeni-Itochu Steel Inc., and the depreciation of the yen, partially offset by lower iron ore prices and the absence of extraordinary gains in the previous fiscal year. Total assets decreased by 0.8%, or ¥10.5 billion, to ¥1,274.8 billion (US$9,547 million), due to the decrease in trade receivables, partially offset by the increase in inventories and equity method investments resulting from the accumulation of earnings, and the depreciation of the yen.

Energy & Chemicals

Revenues increased by 18.3%, or ¥524.9 billion, to ¥3,389.0 billion (US$25,380 million), due to higher market prices in energy trading transactions, chemical-related transactions, and energy-related companies. Gross trading profit increased by 24.6%, or ¥62.3 billion, to ¥315.4 billion (US$2,362 million), due to the improvement in profitability in energy trading transactions resulting from higher market prices and the stable performance in electricity transactions. Net profit attributable to ITOCHU increased by 26.1%, or ¥23.6 billion, to ¥114.3 billion (US$856 million), due to the improvement in profitability in energy trading transactions resulting from higher market prices and the stable performance in electricity transactions, partially offset by the decrease in dividends. Total assets increased by 4.3%, or ¥63.4 billion, to ¥1,552.6 billion (US$11,628 million), due to the conversion of a North American synthetic resin-related company into a subsidiary as well as the increase in inventories in energy-storage-system-related transactions, and the depreciation of the yen.

Food

Revenues increased by 7.7%, or ¥332.7 billion, to ¥4,626.3 billion (US$34,646 million), due to higher market prices in provisions-related transactions and higher transaction volume in food-distribution-related companies. Gross trading profit increased by 3.3%, or ¥10.5 billion, to ¥330.9 billion (US$2,478 million), due to the improvement in profitability in provisions-related transactions and higher transaction volume in food-distribution-related companies, partially offset by lower sales volume resulting from decline in demand because of inflation and the increase in logistics cost in Dole, and the higher purchasing cost in Prima Meat Packers, Ltd. Net profit attributable to ITOCHU decreased by 73.4%, or ¥45.3 billion, to ¥16.5 billion (US$123 million), due to the deterioration in profitability in meat-products-related companies, lower sales volume resulting from decline in demand because of inflation, the increase in logistics cost and the impairment loss in Dole, partially offset by the improvement in profitability in provisions-related transactions and the gains on the group reorganization in domestic sugar companies and North American oils and fats companies. Total assets increased by 8.5%, or ¥167.3 billion, to ¥2,146.8 billion (US$16,077 million), due to the increase in inventories in provisions-related transactions and packaged food business in Dole, trade receivables in food distribution-related companies, and the depreciation of the yen.

General Products & Realty

Revenues increased by 21.8%, or ¥226.5 billion, to ¥1,263.5 billion (US$9,462 million), due to higher market prices in construction materials business, the improvement in profitability in European Tyre Enterprise Limited, and the conversion of a North American engineered wood products company into a subsidiary. Gross trading profit increased by 18.2%, or ¥34.7 billion, to ¥225.0 billion (US$1,685 million), due to the stable performance in domestic real estate companies, the improvement in profitability in European Tyre Enterprise Limited, and the conversion of a North American engineered wood products company into a subsidiary. Net profit attributable to ITOCHU decreased by 10.0%, or ¥10.6 billion, to ¥94.8 billion (US$710 million), due to the absence of extraordinary gains in the previous fiscal year, partially offset by the stable performance in real estate business and ITOCHU FIBRE LIMITED, and revaluation gain resulting from the conversion of a North American engineered wood products company into a subsidiary. Total assets increased by 8.6%, or ¥97.1 billion, to ¥1,223.3 billion (US$9,161 million), due to the increase in the conversion of a North American engineered wood products company into a subsidiary and the depreciation of the yen.

ICT & Financial Business

Revenues increased by 1.3%, or ¥11.1 billion, to ¥875.1 billion (US $6,554 million), due to the stable transactions in ITOCHU Techno-Solutions Corporation, partially offset by the de-consolidation of CONEXIO Corporation. Gross trading profit decreased by 3.3%, or ¥9.8 billion, to ¥286.1 billion (US$2,143 million), due to the de-consolidation of CONEXIO Corporation, partially offset by the stable transactions in ITOCHU Techno-Solutions Corporation. Net profit attributable to ITOCHU decreased by 38.3%, or ¥40.0 billion, to ¥64.4 billion (US$482 million), due to the deterioration of remeasurement gains (losses) for fund held investments, lower earnings in mobile-phone-related business, and the absence of extraordinary gains in the previous fiscal year, partially offset by the gain on the sale of CONEXIO Corporation. Total assets decreased by 3.1%, or ¥42.3 billion, to ¥1,308.1 billion (US$9,796 million), due to the de-consolidation of CONEXIO Corporation, partially offset by the increase due to the acquisition of equity method investments, increase in inventories, and the depreciation of the yen.

The 8th

Revenues increased by 2.0%, or ¥9.2 billion, to ¥467.1 billion (US $3,498 million), due to the impact by the increase in daily sales along with higher number of customers/spend per customer with enhancement of product appeal and sales promotion, partially offset by the increase of franchisee support payments resulting from changes in external environment in FamilyMart Co., Ltd. Gross trading profit decreased by 1.0%, or ¥3.7 billion, to ¥383.8 billion (US$2,875 million), due to the conversion of Taiwan FamilyMart into an investment accounted for by the equity method from a subsidiary at the end of the first quarter of the previous fiscal year, whereas the positive impact by the increase in daily sales along with higher number of customers/spend per customer with enhancement of product appeal and sales promotion exceeded the increase of franchisee support payments resulting from changes in external environment in FamilyMart Co., Ltd. Net profit attributable to ITOCHU decreased by 47.8%, or ¥21.1 billion, to ¥23.0 billion (US$172 million), due to the absence of extraordinary gains in the previous fiscal year, whereas the positive impact by the increase in daily sales along with higher number of customers/spend per customer with enhancement of product appeal and sales promotion exceeded the cost increase resulting from changes in external environment, such as franchisee support payments in FamilyMart Co., Ltd. Total assets increased by 5.1%, or ¥92.9 billion, to ¥1,906.7 billion (US$14,279 million), due to the increase in cash and trade receivables due to the increase in daily sales, the purchase of fixed assets, and the rise in the fair value of investments in FamilyMart Co., Ltd.

Others, Adjustments & Eliminations

Net profit attributable to ITOCHU increased by 31.9%, or ¥26.2 billion, to ¥108.1 billion (US$810 million), due to higher earnings in CITIC Limited resulting from the stable performance in comprehensive financial business, revaluation gain on securities business, and the depreciation of the yen, even with the impact of lower iron ore prices and the impairment losses on its group companies, in addition to lower tax expenses, partially offset by the increase in interest expenses resulting from higher U.S. dollar interest rates and the impairment loss on C.P. Pokphand Co. Ltd.

Segment Information

Fiscal years ended March 31	Billions of Yen 2023	Billions of Yen 2022	Millions of U.S. Dollars 2023
Revenues:			
Textile	¥ **530.1**	¥ 444.8	$ **3,970**
Machinery	**1,393.5**	1,194.0	**10,436**
Metals & Minerals	**1,268.1**	1,043.1	**9,496**
Energy & Chemicals	**3,389.0**	2,864.1	**25,380**
Food	**4,626.3**	4,293.5	**34,646**
General Products & Realty	**1,263.5**	1,037.0	**9,462**
ICT & Financial Business	**875.1**	864.0	**6,554**
The 8th	**467.1**	457.9	**3,498**
Others, Adjustments & Eliminations	**133.0**	95.0	**996**
Total	**¥ 13,945.6**	¥ 12,293.3	**$ 104,438**
Gross trading profit:			
Textile	¥ **116.5**	¥ 96.8	$ **873**
Machinery	**234.8**	205.8	**1,758**
Metals & Minerals	**222.0**	179.0	**1,663**
Energy & Chemicals	**315.4**	253.1	**2,362**
Food	**330.9**	320.4	**2,478**
General Products & Realty	**225.0**	190.3	**1,685**
ICT & Financial Business	**286.1**	295.9	**2,143**
The 8th	**383.8**	387.6	**2,875**
Others, Adjustments & Eliminations	**15.3**	8.3	**114**
Total	**¥ 2,129.9**	¥ 1,937.2	**$ 15,951**
Net profit attributable to ITOCHU:			
Textile	¥ **25.5**	¥ 25.1	$ **191**
Machinery	**107.1**	80.3	**802**
Metals & Minerals	**246.9**	226.5	**1,849**
Energy & Chemicals	**114.3**	90.6	**856**
Food	**16.5**	61.8	**123**
General Products & Realty	**94.8**	105.4	**710**
ICT & Financial Business	**64.4**	104.4	**482**
The 8th	**23.0**	44.2	**172**
Others, Adjustments & Eliminations	**108.1**	82.0	**810**
Total	**¥ 800.5**	¥ 820.3	**$ 5,995**
Total assets as of March 31:			
Textile	¥ **457.7**	¥ 436.8	$ **3,427**
Machinery	**1,664.6**	1,302.7	**12,467**
Metals & Minerals	**1,274.8**	1,285.3	**9,547**
Energy & Chemicals	**1,552.6**	1,489.3	**11,628**
Food	**2,146.8**	1,979.5	**16,077**
General Products & Realty	**1,223.3**	1,126.2	**9,161**
ICT & Financial Business	**1,308.1**	1,350.4	**9,796**
The 8th	**1,906.7**	1,813.8	**14,279**
Others, Adjustments & Eliminations	**1,577.0**	1,369.8	**11,811**
Total	**¥ 13,111.7**	¥ 12,153.7	**$ 98,193**

Notes: 1. “Others, Adjustments & Eliminations” includes gains and losses, which do not belong to any operating segment and internal eliminations between operating segments. The investments in CITIC Limited and C.P. Pokphand Co. Ltd. and the profits and losses from them are included in this segment.
2. Revenues from external customers include revenues resulting from contracts with customers and other sources of revenue. Revenues resulting from other sources of revenue mainly include revenues from energy trading transactions such as oil and gas and lease contracts, which are immaterial in terms of amount.
3. As of October 1, 2022, ITOCHU dissolved the mutual-holdings for certain group companies held by The 8th segment as minority and the other segment as majority, and shares of such group companies are only held by the other segment. These changes are reflected from the results for the six-month period ended March 31, 2023 and the results for the six-month period ended September 30, 2022 are not affected by these changes. According to the above, the results for the six-month period ended March 31, 2022 are reclassified in the same manner.

Performance of Subsidiaries, Associates, and Joint Ventures

Group Companies Reporting Profits / Losses

Billions of Yen

	2023			2022			Changes		
Fiscal years ended March 31	Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
Group companies (including overseas trading subsidiaries)	**¥771.6**	**¥(77.9)**	**¥693.7**	¥719.5	¥(10.6)	¥708.9	¥ 52.1	¥(67.3)	¥ (15.1)

Ratio of Group Companies Reporting Profits

		2023			2022			Changes		
Fiscal years ended March 31		Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
Consolidated subsidiaries	No. of group companies	**177**	**11**	**188**	180	12	192	(3)	(1)	(4)
	Ratio	**94.1%**	**5.9%**	**100.0%**	93.7%	6.3%	100.0%	0.4%	(0.4)%	
Associates and Joint Ventures	No. of group companies	**63**	**20**	**83**	69	13	82	(6)	7	1
	Ratio	**75.9%**	**24.1%**	**100.0%**	84.1%	15.9%	100.0%	(8.2)%	8.2%	
Total	No. of group companies	**240**	**31**	**271**	249	25	274	(9)	6	(3)
	Ratio	**88.6%**	**11.4%**	**100.0%**	90.9%	9.1%	100.0%	(2.3)%	2.3%	

Note: Investment companies which are considered as part of the parent company (165 companies), and companies other than those which are directly invested by the Company and its overseas trading subsidiaries (486 companies) are not included in the number of companies.

In the fiscal year ended March 31, 2023, profits / losses of Group companies increased by ¥15.1 billion to ¥693.7 billion (US$5,195 million).

The profits of Group companies reporting profits increased by ¥52.1 billion to ¥771.6 billion (US$5,778 million), resulting from higher earnings of ITOCHU International Inc. due to the gain on the sale of a North American beverage-equipment-maintenance company and the gain on the group reorganization in North American oils and fats companies, higher earnings in Orchid Alliance Holdings Limited due to increased equity in earnings in CITIC Limited resulting from the stable performance in comprehensive financial business and revaluation gain on securities business, higher earnings in ITOCHU Minerals & Energy of Australia Pty Ltd due to higher coal prices and the depreciation of the yen, partially offset by the absence of extraordinary gains in FamilyMart Co., Ltd.

Meanwhile, the losses of Group companies reporting losses deteriorated by ¥67.3 billion to ¥77.9 billion (US$583 million), due to lower earnings and the impairment losses in Dole International Holdings, Inc. and HYLIFE GROUP HOLDINGS LTD.

The ratio of Group companies reporting profits decreased by 2.3 points, from 90.9% to 88.6%.

Major Group companies reporting profits or losses for the fiscal years ended March 31, 2023 and 2022 were as follows:

Major Group Companies

Fiscal years ended March 31	Ownership	Net income (loss) attributable to ITOCHU *1 (Billions of Yen) 2023	2022
Textile			
JOI'X CORPORATION	100.0%	¥ **1.1**	¥ 0.7
LEILIAN CO., LTD.	100.0%	**0.7**	1.7
DESCENTE LTD.	40.0%	**4.1**	2.7
DOME CORPORATION	69.7%	**0.5**	—
EDWIN CO., LTD.	100.0%	**0.6**	1.6
Sankei Co., Ltd.	100.0%	**1.1**	0.5
ITOCHU Textile Prominent (ASIA) Ltd.	100.0%	**2.2**	2.0
ITOCHU TEXTILE (CHINA) CO., LTD.	100.0%	**2.1**	1.7
Machinery			
Tokyo Century Corporation	30.0%	**4.1**	16.0
I-Power Investment Inc.	100.0%	**4.3**	4.1
I-ENVIRONMENT INVESTMENTS LIMITED	100.0%	**3.6**	7.5
ITOCHU Plantech Inc. *2	100.0%	**1.9**	1.4
IMECS Co., Ltd.	100.0%	**3.3**	4.2
JAMCO Corporation	33.4%	**0.7**	(1.4)
JAPAN AEROSPACE CORPORATION	100.0%	**1.7**	1.6
YANASE & CO., LTD.	82.8%	**12.7**	9.7
Auto Investment Inc.	100.0%	**3.0**	2.7
Citrus Investment LLC *3	100.0%	**3.6**	—
ITOCHU MACHINE-TECHNOS CORPORATION *4	100.0%	**1.4**	1.0
MULTIQUIP INC.	100.0%	**6.3**	3.7
Metals & Minerals			
ITOCHU Minerals & Energy of Australia Pty Ltd	100.0%	**176.3**	158.7
JAPÃO BRASIL MINÉRIO DE FERRO PARTICIPAÇÕES LTDA.	77.3%	**8.9**	3.7
Marubeni-Itochu Steel Inc.	50.0%	**47.8**	31.3
ITOCHU Metals Corporation *2	100.0%	**3.0**	3.1
Energy & Chemicals			
ITOCHU Oil Exploration (Azerbaijan) Inc.	100.0%	**7.1**	8.9
ITOCHU PETROLEUM CO., (SINGAPORE) PTE. LTD.	100.0%	**1.7**	1.4
ITOCHU ENEX CO., LTD.	54.0%	**7.5**	7.1
Japan South Sakha Oil Co., Ltd.	25.0%	**2.7**	4.1
ITOCHU CHEMICAL FRONTIER Corporation	100.0%	**7.6**	6.4
ITOCHU PLASTICS INC. *2	100.0%	**5.3**	4.7
C.I. TAKIRON Corporation	55.7%	**1.4**	3.5
Food			
Dole International Holdings, Inc.	100.0%	**(36.4)**	8.4
NIPPON ACCESS, INC. *2	100.0%	**17.5**	17.1
FUJI OIL HOLDINGS INC.	43.9%	**3.1**	4.5
WELLNEO SUGAR Co., Ltd.	37.8%	**0.0**	—
ITOCHU FEED MILLS CO., LTD.	100.0%	**0.9**	2.2
Prima Meat Packers, Ltd.	47.9%	**1.4**	4.0
ITOCHU-SHOKUHIN Co., Ltd.	52.2%	**3.3**	2.7
HYLIFE GROUP HOLDINGS LTD.	49.9%	**(13.1)**	1.1
General Products & Realty			
European Tyre Enterprise Limited	100.0%	**4.4**	3.5
ITOCHU FIBRE LIMITED	100.0%	**21.7**	17.8
ITOCHU PULP & PAPER CORPORATION *2	100.0%	**2.1**	1.8
ITOCHU CERATECH CORPORATION	100.0%	**0.9**	0.7
ITOCHU LOGISTICS CORP. *2	100.0%	**6.3**	4.6
ITOCHU KENZAI CORPORATION	100.0%	**5.3**	6.0
DAIKEN CORPORATION	36.3%	**4.3**	2.7
ITOCHU Property Development, Ltd.	100.0%	**3.8**	3.0
ITOCHU Urban Community Ltd.	100.0%	**1.5**	1.4

Fiscal years ended March 31	Ownership	Net income (loss) attributable to ITOCHU *1 (Billions of Yen) 2023	2022
ICT & Financial Business			
ITOCHU Techno-Solutions Corporation	61.2%	¥ **20.9**	¥ 20.7
BELLSYSTEM24 Holdings, Inc.	40.7%	**2.8**	2.6
ITOCHU Fuji Partners, Inc.	63.0%	**2.2**	2.0
A2 Healthcare Corporation	100.0%	**2.0**	1.6
HOKEN NO MADOGUCHI GROUP INC.	92.0%	**2.8**	2.2
POCKET CARD CO.,LTD. *2, 5	78.2%	**4.2**	4.0
Orient Corporation	16.5%	**3.0**	1.9
Gaitame.Com Co.,Ltd.	40.2%	**0.5**	—
First Response Finance Ltd.	100.0%	**3.1**	2.5
ITOCHU FINANCE (ASIA) LTD.	100.0%	**3.8**	4.8
GCT MANAGEMENT (THAILAND) LTD.	100.0%	**4.1**	4.0
The 8th			
FamilyMart Co., Ltd. *6	94.7%	**23.7**	44.7
Others, Adjustments & Eliminations			
Orchid Alliance Holdings Limited *7	100.0%	**117.2**	96.4
C.P. Pokphand Co. Ltd. *8	23.8%	**(4.3)**	(2.6)
Chia Tai Enterprises International Limited *9	23.8%	**(2.4)**	(0.5)
(Reference) Overseas Subsidiaries *10			
ITOCHU International Inc.	100.0%	**51.0**	27.7
ITOCHU Europe PLC	100.0%	**12.3**	11.6
ITOCHU (CHINA) HOLDING CO., LTD.	100.0%	**7.1**	6.8
ITOCHU Hong Kong Ltd.	100.0%	**6.9**	8.0
ITOCHU Singapore Pte Ltd	100.0%	**7.0**	5.2

* 1. Net income (losses) attributable to ITOCHU is the figure after adjusting to IFRS, which may be different from the figures each company announces.
* 2. The figures include net profits in The 8th.
* 3. From the third quarter of the fiscal year, the figures include net profit from Hitachi Construction Machinery Co., Ltd. which is the affiliate of the company. The figures do not include the interest income, etc. resulting from ITOCHU's loan to the partner.
* 4. ITOCHU MACHINE-TECHNOS CORPORATION and ITOCHU SysTech Corporation merged and formed ITOCHU MACHINE-TECHNOS CORPORATION on Apr. 1, 2022. The figures show the aggregate amounts of both companies.
* 5. The figures of POCKET CARD CO.,LTD. include net profits through FamilyMart Co., Ltd.
* 6. The figures of FamilyMart Co., Ltd. include net profits from POCKET CARD CO.,LTD.
* 7. The figures of Orchid Alliance Holdings Limited include related tax effects and other factors.
* 8. The figures of C.P. Pokphand Co.Ltd. include the impairment loss on investment accounted for by the equity method.
* 9. The figures of Chia Tai Enterprise International Limited for the fiscal years ended March 31, 2023 and 2022 include the impairment loss on investment accounted for by the equity method.
*10. Net profits of each overseas trading subsidiary included in each segment are presented for reference.

Liquidity and Capital Resources

Basic Funding Policy

The Company aims to ensure flexibility in funding in response to changes in financial conditions and to take advantage of opportunities to lower its overall financing costs. Also, as a means of enhancing the stability of its financing, the Company seeks to maintain funding through long-term sources and endeavors to find the optimum balance in its funding structure through diversified funding sources and methods. Further, the Company works to improve consolidated capital efficiency and funding structure by concentrating funding for domestic subsidiaries on Group Finance funded by the Company and a domestic Group Finance managing company. Moreover, the Company established a Group Finance scheme utilizing Group Finance managing companies based in Asia, Europe, and the United States for the funding of overseas subsidiaries. As a result, as of March 31, 2023, funding by the parent Company, domestic and overseas Group Finance managing companies accounted for approximately 68% of consolidated interest- bearing debt.

Regarding funding methods, the Company uses indirect financing such as bank loans and direct financing such as bond issuance. As to indirect financing, the Company maintains favorable and wide-ranging relationships with various financial institutions, which enables it to raise required funds. As to direct financing, the Company registered a new issuance of bonds up to ¥300.0 billion, covering the two-year period from August 2021 to August 2023, in accordance with the bond-issuance registration system in Japan. Also, the Company undertakes funding through commercial paper to heighten capital efficiency and lower capital costs. The Company and Group Finance managing companies have registered a total of US$5,000 million in a Euro Medium Term Note Programme (Euro MTN). In addition, the Company has established SDGs Bond Framework (Sustainability Bond Framework) in March 2021 and SDGs Bonds were issued based on the Framework.

Ratings of the Company's long-term debt and short-term debt as of March 31, 2023 were as follows. Aiming to secure even higher ratings, the Company will strengthen profitability, improve financial position, and implement a thorough risk management.

Credit Rating Agency	Long-term Debt	Short-term Debt
Japan Credit Rating Agency (JCR)	AA+ / Stable	J-1+
Rating & Investment Information (R&I)	AA / Stable	a-1+
Moody's Investors Service	A2 / Stable	P-1
S&P Global Ratings	A / Stable	A-1

Interest-Bearing Debt

Interest-bearing debt as of March 31, 2023 increased by 3.5%, or ¥100.7 billion, compared to March 31, 2022 to ¥3,006.6 billion (US $22,517 million). Net interest-bearing debt (Interest-bearing debt after deducting Cash and cash equivalents and Time deposits) increased by 4.7%, or ¥108.2 billion, to ¥2,391.2 billion (US$17,908 million). NET DER (debt-to-equity ratio) improved by 0.05 points from 0.54 to 0.50 times. Furthermore, the ratio of long-term interest-bearing debt to total interest-bearing debt was 78%, down 4 points from 82% as of March 31, 2022.

Details of interest-bearing debt as of March 31, 2023 and 2022 were as follows:

	Billions of Yen		Millions of U.S. Dollars
Fiscal years ended March 31	2023	2022	2023
Short-term debentures and borrowings			
Short-term and current maturities of long-term loans mainly from banks	¥ 601.7	¥ 436.2	$ 4,506
Commercial paper	28.0	30.0	210
Current maturities of debentures	30.1	56.3	225
Short-term total	659.7	522.4	4,941
Long-term debentures and borrowings			
Long-term loans mainly from banks, less current maturities	2,225.7	2,235.3	16,668
Debentures	121.3	148.2	908
Long-term total	2,346.9	2,383.5	17,576
Total interest-bearing debt	3,006.6	2,905.9	22,517
Cash and cash equivalents, time deposits	615.5	622.9	4,609
Net interest-bearing debt	¥2,391.2	¥2,283.0	$ 17,908

Financial Position

Total assets as of March 31, 2023 increased by 7.9%, or ¥958.0 billion, compared to March 31, 2022 to ¥13,111.7 billion (US $98,193 million), due to the increase in investments accounted for by the equity method resulting from the investment in shares in Hitachi Construction Machinery Co., Ltd., the increase in trade receivables and inventories resulting from the increase of trading transactions and higher market prices, and the depreciation of the yen.

Total shareholders' equity increased by 14.8%, or ¥620.2 billion, compared to March 31, 2022 to ¥4,819.5 billion (US$36,093 million), due to net profit attributable to ITOCHU during this fiscal year and the depreciation of the yen, partially offset by dividend payments and share buybacks. As a result, the ratio of shareholders' equity to total assets increased by 2.2 points compared to March 31, 2022 to 36.8%.

Total equity, or the sum of Total shareholders' equity and Non-controlling interests, increased by 14.7%, or ¥699.9 billion, compared to March 31, 2022 to ¥5,463.6 billion (US$40,917 million).

Reserves for Liquidity

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

As of March 31, 2023, against the necessary liquidity amount, which is the total of short-term interest-bearing debt and contingent liabilities of ¥863.4 billion (US$6,466 million), the amount of reserves, which is the sum of cash, cash equivalents, time deposits (¥615.5 billion), and the unutilized commitment line (yen: ¥450.0 billion, multiple currency: US$993 million) was ¥1,198.1 billion (US $8,972 million). The Company believes that this amount constitutes adequate reserves for liquidity. In addition, the amount held as other assets that can be converted to cash in a short period of time, such as available-for-sale securities was ¥836.8 billion (US$6,267 million).

	Billions of Yen	Millions of U.S. Dollars
	2023	2023
Fiscal years ended March 31	Liquidity Reserves	Liquidity Reserves
Cash and cash equivalents, time deposits	¥ 615.5	$ 4,609
Commitment line	582.6	4,363
Total primary liquidity reserves	¥ 1,198.1	$ 8,972

	Billions of Yen	Millions of U.S. Dollars
Fiscal years ended March 31	2023	2023
Short-term debentures and borrowings	¥ 659.7	$ 4,941
Long-term debentures and borrowings (Note)	112.0	839
Contingent liabilities (Financial guarantees (substantial risk) of associates and joint ventures, customers)	91.6	686
Total	¥ 863.4	$ 6,466

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

Capital Resources

Main funding needs in ITOCHU Group are working capital for operating activity, as well as funds for investment and acquisition of tangible assets. The fundamental policy is to finance new expenditures for investment activities from operating revenue, disposal / collection of existing assets, and loans and the issuance of bonds while maintaining financial soundness.

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

* "Core operating cash flows" minus "Net investment" minus "Dividends and share buybacks"
* "Core operating cash flows" equals "Operating cash flows" minus "Change in working capital" plus "Repayments of lease liabilities, etc."
* "Net investment" equals "Investment cash flows" plus "Equity transactions with non-controlling interests" minus "Changes in loan receivables," etc.

Cash flows from operating activities for the fiscal year ended March 31, 2023 was a net cash-inflow of ¥938.1 billion (US$7,025 million), due to the stable performance in operating revenues in Metals & Minerals, The 8th, Energy & Chemicals, and General Products & Realty Companies, partially offset by the increase in working capital due to the growth of operating transactions. Cash flows from operating activities for the fiscal year ended March 31, 2022 was a net cash-inflow of ¥801.2 billion.

Cash flows from investing activities was a net cash-outflow of ¥453.8 billion (US$3,399 million), due to the investment in shares in Hitachi Construction Machinery Co., Ltd. by Machinery Company, the acquisition of a North American engineered wood products business by General Products & Realty Company, the investment in iron ore business in Canada by Metals & Minerals Company, and the purchase of fixed assets by Food, The 8th, Machinery, and Energy & Chemicals Companies, partially offset by the sales of a North American beverage-equipment-maintenance company and CONEXIO Corporation. Cash flows from investing activities for the fiscal year ended March 31, 2022 was a net cash-inflow of ¥38.6 billion.

Cash flows from financing activities was a net cash-outflow of ¥500.1 billion (US$3,745 million), due to the repayments of lease liabilities in addition to dividend payments and share buybacks. Cash flows from financing activities for the fiscal year ended March 31, 2022 was a net cash-outflow of ¥846.7 billion.

"Cash and cash equivalents" as of March 31, 2023 decreased by 0.9%, or ¥5.7 billion, to ¥606.0 billion (US$4,538 million), compared to March 31, 2022.

A summary of cash flows for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Billions of Yen		Millions of U.S. Dollars
Fiscal years ended March 31	2023	2022	2023
Cash flows from operating activities	**¥ 938.1**	¥ 801.2	**$ 7,025**
Cash flows from investing activities	**(453.8)**	38.6	**(3,399)**
Cash flows from financing activities	**(500.1)**	(846.7)	**(3,745)**
Net change in cash and cash equivalents	**(15.8)**	(6.9)	**(119)**
Cash and cash equivalents at the beginning of the year (Opening balance on the consolidated statement of financial position)	**611.7**	544.0	**4,581**
Reclassification of cash and cash equivalents included in assets held for sale in the opening balance	**—**	44.3	**—**
Cash and cash equivalents at the beginning of the year	**611.7**	588.3	**4,581**
Effect of exchange rate changes on cash and cash equivalents	**10.1**	30.3	**76**
Cash and cash equivalents at the end of the year	**¥ 606.0**	¥ 611.7	**$ 4,538**

Significant Accounting Policies

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

With regards to the impact from the Russia-Ukraine situation, the Company and its subsidiaries have exposure including resource-related investments in Russia, the ratio of them to our total assets is less than 1% as of the end of this fiscal year. As a result of appropriate accounting treatment reflecting the most recent situation for our Russia-Ukraine-related assets in this fiscal year, we do not expect a material impact on our financial position and operating results.

Estimates and assumptions that have a risk of resulting in material adjustments in the future accounting periods are mainly as follows. Also, please refer to the respective relevant notes of "Notes to Consolidated Financial Statements" regarding the balances of assets and liabilities related to each of the following items.

Measurement of the fair value of unlisted equity instruments

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

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

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

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

In impairment tests of property, plant and equipment, investment property, goodwill and intangible assets, and investments in associates and joint ventures, after identifying the related cash-generating units, their recoverable amount is recognized as the higher of the fair value less costs to sell or the value in use of the cash-generating units. The recoverable amounts are based on the value in use calculated with the support of independent appraisers. The value in use is calculated by discounting the estimated amount of future cash flows based on the business plans approved by the Board of Directors. In principle, the business plans are limited to a period of five years and formulated in a manner that reflects past results and are consistent with external information. The growth rate is determined by considering the long-term average growth rate of the markets or countries to which the cash-generating unit belongs. The discount rate is determined based on the weighted average cost of capital and other factors for each cash-generating unit. Changes in uncertain future economic conditions may affect assumptions used to calculate the fair value less costs to sell or expected future cash flows and assumed discount rates that will result from the period of use and subsequent disposal of cash-generating units, which underlie the calculation of value in use. Accordingly, there are risks that such changes could result in material adjustments to the impairment losses of property, plant and equipment, investment property, goodwill and intangible assets, and investments in associates and joint ventures in the future accounting periods.

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

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

Measurement of provisions

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

Estimates of income taxes

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

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

Accounting areas where the judgment on the application of accounting policies significantly affects the amounts of assets, liabilities, revenues, and expenses are mainly as follows. Also, please refer to the respective relevant notes of "Notes to Consolidated Financial Statements" regarding the balances of assets and liabilities related to each of the following items.

- Scope of subsidiaries or associates and joint ventures
- Classification of financial assets measured at amortized cost, FVTOCI financial assets, and FVTPL financial assets in financial assets other than derivatives
- Judgments regarding the transfer of significant risks and economic values associated with contracts containing lease as a lessor
- Judgments about whether credit risks on financial assets measured at amortized cost and debt FVTOCI financial assets have increased significantly
- Identification of cash-generating units, evaluation of whether there are indications of impairment or reversals of impairment in conducting impairment tests for property, plant and equipment, investment property, goodwill and intangible assets, and investments in associates and joint ventures
- Assessments regarding the existence of current obligations arising from past events and the likelihood of an outflow of resources to settle such obligations in recognizing provisions

Consolidated Statement of Financial Position

ITOCHU Corporation and its Subsidiaries
As of March 31, 2023 and 2022
Prepared in conformity with IFRSs

Assets	Millions of Yen 2023	Millions of Yen 2022	Millions of U.S. Dollars 2023
Current assets			
Cash and cash equivalents	**¥ 606,002**	¥ 611,715	**$ 4,538**
Time deposits	**9,467**	11,185	**71**
Trade receivables (Note 6)	**2,533,297**	2,458,991	**18,972**
Other current receivables (Note 6)	**243,043**	236,864	**1,820**
Other current financial assets (Note 13)	**73,336**	101,932	**549**
Inventories (Note 7)	**1,304,942**	1,077,160	**9,773**
Advances to suppliers	**142,862**	123,382	**1,070**
Other current assets (Note 28)	**208,419**	188,727	**1,561**
Total current assets	**5,121,368**	4,809,956	**38,354**
Non-current assets			
Investments accounted for by the equity method (Note 14)	**2,825,102**	2,288,762	**21,157**
Other investments (Note 13)	**943,270**	958,218	**7,064**
Non-current receivables (Note 6)	**805,159**	728,965	**6,030**
Non-current financial assets other than investments and receivables	**162,768**	172,191	**1,219**
Property, plant and equipment (Notes 9 and 17)	**1,998,485**	1,936,044	**14,967**
Investment property (Note 10)	**44,050**	47,742	**330**
Goodwill (Note 12)	**366,659**	368,989	**2,746**
Intangible assets (Note 12)	**712,594**	712,618	**5,336**
Deferred tax assets (Note 20)	**54,478**	54,639	**408**
Other non-current assets	**77,719**	75,534	**582**
Total non-current assets	**7,990,284**	7,343,702	**59,839**
Total assets (Note 4)	**¥13,111,652**	¥12,153,658	**$98,193**

Refer to Notes to Consolidated Financial Statements.

Liabilities and Equity	Millions of Yen 2023	Millions of Yen 2022	Millions of U.S. Dollars 2023
Current liabilities			
Short-term debentures and borrowings (Notes 16 and 34)	**¥ 659,710**	¥ 522,448	**$ 4,941**
Lease liabilities (short-term) (Notes 17)	**238,289**	235,791	**1,785**
Trade payables (Note 15)	**2,042,608**	1,967,117	**15,297**
Other current payables (Note 15)	**190,014**	210,857	**1,423**
Other current financial liabilities	**71,642**	83,724	**537**
Current tax liabilities (Note 20)	**118,109**	74,026	**884**
Advances from customers (Note 28)	**162,409**	132,513	**1,216**
Other current liabilities (Notes 19 and 28)	**462,044**	424,071	**3,460**
Total current liabilities	**3,944,825**	3,650,547	**29,543**
Non-current liabilities			
Long-term debentures and borrowings (Notes 16 and 34)	**2,346,928**	2,383,455	**17,576**
Lease liabilities (long-term) (Notes 17)	**766,278**	775,180	**5,739**
Other non-current financial liabilities	**56,543**	58,217	**423**
Non-current liabilities for employee benefits (Note 18)	**96,942**	103,975	**726**
Deferred tax liabilities (Note 20)	**273,123**	250,999	**2,045**
Other non-current liabilities (Note 19)	**163,386**	167,585	**1,224**
Total non-current liabilities	**3,703,200**	3,739,411	**27,733**
Total liabilities	**7,648,025**	7,389,958	**57,276**
Equity			
Common stock (Note 22)	**253,448**	253,448	**1,898**
Capital surplus (Note 22)	**(169,322)**	(161,917)	**(1,268)**
Retained earnings (Notes 22 and 23)	**4,427,244**	3,811,991	**33,155**
Other components of equity (Note 24)			
Translation adjustments	**458,560**	383,215	**3,434**
FVTOCI financial assets (Note 13)	**120,681**	146,638	**904**
Cash flow hedges (Note 26)	**30,840**	7,154	**231**
Total other components of equity	**610,081**	537,007	**4,569**
Treasury stock (Note 22)	**(301,940)**	(241,204)	**(2,261)**
Total shareholders' equity	**4,819,511**	4,199,325	**36,093**
Non-controlling interests (Note 35)	**644,116**	564,375	**4,824**
Total equity	**5,463,627**	4,763,700	**40,917**
Total liabilities and equity	**¥13,111,652**	¥12,153,658	**$98,193**

Consolidated Statement of Comprehensive Income

ITOCHU Corporation and its Subsidiaries
Fiscal years ended March 31, 2023 and 2022
Prepared in conformity with IFRSs

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	**2023**
Revenues (Notes 4 and 28)			
Revenues from sale of goods	**¥ 12,605,631**	¥ 11,011,816	**$ 94,403**
Revenues from rendering of services and royalties	**1,340,002**	1,281,532	**10,035**
Total revenues	**13,945,633**	12,293,348	**104,438**
Cost			
Cost of sale of goods (Note 19)	**(11,092,435)**	(9,696,532)	**(83,071)**
Cost of rendering of services and royalties	**(723,295)**	(659,651)	**(5,416)**
Total cost	**(11,815,730)**	(10,356,183)	**(88,487)**
Gross trading profit (Note 4)	**2,129,903**	1,937,165	**15,951**
Other gains (losses)			
Selling, general and administrative expenses (Notes 18 and 29)	**(1,419,121)**	(1,346,720)	**(10,628)**
Provision for doubtful accounts (Note 25)	**(8,869)**	(7,923)	**(66)**
Gains (losses) on investments (Notes 30 and 35)	**67,157**	211,851	**503**
Gains (losses) on property, plant, equipment and intangible assets (Notes 9, 12 and 31)	**(50,118)**	(17,601)	**(376)**
Other-net (Note 32)	**15,071**	9,645	**113**
Total other losses	**(1,395,880)**	(1,150,748)	**(10,454)**
Financial income (loss) (Note 33)			
Interest income	**39,370**	20,412	**295**
Dividends received	**79,667**	80,741	**597**
Interest expense	**(66,865)**	(28,976)	**(501)**
Total financial income	**52,172**	72,177	**391**
Equity in earnings of associates and joint ventures (Notes 4 and 14)	**320,666**	291,435	**2,401**
Profit before tax	**1,106,861**	1,150,029	**8,289**
Income tax expense (Note 20)	**(262,180)**	(271,056)	**(1,963)**
Net profit	**844,681**	878,973	**6,326**
Net profit attributable to ITOCHU (Note 4)	**¥ 800,519**	¥ 820,269	**$ 5,995**
Net profit attributable to non-controlling interests	**44,162**	58,704	**331**

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Other comprehensive income net of tax (Notes 20 and 24)			
Items that will not be reclassified to profit or loss			
FVTOCI financial assets (Note 27)	**¥ (830)**	¥ (8,927)	**$ (6)**
Remeasurement of net defined pension liability (Note 18)	**(1,666)**	3,897	**(12)**
Other comprehensive income in associates and joint ventures (Note 14)	**(21,868)**	(4,932)	**(164)**
Items that will be reclassified to profit or loss			
Translation adjustments (Note 27)	**111,639**	170,109	**836**
Cash flow hedges (Note 26)	**(1,145)**	4,519	**(9)**
Other comprehensive income in associates and joint ventures (Note 14)	**(7,878)**	105,500	**(59)**
Total other comprehensive income net of tax	**78,252**	270,166	**586**
Total comprehensive income	**922,933**	1,149,139	**6,912**
Total comprehensive income attributable to ITOCHU	**¥ 876,260**	¥1,086,431	**$ 6,562**
Total comprehensive income attributable to non-controlling interests	**46,673**	62,708	**350**

	Yen		U.S. Dollars
	2023	2022	2023
Basic earnings per share attributable to ITOCHU (Note 21)	**¥546.10**	¥552.86	**$4.09**
Diluted earnings per share attributable to ITOCHU (Note 21)	**¥546.10**	¥552.86	**$4.09**

Refer to Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

ITOCHU Corporation and its Subsidiaries
Fiscal years ended March 31, 2023 and 2022
Prepared in conformity with IFRSs

	Millions of Yen							
	Shareholders' equity							
	Common stock	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total shareholders' equity	Non-controlling interests	Total equity
Balance on April 1, 2022	¥253,448	¥(161,917)	¥3,811,991	¥537,007	¥(241,204)	¥4,199,325	¥564,375	¥4,763,700
Net Profit			**800,519**			**800,519**	**44,162**	**844,681**
Other comprehensive income (Note 24)				**75,741**		**75,741**	**2,511**	**78,252**
Total comprehensive income			**800,519**	**75,741**		**876,260**	**46,673**	**922,933**
Cash dividends to shareholders (Note 23)			**(188,372)**			**(188,372)**		**(188,372)**
Cash dividends to non-controlling interests						**—**	**(28,437)**	**(28,437)**
Net change in acquisition (disposition) of treasury stock (Note 22)					**(60,736)**	**(60,736)**		**(60,736)**
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests		**(7,405)**		**439**		**(6,966)**	**61,505**	**54,539**
Transfer to retained earnings			**3,106**	**(3,106)**		**—**		**—**
Balance on March 31, 2023	**¥253,448**	**¥(169,322)**	**¥4,427,244**	**¥610,081**	**¥(301,940)**	**¥4,819,511**	**¥644,116**	**¥5,463,627**

	Millions of Yen							
	Shareholders' equity							
	Common stock	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total shareholders' equity	Non-controlling interests	Total equity
Balance on April 1, 2021	¥253,448	¥(155,210)	¥3,238,948	¥160,455	¥(181,360)	¥3,316,281	¥553,959	¥3,870,240
Net Profit			820,269			820,269	58,704	878,973
Other comprehensive income (Note 24)				266,162		266,162	4,004	270,166
Total comprehensive income			820,269	266,162		1,086,431	62,708	1,149,139
Cash dividends to shareholders (Note 23)			(135,356)			(135,356)		(135,356)
Cash dividends to non-controlling interests						—	(20,897)	(20,897)
Net change in acquisition (disposition) of treasury stock (Note 22)					(59,844)	(59,844)		(59,844)
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests		(6,707)		(1,480)		(8,187)	(31,395)	(39,582)
Transfer to retained earnings (Note 24)			(111,870)	111,870		—		—
Balance on March 31, 2022	¥253,448	¥(161,917)	¥3,811,991	¥537,007	¥(241,204)	¥4,199,325	¥564,375	¥4,763,700

	Millions of U.S. Dollars							
	Shareholders' equity							
	Common stock	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total shareholders' equity	Non-controlling interests	Total equity
Balance on April 1, 2022	$1,898	$(1,213)	$28,548	$4,022	$(1,806)	$31,449	$4,226	$35,675
Net Profit			**5,995**			**5,995**	**331**	**6,326**
Other comprehensive income (Note 24)				**567**		**567**	**19**	**586**
Total comprehensive income			**5,995**	**567**		**6,562**	**350**	**6,912**
Cash dividends to shareholders (Note 23)			**(1,411)**			**(1,411)**		**(1,411)**
Cash dividends to non-controlling interests						**—**	**(213)**	**(213)**
Net change in acquisition (disposition) of treasury stock (Note 22)					**(455)**	**(455)**		**(455)**
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests		**(55)**		**3**		**(52)**	**461**	**409**
Transfer to retained earnings			**23**	**(23)**		**—**		**—**
Balance on March 31, 2023	**$1,898**	**$(1,268)**	**$33,155**	**$4,569**	**$(2,261)**	**$36,093**	**$4,824**	**$40,917**

Refer to Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

ITOCHU Corporation and its Subsidiaries
Fiscal years ended March 31, 2023 and 2022
Prepared in conformity with IFRSs

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	**2023**
Cash flows from operating activities			
Net profit	**¥ 844,681**	¥ 878,973	**$ 6,326**
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation and amortization	**409,962**	404,184	**3,070**
(Gains) losses on investments	**(67,157)**	(211,851)	**(503)**
(Gains) losses on property, plant, equipment and intangible assets	**50,118**	17,601	**376**
Financial (income) loss	**(52,172)**	(72,177)	**(391)**
Equity in earnings of associates and joint ventures	**(320,666)**	(291,435)	**(2,401)**
Income tax expense	**262,180**	271,056	**1,963**
Provision for doubtful accounts and other provisions	**(3,338)**	(2,836)	**(25)**
Change in trade receivables	**(58,394)**	(304,709)	**(437)**
Change in inventories	**(197,452)**	(153,200)	**(1,479)**
Change in trade payables	**50,118**	314,373	**375**
Other-net	**22,010**	(98,114)	**165**
Proceeds from interest	**35,029**	19,706	**262**
Proceeds from dividends	**233,884**	201,532	**1,751**
Payments for interest	**(57,855)**	(29,807)	**(433)**
Payments for income taxes	**(212,890)**	(142,133)	**(1,594)**
Net cash provided by (used in) operating activities	**938,058**	801,163	**7,025**
Cash flows from investing activities			
Payments for purchase of investments accounted for by the equity method	**(328,634)**	(34,723)	**(2,461)**
Proceeds from sale of investments accounted for by the equity method	**33,744**	101,766	**252**
Payments for purchase of other investments	**(60,776)**	(70,381)	**(455)**
Proceeds from sale of other investments	**39,585**	184,158	**297**
Payments for acquisition of subsidiaries or businesses (Notes 5 and 34)	**(26,033)**	—	**(195)**
Proceeds from sale of subsidiaries or businesses (Notes 8, 34 and 35)	**70,161**	(30,433)	**525**
Origination of loans receivable	**(104,359)**	(53,760)	**(782)**
Collections of loans receivable	**84,324**	69,432	**632**
Payments for purchase of property, plant, equipment and intangible assets	**(194,081)**	(157,142)	**(1,453)**
Proceeds from sale of property, plant, equipment and intangible assets	**28,360**	32,259	**212**
Net change in time deposits	**3,903**	(2,539)	**29**
Net cash provided by (used in) investing activities	**(453,806)**	38,637	**(3,399)**
Cash flows from financing activities			
Proceeds from debentures and loans payable (Note 34)	**699,001**	456,698	**5,235**
Repayments of debentures and loans payable (Note 34)	**(801,893)**	(717,291)	**(6,005)**
Repayments of lease liabilities (Note 34)	**(261,271)**	(266,974)	**(1,956)**
Net change in other loans payable (Note 34)	**86,416**	(88,757)	**647**
Equity transactions with non-controlling interests	**54,766**	(14,093)	**410**
Cash dividends (Note 23)	**(188,372)**	(135,356)	**(1,411)**
Cash dividends to non-controlling interests	**(28,547)**	(20,897)	**(214)**
Net change in treasury stock	**(60,181)**	(60,036)	**(451)**
Net cash provided by (used in) financing activities	**(500,081)**	(846,706)	**(3,745)**
Net change in cash and cash equivalents	**(15,829)**	(6,906)	**(119)**
Cash and cash equivalents at the beginning of the year (Opening balance on the consolidated statement of financial position)	**611,715**	544,009	**4,581**
Reclassification of cash and cash equivalents included in assets held for sale in the opening balance (Note 8)	**—**	44,331	**—**
Cash and cash equivalents at the beginning of the year	**611,715**	588,340	**4,581**
Effect of exchange rate changes on cash and cash equivalents	**10,116**	30,281	**76**
Cash and cash equivalents at the end of the year	**¥ 606,002**	¥ 611,715	**$ 4,538**

Refer to Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

ITOCHU Corporation and its Subsidiaries

1. Reporting Entity

ITOCHU Corporation (the Company) is a general trading company located in Japan that conducts trading, finance, and logistics involving a wide variety of products, as well as project planning and coordination. Also, the Company has cultivated a diverse range of functions and expertise through investments in resource development and other projects.

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

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

2. Basis of Preparation of Consolidated Financial Statements

(1) Statement of Compliance with IFRSs

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

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

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

(2) Basis of Measurement

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

(3) Presentation Currency

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

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

The translation of Japanese yen amounts into U.S. dollar amounts for the fiscal year ended March 31, 2023 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥133.53 = US$1, the exchange rate prevailing on March 31, 2023.

(4) Changes in Accounting Policies

The Company and its subsidiaries have applied standards or interpretations of IFRSs which are required to be applied from the fiscal year ended March 31, 2023.

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

Of the new or amended standards or interpretations in IFRSs published by the date of approval of the Consolidated Financial Statements, the Company has not applied the following standards or interpretations as of March 31, 2023. With regards to the followings standards or interpretations, no significant impact is anticipated on the Consolidated Financial Statements.

Further, although the international tax reform (Pillar Two model rules) is planned to be applied in Japan from the fiscal year ending March 31, 2025, the Company and its subsidiaries have applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two model rules from the fiscal year ended March 31, 2023.

Standard	Title	Mandatory application (from fiscal years beginning on or after)	Fiscal year in which the Company will apply standard	Summary of new or revised standard
IAS 12	Income Taxes	January 1, 2023	Year ending March 2024	Amendments of enhanced disclosure requirements for information about the impact arising from international tax reform (Pillar Two model rules)

3. Significant Accounting Policies

(1) Basis of Consolidation

1) Business combinations

The Company and its subsidiaries apply the acquisition method in accordance with IFRS 3 "Business Combinations." That is, one of the parties to the business combination, as the acquirer, recognizes the acquisition-date fair value of the identifiable assets acquired from the acquiree and the liabilities assumed from the acquiree. (However, assets and liabilities that need to be measured at other than fair value in accordance with IFRS 3, such as deferred tax assets, deferred tax liabilities, and assets / liabilities related to employee benefit arrangements, are recognized at the amount stipulated in IFRS 3.) Any previously held equity interest is remeasured at acquisition-date fair value and non-controlling interest is remeasured at acquisition-date fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Goodwill is then recognized as of the acquisition date, measured as the excess of the aggregate of the consideration transferred, any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. In addition, for business combinations resulting in a bargain purchase, that is, for transactions where the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with IFRS 3, exceed the aggregate of the consideration transferred, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, and any non-controlling interest in the acquiree, the excess amount is recognized as profit in the Consolidated Statement of Comprehensive Income.

Costs that are incurred by the acquirer in relation to the completion of a business combination are expensed when they are incurred, except for costs related to the issuance of debt instruments or equity instruments.

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

2) Subsidiaries

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

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

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

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

3) Loss of control

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

4) Business combinations under common control

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

5) Associates and joint ventures

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

A joint arrangement is a contractual arrangement in which multiple ventures undertake economic activities under joint control, and all significant operating and financial decisions require unanimous consent of parties sharing control.

A joint venture is a specific type of joint arrangement under which operations are independent from each of the investing companies and the investing companies have rights only to the net assets of the arrangement.

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

The Consolidated Financial Statements include investments in associates and joint ventures with reporting period ends that differ from that of the Company because it is impracticable to unify the reporting period ends. The reasons why it is impracticable include the existence of a shareholder that has control over the associates or undertakes economic activities under the joint arrangement but has a reporting period that differs from the Company's reporting period, and the impossibility of doing so under the legal codes of regions in which the associates and joint ventures are located. However, the difference between the end of the reporting period of these associates and joint ventures and the end of the reporting period of the Company does not exceed three months. Adjustments are made to reflect significant transactions or events that result from the difference in the reporting period ends.

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

6) Joint operations

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

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

7) Transactions eliminated on consolidation

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

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

(2) Foreign Currency Translation

1) Foreign currency transactions

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

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

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

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

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

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

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

3) Hedges of a net investment in foreign operations

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

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

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

(3) Financial Instruments

1) Financial assets other than derivatives

In accordance with IFRS 9 “Financial Instruments,” the Company and its subsidiaries initially recognize financial assets other than derivatives on the accrual date for trade receivables and other receivables, and on the transaction date for sales and purchase of other financial assets. An overview of the classification and measurement models of financial assets other than derivatives is as follows.

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

- Those assets are held under a business model whose objective is to collect contractual cash flows; and
- The contractual cash flows associated with those assets comprise only payments of principal and interest on the outstanding principal balance, and the dates of those cash flows are specified.

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

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

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

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

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

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

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

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

2) Cash equivalents

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

3) Financial liabilities other than derivatives

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

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

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

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

4) Derivative instruments and hedging activities

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

- A hedge of the variability of the fair value of a recognized asset or liability, or of an unrecognized firm commitment, wherein the hedging relationship meets the hedge effectiveness requirements, such as the existence of an economic relationship between the hedged item and the hedging instrument, and for which the hedging relationship, risk management objective, and hedge implementation strategy are documented at the inception of the hedge, is designated as a fair value hedge. Changes in the fair value of the derivatives, as well as changes in the fair value of the hedged items, are recognized in profit or loss (or other comprehensive income when equity FVTOCI financial assets are designated as hedges).
- A hedge of the variability of future cash flows arising in relation to a forecasted transaction or a recognized asset or liability, wherein the hedging relationship meets the hedge effectiveness requirements, such as the existence of an economic relationship between the hedged item and the hedging instrument, and for which the hedging relationship, risk management objective, and hedge implementation strategy are documented at the inception of the hedge, is designated as a cash flow hedge. For those designated as cash flow hedges, changes in the fair value of the derivative are recognized in other comprehensive income as Cash flow hedges. This treatment is continued until the variability in future cash flows arising in relation to the forecasted transactions or the recognized assets or liabilities are realized. The ineffective portion of the hedge is recognized in profit or loss.
- Changes in the fair value of hedging instruments for a net investment in foreign operations are handled as described in “3) Hedges of a net investment in foreign operations” of “(2) Foreign Currency Translation.”
- Changes in the fair value of derivatives other than those above are recognized in profit or loss.

In applying the rules above for fair value hedges, cash flow hedges, and hedges of a net investment in foreign operations, in order to assess the economic relationship between the hedged item and the hedging instrument, the Company and its subsidiaries evaluate at the inception of the hedge, and on an ongoing basis, whether or not the derivative will be effective in offsetting changes in the fair value or future cash flows of the hedged item.

Hedge accounting is discontinued prospectively from the point at which the hedging relationship no longer meets the qualifying criteria.

5) Presentation of financial assets and liabilities

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

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

(4) Inventories

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

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

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

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

(5) Property, Plant and Equipment

1) Recognition and measurement

The cost model is applied, and property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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

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

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

2) Depreciation

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

At the end of each period, the residual value, useful lives, and depreciation methods of property, plant and equipment are reviewed and revised as necessary.

(6) Investment Property

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

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

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

(7) Goodwill and Intangible Assets

1) Goodwill

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

2) Intangible assets

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

Except for intangible assets for which useful lives cannot be determined, intangible assets are mainly depreciated using the straight-line method over their estimated useful lives (trademarks and other intangible assets: 5–42 years, and software: 3–5 years) from the time when they become available for use. The amortization expenses allocated to each accounting period are recognized in profit or loss.

At the end of each period, the residual value, useful lives, and depreciation methods of intangible assets are reviewed and revised as necessary.

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

(8) Leases

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

1) Leases as lessee

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

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

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

2) Leases as lessor

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

For finance leases, net investments in the leases are recognized as lease receivables. Lease payments receivable are allocated to finance income and lease receivables based on the effective interest method with finance income presented in Interest income in the Consolidated Statement of Comprehensive Income. Further, if the main purpose of the finance lease is the sale of goods and the finance lease has been implemented in accordance with sales policies, the lower of the fair value of the assets subject to leases or minimum lease payments receivable discounted at the market rate of interest is recognized as Revenues in the Consolidated Statement of Comprehensive Income, and the purchase price of the assets subject to leases is recognized as Cost of sale of goods in the Consolidated Statement of Comprehensive Income.

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

(9) Non-Current Assets Held for Sale

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

(10) Impairment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(11) Employee Benefits

1) Post-employment defined benefit plans

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

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

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

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

2) Post-employment defined contribution plans

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

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

3) Multi-employer plans

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

4) Short-term employee benefits

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

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

(12) Provisions

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

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

1) Provisions for asset retirement obligations

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

2) Restructuring provisions

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

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

3) Provisions for losses on lawsuits

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

4) Provisions for losses on guarantees

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

5) Levies

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

(13) Equity

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

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

(14) Revenues

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

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

Revenue on product sales transactions and Revenue on rendering of services and royalty transactions are recognized when performance obligations in contracts with customers are satisfied, i.e., at a point of time when control of goods or services provided by the Company and its subsidiaries is transferred to customers. Consideration for goods or services does not include significant financing arrangements if the period between payment from customers and the transfer of goods or services to customers would be one year or less, as a practical expedient. In addition, if the consideration includes a variable amount, the consideration is included in the transaction price to the extent that it is highly probable that there will be no significant reversal in the cumulative amount of revenue recognized. The specific criteria for revenue recognition for each type of transaction are as follows:

1) Product sales transactions

Revenues from product sales transactions include wholesale, retail sales, manufactured product sales, and processed product sales by eight operating segments: Textile, Machinery, Metals & Minerals, Energy & Chemicals, Food, General Products & Realty, ICT & Financial Business, and The 8th. Performance obligations for these transactions are satisfied and revenues are recognized at a point in time when the delivery conditions agreed to with customers on contracts are met, such as delivery of products to customers, issuance of warehouse receipt, and receipt of acceptance certificate. Revenues from contract work transactions in Machinery and software development in ICT & Financial Business and others are recognized in accordance with the progress of satisfaction of the performance obligations, since performance obligations are satisfied over a period of time of the contract work or production to order. Revenues are recognized on a measurement of the progress based on the accumulated actual cost incurred at the end of the period as a percentage of estimated total costs if the total costs required until completion can be estimated reliably, while if the total costs required until completion cannot be estimated reliably, revenues equivalent to the portion of costs incurred that are determined to be recoverable are recognized.

2) Rendering of services and royalty transactions

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

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

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

(15) Finance Income and Costs

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

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

(16) Income Taxes

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

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

Current taxes are measured based on taxes payable on taxable income or taxes refundable on taxable loss of the fiscal year. These tax amounts are calculated based on tax rates enacted, or substantially enacted, at the end of the fiscal year.

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

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

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

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

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

(17) Earnings per Share

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

(18) Mining Operations

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

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

(19) Agriculture

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

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

For bearer plants which are classified as property, plant and equipment, the cost model is applied, and bearer plants are measured at cost less accumulated depreciation and accumulated impairment losses.

(20) Significant Accounting Estimates

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

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

With regards to the impact from the Russia-Ukraine situation, the Company and its subsidiaries have exposure including resource-related investments in Russia, the ratio of them to our total assets is less than 1% as of the end of this fiscal year. As a result of appropriate accounting treatment reflecting the most recent situation for our Russia-Ukraine-related assets in this fiscal year, we do not expect a material impact on our financial position and operating results.

Estimates and assumptions that have a risk of resulting in material adjustments in the future accounting periods are mainly as follows. Also, please refer to the respective relevant notes hereinafter regarding the balances of assets and liabilities related to each of the following items.

Measurement of the fair value of unlisted equity instruments

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

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

Expected credit losses on financial assets measured at amortized cost and debt FVTOCI financial assets are estimated based on the difference between contractual cash flows and the expected amount of recoverable cash flows for the assets. The expected amount of recoverable cash flows for the assets may be affected by changes in future uncertain economic conditions and, as a result, there may be material adjustments to the amount of impairment losses on such assets in future accounting periods. (Refer to Note 25 Financial Instruments)

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

In impairment tests of property, plant and equipment, investment property, goodwill and intangible assets, and investments in associates and joint ventures, after identifying the related cash-generating units, their recoverable amount is recognized as the higher of the fair value less costs to sell or the value in use of the cash-generating units. The recoverable amounts are based on the value in use calculated with the support of independent appraisers. The value in use is calculated by discounting the estimated amount of future cash flows based on the business plans approved by the Board of Directors. In principle, the business plans are limited to a period of five years and formulated in a manner that reflects past results and are consistent with external information. The growth rate is determined by considering the long-term average growth rate of the markets or countries to which the cash-generating unit belongs. The discount rate is determined based on the weighted average cost of capital and other factors for each cash-generating unit. Changes in uncertain future economic conditions may affect assumptions used to calculate the fair value less costs to sell or expected future cash flows and assumed discount rates that will result from the period of use and subsequent disposal of cash-generating units, which underlie the calculation of value in use. Accordingly, there are risks that such changes could result in material adjustments to the impairment losses of property, plant and equipment, investment property, goodwill and intangible assets, and investments in associates and joint ventures in the future accounting periods. (Refer to Note 9 Property, Plant and Equipment, Note 10 Investment Property, Note 12 Goodwill and Intangible Assets, and Note 14 Associates and Joint Ventures)

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

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

Measurement of provisions

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

Estimates of income taxes

To calculate income taxes, estimates and judgments about a variety of factors have to be made, including interpretation of tax regulations and the experience of past tax audits. Therefore, the income taxes that are estimated at the end of each period and the income taxes actually paid may differ. Such estimates and judgments could materially affect income taxes recognized from the next accounting period onward.Further, deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized. However, judgments on the recoverable amounts are made based on estimates of taxable amounts for each future fiscal year, which are determined based on the business plans of the Company and its subsidiaries. Changes in uncertain future economic conditions may affect the estimates of taxable amounts for future fiscal years. Accordingly, there are risks that such changes could result in material adjustments to the recognition of deferred tax assets in the future accounting periods. (Refer to Note 20 Income Taxes)

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

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

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

4. Segment Information

(1) Operating Segments

The Company and its subsidiaries conduct trading, finance, and logistics involving a wide variety of products, as well as project planning and coordination. The Company and its subsidiaries also have cultivated a diverse range of functions and expertise through investments in resource development and other projects.

By leveraging these comprehensive capabilities and via global networks spanning eight Division Companies, the Company and its subsidiaries operate in a wide range of industries. The Consumer-Related Sector covers textiles, food, general products & realty, and ICT & financial business; the Basic Industry-Related Sector includes machinery, chemicals, petroleum products and steel products; and the Natural Resource-Related Sector includes metal and energy resources.

The Company implements diverse business activities across a broad span of industries. To engage in these diverse business activities, the Company has established a system of eight Division Companies organized in line with their respective industries, principal products, and services—Textile, Machinery, Metals & Minerals, Energy & Chemicals, Food, General Products & Realty, ICT & Financial Business, and The 8th. Under this system, each Division Company has responsibility for business execution in its business field. These Division Companies are the segment units for which the Company's management determines management strategies and the allocation of management resources. Results are managed at the Division Company level in accordance with a number of indicators, such as Net profit attributable to ITOCHU.

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

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

Textile

Textile segment is engaged in the production and sales of all stages of the textile business from raw materials, threads, textiles to the final products for garments, home furnishings, and industrial materials, on a worldwide scale. In addition, the segment promotes overseas brand businesses and retail operations related to Internet shopping.

Machinery

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

Metals & Minerals

Metals & Minerals segment is engaged in metal and mineral resource development, processing of steel products, trading in iron ore, coal, pig iron and ferrous raw materials, non-ferrous and light metals, steel products, nuclear fuels in Japan and overseas, trading in greenhouse gas emissions, and recycling and waste treatment.

Energy & Chemicals

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

Food

Food segment pursues efficiency-oriented operations from production and distribution to retail in all areas of food from raw materials to finished products both in Japan and overseas.

General Products & Realty

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

ICT & Financial Business

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

The 8th

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

The Company's segment information was as follows. Intersegment transactions are priced with reference to prices applicable to transactions with unaffiliated parties. There were no significant transactions that generated revenue with any single external customer for the fiscal years ended March 31, 2023 and 2022.

Millions of Yen

	2023									
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Consolidated Total
Revenues from external customers	¥ 530,138	¥ 1,393,501	¥ 1,268,056	¥ 3,388,985	¥ 4,626,264	¥ 1,263,457	¥ 875,134	¥ 467,105	¥ 132,993	¥ 13,945,633
Intersegment revenues	4,446	124	—	41,818	14,404	21,944	14,153	4,051	(100,940)	—
Total revenues	534,584	1,393,625	1,268,056	3,430,803	4,640,668	1,285,401	889,287	471,156	32,053	13,945,633
Gross trading profit	116,523	234,822	222,009	315,356	330,913	225,024	286,125	383,845	15,286	2,129,903
Equity in earnings of associates and joint ventures	5,362	44,749	61,955	8,621	4,431	38,486	40,480	327	116,255	320,666
Net profit attributable to ITOCHU	25,477	107,088	246,852	114,256	16,454	94,831	64,399	23,047	108,115	800,519
Reportable segment assets	¥ 457,659	¥ 1,664,644	¥ 1,274,803	¥ 1,552,638	¥ 2,146,794	¥ 1,223,292	¥ 1,308,118	¥ 1,906,655	¥ 1,577,049	¥ 13,111,652

Millions of Yen

	2022									
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Consolidated Total
Revenues from external customers	¥ 444,750	¥ 1,193,976	¥ 1,043,071	¥ 2,864,111	¥ 4,293,543	¥ 1,036,990	¥ 863,997	¥ 457,920	¥ 94,990	¥ 12,293,348
Intersegment revenues	13	84	—	38,624	11,886	21,883	13,077	1,942	(87,509)	—
Total revenues	444,763	1,194,060	1,043,071	2,902,735	4,305,429	1,058,873	877,074	459,862	7,481	12,293,348
Gross trading profit	96,775	205,799	178,957	253,050	320,437	190,338	295,876	387,588	8,345	1,937,165
Equity in earnings of associates and joint ventures	4,464	42,439	47,167	12,444	16,679	30,289	43,504	797	93,652	291,435
Net profit attributable to ITOCHU	25,142	80,265	226,498	90,627	61,773	105,411	104,426	44,175	81,952	820,269
Reportable segment assets	¥ 436,807	¥ 1,302,692	¥ 1,285,258	¥ 1,489,260	¥ 1,979,520	¥ 1,126,171	¥ 1,350,414	¥ 1,813,769	¥ 1,369,767	¥ 12,153,658

	Millions of U.S. Dollars									
	2023									
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Consolidated Total
Revenues from external customers	$ 3,970	$ 10,436	$ 9,496	$ 25,380	$ 34,646	$ 9,462	$ 6,554	$ 3,498	$ 996	$ 104,438
Intersegment revenues	33	1	—	313	108	164	106	31	(756)	—
Total revenues	4,003	10,437	9,496	25,693	34,754	9,626	6,660	3,529	240	104,438
Gross trading profit	873	1,758	1,663	2,362	2,478	1,685	2,143	2,875	114	15,951
Equity in earnings of associates and joint ventures	40	335	464	65	33	288	303	2	871	2,401
Net profit attributable to ITOCHU	191	802	1,849	856	123	710	482	172	810	5,995
Reportable segment assets	$ 3,427	$ 12,467	$ 9,547	$ 11,628	$ 16,077	$ 9,161	$ 9,796	$ 14,279	$ 11,811	$ 98,193

Notes: 1. “Others, Adjustments & Eliminations” includes gains and losses, which do not belong to any operating segment and internal eliminations between operating segments. The investments in CITIC Limited and C.P. Pokphand Co. Ltd. and the profits and losses from them are included in this segment.
2. Revenues from external customers include revenues resulting from contracts with customers and other sources of revenue. Revenues resulting from other sources of revenue mainly include revenues from energy trading transactions such as oil and gas and lease contracts, which are immaterial in terms of amount.
3. As of October 1, 2022, ITOCHU dissolved the mutual-holdings for certain group companies held by The 8th segment as minority and the other segment as majority, and shares of such group companies are only held by the other segment. These changes are reflected from the results for the six-month period ended March 31, 2023 and the results for the six-month period ended September 30, 2022 are not affected by these changes. According to the above, the results for the six-month period ended March 31, 2022 are reclassified in the same manner.

(2) Information about Geographical Areas

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

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Japan	¥ 10,785,348	¥ 9,774,728	$ 80,771
Singapore	854,772	658,554	6,401
United States	820,168	558,416	6,142
Australia	385,548	378,545	2,887
China	351,017	339,631	2,629
Others	748,780	583,474	5,608
Consolidated Total	¥ 13,945,633	¥ 12,293,348	$ 104,438

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

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Japan	¥ 2,322,004	¥ 2,328,419	$ 17,389
United States	190,380	124,140	1,426
Australia	183,236	184,387	1,372
United Kingdom	172,974	164,551	1,296
Singapore	142,900	148,013	1,070
Others	178,136	179,052	1,334
Consolidated Total	¥ 3,189,630	¥ 3,128,562	$ 23,887

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

5. Business Combinations

Major business combination for the fiscal year ended March 31, 2023 was as follows:

(Acquisition of Pacific Woodtech Corporation and Engineered Wood Products business in North America)

On August 1, 2022, the Company made an additional investment in Pacific Woodtech Corporation (hereinafter "PWT"), an equity-method affiliate in which it previously held 49.0% of the voting rights. As a result of this investment, the Company holds 75.0% of PWT's voting rights, and PWT has become a subsidiary of the Company. The amount invested in PWT was ¥23,627 million (US$177 million), which was paid in cash. Recognizing the future potential of the Engineered Wood Products (hereinafter "EWP") business, PWT has been engaged in the manufacture and sale of EWP since its establishment in 1998.

This investment was made in order for PWT to acquire the EWP business of Louisiana-Pacific Corporation, a transaction which PWT completed on August 1, 2022. The consideration was ¥28,860 million (US$216 million), which was paid in cash. PWT aims to further increase its corporate value through expanding its construction materials business in North America, growing its existing businesses and strengthening its operations.

For this business combination, the fair value measurement of assets acquired and liabilities assumed has not yet been completed. The assets acquired and liabilities assumed at the Acquisition Date which were recorded at an estimable amount, are ¥71,529 million (US$536 million) and ¥23,943 million (US $179 million), respectively, breaking down mainly into Inventories, Property, plant and equipment, Intangible assets, and borrowings. The fair value of previously held equity interests and the non-controlling interests are respectively ¥11,132 million (US$83 million) and ¥10,589 million (US$79 million). These amounts are subject to change as it is in the fair value measurement period.

Upon remeasuring its previously held equity interests at its Acquisition Date fair value, the Company recorded a gain of ¥8,347 million (US$63 million) in Gains (losses) on investments.

The Acquisition costs of ¥544 million (US$4 million) were recorded in Selling, general and administrative expenses related to this business combination.

The following table presents operating performance of PWT and EWP business included in the Consolidated Statement of Comprehensive Income for the year ended March 31, 2023 from the Acquisition Date.

	Millions of Yen	Millions of U.S. Dollars
Total revenues	**¥ 73,592**	**$ 551**
Net profit	**7,851**	**59**
Net profit attributable to ITOCHU	**5,888**	**44**

(Pro forma information)

The unaudited pro forma result of operation, as if the business combination involving PWT and PWT's EWP business had occurred on April 1, 2022, is not presented as the impact is immaterial.

There were no major business combinations for the fiscal year ended March 31, 2022.

6. Trade and Other Receivables

The breakdown of trade receivables as of March 31, 2023 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Notes receivable	¥ 157,717	¥ 145,161	$ 1,181
Trade accounts receivable	2,103,862	2,002,595	15,756
Service fees receivable	291,628	330,207	2,184
Allowance for doubtful accounts (current)	(19,910)	(18,972)	(149)
Total	¥ 2,533,297	¥ 2,458,991	$ 18,972

The breakdown of other current receivables as of March 31, 2023 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Short-term loans receivable	¥ 65,037	¥ 64,738	$ 487
Other accounts receivable	36,449	30,968	273
Deposit to customer	74,446	84,228	557
Allowance for doubtful accounts (current)	(3,082)	(2,546)	(23)
Others	70,193	59,476	526
Total	¥ 243,043	¥ 236,864	$ 1,820

The breakdown of non-current receivables as of March 31, 2023 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Long-term loans receivable	¥ 799,382	¥ 707,296	$ 5,987
Allowance for doubtful accounts (non-current)	(32,537)	(34,403)	(244)
Others	38,314	56,072	287
Total	¥ 805,159	¥ 728,965	$ 6,030

7. Inventories

The breakdown of Inventories as of March 31, 2023 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Merchandise	¥ 888,787	¥ 706,287	$ 6,656
Finished goods	114,264	97,715	856
Real estate for sale	171,817	163,527	1,287
Raw materials and supplies	74,587	70,090	559
Work in progress	55,487	39,541	415
Total	¥ 1,304,942	¥ 1,077,160	$ 9,773

The write-downs of inventories to net realizable value were ¥9,239 million (US$69 million) and ¥4,416 million as of March 31, 2023 and 2022, respectively. The write-down is included in Cost of sale of goods in the Consolidated Statement of Comprehensive Income.

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

There were no assets classified as held for sale and liabilities directly associated with assets classified as held for sale for fiscal years ended March 31, 2023 and 2022.

With respect to the Company's subsidiary FamilyMart Co., Ltd., a meeting of the Board of Directors on July 8, 2020, approved a resolution to transfer part of Taiwan FamilyMart Co., Ltd. ("Taiwan FamilyMart"), which is owned by FamilyMart Co., Ltd. As a result, assets and liabilities related to Taiwan FamilyMart and its subsidiaries were reclassified as Assets held for sale and Liabilities held for sale in the fiscal year ended March 31, 2021. As the share transfer completed in the previous fiscal year, FamilyMart Co., Ltd. lost control over Taiwan FamilyMart, which became an associate of FamilyMart Co., Ltd. Therefore, the Company derecognized Assets held for sale and Liabilities held for sale, and recognized it as a new investment accounted for by the equity method.

The gains of ¥62,822 million on the partial sale and the remeasurement of the remaining interest with the loss of control of Taiwan FamilyMart were recognized in Gains (losses) on investments for the fiscal year ended March 31, 2022.

9. Property, Plant and Equipment

The cost, accumulated depreciation and accumulated impairment losses, and carrying amount of property, plant and equipment as of March 31, 2023 and 2022 were as follows:

	Millions of Yen							
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Mineral rights	Construction in progress	Others	Total
Balance as of March 31, 2023								
Cost	**¥ 477,674**	**¥ 2,062,618**	**¥ 886,474**	**¥ 347,720**	**¥160,878**	**¥ 46,697**	**¥ 42,034**	**¥ 4,024,095**
Accumulated depreciation and accumulated impairment losses	**(136,596)**	**(1,046,388)**	**(497,923)**	**(244,526)**	**(78,238)**	**(948)**	**(20,991)**	**(2,025,610)**
Carrying amount	**341,078**	**1,016,230**	**388,551**	**103,194**	**82,640**	**45,749**	**21,043**	**1,998,485**

	Millions of Yen							
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Mineral rights	Construction in progress	Others	Total
Balance as of March 31, 2022								
Cost	¥ 424,825	¥ 1,862,096	¥ 837,914	¥ 316,614	¥152,500	¥ 41,974	¥ 27,356	¥ 3,663,279
Accumulated depreciation and accumulated impairment losses	(103,343)	(853,524)	(471,567)	(210,151)	(73,316)	(848)	(14,486)	(1,727,235)
Carrying amount	321,482	1,008,572	366,347	106,463	79,184	41,126	12,870	1,936,044

	Millions of U.S. Dollars							
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Mineral rights	Construction in progress	Others	Total
Balance as of March 31, 2023								
Cost	**$ 3,577**	**$ 15,446**	**$ 6,639**	**$ 2,604**	**$ 1,205**	**$ 350**	**$ 315**	**$ 30,136**
Accumulated depreciation and accumulated impairment losses	**(1,023)**	**(7,836)**	**(3,729)**	**(1,831)**	**(586)**	**(7)**	**(157)**	**(15,169)**
Carrying amount	**2,554**	**7,610**	**2,910**	**773**	**619**	**343**	**158**	**14,967**

The changes in the carrying amount of property, plant and equipment for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen							
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Mineral rights	Construction in progress	Others	Total
Balance as of April 1, 2022	¥321,482	¥1,008,572	¥366,347	¥106,463	¥ 79,184	¥ 41,126	¥12,870	¥1,936,044
Acquisitions through business combinations	**2,753**	**22,075**	**13,144**	**706**	**—**	**749**	**20**	**39,447**
Individual acquisitions	**13,743**	**86,954**	**47,229**	**31,755**	**—**	**63,099**	**8,752**	**251,532**
Disposals and decreases through divestitures	**(3,990)**	**(34,351)**	**(15,680)**	**(1,988)**	**—**	**(1,459)**	**(186)**	**(57,654)**
Depreciation	**(32,902)**	**(187,037)**	**(60,496)**	**(37,379)**	**(2,999)**	**—**	**(5,443)**	**(326,256)**
Impairment losses (reversals) recognized in profit or loss	**(1,248)**	**(17,245)**	**2,409**	**(1,394)**	**—**	**(113)**	**—**	**(17,591)**
Effect of foreign currency exchange differences	**2,369**	**10,497**	**6,230**	**558**	**6,393**	**662**	**59**	**26,768**
Others	**38,871**	**126,765**	**29,368**	**4,473**	**62**	**(58,315)**	**4,971**	**146,195**
Balance as of March 31, 2023	**¥341,078**	**¥1,016,230**	**¥388,551**	**¥103,194**	**¥ 82,640**	**¥ 45,749**	**¥21,043**	**¥1,998,485**

	Millions of Yen							
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Mineral rights	Construction in progress	Others	Total
Balance as of April 1, 2021	¥330,527	¥1,033,283	¥309,778	¥122,376	¥ 74,937	¥ 56,945	¥11,945	¥1,939,791
Acquisitions through business combinations	1,833	1,995	35,319	252	—	—	35	39,434
Individual acquisitions	14,018	100,466	47,499	24,955	—	56,194	3,491	246,623
Disposals and decreases through divestitures	(10,686)	(35,754)	(26,060)	(4,891)	(376)	(9,282)	(333)	(87,382)
Depreciation	(32,741)	(199,796)	(58,347)	(40,275)	(2,852)	(0)	(3,098)	(337,109)
Impairment losses recognized in profit or loss	(927)	(15,157)	(2,489)	(2,040)	—	(21)	—	(20,634)
Effect of foreign currency exchange differences	2,008	17,435	16,562	2,269	7,472	1,900	775	48,421
Others	17,450	106,100	44,085	3,817	3	(64,610)	55	106,900
Balance as of March 31, 2022	¥321,482	¥1,008,572	¥366,347	¥106,463	¥ 79,184	¥ 41,126	¥12,870	¥1,936,044

	Millions of U.S. Dollars							
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Mineral rights	Construction in progress	Others	Total
Balance as of April 1, 2022	$ 2,408	$ 7,553	$ 2,744	$ 797	$ 593	$ 308	$ 96	$ 14,499
Acquisitions through business combinations	**22**	**165**	**97**	**5**	**—**	**6**	**0**	**295**
Individual acquisitions	**102**	**650**	**354**	**239**	**—**	**473**	**66**	**1,884**
Disposals and decreases through divestitures	**(31)**	**(256)**	**(117)**	**(16)**	**—**	**(11)**	**(1)**	**(432)**
Depreciation	**(246)**	**(1,401)**	**(453)**	**(280)**	**(22)**	**—**	**(41)**	**(2,443)**
Impairment losses (reversals) recognized in profit or loss	**(10)**	**(129)**	**18**	**(9)**	**—**	**(1)**	**—**	**(131)**
Effect of foreign currency exchange differences	**18**	**79**	**47**	**4**	**48**	**5**	**0**	**201**
Others	**291**	**949**	**220**	**33**	**0**	**(437)**	**38**	**1,094**
Balance as of March 31, 2023	**$ 2,554**	**$ 7,610**	**$ 2,910**	**$ 773**	**$ 619**	**$ 343**	**$ 158**	**$ 14,967**

Depreciation of property, plant and equipment is recognized in Cost of sale of goods, Cost of rendering of services and royalties, and Selling, general and administrative expenses in the Consolidated Statement of Comprehensive Income.

The amount of the impairment losses during the fiscal year ended March 31, 2023 was ¥23,082 million (US$172 million) mainly consisted of the impairment loss recognized on store assets in FamilyMart Co., Ltd in The 8th segment. The amount of the reversal of impairment loss was ¥5,491 million (US$41 million) consisted of the reversal of an impairment loss on machinery and vehicles of the LNG long-term contract due to the market improvement in Energy & Chemicals segment.

The amount of the impairment losses during the fiscal year ended March 31, 2022 was ¥20,634 million mainly consisted of the impairment loss recognized on store assets in FamilyMart Co., Ltd.

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

The recoverable amounts used in the impairment tests for property, plant and equipment are calculated based on the higher of the value in use or fair value less costs to sell with the support of an independent expert. The recoverable amount, in principle, is calculated based on the value in use with the support of an independent expert. The value in use is calculated by discounting the estimated amount of future cash flows based on the business plans approved by the Board of Directors. In principle, the business plans are limited to five years and are formulated in a manner that reflects the past results and are consistent with external information. The growth rate is determined by consideration of the long-term average growth rate of markets or countries to which the cash-generating unit belongs. The discount rate is determined considering such factors as the weighted average cost of capital for each cash generating unit (pre-tax, approximately 4–12%).

10. Investment Property

The cost, accumulated depreciation and accumulated impairment losses, and carrying amount of investment property as of March 31, 2023 and 2022 were as follows:

	Millions of Yen
Balance as of March 31, 2023	
Cost	**¥ 89,762**
Accumulated depreciation and accumulated impairment losses	**(45,712)**
Carrying amount	**44,050**

	Millions of Yen
Balance as of March 31, 2022	
Cost	¥ 86,917
Accumulated depreciation and accumulated impairment losses	(39,175)
Carrying amount	47,742

	Millions of U.S. Dollars
Balance as of March 31, 2023	
Cost	**$ 672**
Accumulated depreciation and accumulated impairment losses	**(342)**
Carrying amount	**330**

The changes in the carrying amount of investment property for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	**2023**
Beginning of the year	**¥ 47,742**	¥ 50,665	**$ 358**
Acquisitions through business combinations	**230**	—	**2**
Individual acquisitions	**4,573**	9,057	**34**
Disposals and decreases through divestitures	**(1,145)**	(4,116)	**(9)**
Depreciation	**(8,845)**	(7,893)	**(66)**
Impairment losses recognized in profit or loss	**(8)**	(235)	**(0)**
Effect of foreign currency exchange differences	**110**	1,162	**1**
Transfers to and from property, plant and equipment	**(269)**	(3,841)	**(2)**
Others	**1,662**	2,943	**12**
End of the year	**¥ 44,050**	¥ 47,742	**$ 330**

Fair values of investment property as of March 31, 2023 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	**2023**
Fair Value	**¥ 43,981**	¥ 47,833	**$ 329**

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

Rental income from investment property for the fiscal years ended March 31, 2023 and 2022 were ¥20,017 million (US$150 million) and ¥17,548 million, respectively, and were reported in Revenues in the Consolidated Statement of Comprehensive Income. Expenses directly attributable to generating rental income for the fiscal years ended March 31, 2023 and 2022 were ¥15,629 million (US$117 million) and ¥14,059 million, respectively, and were included mainly in Cost in the Consolidated Statements of Comprehensive Income.

11. Pledged Assets

The following assets were pledged as collateral as of March 31, 2023 and 2022:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Cash and cash equivalents, and Time deposits	¥ 105	¥ 5	$ 1
Trade receivables and others	15,416	11,193	116
Inventories	26,496	14,763	198
Investments and Non-current receivables	216,202	203,304	1,619
Property, plant and equipment, and others	26,853	38,685	201
Total	¥ 285,072	¥ 267,950	$ 2,135

Collateral was pledged to secure the following obligations as of March 31, 2023 and 2022:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Short-term borrowings (Note)	¥ 5,549	¥ 11,007	$ 42
Trade payables and others	24,843	15,202	186
Long-term borrowings	8,176	11,021	61
Lease liabilities (short-term and long-term)	123,480	116,318	925
Total	¥ 162,048	¥ 153,548	$ 1,214

Note: Short-term borrowings as of March 31, 2023 and 2022 included the current portion of Long-term borrowings of ¥4,431 million (US$33 million) and ¥9,963 million, respectively.

In addition, merchandise imported and / or sales proceeds resulting from sales of such merchandise are pledged as collateral to banks through trust receipts issued under acceptances of import bills included in Trade payables. However, it is not practicable to determine the total amount of assets covered by outstanding trust receipts due to the large volume of import transactions. The Company has borrowings under certain provisions of loan agreements with lenders which customarily specify that collateral and / or a guarantor are to be provided upon the request of the lenders, and the lenders may treat any collateral, whether pledged for specific loans or otherwise, as collateral for present and future debt. With respect to most bank borrowings, banks have the rights to offset deposits against any matured debt (including debt arising out of contingent obligations) or debt which has become due before maturity by default.

12. Goodwill and Intangible Assets

(1) Goodwill

The cost, accumulated impairment losses, and carrying amount of goodwill as of March 31, 2023 and 2022 were as follows:

	Millions of Yen									
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total
Balance as of March 31, 2023										
Cost	**¥ 12,179**	**¥ 22,362**	**¥ —**	**¥ 3,987**	**¥ 77,498**	**¥ 91,056**	**¥ 59,630**	**¥ 222,531**	**¥ 2,033**	**¥ 491,276**
Accumulated impairment losses	**(9,392)**	**(14,565)**	**—**	**(105)**	**(38,917)**	**(43,410)**	**(10,057)**	**(6,138)**	**(2,033)**	**(124,617)**
Carrying amount	**2,787**	**7,797**	**—**	**3,882**	**38,581**	**47,646**	**49,573**	**216,393**	**—**	**366,659**

	Millions of Yen									
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total
Balance as of March 31, 2022										
Cost	¥ 9,359	¥ 23,875	¥ —	¥ 1,019	¥ 65,228	¥ 83,384	¥ 61,371	¥ 230,901	¥ 1,864	¥ 477,001
Accumulated impairment losses	(9,359)	(13,984)	—	(96)	(28,349)	(42,236)	(6,494)	(5,630)	(1,864)	(108,012)
Carrying amount	—	9,891	—	923	36,879	41,148	54,877	225,271	—	368,989

	Millions of U.S. Dollars									
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total
Balance as of March 31, 2023										
Cost	**$ 91**	**$ 167**	**$ —**	**$ 30**	**$ 580**	**$ 682**	**$ 447**	**$ 1,667**	**$ 15**	**$ 3,679**
Accumulated impairment losses	**(70)**	**(109)**	**—**	**(1)**	**(291)**	**(325)**	**(76)**	**(46)**	**(15)**	**(933)**
Carrying amount	**21**	**58**	**—**	**29**	**289**	**357**	**371**	**1,621**	**—**	**2,746**

The changes in the carrying amount of goodwill for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen									
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total
Balance as of April 1, 2022	¥ —	¥ 9,891	¥ —	¥ 923	¥ 36,879	¥ 41,148	¥ 54,877	¥ 225,271	¥ —	¥ 368,989
Acquisitions through business combinations	**2,787**	**—**	**—**	**2,900**	**—**	**3,583**	**—**	**—**	**—**	**9,270**
Decrease through divestitures	**—**	**(3,309)**	**—**	**—**	**—**	**—**	**(2,451)**	**—**	**—**	**(5,760)**
Impairment losses recognized in profit or loss	**—**	**—**	**—**	**—**	**(7,758)**	**—**	**(3,290)**	**(508)**	**—**	**(11,556)**
Effect of foreign currency exchange differences, and others	**—**	**1,215**	**—**	**59**	**9,460**	**2,915**	**437**	**(8,370)**	**—**	**5,716**
Balance as of March 31, 2023	**¥ 2,787**	**¥ 7,797**	**¥ —**	**¥ 3,882**	**¥ 38,581**	**¥ 47,646**	**¥ 49,573**	**¥ 216,393**	**¥ —**	**¥ 366,659**

	Millions of Yen									
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total
Balance as of April 1, 2021	¥ —	¥ 8,947	¥ —	¥ 835	¥ 33,645	¥ 37,545	¥ 58,770	¥ 257,127	¥ —	¥ 396,869
Acquisitions through business combinations	—	—	—	—	2,320	946	—	—	—	3,266
Decrease through divestitures	—	—	—	—	—	—	—	(31,010)	—	(31,010)
Impairment losses recognized in profit or loss	—	—	—	—	—	—	(4,654)	(846)	—	(5,500)
Effect of foreign currency exchange differences, and others	—	944	—	88	914	2,657	761	—	—	5,364
Balance as of March 31, 2022	¥ —	¥ 9,891	¥ —	¥ 923	¥ 36,879	¥ 41,148	¥ 54,877	¥ 225,271	¥ —	¥ 368,989

	Millions of U.S. Dollars									
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total
Balance as of April 1, 2022	$ —	$ 74	$ —	$ 7	$ 276	$ 308	$ 411	$ 1,687	$ —	$ 2,763
Acquisitions through business combinations	**21**	**—**	**—**	**22**	**—**	**27**	**—**	**—**	**—**	**70**
Decrease through divestitures	**—**	**(25)**	**—**	**—**	**—**	**—**	**(18)**	**—**	**—**	**(43)**
Impairment losses recognized in profit or loss	**—**	**—**	**—**	**—**	**(58)**	**—**	**(25)**	**(4)**	**—**	**(87)**
Effect of foreign currency exchange differences, and others	**—**	**9**	**—**	**0**	**71**	**22**	**3**	**(62)**	**—**	**43**
Balance as of March 31, 2023	**$ 21**	**$ 58**	**$ —**	**$ 29**	**$ 289**	**$ 357**	**$ 371**	**$ 1,621**	**$ —**	**$ 2,746**

The goodwill balance as of March 31, 2023 included ¥216,393 million (US$1,621 million) recognized as a result of the conversion of FamilyMart Co., Ltd. into a subsidiary of The 8th segment and ¥30,242 million (US$226 million) recognized as a result of the acquisition of the Kwik-Fit Group of European Tyre Enterprise Limited of General Products & Realty segment.

The goodwill balance as of March 31, 2022 included ¥216,901 million recognized as a result of the conversion of FamilyMart Co., Ltd. into a subsidiary of The 8th segment and ¥29,388 million recognized as a result of the acquisition of the Kwik-Fit Group of European Tyre Enterprise Limited of General Products & Realty segment.

The amount of decrease through divestitures during the fiscal year ended March 31, 2022 is due to the conversion of Taiwan FamilyMart into an investment accounted for by the equity method from a subsidiary in FamilyMart Co., Ltd.

The amount of effect of foreign currency exchange differences, and others in Food and The 8th segment during the fiscal year ended March 31, 2023 is mainly due to dissolving the mutual-holdings.

As a result of impairment tests for goodwill, the amount of the impairment losses for the fiscal year ended March 31, 2023 was ¥11,556 million (US$87 million).

Regarding the goodwill balance in Food segment resulting from the acquisition of Dole, in Dole Food & Beverages Group, as a result of comprehensively revising the business plan in response to the group's non-achievement of its targets due to decline in demand because of inflation and the increase in logistics cost, an impairment loss of ¥6,812 million (US$51 million) was recognized.

As a result of impairment tests for goodwill, the amount of the impairment losses for the fiscal year ended March 31, 2022 was ¥5,500 million.

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

The recoverable amounts used in impairment tests for goodwill are based on the value in use calculated with the support of independent appraisers. The value in use is calculated by discounting the estimated amount of future cash flows based on the business plans approved by the Board of Directors. In principle, business plans are limited to five years and are formulated in a manner that reflects past results and are consistent with external information. The growth rate is determined by consideration of the long-term average growth rate of markets or countries to which the cash-generating unit belongs. The discount rate is determined considering such factors as the weighted average cost of capital for each cash-generating unit (domestic: pre-tax, approximately 5–10%, overseas: pre-tax, approximately 9–16%).

The main amount of goodwill is allocated to cash-generating units that compose the businesses of FamilyMart Co., Ltd., as a result of the conversion of FamilyMart Co., Ltd. to a subsidiary. For the impairment test of this goodwill, the assumptions that have the greatest impact on the calculation of the value in use are the assumptions of maintaining the number of stores, increasing trading income through raising daily sales and bolstering operational efficiency. These assumptions reflect past results, industry trends and the expected effect of improvement measures on store profitability. The business plan for the impairment test covers a period of three years. Although we were hit by sudden changes in the external environment, such as inflation resulting from the actualization of geopolitical risks for the fiscal year ended March 31, 2023, with agile responses to changes and the subsidence of the impact of COVID-19, daily sales recovered to the same level of the fiscal year ended March 31, 2020. For the impairment test conducted in the fiscal year ended March 31, 2023, we expect to maintain the number of stores from the fiscal year ending March 31, 2024 through the fiscal year ending March 31, 2026. Also, while continuing to take into account the impact of inflation, we expect a moderate increase in daily sales. In addition, through bolstering operational efficiency, we expect an increasing trading income and growth in its subsidiaries for the fiscal year ending March 31, 2026. The growth rate of future cash flows beyond the target period of the business plan, after the fiscal year ending March 31, 2027, is taken to be zero. These growth rates are calculated by considering the long-term growth rate of the markets and countries to which the cash-generating unit belongs. In the event that the assumed numbers of the stores were significantly decreased, the assumed increase in the percentage of daily sales were to be revised significantly downward, or the discount rate were to be revised significantly upward, the value in use could fall below the carrying amount.

(2) Intangible Assets

The cost, accumulated amortization and accumulated impairment losses, and carrying amount of intangible assets as of March 31, 2023 and 2022 were as follows:

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of March 31, 2023				
Cost	**¥ 554,497**	**¥ 228,707**	**¥ 328,756**	**¥ 1,111,960**
Accumulated amortization and accumulated impairment losses	**(113,909)**	**(140,245)**	**(145,212)**	**(399,366)**
Carrying amount	**440,588**	**88,462**	**183,544**	**712,594**

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of March 31, 2022				
Cost	¥ 540,367	¥ 195,136	¥ 312,563	¥ 1,048,066
Accumulated amortization and accumulated impairment losses	(81,256)	(122,759)	(131,433)	(335,448)
Carrying amount	459,111	72,377	181,130	712,618

	Millions of U.S. Dollars			
	Trademarks	Software	Others	Total
Balance as of March 31, 2023				
Cost	**$ 4,152**	**$ 1,713**	**$ 2,462**	**$ 8,327**
Accumulated amortization and accumulated impairment losses	**(853)**	**(1,050)**	**(1,088)**	**(2,991)**
Carrying amount	**3,299**	**663**	**1,374**	**5,336**

The changes in the carrying amount of intangible assets for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of April 1, 2022	¥ 459,111	¥ 72,377	¥ 181,130	¥ 712,618
Acquisitions through business combinations	**5,303**	**334**	**19,738**	**25,375**
Individual acquisitions	**246**	**34,980**	**17,862**	**53,088**
Disposals	**(2,472)**	**(1,295)**	**(3,071)**	**(6,838)**
Decrease through divestitures	**—**	**(579)**	**(7,389)**	**(7,968)**
Amortization expenses	**(13,390)**	**(23,185)**	**(13,110)**	**(49,685)**
Impairment losses recognized in profit or loss	**(15,027)**	**(106)**	**(7,900)**	**(23,033)**
Effect of foreign currency exchange differences, and others	**6,817**	**5,936**	**(3,716)**	**9,037**
Balance as of March 31, 2023	**¥ 440,588**	**¥ 88,462**	**¥ 183,544**	**¥ 712,594**

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of April 1, 2021	¥ 464,078	¥ 67,760	¥ 197,129	¥ 728,967
Acquisitions through business combinations	488	26	5,172	5,686
Individual acquisitions	55	28,197	6,711	34,963
Disposals	—	(1,327)	(1,313)	(2,640)
Decrease through divestitures	—	(239)	(17,464)	(17,703)
Amortization expenses	(13,494)	(22,675)	(11,784)	(47,953)
Impairment losses recognized in profit or loss	—	(180)	(873)	(1,053)
Effect of foreign currency exchange differences, and others	7,984	815	3,552	12,351
Balance as of March 31, 2022	¥ 459,111	¥ 72,377	¥ 181,130	¥ 712,618

	Millions of U.S. Dollars			
	Trademarks	Software	Others	Total
Balance as of April 1, 2022	$ 3,438	$ 542	$ 1,357	$ 5,337
Acquisitions through business combinations	**40**	**2**	**148**	**190**
Individual acquisitions	**2**	**262**	**133**	**397**
Disposals	**(18)**	**(10)**	**(23)**	**(51)**
Decrease through divestitures	**—**	**(4)**	**(56)**	**(60)**
Amortization expenses	**(100)**	**(174)**	**(98)**	**(372)**
Impairment losses recognized in profit or loss	**(113)**	**(1)**	**(59)**	**(173)**
Effect of foreign currency exchange differences, and others	**51**	**45**	**(28)**	**68**
Balance as of March 31, 2023	**$ 3,300**	**$ 662**	**$ 1,374**	**$ 5,336**

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

The amount of decrease through divestitures during the fiscal year ended March 31, 2022 was mainly due to the conversion of Taiwan FamilyMart into an investment accounted for by the equity method from a subsidiary in FamilyMart Co., Ltd.

The amount of impairment losses for the fiscal year ended March 31, 2023 was ¥23,033 million (US$173 million).

Regarding trademarks and customer relationships in Dole Food & Beverages Group, as a result of comprehensively revising the business plan in response to the group's non-achievement of its targets due to decline in demand because of inflation and the increase in logistics cost, an impairment loss of ¥16,185 million (US $121 million) was recognized. Moreover, regarding customer relationships in the Fresh Produce Group, as a result of comprehensively revising the business plan in response to the group's non-achievement of its targets due to a reduced production volume of fresh fruits due to unseasonable weather and an inflation-fueled increase in costs for fertilizer and agricultural chemicals, an impairment loss of ¥5,425 million (US$41 million) was recognized.

The amount of impairment losses for the fiscal year ended March 31, 2022 was ¥1,053 million.

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

The carrying amount of Trademarks as of March 31, 2023 included ¥288,913 million (US$2,164 million) of trademarks in FamilyMart Co., Ltd. The carrying amount of Others included ¥108,932 million (US$816 million) of customer relationships in FamilyMart Co., Ltd., ¥10,683 million (US$80 million) of customer relationships in Pacific Woodtech Corporation, and ¥10,053 million (US$75 million) of customer relationships in ITOCHU Building Products Holdings Inc.

The carrying amount of Trademarks as of March 31, 2022 included ¥299,050 million of trademarks in FamilyMart Co., Ltd. The carrying amount of Others included ¥109,146 million of customer relationships in FamilyMart Co., Ltd. ¥10,319 million of customer relationships in ITOCHU Building Products Holdings Inc., and ¥7,620 million of customer relationships in HOKEN NO MADOGUCHI GROUP INC.

The carrying amounts of intangible assets with indefinite useful lives as of March 31, 2023 and 2022 were ¥101,794 million (US $762 million) and ¥105,008 million, respectively. The balance of intangible assets with indefinite useful lives as of March 31, 2023 included ¥46,916 million (US$351 million) of trademarks of Dole, and ¥45,800 million (US$343 million) of trademarks of European Tyre Enterprise Limited. The balance of intangible assets with indefinite useful lives as of March 31, 2022 included ¥56,646 million of trademarks of Dole, and ¥44,508 million of trademarks of European Tyre Enterprise Limited. The fluctuation in the balance of trademarks of Dole is mainly due to a recognition of impairment loss. The fluctuation in the balance of trademarks of European Tyre Enterprise Limited is mainly due to foreign currency exchange differences. These trademarks were mainly acquired through business combinations and will continue to exist as long as the businesses that use them continue to operate. Accordingly, the Company considers them to have indefinite useful lives.

The recoverable amounts used in impairment tests for intangible assets are based on the value in use calculated with the support of independent appraisers. The value in use is calculated by discounting the estimated amount of future cash flows based on the business plans approved by the Board of Directors. In principle, business plans are limited to five years and are formulated in a manner that reflects past results and are consistent with external information. The growth rate is determined with reference to the long-term average growth rate of the markets or countries to which the cash-generating unit belongs. The discount rate is determined with reference to such factors as the weighted average cost of capital for each cash-generating unit (domestic: pre-tax, approximately 5–10%, overseas: pre-tax, approximately 9–16%).

13. Securities and Other Investments

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

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	**2023**
Securities:			
FVTPL financial assets	**¥ 3,789**	¥ 7,476	**$ 28**
Amortized cost (Note)	**17**	19	**0**
Total	**¥ 3,806**	¥ 7,495	**$ 28**
Other Investments:			
FVTPL financial assets	**80,120**	93,450	**600**
FVTOCI financial assets	**862,650**	864,112	**6,460**
Amortized cost (Note)	**500**	656	**4**
Total	**¥ 943,270**	¥ 958,218	**$ 7,064**

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

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

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	**2023**
Marketable equity securities	**¥ 542,296**	¥ 521,161	**$ 4,061**
Non-marketable equity securities	**320,354**	342,951	**2,399**
Total	**¥ 862,650**	¥ 864,112	**$ 6,460**

The Non-marketable equity securities mainly consisted of investments in natural resource sectors, such as metal and mineral resources, petroleum, and natural gas. The total fair value of the investments in such natural resource sectors as of March 31, 2023 and 2022 were ¥188,891 million (US$1,415 million) and ¥221,792 million, respectively. These investments included BHP Iron Ore (Jimblebar) Pty Ltd and RAS LAFFAN LIQUEFIED NATURAL GAS COMPANY LIMITED.

The main marketable equity securities that the Company and its subsidiaries owned as FVTOCI financial assets as of March 31, 2023 and 2022 were as follows:

March 31, 2023

Stock	Millions of Yen	Millions of U.S. Dollars
ISUZU MOTORS LIMITED	**¥ 83,589**	**$ 626**
Pan Pacific International Holdings Corporation	**82,313**	**616**
NISSIN FOODS HOLDINGS CO., LTD.	**66,074**	**495**
CSN Mineração S.A.	**64,413**	**482**
Internet Initiative Japan Inc.	**21,456**	**161**
Seven & i Holdings Co., Ltd.	**19,886**	**149**
eGuarantee,Inc.	**13,783**	**103**
Nishimatsu Construction Co., Ltd.	**13,778**	**103**
Advance Residence Investment Corporation	**11,141**	**83**
momo.com Inc.	**7,890**	**59**
Mazda Motor Corporation	**7,413**	**56**
Showa Sangyo Co., Ltd.	**6,444**	**48**
Shandong Longda Meishi Co.,Ltd.	**4,715**	**35**
SIGMAXYZ Holdings Inc.	**4,649**	**35**
FreakOut Holdings, inc.	**4,634**	**35**

March 31, 2022

Stock	Millions of Yen
ISUZU MOTORS LIMITED	¥ 84,066
CSN Mineração S.A.	78,535
Pan Pacific International Holdings Corporation	62,148
NISSIN FOODS HOLDINGS CO., LTD.	46,682
Seven & i Holdings Co., Ltd.	19,311
Internet Initiative Japan Inc.	16,026
Nishimatsu Construction Co., Ltd.	14,764
eGuarantee,Inc.	12,997
Advance Residence Investment Corporation	12,127
VIETNAM NATIONAL TEXTILE AND GARMENT GROUP	9,477
Shandong Longda Meishi Co.,Ltd.	7,645
momo.com Inc.	6,711
Showa Sangyo Co., Ltd.	6,650
Taiwan Pelican Express Co., LTD.	6,132
FreakOut Holdings, inc.	5,561

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FVTOCI financial assets which the Company derecognized in the fiscal years ended March 31, 2023 and 2022 were as follows:

Millions of Yen						Millions of U.S. Dollars		
2023			2022			2023		
Fair value at date of sale	Cumulative gains (losses)	Dividends	Fair value at date of sale	Cumulative gains (losses)	Dividends	Fair value at date of sale	Cumulative gains (losses)	Dividends
¥17,849	**¥(1,500)**	**¥2,844**	¥152,804	¥(168,767)	¥914	**$134**	**$(11)**	**$21**

The amount of transfer from FVTOCI financial assets to Retained earnings for the fiscal years ended March 31, 2023 and 2022 due to derecognition of FVTOCI financial assets were ¥1,060 million (US $8 million) (loss) and ¥117,159 million (loss), respectively. The transfer was mainly due to the derecognition of FVTOCI financial assets caused by sale of equity securities as a result of reconsideration of business relationships and the change in classification of equity securities from FVTOCI financial assets to investments in subsidiaries or associates. The transfer from FVTOCI financial assets to Retained earnings for the year ended March 31, 2022 was mainly due to the sale of Drummond International, LLC owned by ITOCHU Coal Americas Inc. Drummond International, LLC was the operating entity which had the rights to coal mines and transport infrastructure in Columbia.

14. Associates and Joint Ventures

(1) The Total Carrying Amounts of Investments in Associates and Joint Ventures

For investments in associates and joint ventures, the total carrying amounts in the Consolidated Statement of Financial Position as of March 31, 2023 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Investment			
Associates	**¥ 1,699,734**	¥ 1,375,789	**$ 12,729**
Joint ventures	**1,125,368**	912,973	**8,428**
Total	**¥ 2,825,102**	¥ 2,288,762	**$ 21,157**

The differences between the carrying amounts of the investments in associates and joint ventures and the Company and its subsidiaries' equity interest in the underlying net assets of such associates and joint ventures were ¥382,660 million (US$2,866 million) and ¥349,510 million as of March 31, 2023 and 2022, respectively. The differences consist of certain fair value adjustments (net of tax) allocated to assets and liabilities recognized at the time of the investments in associates, and goodwill. The fair value adjustments are primarily attributed to intangible assets.

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

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

For investments in associates and joint ventures, the share of profit and other comprehensive income of associates and joint ventures in comprehensive income for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Associates			
Share of profit or loss	**¥ 129,541**	¥ 134,297	**$ 970**
Share of other comprehensive income	**48,135**	50,824	**360**
Subtotal	**177,676**	185,121	**1,330**
Joint ventures			
Share of profit or loss	**191,125**	157,138	**1,431**
Share of other comprehensive income	**(77,881)**	49,744	**(583)**
Subtotal	**113,244**	206,882	**848**
Share of comprehensive income			
Total share of profit or loss of associates and joint ventures	**320,666**	291,435	**2,401**
Total share of other comprehensive income of associates and joint ventures	**(29,746)**	100,568	**(223)**
Total	**¥ 290,920**	¥ 392,003	**$ 2,178**

In Investments accounted for by the equity method, the Company recognized impairment losses, which were included in Gains (losses) on investments in the Consolidated Statement of Comprehensive Income, of ¥14,227 million (US$107 million) and ¥1,254 million for the fiscal years ended March 31, 2023 and 2022, respectively.

The recoverable amounts used in impairment tests for investments in associates and joint ventures are calculated as the higher of the fair value less costs to sell or the value in use by comprehensively considering the value in use calculated with the support of independent appraisers or stock prices. The value in use is calculated by discounting the estimated amount of future cash flows based on the business plans approved by the Board of Directors. In principle, business plans are limited to five years and are formulated in a manner that reflects past results and are consistent with external information. The growth rate is determined by consideration of the long-term average growth rate of the markets or countries to which the cash-generating unit belongs. The discount rate is determined considering such factors as the weighted average cost of capital for each cash-generating unit (approximately 5–12%).

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

For investments in associates and joint ventures, the balances of receivables and payables as of March 31, 2023 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	**2023**
Balance of receivables			
Associates	**¥ 84,438**	¥ 93,599	**$ 633**
Joint ventures	**634,576**	593,679	**4,752**
Total	**¥ 719,014**	¥ 687,278	**$ 5,385**
Balance of payables			
Associates	**112,123**	72,759	**839**
Joint ventures	**4,763**	2,830	**36**
Total	**¥ 116,886**	¥ 75,589	**$ 875**

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

For investments in associates and joint ventures, total revenues and total purchases included in Cost for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	**2023**
Revenues			
Associates	**¥ 95,362**	¥ 74,203	**$ 714**
Joint ventures	**32,014**	32,338	**240**
Total	**¥ 127,376**	¥ 106,541	**$ 954**
Purchases			
Associates	**385,108**	290,005	**2,884**
Joint ventures	**41,536**	26,040	**311**
Total	**¥ 426,644**	¥ 316,045	**$ 3,195**

(5) Others

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

The Consolidated Financial Statements include investments in associates and joint ventures with a reporting period end that differs from that of the Company because it is impracticable to unify the reporting period ends, due to reasons including the existence of a shareholder that has control over the associates and joint ventures for which the reporting period is different from that of the Company, or the impossibility of doing so under the legal system of regions in which the associates and joint ventures are located. The difference between the end of the reporting period of these associates and joint ventures and the end of the reporting period of the Company does not exceed three months. Adjustments are made to reflect significant transactions or events that result from the difference in the reporting period ends. Major investments in such associates and joint ventures include CITIC Limited (reporting period ends in December).

(Financial information about the material joint ventures and associates)
Chia Tai Bright Investment Company Limited (CTB), a company in which ITOCHU and Charoen Pokphand Group Company Limited each invested 50%, owns 20% of ordinary shares in CITIC Limited and applies the equity method to CITIC Limited. The Company conducts the assessments of equity method investments in order to determine whether an impairment indicator exists and various factors such as expected future profitability, stock price, economic environment, and industry trends are considered in the assessment. In the fiscal year ended March 31, 2023, the Company determined that there was an indication of impairment due to the decline in the stock price and measured the recoverable amount based on future cash flows with the assistance of an independent appraiser, taking into account future profitability based on the growth outlook of the Chinese economy and regulations, etc. As a result, the recoverable amount exceeded the carrying amount of the investments accounted for by the equity method, and therefore no impairment loss was recognized.

The difference between the consideration paid for CITIC Limited shares acquired by CTB and CTB's share of the carrying amounts of CITIC Limited's net assets at the time of share acquisition was appropriately allocated to CITIC Limited's assets and liabilities based on those fair values and the amount of the difference was HK$8,086 million (credit balance) as of March 31, 2023. In addition, CTB recognized an impairment loss of HK$20,886 million in the fiscal year ended March 31, 2019. The amounts above are not included in the summarized financial information below.

The summarized financial information of CITIC Limited based on the disclosed financial statements as of December 31, 2022 and 2021 were as follows:

	Millions of HK Dollars	
	2022	2021
Total assets	$ 11,794,199	$ 10,685,521
Total liabilities	10,414,131	9,519,931
Total equity	1,380,068	1,165,590
Non-Controlling interests	642,817	414,183
Total equity after netting Non-Controlling interests	$ 737,251	$ 751,407

	Millions of HK Dollars	
	2022	2021
Total revenues	$ 771,133	$ 708,936
Net profit	123,011	100,278
Total other comprehensive income for the year, net of tax	(129,528)	33,859
Total comprehensive income for the year	$ (6,517)	$ 134,137

(Judgment on significant influence)
While the Company holds 16.58% of voting rights in Orient Corporation, the Company participates in the determination of sales and financial directions by dispatching its Directors, including its Representative Directors, to the Board of Directors of Orient Corporation. Accordingly, the Company exercises significant influence and applies the equity method to Orient Corporation.

15. Trade and Other Payables

The breakdown of trade payables as of March 31, 2023 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Notes payable	¥ 286,678	¥ 242,287	$ 2,147
Trade accounts payable	1,557,585	1,522,791	11,665
Other accounts payable	198,345	202,039	1,485
Total	¥ 2,042,608	¥ 1,967,117	$ 15,297

The breakdown of other current payables as of March 31, 2023 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Other accounts payable	¥ 26,840	¥ 48,698	$ 201
Deposit received	163,174	162,159	1,222
Total	¥ 190,014	¥ 210,857	$ 1,423

16. Debentures and Borrowings

The breakdown of Short-term debentures and borrowings as of March 31, 2023 and 2022 were as follows:

	Millions of Yen	Interest rate (%)	Millions of Yen	Interest rate (%)	Millions of U.S. Dollars
	2023		2022		2023
Current loans from financial institutions	**¥ 352,849**	**1.6%**	¥ 205,884	0.2%	**$ 2,643**
Commercial paper	**28,000**	**0.0%**	30,000	0.0%	**210**
Subtotal	**380,849**	**—**	235,884	—	**2,853**
Current portion of long-term debentures and borrowings	**278,861**	**—**	286,564	—	**2,088**
Total	**¥ 659,710**	**—**	¥ 522,448	—	**$ 4,941**

Note: Interest rates represent the weighted average interest rates based on balances as of March 31, 2023 and 2022. The interest rates of the Current portion of long-term debentures and borrowings are included in the breakdown of Long-term debentures and borrowings below.

The breakdown of Long-term debentures and borrowings as of March 31, 2023 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Borrowings			
Secured			
Due 2022–2039, interest rate mainly 0.1%–2.5%	**¥ 12,607**	¥ 20,984	**$ 94**
Unsecured			
Due 2022–2040, interest rate mainly 0.0%–7.6%	**2,460,547**	2,441,183	**18,427**
Debentures			
Unsecured bonds and notes			
Year of issuance, Coupon, Type of bond, Maturity			
Issued in 2012–2015, 0.7%–1.2% Yen Bonds due 2022–2027	**40,000**	70,000	**300**
Issued in 2012, floating rate Yen Bonds due 2022	**—**	10,000	**—**
Issued in 2021, 1.6% U.S. Dollar Bonds due 2026	**66,765**	61,195	**500**
Issued in and after 2012, debentures and others issued by subsidiaries, maturing through 2026	**49,818**	65,871	**373**
Subtotal	**2,629,737**	2,669,233	**19,694**
Fair value hedge and discontinuation of hedge adjustment	**(3,948)**	786	**(30)**
Total	**2,625,789**	2,670,019	**19,664**
Less: Current portion of long-term debentures and borrowings	**(278,861)**	(286,564)	**(2,088)**
Long-term debentures and borrowings	**¥ 2,346,928**	¥ 2,383,455	**$ 17,576**

17. Leases

(1) Lessor

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

The schedule of future lease payments receivable under operating leases as of March 31, 2023 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Less than 1 year	¥ 6,569	¥ 6,593	$ 49
1–5 years	11,406	10,433	86
More than 5 years	4,579	5,719	34
Total	¥ 22,554	¥ 22,745	$ 169

The Company and its subsidiaries lease real estate, ICT-related equipment, and certain other assets under finance leases. The schedule of gross investment in the lease and net investment in the lease as of March 31, 2023 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Less than 1 year	¥ 21,469	¥ 22,809	$ 161
1–5 years	46,022	44,661	345
More than 5 years	15,516	16,832	116
Total	83,007	84,302	622
Less: Unearned finance income	(6,366)	(5,728)	(48)
Net investment in the lease	¥ 76,641	¥ 78,574	$ 574

For the fiscal years ended March 31, 2023 and 2022, the finance income on the net investment in the lease were ¥2,029 million (US$15 million) and ¥2,481 million, respectively.

(2) Lessee

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

The changes in the carrying amount of right-of-use assets (except for those included in Investment property) for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen				
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Total
Balance as of April 1, 2022	¥ 149,694	¥ 675,180	¥ 32,387	¥ 46,396	¥ 903,657
Individual acquisitions	6,913	48,185	16,902	15,673	87,673
Depreciation	(32,902)	(164,518)	(10,870)	(16,876)	(225,166)
Impairment losses (reversals) recognized in profit or loss	(961)	(9,475)	5,251	(668)	(5,853)
Others (Note)	42,050	110,968	8,090	(1,319)	159,789
Balance as of March 31, 2023	¥ 164,794	¥ 660,340	¥ 51,760	¥ 43,206	¥ 920,100

	Millions of Yen				
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Total
Balance as of April 1, 2021	¥ 156,399	¥ 706,453	¥ 35,798	¥ 49,969	¥ 948,619
Individual acquisitions	6,924	50,802	10,162	8,561	76,449
Depreciation	(32,741)	(165,673)	(10,621)	(18,785)	(227,820)
Impairment losses recognized in profit or loss	(795)	(9,642)	(199)	(886)	(11,522)
Others (Note)	19,907	93,240	(2,753)	7,537	117,931
Balance as of March 31, 2022	¥ 149,694	¥ 675,180	¥ 32,387	¥ 46,396	¥ 903,657

	Millions of U.S. Dollars				
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Total
Balance as of April 1, 2022	$ 1,121	$ 5,056	$ 243	$ 347	$ 6,767
Individual acquisitions	**51**	**361**	**127**	**118**	**657**
Depreciation	**(246)**	**(1,232)**	**(82)**	**(126)**	**(1,686)**
Impairment losses (reversals) recognized in profit or loss	**(7)**	**(71)**	**39**	**(5)**	**(44)**
Others (Note)	**315**	**831**	**61**	**(10)**	**1,197**
Balance as of March 31, 2023	**$ 1,234**	**$ 4,945**	**$ 388**	**$ 324**	**$ 6,891**

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

The schedule of future lease payments under leases in the Company and its subsidiaries as of March 31, 2023 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	**2023**
Less than 1 year	**¥ 244,441**	¥ 240,492	**$ 1,830**
1–5 years	**543,185**	541,218	**4,068**
More than 5 years	**275,058**	284,328	**2,060**
Total	**¥ 1,062,684**	¥ 1,066,038	**$ 7,958**

For the fiscal years ended March 31, 2023 and 2022, the interest expense on lease liabilities were ¥13,559 million (US$102 million) and ¥12,961 million, respectively. In addition, for the fiscal years ended March 31, 2023 and 2022, the total cash outflow for leases were ¥277,405 million (US$2,077 million) and ¥282,074 million, respectively.

As of March 31, 2023, there are lease agreements for stores and certain other assets not yet commenced to which the lease is committed. The total lease payments under the agreements are ¥11,271 million (US$84 million).

18. Retirement and Severance Benefits

The Company and certain subsidiaries have defined benefit pension plans (e.g., the Corporate Pension Fund) covering substantially all of their employees. Benefits under these pension plans are based on years of service and certain other factors.

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

Changes in the present value of defined benefit obligations and the fair value of plan assets were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Changes in the present value of defined benefit obligations :			
Defined benefit obligations at the beginning of the year	¥ 416,128	¥ 430,601	$ 3,116
Service cost	14,960	15,713	112
Current service cost	15,138	15,664	113
Prior service cost	(178)	49	(1)
Interest cost	3,276	2,914	25
Plan participants' contributions	603	616	5
Remeasurements	(18,301)	(5,228)	(138)
Benefits paid from plan assets	(17,667)	(18,462)	(133)
Benefits paid by employer	(6,177)	(7,146)	(46)
Foreign currency translation adjustments	1,178	866	9
Acquisitions and divestitures	(4,737)	(360)	(35)
Settlements	(1,095)	(3,386)	(8)
Defined benefit obligations at the end of the year	¥ 388,168	¥ 416,128	$ 2,907
Changes in the fair value of plan assets :			
Plan assets at the beginning of the year	¥ 345,850	¥ 342,253	$ 2,590
Interest income	2,878	2,390	22
Remeasurements	(20,878)	3,693	(156)
Employer contributions	12,844	17,356	96
Plan participants' contributions	603	616	5
Benefits paid from plan assets	(17,667)	(18,462)	(133)
Foreign currency translation adjustments	563	968	4
Acquisitions and divestitures	(1,454)	(295)	(11)
Settlements	(833)	(2,669)	(6)
Plan assets at the end of the year	¥ 321,906	¥ 345,850	$ 2,411
Effect of the asset ceiling	¥ 12,865	¥ 12,791	$ 96
The net amount of defined benefit obligations	¥ 79,127	¥ 83,069	$ 592

As of March 31, 2023 and 2022, plan assets held by the Company and its subsidiaries by category were as follows. For information used to measure fair value, please refer to Note 27 Financial Instruments Measured at Fair Value.

	Millions of Yen		
	2023		
	Level1	Level2	Total
Equity instruments:			
Domestic	¥ 24,818	¥ 30,678	¥ 55,496
Overseas	295	51,053	51,348
Debt instruments:			
Domestic	30,633	38,477	69,110
Overseas	12,685	38,118	50,803
Other assets:			
Cash and cash equivalents	12,960	—	12,960
Life insurance company general accounts	—	33,044	33,044
Others	—	49,145	49,145
Total	¥ 81,391	¥ 240,515	¥ 321,906

	Millions of Yen		
	2022		
	Level1	Level2	Total
Equity instruments:			
Domestic	¥ 27,456	¥ 38,969	¥ 66,425
Overseas	1,499	34,097	35,596
Debt instruments:			
Domestic	32,451	55,321	87,772
Overseas	13,291	20,920	34,211
Other assets:			
Cash and cash equivalents	33,072	—	33,072
Life insurance company general accounts	—	32,330	32,330
Others	—	56,444	56,444
Total	¥ 107,769	¥ 238,081	¥ 345,850

	Millions of U.S. Dollars		
	2023		
	Level1	Level2	Total
Equity instruments:			
Domestic	**$ 186**	**$ 230**	**$ 416**
Overseas	**2**	**383**	**385**
Debt instruments:			
Domestic	**230**	**288**	**518**
Overseas	**95**	**285**	**380**
Other assets:			
Cash and cash equivalents	**97**	**—**	**97**
Life insurance company general accounts	**—**	**247**	**247**
Others	**—**	**368**	**368**
Total	**$ 610**	**$ 1,801**	**$ 2,411**

In setting its portfolio investment policy for plan assets, the Company, on a long-term basis, focuses on securing investment returns that are sufficient to provide for future benefit payments for employees in the context of a tolerable level of risk control. In order to achieve the objectives of the investment policy, the Company establishes the most appropriate portfolio considering the past return results as well as the estimated returns on invested assets, and manages the portfolio.

The Company's investment policy for its portfolio of plan assets is to invest approximately 50% in domestic and overseas debt securities, approximately 35% in domestic and overseas equity securities, and approximately 15% in alternative investments. The Company's allocation of assets may also include Cash and cash equivalents, and Life insurance company general accounts, as appropriate. The Company's basic policy is to emphasize asset liquidity and a thorough diversification of its investments. In addition, the Company has established an employee pension trust mainly comprised of domestic equity securities as a part of plan assets. The Company's holdings of equity instruments consist primarily of shares in listed companies. Debt instruments principally comprise highly-rated government bonds. The Insurance Business Law Enforcement Regulations stipulate that the investment of assets in life insurance company general accounts be conducted in a manner that provides a specific assumed interest rate and a principal guarantee.

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

The defined benefit obligation is calculated based on the estimated amount of future benefits that have been incurred as of the present. The amount of those future payments is discounted back from the expected time of future payment to the present. Accordingly, the timing of benefit payments influences the amounts of the defined benefit obligation and service costs, and consequently, disclosure of information regarding the distribution of the timing of benefit payments is required under IAS 19 "Employee Benefits." The Company believes that it meets this requirement in an effective manner through the disclosure of the weighted average duration of the defined benefit obligation, which takes into account the amount, timing, and discount rate. The weighted average duration of the Company's defined benefit obligation is 12 years.

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

The planned amount of contributions for all defined benefit pension plans in the fiscal year ending March 31, 2024 is approximately ¥13,400 million.

The assumptions regarding the defined benefit obligation were as follows:

	2023	2022
Discount rate	**1.2%**	0.7%
Rate of compensation increase	**3.8%**	3.8%
Mortality rate	**0.02 - 0.64%**	0.02 - 0.64%
Retirement rate	**0.4 - 14.0%**	0.4 - 14.0%
Lump sum election rate	**30.0%**	31.4%

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

As of March 31, 2023, a movement of 1% in the discount rate would have an effect of ¥16,958 million (US$127 million) on the defined benefit obligation and an effect of ¥482 million (US$4 million) (before tax effect) on service cost. This analysis is based on the premise that the actuarial assumptions other than the discount rate do not fluctuate and that only the discount rate fluctuates. This method of analysis is based on assumptions, and it is possible that the actual calculation could be influenced by fluctuations in other variables.

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

The ITOCHU United Pension Fund differs from a single employer plan with respect to the following points:

(1) Assets that an employer contributes to the multiemployer plan could be used for the benefits of employees of other participating employers.

(2) If one participating employer stops premium contributions, other participating employers could be required to absorb unfunded obligations additionally.

(3) If a participating employer withdraws from the multiemployer plan, the employer could be required to contribute the amount of the unfunded obligation as a special withdrawal premium.

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

As of March 31, 2022, the ITOCHU United Pension Fund was underfunded by ¥8,417 million. The ITOCHU United Pension Fund obtained approval from the Minister of Health, Labor and Welfare on April 1, 2013, for an exemption from the obligation to pay benefits for future employee services related to the substitutional portion, which would result in the transfer of pension obligations and related assets to the government. As a result of the periodical revaluation and revision of the premium, it is expected that the amount by which the fund is underfunded will be supplemented by the revised premium.

The amount of contributions of participating subsidiaries to the ITOCHU United Pension Fund were ¥2,653 million (US$20 million) and ¥2,244 million for the fiscal years ended March 31, 2023 and 2022, respectively. The planned amount of contributions in the fiscal year ending March 31, 2024 is approximately ¥3,000 million. The portion of participating subsidiaries' contributions as a percentage of all contributions to the ITOCHU United Pension Fund was approximately 70% in the fiscal year ended March 31, 2023.

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

The recognized expenses with respect to the defined contribution plan for the fiscal years ended March 31, 2023 and 2022 were ¥10,041 million (US$75 million) and ¥8,771 million, respectively.

Details of Compensation

Details of compensation and bonuses for the Company's directors in the fiscal year ended March 31, 2023 were as follows:

		Millions of Yen	Millions of U.S. Dollars	
Type	Number of people	Amount paid	Amount paid	Details
Directors (Outside directors)	10 (4)	¥ 3,045 ¥ (81)	$ 23 $ (1)	(1) Monthly remuneration: ¥ 662 million (2) Performance-linked bonuses: ¥ 1,825 million (3) Share price-linked bonuses: ¥ 168 million (4) Stock remuneration: ¥ 390 million

Notes: 1. FYE 2023 Director remuneration is composed of monthly remuneration, performance-linked remuneration as performance-linked bonuses, share price-linked bonuses, and stock remuneration (non-monetary remuneration). These remunerations and bonuses were approved unanimously by the Board of Directors following deliberation by the Governance and Remuneration Committee.

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

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

19. Provisions

The changes in provisions in Other current liabilities and Other non-current liabilities for the fiscal year ended March 31, 2023 were as follows:

	Millions of Yen		
	Provisions for asset retirement obligations	Other provisions	Total
Balance as of April 1, 2022	¥ 119,904	¥ 29,519	¥ 149,423
Provisions increased for the year	**13,122**	**8,798**	**21,920**
Provisions charged-off	**(2,919)**	**(5,626)**	**(8,545)**
Provisions reversed	**(4,642)**	**(11,773)**	**(16,415)**
Accretion expense	**2,511**	**—**	**2,511**
The effect of changing in the discount rate	**(3,206)**	**—**	**(3,206)**
Others	**(471)**	**271**	**(200)**
Balance as of March 31, 2023	**¥ 124,299**	**¥ 21,189**	**¥ 145,488**

	Millions of U.S. Dollars		
	Provisions for asset retirement obligations	Other provisions	Total
Balance as of April 1, 2022	$ 898	$ 221	$ 1,119
Provisions increased for the year	**98**	**66**	**164**
Provisions charged-off	**(22)**	**(42)**	**(64)**
Provisions reversed	**(35)**	**(88)**	**(123)**
Accretion expense	**19**	**—**	**19**
The effect of changing in the discount rate	**(24)**	**—**	**(24)**
Others	**(3)**	**2**	**(1)**
Balance as of March 31, 2023	**$ 931**	**$ 159**	**$ 1,090**

The provisions for asset retirement obligations are related to the costs of restoring stores with real estate lease contracts of subsidiaries and the costs of dismantlement of coal mining, iron-ore mining, and crude oil drilling facilities of subsidiaries. Other provisions include provision for loss on guarantees and provision for loss on interest repayments.

In Energy & Chemicals segment, it was probable that the costs of the long-term purchase contract exceed the economic benefits expected to be received due to LNG market downturn, and as a result, the Company recognized ¥9,737 million as Other provisions in the fiscal year ended March 31, 2022, which is included in Balance as of April 1, 2022. Due to the improvement of LNG market, the Company reversed the entire amount of such provision for the long-term purchase contract recognized in the previous fiscal year, which is included in Provisions reversed for Other provisions. The gain from the provision reversed was recognized in Cost of sale of goods in the Consolidated Statement of Comprehensive Income.

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

	Millions of Yen	Millions of U.S. Dollars
	2023	2023
Other current liabilities	**¥ 11,478**	**$ 86**
Other non-current liabilities	**134,010**	**1,004**
Total	**¥ 145,488**	**$ 1,090**

20. Income Taxes

The Company and its domestic subsidiaries are subject to corporate, inhabitant, and enterprise taxes, which are based on income. The statutory effective tax rates for the fiscal years ended March 31, 2023 and 2022 calculated based on the statutory tax rates, were 31.0%.

Commencing with the fiscal year ended March 31, 2003, the Company adopted a consolidated taxation system and shifted to adoption of the group relief system since the fiscal year ended March 31, 2023. Foreign subsidiaries are subject to income taxes of the countries where they operate.

Amounts provided for income taxes for the fiscal years ended March 31, 2023 and 2022 were allocated as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	**2023**
Income tax expense			
Current tax expense	**¥ (261,126)**	¥ (193,434)	**$ (1,955)**
Deferred tax expense (Note)	**(1,054)**	(77,622)	**(8)**
Total	**(262,180)**	(271,056)	**(1,963)**
Income taxes recognized directly in equity	**(502)**	44	**(4)**
Total	**(502)**	44	**(4)**
Income tax related to each component of other comprehensive income			
Translation adjustments	**(2,419)**	5,165	**(18)**
Remeasurement of net defined pension liability	**985**	(1,442)	**8**
FVTOCI financial assets	**(6,154)**	1,920	**(46)**
Cash flow hedges	**(985)**	(1,035)	**(8)**
Other comprehensive income in associates and joint ventures	**(4,031)**	(5,603)	**(30)**
Total	**¥ (12,604)**	¥ (995)	**$ (94)**

Notes: 1. Deferred tax expense relating to the origination and reversal of temporary differences recognized, tax loss carryforwards and tax credit carryforwards for the fiscal years ended March 31, 2023 and 2022 were ¥2,138 million (US$16 million) (income) and ¥73,625 million (expense), respectively.
2. Deferred tax expense relating to the reassessment of the recoverability of deferred tax assets for the fiscal years ended March 31, 2023 and 2022 were ¥3,192 million (US$24 million) (expense) and ¥3,997 million (expense), respectively.

The reconciliations between the statutory effective tax rate and the effective tax rate of income tax expense in the Consolidated Statement of Comprehensive Income for the fiscal years ended March 31, 2023 and 2022 were as follows:

	2023	2022
Statutory effective tax rate	**31.0%**	31.0%
Items not deductible or not taxable for tax purposes	**0.3**	0.2
Difference of tax rates for foreign subsidiaries	**(0.0)**	(0.5)
Tax effect on dividends received	**(0.7)**	(1.0)
Change in temporary differences for which no deferred tax asset is recognized	**0.3**	0.3
Equity in earnings of associates and joint ventures	**(9.0)**	(7.9)
Tax effect on equity interests in subsidiaries, associates, and joint ventures	**1.7**	1.1
Others	**0.1**	0.4
Effective tax rate in the Consolidated Statement of Comprehensive Income	**23.7%**	23.6%

Deferred tax assets are not recognized for deductible temporary differences, tax loss carryforwards and tax credit carryforwards if they are not probable to be realized based on the estimates of future taxable income for each taxable entity. Temporary differences, tax loss carryforwards and tax credit carryforwards for which no deferred tax assets were recognized for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	**2023**
Deductible temporary differences	**¥ 278,100**	¥ 267,516	**$ 2,083**
Tax loss carryforwards / tax credit carryforwards	**59,982**	62,152	**449**
Total	**¥ 338,082**	¥ 329,668	**$ 2,532**

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

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	**2023**
Within 1 year	**¥ 2,863**	¥ 2,608	**$ 21**
Within 2 years	**3,490**	3,437	**26**
Within 3 years	**4,287**	4,164	**32**
Within 4 years	**3,209**	4,708	**24**
Within 5 years	**3,252**	9,251	**24**
After 5 to 10 years	**30,655**	24,450	**230**
After 10 years (or no expiration date)	**12,226**	13,534	**92**
Total	**¥ 59,982**	¥ 62,152	**$ 449**

The total amount of taxable temporary differences arising from investments in subsidiaries, associates, and joint ventures, for which deferred tax liabilities were not recognized as of March 31, 2023 and 2022, were immaterial.

The tax effect amounts of temporary differences, tax loss carryforwards and tax credit carryforwards from which deferred tax assets and deferred tax liabilities arise as of March 31, 2023 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	**2023**
Deferred tax assets:			
Inventories, and Property, plant and equipment	**¥ 96,714**	¥ 97,689	**$ 724**
Allowance for doubtful accounts	**8,964**	9,056	**67**
Tax loss carryforwards	**43,785**	49,625	**328**
Non-current liabilities for employee benefits	**62,643**	63,235	**469**
Securities and investments	**—**	42	**—**
Others	**93,929**	89,835	**704**
Total deferred tax assets	**306,035**	309,482	**2,292**
Deferred tax liabilities:			
Non-current liabilities for employee benefits	**(42,754)**	(42,940)	**(320)**
Securities and investments	**(112,462)**	(108,007)	**(842)**
Equity interests in subsidiaries, associates, and joint ventures	**(147,608)**	(135,651)	**(1,106)**
Property, plant and equipment, and Intangible assets	**(213,401)**	(211,914)	**(1,598)**
Others	**(8,455)**	(7,330)	**(63)**
Total deferred tax liabilities	**(524,680)**	(505,842)	**(3,929)**
Net deferred tax assets (liabilities)	**¥ (218,645)**	¥ (196,360)	**$ (1,637)**

Among the above changes of deferred tax assets and deferred tax liabilities for the fiscal years ended March 31, 2023 and 2022, the changes recognized through other comprehensive income were mainly from FVTOCI financial assets, which are included in Securities and investments.

The details of changes in deferred tax assets and deferred tax liabilities for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	**2023**
Net deferred tax assets (liabilities)			
Balance at the beginning of the year	**¥ (196,360)**	¥ (89,829)	**$ (1,471)**
Deferred tax expense for the current period	**(1,054)**	(77,622)	**(8)**
Deferred taxes recognized directly in equity			
Capital surplus	**(1,046)**	44	**(8)**
Deferred tax related to each component of other comprehensive income			
Translation adjustments	**(2,337)**	3,642	**(17)**
Remeasurement of net defined pension liability	**985**	(1,395)	**8**
FVTOCI financial assets	**(6,151)**	(18,583)	**(46)**
Cash flow hedges	**(303)**	(1,035)	**(2)**
Other comprehensive income in associates and joint ventures	**(4,031)**	(5,603)	**(30)**
Changes in deferred tax assets (liabilities) accompanying business combination	**(8,348)**	(5,979)	**(63)**
Balance at the end of the year	**¥ (218,645)**	¥ (196,360)	**$ (1,637)**

21. Earnings per Share Attributable to ITOCHU

The basic and diluted earnings per share attributable to ITOCHU for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Yen		U.S. Dollars
	2023	2022	**2023**
Earnings per share			
Basic earnings per share attributable to ITOCHU	**¥546.10**	¥552.86	**$4.09**
Diluted earnings per share attributable to ITOCHU	**¥546.10**	¥552.86	**$4.09**

The base data to calculate the basic and diluted earnings per share attributable to ITOCHU for March 31, 2023 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
(Numerator)	**2023**	2022	**2023**
Net profit attributable to ITOCHU	**¥800,519**	¥820,269	**$5,995**
Effect of dilutive securities	**—**	—	**—**
Diluted net profit attributable to ITOCHU	**¥800,519**	¥820,269	**$5,995**

	Number of Shares	
(Denominator)	**2023**	2022
Weighted-average number of common shares outstanding	**1,465,872,321**	1,483,691,851

22. Equity

(1) Common Stock

The number of shares authorized and issued were as follows:

	Number of Shares	
	2023	2022
Authorized		
Common stock	**3,000,000,000**	3,000,000,000
Issued		
Balance at the beginning of the year	**1,584,889,504**	1,584,889,504
Net changes in the year	**—**	—
Balance at the end of the year	**1,584,889,504**	1,584,889,504

The number of shares of treasury stock included in the number of shares issued above as of March 31, 2023 and 2022 were 129,625,295 shares and 115,310,164 shares, respectively. The number of shares of treasury stock as of March 31, 2023 includes 597,994 shares of the Company held in the trust account for the benefit share ESOP and 981,316 shares of the Company held in the BIP trust account for officer remuneration, and the number of shares of treasury stock as of March 31, 2022 includes 675,659 shares of the Company held in the trust account for the benefit share ESOP and 709,026 shares of the Company held in the BIP trust account for officer remuneration.

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

(2) Capital Surplus and Retained Earnings

The Companies Act of Japan (the Companies Act) provides that upon payment of dividends, an amount equal to 10% of the paid dividends must be appropriated as additional paid-in capital (a component of Capital surplus) or as legal reserve (a component of Retained earnings) if the payment of such dividends is charged to Retained earnings, until the total aggregate amount of additional paid-in capital and legal reserve equals 25% of the Common stock.

The Companies Act provides a limit to the amount that can be distributed as dividends and the amount available for the purchase of treasury stock. This amount is based on the amount recorded in the Company's statutory stand-alone financial statements in accordance with the accounting standards in Japan. The adjustments to conform with IFRSs included in the Consolidated Financial Statements have no effect on the determination of the available balance of dividends or the purchase of treasury stock under the Companies Act. The amount available as dividends or for the purchase of treasury stock under the Companies Act was ¥1,141,905 million (US$8,552 million) as of March 31, 2023. This amount available as dividends or for the purchase of treasury stock might change as a result of certain actions, such as the purchase of treasury stock thereafter.

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as (1) having a Board of Directors, (2) having a Board of Corporate Auditors, (3) appointing independent auditors, and (4) the term of service of the directors being prescribed as one year, the Board of Directors may decide dividends (except for dividends-in-kind) if the company has prescribed so in its articles of incorporation. Companies under the Board of Directors' system may declare dividends (cash dividends only) once during the fiscal year by resolution of the Board of Directors if the company has prescribed so in its articles of incorporation.

The Companies Act also provides for companies, provided it is resolved by the Board of Directors, to dispose of treasury stock or to purchase it as prescribed in their articles of incorporation. The amount of treasury stock to be purchased must be within the amount available as previously described.

The Companies Act permits reclassification among Common stock, Capital surplus, and Retained earnings by resolution of the shareholders' meeting, such as the transfer of a portion or all of Retained earnings to the Common stock account.

23. Dividends

(1) Dividends paid during the fiscal years ended March 31, 2023 and 2022 were as follows:

Resolution	Class of shares	Amount of dividends Millions of Yen (Millions of U.S. Dollars)	Source of dividends	Dividends per share Yen (U.S. Dollars)	Record date	Effective date
Ordinary general meeting of shareholders held on June 18, 2021	Ordinary shares	¥65,447	Retained earnings	¥44.00	March 31, 2021	June 21, 2021
Board of Directors' meeting held on November 5, 2021	Ordinary shares	¥69,909	Retained earnings	¥47.00	September 30, 2021	December 2, 2021
Ordinary general meeting of shareholders held on June 24, 2022	Ordinary shares	¥92,715 ($694)	Retained earnings	¥63.00 ($0.47)	March 31, 2022	June 27, 2022
Board of Directors' meeting held on November 4, 2022	Ordinary shares	¥95,658 ($716)	Retained earnings	¥65.00 ($0.49)	September 30, 2022	December 2, 2022

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

Resolution	Class of shares	Amount of dividends Millions of Yen (Millions of U.S. Dollars)	Source of dividends	Dividends per share Yen (U.S. Dollars)	Record date	Effective date
Ordinary general meeting of shareholders held on June 23, 2023	Ordinary shares	¥109,265 ($818)	Retained earnings	¥75.00 ($0.56)	March 31, 2023	June 26, 2023

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

(1) Other Components of Equity

Changes in other components of equity were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	**2023**
Translation adjustments			
Balance at the beginning of the year	**¥ 383,215**	¥ 131,612	**$ 2,870**
Adjustment for the year	**75,345**	251,603	**564**
Balance at the end of the year	**458,560**	383,215	**3,434**
FVTOCI financial assets			
Balance at the beginning of the year	**146,638**	38,740	**1,098**
Adjustment for the year	**(22,501)**	(8,177)	**(168)**
Transfer to retained earnings	**(3,456)**	116,075	**(26)**
Balance at the end of the year	**120,681**	146,638	**904**
Cash flow hedges			
Balance at the beginning of the year	**7,154**	(9,897)	**54**
Adjustment for the year	**23,686**	17,051	**177**
Balance at the end of the year	**30,840**	7,154	**231**
Remeasurement of net defined pension liability			
Balance at the beginning of the year	**—**	—	**—**
Adjustment for the year	**(350)**	4,205	**(3)**
Transfer to retained earnings	**350**	(4,205)	**3**
Balance at the end of the year	**—**	—	**—**
Total other components of equity			
Balance at the beginning of the year	**537,007**	160,455	**4,022**
Adjustment for the year	**76,180**	264,682	**570**
Transfer to retained earnings	**(3,106)**	111,870	**(23)**
Balance at the end of the year	**¥ 610,081**	¥ 537,007	**$ 4,569**

Transfer to retained earnings in FVTOCI financial assets for the fiscal year ended March 31, 2022 was mainly due to the sale of Drummond International, LLC owned by ITOCHU Coal Americas Inc. Drummond International, LLC was the operating entity which had the rights to coal mines and transport infrastructure in Columbia.

(2) Other Comprehensive Income (Loss)

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

	Millions of Yen					
	2023			2022		
	Before tax effects	Tax effects	Net of tax effects	Before tax effects	Tax effects	Net of tax effects
Items that will not be reclassified to profit or loss						
FVTOCI financial assets						
Amount arising during the year on FVTOCI financial assets	**¥ 5,324**	**¥ (6,154)**	**¥ (830)**	¥ (10,847)	¥ 1,920	¥ (8,927)
Adjustment for the year	**5,324**	**(6,154)**	**(830)**	(10,847)	1,920	(8,927)
Remeasurement of net defined pension liability						
Amount arising during the year on net defined pension liability	**(2,651)**	**985**	**(1,666)**	5,339	(1,442)	3,897
Adjustment for the year	**(2,651)**	**985**	**(1,666)**	5,339	(1,442)	3,897
Other comprehensive income in associates and joint ventures						
Amount arising during the year	**(23,264)**	**1,396**	**(21,868)**	(5,244)	312	(4,932)
Adjustment for the year	**(23,264)**	**1,396**	**(21,868)**	(5,244)	312	(4,932)
Items that will be reclassified to profit or loss						
Translation adjustments						
Amount arising during the year on translation adjustment	**113,581**	**(2,272)**	**111,309**	197,079	(4,840)	192,239
Reclassification to profit or loss for the year	**477**	**(147)**	**330**	(32,135)	10,005	(22,130)
Adjustment for the year	**114,058**	**(2,419)**	**111,639**	164,944	5,165	170,109
Cash flow hedges						
Amount arising during the year on derivative instruments for cash flow hedges	**9,612**	**(3,031)**	**6,581**	(31,521)	9,633	(21,888)
Reclassification to profit or loss for the year	**(9,772)**	**2,046**	**(7,726)**	37,075	(10,668)	26,407
Adjustment for the year	**(160)**	**(985)**	**(1,145)**	5,554	(1,035)	4,519
Other comprehensive income in associates and joint ventures						
Amount arising during the year	**1,576**	**(5,590)**	**(4,014)**	113,708	(5,981)	107,727
Reclassification to profit or loss for the year	**(4,027)**	**163**	**(3,864)**	(2,293)	66	(2,227)
Adjustment for the year	**(2,451)**	**(5,427)**	**(7,878)**	111,415	(5,915)	105,500
Total other comprehensive income for the year, net of tax	**¥ 90,856**	**¥(12,604)**	**¥ 78,252**	¥271,161	¥ (995)	¥270,166

	Millions of U.S. Dollars		
	2023		
	Before tax effects	Tax effects	Net of tax effects
Items that will not be reclassified to profit or loss			
FVTOCI financial assets			
Amount arising during the year on FVTOCI financial assets	$ 40	$ (46)	$ (6)
Adjustment for the year	40	(46)	(6)
Remeasurement of net defined pension liability			
Amount arising during the year on net defined pension liability	(20)	8	(12)
Adjustment for the year	(20)	8	(12)
Other comprehensive income in associates and joint ventures			
Amount arising during the year	(174)	10	(164)
Adjustment for the year	(174)	10	(164)
Items that will be reclassified to profit or loss			
Translation adjustments			
Amount arising during the year on translation adjustment	851	(17)	834
Reclassification to profit or loss for the year	3	(1)	2
Adjustment for the year	854	(18)	836
Cash flow hedges			
Amount arising during the year on derivative instruments for cash flow hedges	72	(23)	49
Reclassification to profit or loss for the year	(73)	15	(58)
Adjustment for the year	(1)	(8)	(9)
Other comprehensive income in associates and joint ventures			
Amount arising during the year	11	(41)	(30)
Reclassification to profit or loss for the year	(30)	1	(29)
Adjustment for the year	(19)	(40)	(59)
Total other comprehensive income for the year, net of tax	$ 680	$ (94)	$ 586

Note: The amounts of hedge income (loss) in other comprehensive income, arising from the changes in the fair value of currency derivatives designated as the hedging instruments for the cash flow hedges, where the currency risk of borrowings in foreign currency is designated as the hedged items, for the fiscal years ended March 31, 2023 and 2022 were ¥1,139 million (US$9 million) (income) and ¥3,380 million (income) (before tax effect), ¥786 million (US$6 million) (income) and ¥2,332 million (income) (net of tax), respectively. These amounts were reclassified from Other components of equity during the period in which the borrowings in foreign currencies designated as the hedged items are translated. They are not included in the amount arising during the year on derivative instruments for cash flow hedges or reclassification to profit or loss for the year.

Reclassification to profit or loss for the year in Translation adjustments for the fiscal year ended March 31, 2022 was mainly due to the loss of control of ITOCHU Coal Americas Inc.

25. Financial Instruments

(1) Capital Management

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

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

The Net interest-bearing debt, Shareholders' equity and NET DER for the Company and its subsidiaries as of March 31, 2023 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	**2023**
Interest-bearing debt	**¥3,006,638**	¥2,905,903	**$ 22,517**
Cash and cash equivalents	**606,002**	611,715	**4,538**
Time deposit	**9,467**	11,185	**71**
Net Interest-bearing debt	**2,391,169**	2,283,003	**17,908**
Shareholders' equity	**¥4,819,511**	¥4,199,325	**$ 36,093**
NET DER (times)	**0.50**	0.54	**—**

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

(2) Financial Risk Management Policy

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

1) Foreign exchange rate risk management

The Company and its subsidiaries are exposed to foreign exchange rate risk related to transactions in foreign currencies due to their significant involvement in import / export trading. Therefore, the Company and its subsidiaries work to minimize foreign exchange rate risk through hedge transactions that utilize derivatives, such as foreign exchange forward contracts.

The net exposures to foreign exchange rate risk of the Company and its subsidiaries as of March 31, 2023 and 2022 were as follows:

	Millions of Yen							
	2023							
	U.S. dollar	Euro	Pound	Yuan	Australian dollar	Brazilian real	Other	Total
Short-term balance	**¥(13,673)**	**¥ 844**	**¥ 3,706**	**¥1,479**	**¥(19,349)**	**¥(225)**	**¥ 1,284**	**¥(25,934)**
Long-term balance	**51,437**	**197**	**(3,744)**	**201**	**3,506**	**—**	**4,400**	**55,997**
Total	**¥ 37,764**	**¥ 1,041**	**¥ (38)**	**¥1,680**	**¥(15,843)**	**¥(225)**	**¥ 5,684**	**¥ 30,063**

	Millions of Yen							
	2022							
	U.S. dollar	Euro	Pound	Yuan	Australian dollar	Brazilian real	Other	Total
Short-term balance	¥(30,202)	¥ (704)	¥ 917	¥1,464	¥ (3,779)	¥(251)	¥(3,151)	¥(35,706)
Long-term balance	39,799	86	(1,220)	261	4,598	—	1,790	45,314
Total	¥ 9,597	¥ (618)	¥ (303)	¥1,725	¥ 819	¥(251)	¥(1,361)	¥ 9,608

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

For the Company's and its subsidiaries' short-term and long-term balances of positions exposed to foreign exchange rate risk as of March 31, 2023, the effect (loss) from a 1% increase in the Japanese yen would be ¥301 million (US$2 million) for the Company's and its subsidiaries' profit before tax. This analysis is based on the assumption that other variable factors such as balances and interest rates were constant.

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

2) Interest rate risk management

The Company and its subsidiaries are exposed to interest rate risk in both raising and using funds for investing, financing, and operating activities. Among interest insensitive assets, such as investment securities or fixed assets, the portion acquired using floating interest loans is considered to be the interest mismatch amount exposed to interest rate risk. The Company and its subsidiaries seek to quantify the interest rate risk to better control the fluctuation of gains and losses due to interest rate changes. As of March 31, 2023, the interest rate mismatch amount was ¥858,063 million (US$6,426 million), and the effect on interest expense from a 0.1% increase in interest rate would be ¥858 million (US$6 million) (profit before tax). This amount was calculated by multiplying the interest mismatch balance of the Company and its subsidiaries as of March 31, 2023, by 0.1%. This analysis was made without consideration of factors, such as future changes in the balance, foreign exchange rate fluctuations, and dispersing effects of floating-rate borrowings derived from the interest rate reset date, and was based on the assumption that all other variable factors were constant.

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

As the Company and its subsidiaries hold financial instruments referring to USD Libor, the Company and its subsidiaries may be impacted by interest rate benchmark reform associated with the permanent discontinuation of USD Libor. However, negotiations with financial institutions toward the transition to an alternative interest rate benchmark were mostly completed by the end of the fiscal year ended March 31, 2023.

Non-derivative financial assets and liabilities referring to USD Libor as of March 31, 2023, which maturity dates are beyond the date of Libor discontinuation, were as follows. Non-derivative financial assets include loans receivable and non-derivative financial liabilities include borrowings.

	Millions of Yen			Millions of U.S. Dollars		
	2023			2023		
	Uncertainty arising from interest rate benchmark reform remaining	Uncertainty arising from interest rate benchmark reform eliminated(Note)	Total	Uncertainty arising from interest rate benchmark reform remaining	Uncertainty arising from interest rate benchmark reform eliminated(Note)	Total
Non-derivative financial assets	**¥ 3,703**	**¥ —**	**¥ 3,703**	**$ 28**	**$ —**	**$ 28**
Non-derivative financial liabilities	**¥ 101,720**	**¥ 31,036**	**¥ 132,756**	**$ 762**	**$ 232**	**$ 994**

Note: Among financial instruments which mature on or after the cessation date referring to USD Libor as of March 31, 2023, the book value eliminated from the uncertainty arising from interest rate benchmark reform by Fallback Supplement and other factors clauses is shown.

As of March 31, 2023, the Company and its subsidiaries did not hold any derivatives referring to USD Libor, with maturity date after the discontinuation of USD Libor and to which hedge accounting was not applied.

With regards to the transition of derivatives to which hedge accounting was applied, please refer to Note 26 Hedging Activities.

3) Commodity price risk management

The Company and its subsidiaries conduct actual demand transactions that are based on the back-to-back transactions of a variety of commodities. In some cases, the Company and its subsidiaries are exposed to commodity price fluctuation risk, because they hold long or short positions in consideration of market trends. Therefore, the Company and its subsidiaries analyze inventories and purchase and sales contracts, and each Division Company has established middle and back offices for major commodities, which establish a balance limit and loss cut limit for each commodity, as well as conduct monitoring, management, and periodic reviews.

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

Commodity price risk exposures as of March 31, 2023 and 2022 were as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2023		2022		2023	
	Long	Short	Long	Short	Long	Short
Commodity	**¥ 12,416**	**¥ 6,176**	¥ 15,436	¥ 315	**$ 93**	**$ 46**

Commodity price sensitivity analysis

The Company and its subsidiaries use the Value at Risk (VaR) to measure the risk of commodity transactions that are sensitive to market conditions. The following table shows year-end and average VaR figures as of March 31, 2023 and 2022. (Method: variance-covariance method / confidence interval 99% / holding period: 5 days / measurement frequency: weekly)

	Millions of Yen				Millions of U.S. Dollars	
	2023		2022		2023	
	March 31	Average	March 31	Average	March 31	Average
Commodity	**¥ 885**	**¥ 2,929**	¥ 1,574	¥ 1,923	**$ 7**	**$ 22**

4) Stock price risk management

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

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

The fair values of marketable equity securities (total of FVTOCI and FVTPL financial assets) held as of March 31, 2023 and 2022 were ¥544,430 million (US$4,077 million) and ¥527,552 million, respectively.

Stock price sensitivity analysis

The Company and its subsidiaries use the VaR to measure stock price risk. The following table shows year-end VaR figures as of March 31, 2023 and 2022.
(Method: variance-covariance method / confidence interval 99% / holding period: 10 days / measurement frequency: monthly)

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Marketable equity securities	**¥ 30,992**	¥ 33,674	**$ 232**

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

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

5) Credit risk management

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

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

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

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

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

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

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

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

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

The credit risk exposures related to trade receivables, contract assets, and lease receivables as of March 31, 2023 and 2022 were as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2023		2022		2023	
	Stage 1 and 2	Stage 3	Stage 1 and 2	Stage 3	Stage 1 and 2	Stage 3
Operating receivables and contract assets	**¥2,537,736**	**¥47,483**	¥2,464,266	¥51,068	**$ 19,005**	**$ 356**
lease receivables	**76,581**	**60**	78,533	41	**574**	**0**

The credit risk exposures related to loans, financial guarantee contracts, and other financial instruments as of March 31, 2023 and 2022 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2023			2022			2023		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Loan	**¥796,544**	**¥ 1,443**	**¥10,202**	¥702,686	¥ 1,173	¥10,442	**$ 5,965**	**$ 11**	**$ 76**
Financial guarantee contract (substantial risk)	**112,575**	**—**	**—**	106,602	—	1,868	**843**	**—**	**—**
Other	**424,671**	**671**	**7,219**	456,427	761	10,517	**3,180**	**5**	**54**

The credit risk exposures for each operating segment as of March 31, 2023 and 2022 were as follows:

	Millions of Yen						
	2023						
	Trade receivables and contract assets	Lease receivables	Loans	Financial guarantee contracts (substantial risk)	Other	Allowance for doubtful accounts	Total
Textile	**¥ 119,203**	**¥ 290**	**¥ 1,618**	**¥ 242**	**¥ 11,891**	**¥ (9,532)**	**¥ 123,712**
Machinery	**208,534**	**20,922**	**69,897**	**49,536**	**34,812**	**(11,348)**	**372,353**
Metals & Minerals	**160,873**	**—**	**5,452**	**294**	**64,184**	**(2,644)**	**228,159**
Energy & Chemicals	**597,078**	**5,527**	**5,092**	**11,262**	**62,707**	**(3,698)**	**677,968**
Food	**746,508**	**551**	**3,328**	**20,333**	**55,724**	**(7,018)**	**819,426**
General Products & Realty	**216,239**	**12,292**	**23,382**	**20,343**	**20,704**	**(2,138)**	**290,822**
ICT & Financial Business	**430,139**	**20,539**	**72,028**	**—**	**35,428**	**(19,401)**	**538,733**
The 8th	**113,407**	**21,167**	**5,319**	**—**	**142,265**	**(1,401)**	**280,757**
Other	**(6,762)**	**(4,647)**	**622,073**	**10,565**	**4,846**	**(525)**	**625,550**
Total	**¥2,585,219**	**¥76,641**	**¥808,189**	**¥112,575**	**¥432,561**	**¥(57,705)**	**¥3,957,480**

	Millions of Yen						
	2022						
	Trade receivables and contract assets	Lease receivables	Loans	Financial guarantee contracts (substantial risk)	Other	Allowance for doubtful accounts	Total
Textile	¥ 107,749	¥ 251	¥ 1,119	¥ 122	¥ 11,071	¥ (9,334)	¥ 110,978
Machinery	162,217	21,261	63,378	52,832	31,655	(13,914)	317,429
Metals & Minerals	208,081	—	3,650	171	87,279	(2,754)	296,427
Energy & Chemicals	575,866	5,098	5,413	9,432	74,514	(3,060)	667,263
Food	705,573	—	3,136	20,863	56,643	(5,177)	781,038
General Products & Realty	219,380	13,206	22,790	17,460	19,610	(2,500)	289,946
ICT & Financial Business	458,944	19,260	63,297	—	39,102	(18,761)	561,842
The 8th	97,910	24,710	5,358	—	135,630	(1,816)	261,792
Other	(20,386)	(5,212)	546,160	7,590	12,201	(505)	539,848
Total	¥2,515,334	¥78,574	¥714,301	¥108,470	¥467,705	¥(57,821)	¥3,826,563

	Millions of U.S. Dollars						
	2023						
	Trade receivables and contract assets	Lease receivables	Loans	Financial guarantee contracts (substantial risk)	Other	Allowance for doubtful accounts	Total
Textile	**$ 893**	**$ 2**	**$ 12**	**$ 2**	**$ 89**	**$ (71)**	**$ 927**
Machinery	**1,562**	**157**	**523**	**371**	**261**	**(85)**	**2,789**
Metals & Minerals	**1,205**	**—**	**41**	**2**	**481**	**(20)**	**1,709**
Energy & Chemicals	**4,472**	**41**	**38**	**84**	**470**	**(28)**	**5,077**
Food	**5,591**	**4**	**25**	**152**	**417**	**(53)**	**6,136**
General Products & Realty	**1,619**	**92**	**175**	**153**	**155**	**(16)**	**2,178**
ICT & Financial Business	**3,221**	**154**	**539**	**—**	**265**	**(145)**	**4,034**
The 8th	**849**	**159**	**40**	**—**	**1,065**	**(10)**	**2,103**
Other	**(51)**	**(35)**	**4,659**	**79**	**36**	**(4)**	**4,684**
Total	**$ 19,361**	**$ 574**	**$ 6,052**	**$ 843**	**$ 3,239**	**$ (432)**	**$ 29,637**

The Company and its subsidiaries hold collateral of ¥45,515 million (US$341 million) and ¥239 million as security for the loans included above as of March 31, 2023 and 2022. Properties and other credit enhancements held by the Company and its subsidiaries as collateral are measured at fair value.

As of March 31, 2023 and 2022, the amount of allowances for doubtful accounts reduced by collateral or other credit enhancement, was immaterial in relation to credit-impaired financial assets.

In addition, as of March 31, 2023 and 2022, a finance-related subsidiary of the Company holds ¥3,065,175 million (US$22,955 million) and ¥2,875,649 million as loan commitments classified in Stage 1 relating to unused credit line for shopping and cashing granted to credit card holders, but not all of the amount will necessarily be withdrawn. Allowance for doubtful accounts for the loan commitment is recognized together with the allowance for doubtful accounts for the trade receivables and loans related to the commitment.

The changes in allowance for doubtful accounts related to trade receivables, contract assets, and lease receivables for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2023		2022		2023	
	Stage 1 and 2	Stage 3	Stage 1 and 2	Stage 3	Stage 1 and 2	Stage 3
Balance at the end of the previous year	**¥ (8,920)**	**¥ (24,708)**	¥ (9,340)	¥ (26,824)	**$ (67)**	**$ (185)**
Provision	**(2,243)**	**(4,325)**	(1,875)	(3,818)	**(16)**	**(32)**
Reversal	**696**	**1,360**	577	1,667	**5**	**10**
Charge-offs	**1,235**	**2,908**	1,174	4,597	**9**	**22**
Reclassification of credit risk stage	**497**	**(497)**	258	(258)	**4**	**(4)**
Increase, decrease due to foreign currency translation and others	**(529)**	**519**	286	(72)	**(4)**	**4**
Balance at the end of the year	**¥ (9,264)**	**¥ (24,743)**	¥ (8,920)	¥ (24,708)	**$ (69)**	**$ (185)**

The changes in allowance for doubtful accounts related to loans and other financial instruments for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2023			2022			2023		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Balance at the end of the previous year	**¥(4,498)**	**¥ (836)**	**¥(18,859)**	¥(3,162)	¥ (722)	¥(13,575)	**$ (34)**	**$ (6)**	**$ (141)**
Provision	**(2,389)**	**(619)**	**(2,034)**	(1,960)	(497)	(6,665)	**(18)**	**(5)**	**(15)**
Reversal	**1,338**	**105**	**3,217**	734	83	861	**10**	**1**	**24**
Charge-offs	**100**	**157**	**1,149**	48	131	1,820	**1**	**1**	**8**
Reclassification of credit risk stage	**170**	**255**	**(425)**	100	184	(284)	**1**	**2**	**(3)**
Increase, decrease due to foreign currency translation and others	**(1,895)**	**(22)**	**1,388**	(258)	(15)	(1,016)	**(14)**	**(0)**	**10**
Balance at the end of the year	**¥(7,174)**	**¥ (960)**	**¥(15,564)**	¥(4,498)	¥ (836)	¥(18,859)	**$ (54)**	**$ (7)**	**$ (117)**

The contractual amount outstanding on financial assets that have been written off but still subject to enforcement activities was immaterial for the fiscal years ended March 31, 2023 and 2022.

6) Liquidity risk management

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

In addition to securing flexibility in fund-raising in response to changes in financial conditions and reducing the cost of funds, the Company and its subsidiaries have taken steps to diversify their sources of funds and methods of fund-raising. In regards to liquidity, in addition to Cash and cash equivalents, and Time deposits of ¥615,469 million (US$4,609 million) as of March 31, 2023, the Company and its subsidiaries have the unutilized commitment line (Yen: ¥450,000 million; multiple currency: US$993 million).

As of March 31, 2023 and 2022, the remaining contractual maturities of the Company's and its subsidiaries' Debentures and borrowings (Short-term and Long-term), Trade payables, Other current payables, and Other financial liabilities (Short-term and Long-term), and Contingent liabilities (guarantee for substantial risk for monetary indebtedness of associates and customers) were as follows:

	Millions of Yen			
	2023			
	Less than 1 year	1–5 years	More than 5 years	Total
Debentures and borrowings (Short-term and Long-term)	**¥ 659,710**	**¥ 1,117,808**	**¥ 1,229,120**	**¥ 3,006,638**
Trade payables, other current payables, and other financial liabilities (Short-term and Long-term)	**2,343,754**	**15,306**	**1,747**	**2,360,807**
Contingent liabilities	**26,344**	**57,479**	**19,322**	**103,145**

	Millions of Yen			
	2022			
	Less than 1 year	1–5 years	More than 5 years	Total
Debentures and borrowings (Short-term and Long-term)	¥ 522,448	¥ 1,250,229	¥ 1,133,226	¥ 2,905,903
Trade payables, other current payables, and other financial liabilities (Short-term and Long-term)	2,271,167	37,788	10,960	2,319,915
Contingent liabilities	26,960	53,226	15,074	95,260

	Millions of U.S. Dollars			
	2023			
	Less than 1 year	1–5 years	More than 5 years	Total
Debentures and borrowings (Short-term and Long-term)	**$ 4,941**	**$ 8,371**	**$ 9,205**	**$ 22,517**
Trade payables, other current payables, and other financial liabilities (Short-term and Long-term)	**17,552**	**115**	**13**	**17,680**
Contingent liabilities	**197**	**430**	**145**	**772**

The remaining contractual maturities of derivatives for the Company and its subsidiaries as of March 31, 2023 and 2022 were as follows: The amounts for derivatives that will be net settled with other contracts are also presented in gross amounts.

		Millions of Yen			
		2023			
		Less than 1 year	1–5 years	More than 5 years	Total
Currency derivatives	Receipts	**¥ 7,193**	**¥ 4,550**	**¥ 16**	**¥ 11,759**
	Payments	**(5,064)**	**(29)**	**—**	**(5,093)**
Interest rate derivatives	Receipts	**1**	**572**	**223**	**796**
	Payments	**—**	**(5,987)**	**(193)**	**(6,180)**
Commodity derivatives	Receipts	**51,017**	**795**	**—**	**51,812**
	Payments	**(55,412)**	**(1,085)**	**—**	**(56,497)**

		Millions of Yen			
		2022			
		Less than 1 year	1–5 years	More than 5 years	Total
Currency derivatives	Receipts	¥ 25,916	¥ 3,270	¥ 25	¥ 29,211
	Payments	(20,207)	(178)	—	(20,385)
Interest rate derivatives	Receipts	124	1,138	824	2,086
	Payments	(273)	(3,792)	—	(4,065)
Commodity derivatives	Receipts	54,443	5,137	—	59,580
	Payments	(50,785)	(5,015)	—	(55,800)

		Millions of U.S. Dollars			
		2023			
		Less than 1 year	1–5 years	More than 5 years	Total
Currency derivatives	Receipts	**$ 54**	**$ 34**	**$ 0**	**$ 88**
	Payments	**(38)**	**(0)**	**—**	**(38)**
Interest rate derivatives	Receipts	**0**	**4**	**2**	**6**
	Payments	**—**	**(45)**	**(1)**	**(46)**
Commodity derivatives	Receipts	**382**	**6**	**—**	**388**
	Payments	**(416)**	**(8)**	**—**	**(424)**

(3) Fair Value of Financial Instruments

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

The Company and its subsidiaries are engaged in transactions with numerous counterparties to avoid excessive concentration of credit risk to a certain counterparty or a group of counterparties.

The carrying amounts and estimated fair values for the purpose of the disclosure requirements of IFRS 13 “Fair Value Measurement,” and valuation techniques for Non-current receivables, Non-current financial assets other than investments and receivables (excluding derivative assets), Long-term debentures and borrowings, and Other non-current financial liabilities (excluding derivative liabilities) as of March 31, 2023 and 2022 were as follows (For fair value and valuation techniques of Short-term investments and Other investments, refer to Note 13 Securities and Other Investments and Note 27 Financial Instruments Measured at Fair Value, respectively. For fair value and valuation techniques of derivative asset / liability, refer to Note 27 Financial Instruments Measured at Fair Value.):

	Millions of Yen	
	2023	
	Carrying amount	Fair value
Financial assets:		
Non-current receivables and Non-current financial assets other than investments and receivables (excluding derivative assets)	**¥ 380,743**	**¥ 375,991**
Financial liabilities:		
Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative liabilities)	**¥ 2,396,177**	**¥ 2,395,831**

	Millions of Yen	
	2022	
	Carrying amount	Fair value
Financial assets:		
Non-current receivables and Non-current financial assets other than investments and receivables (excluding derivative assets)	¥ 346,580	¥ 344,714
Financial liabilities:		
Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative liabilities)	¥ 2,432,687	¥ 2,432,140

	Millions of U.S. Dollars	
	2023	
	Carrying amount	Fair value
Financial assets:		
Non-current receivables and Non-current financial assets other than investments and receivables (excluding derivative assets)	**$ 2,851**	**$ 2,816**
Financial liabilities:		
Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative liabilities)	**$ 17,945**	**$ 17,942**

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

1) Valuation techniques for fair values of financial instruments

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

The fair values of Non-current receivables and Non-current financial assets other than investments and receivables (excluding derivative assets) are estimated based on the present value of future cash flows discounted using the current rates of loans or receivables with similar terms, conditions, and maturities being offered to borrowers or customers with similar credit ratings and are classified as Level 2.

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

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

The fair values of Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative liabilities) are based on the present value of future cash flows discounted using the current borrowing rates of similar debt instruments having comparable maturities and are classified as Level 2.

The carrying amounts of current financial assets and liabilities other than those mentioned above are approximately the same as their fair values mainly because of their short maturities.

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

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

As of March 31, 2023 and 2022, the balance of the investment to CTB accompanying the acquisition of CITIC Limited shares amounted to US$514 million (¥68,593 million) and US$514 million (¥62,870 million), respectively. The shareholder loan to CTB accompanying the acquisition of CITIC Limited shares amounted to US$4,351 million (¥581,028 million) and US$4,446 million (¥544,182 million), respectively. The balance of the shareholder loan is presented under Non-current receivables on the Consolidated Statement of Financial Position. As of March 31, 2023 and 2022, the closing price of CITIC Limited shares on the Hong Kong Stock Exchange were HK$9.18 and HK$8.71 per share, respectively. The value obtained by multiplying the number of CITIC Limited shares that CTB owns by the said share prices are HK $53,410 million (¥908,510 million) and HK$50,675 million (¥792,606 million), respectively. In addition, the amount obtained by multiplying this value by 50%, which is the Company's ownership percentage in CTB, are HK$26,705 million (¥454,255 million) and HK$25,338 million (¥396,303 million), respectively.

(4) Offsetting of Financial Assets and Financial Liabilities

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

The following table provides offsetting information of financial assets and financial liabilities with the same counterparty as of March 31, 2023 and 2022.

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
The amount of financial assets	¥5,434,047	¥5,337,882	$40,695
The amount of possible offsetting under master netting arrangement or similar arrangement	(212,195)	(208,675)	(1,589)
Net	¥5,221,852	¥5,129,207	$39,106

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
The amount of financial liabilities	¥6,372,012	¥6,236,789	$47,720
The amount of possible offsetting under master netting arrangement or similar arrangement	(212,195)	(208,675)	(1,589)
Net	¥6,159,817	¥6,028,114	$46,131

The amount which was offset in accordance with the criteria for offsetting financial assets and financial liabilities in the Consolidated Statement of Financial Position was immaterial.

26. Hedging Activities

Fair value hedges:

A fair value hedge is a hedge of the variability of fair value of a recognized asset or liability or of an unrecognized firm commitment. The changes in fair value of recognized assets or liabilities, or unrecognized firm commitments and related hedging instruments that are designated and qualify as fair value hedges are recognized in profit or loss if the hedges are considered effective. For the fiscal years ended March 31, 2023 and 2022, amounts of the net profit (losses) related to hedge ineffectiveness and the portion excluded from the assessment of hedge effectiveness were immaterial.

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

Cash flow hedges:

Cash flow hedges are hedges of the variability of cash flows to be received or paid related to forecasted transactions, or recognized assets or liabilities. The changes in fair value of hedging instruments that are designated and qualify as cash flow hedges are recognized in other comprehensive income if the hedges are considered effective. This treatment is continued until profit or loss is affected by the variability in cash flows to be received or paid, related to the unrecognized forecasted transactions or the recognized assets or liabilities designated as the hedged items. The ineffective portion of the hedge is included in profit or loss. For the fiscal years ended March 31, 2023 and 2022, amounts of the net profit (losses) related to hedge ineffectiveness and the portion excluded from the assessment of hedge effectiveness were immaterial.

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

For the fiscal years ended March 31, 2023 and 2022, the amounts reclassified from other comprehensive income into profit or loss as the forecasted transaction became no longer probable to occur were immaterial.

Hedges of a net investment in foreign operations:

Hedges of a net investment in foreign operations are hedges of the exchange differences that arise between the functional currencies of the foreign operations and the functional currency of the parent company. The changes in fair value of hedging instruments that are designated and qualify as hedges of a net investment in foreign operations are recognized in other comprehensive income if the hedges are considered effective. This treatment is continued until foreign operations are disposed of, and the changes in the fair value of the hedging instruments that had been recorded in other comprehensive income are reclassified to profit or loss as part of gains or losses on disposal. The ineffective portion of the hedge is recognized as profit or loss. For the fiscal year ended March 31, 2022, amounts of the net profit (losses) related to hedge ineffectiveness and the portion excluded from the assessment of hedge effectiveness was immaterial. Further, for the fiscal year ended March 31, 2023, the Company and its subsidiaries did not designate any new hedges as hedges of the net investment in foreign operations.

The Company and its subsidiaries hold currency derivatives to hedge the risk of foreign exchange variability of a net investment in foreign operations, and the hedging terms are basically within one year. The prices of hedging instruments are close to the quoted prices in transactions taking place in the principal markets or in the most advantageous markets where each hedging instrument is actively traded.

The impact of hedges on consolidated financial statements:

The fair values of hedging instruments as of March 31, 2023 and 2022 were as follows:

As of the fiscal year ended March 31, 2023 and 2022, the Company and its subsidiaries did not designate any hedges as hedges of the net investment in foreign operations. On the Consolidated Statement of Financial Position, the fair value of assets related to hedging instruments is included in Other current financial assets or in Non-current financial assets other than investments and receivables, and the fair value of liabilities related to hedging instruments is included in Other current financial liabilities or in Other non-current financial liabilities.

	Millions of Yen			
	2023			
Type of hedge accounting	Hedging instruments	Notional amounts	Assets	Liabilities
Fair value hedges	Currency derivatives	**¥ 86,423**	**¥ 749**	**¥ 1,112**
	Interest rate derivatives	**342,994**	**474**	**5,874**
	Commodity derivatives	**470,002**	**13,614**	**18,350**
Cash flow hedges	Currency derivatives	**¥ 203,378**	**¥ 6,697**	**¥ 949**
	Interest rate derivatives	**15,310**	**322**	**306**
	Commodity derivatives	**26,389**	**9**	**549**

	Millions of Yen			
	2022			
Type of hedge accounting	Hedging instruments	Notional amounts	Assets	Liabilities
Fair value hedges	Currency derivatives	¥ 92,122	¥ 3,750	¥ 885
	Interest rate derivatives	156,599	1,884	3,764
	Commodity derivatives	446,520	22,091	27,284
Cash flow hedges	Currency derivatives	¥ 144,920	¥ 6,207	¥ 2,329
	Interest rate derivatives	16,111	161	55
	Commodity derivatives	61,043	4,512	3,091

	Millions of U.S. Dollars			
	2023			
Type of hedge accounting	Hedging instruments	Notional amounts	Assets	Liabilities
Fair value hedges	Currency derivatives	**$ 647**	**$ 5**	**$ 8**
	Interest rate derivatives	**2,569**	**3**	**44**
	Commodity derivatives	**3,520**	**102**	**137**
Cash flow hedges	Currency derivatives	**$ 1,523**	**$ 50**	**$ 7**
	Interest rate derivatives	**115**	**2**	**2**
	Commodity derivatives	**198**	**0**	**4**

For the fiscal years ended March 31, 2023 and 2022, the amounts of hedged items designated as fair value hedges were as follows:

	Millions of Yen		
	2023		
Risk category	Main account on Consolidated Statement of Financial Position	Carrying amount	Accumulated amount of fair value hedge adjustments included in the carrying amount
Currency risk	Trade receivables	**¥ 3,777**	**¥ 29**
	Trade payables	**7,040**	**148**
	Other current assets	**1,061**	**1,061**
	Other current liabilities	**579**	**579**
Interest rate risk	Debentures and borrowings	**¥ 337,594**	**¥ (5,400)**
Commodity price risk	Inventories	**¥ 35,147**	**¥ 127**
	Other current assets	**18,009**	**18,009**
	Other current liabilities	**13,400**	**13,400**

Risk category	Main account on Consolidated Statement of Financial Position	Carrying amount	Accumulated amount of fair value hedge adjustments included in the carrying amount
		Millions of Yen 2022	
Currency risk	Trade receivables	¥ 1,095	¥ 82
	Trade payables	2,722	98
	Other current assets	776	776
	Other current liabilities	3,625	3,625
Interest rate risk	Debentures and borrowings	¥ 154,719	¥ (1,880)
Commodity price risk	Inventories	¥ 38,336	¥ 621
	Other current assets	26,415	26,415
	Other current liabilities	21,843	21,843

Risk category	Main account on Consolidated Statement of Financial Position	Carrying amount	Accumulated amount of fair value hedge adjustments included in the carrying amount
		Millions of U.S. Dollars 2023	
Currency risk	Trade receivables	**$ 28**	**$ 0**
	Trade payables	**53**	**1**
	Other current assets	**8**	**8**
	Other current liabilities	**4**	**4**
Interest rate risk	Debentures and borrowings	**$ 2,528**	**$ (40)**
Commodity price risk	Inventories	**$ 263**	**$ 1**
	Other current assets	**135**	**135**
	Other current liabilities	**100**	**100**

Note: For the fiscal years ended March 31, 2023 and 2022, the accumulated amounts of fair value hedge adjustments related to the hedged items on which the hedging transactions have been ceased totaled ¥1,452 million (US$11 million) and ¥2,666 million, respectively. These amounts are included in Short-term debentures and borrowings and Long-term debentures and borrowings.

For the fiscal years ended March 31, 2023 and 2022, the amounts of the Company and its subsidiaries' Other components of equity and the income (losses) associated with hedging instruments designated as cash flow hedges were as follows:

Risk category	Amount recognized in Other components of equity	Amount of hedge income (loss) recognized in OCI	Main account of profit or loss reclassified from Other components of equity	Amount of profit or loss reclassified from Other components of equity
			Millions of Yen 2023	
Currency risk	**¥ 1,238**	**¥ 2,376**	Other-net	**¥ 256**
Interest rate risk	**(111)**	**(399)**	Interest expense	**(17)**
Commodity price risk	**(45)**	**7,635**	Revenues from sale of goods	**(10,011)**
Total	**¥ 1,082**	**¥ 9,612**		**¥ (9,772)**

Risk category	Amount recognized in Other components of equity	Amount of hedge income (loss) recognized in OCI	Main account of profit or loss reclassified from Other components of equity	Amount of profit or loss reclassified from Other components of equity
			Millions of Yen 2022	
Currency risk	¥ 557	¥ (6,379)	Other-net	¥ 6,507
Interest rate risk	(63)	2,154	Interest expense	1,737
Commodity price risk	1,637	(27,296)	Revenues from sale of goods	28,831
Total	¥ 2,131	¥ (31,521)		¥ 37,075

Risk category	Amount recognized in Other components of equity	Amount of hedge income (loss) recognized in OCI	Main account of profit or loss reclassified from Other components of equity	Amount of profit or loss reclassified from Other components of equity
			Millions of U.S. Dollars 2023	
Currency risk	**$ 9**	**$ 18**	Other-net	**$ 2**
Interest rate risk	**(1)**	**(3)**	Interest expense	**(0)**
Commodity price risk	**(0)**	**57**	Revenues from sale of goods	**(75)**
Total	**$ 8**	**$ 72**		**$ (73)**

Note: The amounts of hedge income (loss) in other comprehensive income, arising from the changes in the fair value of currency derivatives designated as the hedging instruments for the cash flow hedges, where the currency risk of borrowings in foreign currency is designated as the hedged items, for the fiscal years ended March 31, 2023 and 2022 were ¥1,139 million (US$9 million) (income) and ¥3,380 million (income), respectively. These amounts were reclassified from Other components of equity in the period in which the borrowings in foreign currencies designated as the hedged items are translated. These amounts are not included above.

For the fiscal years ended March 31, 2022, the amounts of the Company and its subsidiaries' Other components of equity and the income (losses) associated with hedging instruments designated as hedges of a net investment in foreign operations was as follows:

Risk category	Amount recognized in Other components of equity	Amount of hedge income (loss) recognized in OCI	Main account of profit or loss reclassified from Other components of equity	Amount of profit or loss reclassified from Other components of equity
	Millions of Yen			
	2022			
Currency risk	¥ —	¥ —	Gains (losses) on investments	¥ (4,891)
Total	¥ —	¥ —		¥ (4,891)

The impact of interest rate benchmark reform:

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

As of March 31, 2023, the Company and its subsidiaries held financial instruments referring to USD Libor as interest rate benchmark. Hedged items included fixed rate debt and variable rate debt denominated in USD.

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

As of March 31, 2023, the maturities and nominal amounts, which hedge accounting was applied to and was applicable as described above, were as follows:

Type of hedge accounting	Risk category	Maturities	Uncertainty arising from interest rate benchmark reform remaining	Uncertainty arising from interest rate benchmark reform eliminated(Note)	Total
			Millions of Yen		
			Nominal amount		
Fair value hedges	Interest rate risk	Year 2026	**¥ —**	**¥ 66,765**	**¥ 66,765**
Cash flow hedges	Currency risk	Year 2024	**—**	**24,035**	**24,035**
	Interest rate risk	Year 2025	**5,167**	**—**	**5,167**

Type of hedge accounting	Risk category	Maturities	Uncertainty arising from interest rate benchmark reform remaining	Uncertainty arising from interest rate benchmark reform eliminated(Note)	Total
			Millions of U.S. Dollars		
			Nominal amount		
Fair value hedges	Interest rate risk	Year 2026	**$ —**	**$ 500**	**$ 500**
Cash flow hedges	Currency risk	Year 2024	**—**	**180**	**180**
	Interest rate risk	Year 2025	**39**	**—**	**39**

Note: Among financial instruments which mature on or after the cessation date referring to USD Libor as of March 31, 2023, the nominal amounts eliminated from the uncertainty arising from interest rate benchmark reform by Fallback Supplement and other factors clauses are shown.

27. Financial Instruments Measured at Fair Value

IFRS 13 “Fair Value Measurements” defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 also establishes a hierarchy for inputs used in measuring fair value and requires that each fair value be categorized into one of the following three levels based on its observability of inputs:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for identical assets or liabilities.

The Company and its subsidiaries use the following valuation techniques for assets and liabilities that are measured at fair value on a recurring basis.

The cash equivalents that are measured at fair value on a recurring basis consist primarily of commercial paper with original maturities of three months or less. The Company and its subsidiaries measure the fair value using the quoted market prices and classify them as Level 2.

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

The financial instruments classified as FVTPL and FVTOCI financial assets consist of securities and alternative investments. Securities that are listed on exchanges are measured using quoted market prices. When quoted prices in active markets in which transactions occur with sufficient frequency are available, they are classified as Level 1. In contrast, instruments that are measured at quoted prices in markets in which there are relatively few transactions are classified as Level 2.

Securities that are not listed on exchanges are measured mainly using the discounted cash flow and modified net assets methods based on comprehensive consideration of various inputs that are available to the Company and its subsidiaries, including expectation of future income of the investee, the net asset value of the subject stock, and the actual value of significant assets held by the said investee. If the amount affected by unobservable inputs covers a significant proportion of the fair value, the security is classified as Level 3, and if the amount affected by unobservable inputs does not cover a significant proportion of fair value, the security is classified as Level 2.

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

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

The fair value of assets and liabilities that are measured by discounted cash flow fluctuates depending on the discount rates that are applied. These discount rates are applied to each financial asset by calculating the risk-free rate, which includes country risk premium (Approximately 7–19%. Meanwhile, for the resource-related investments in Russia, a higher discounted rate reflecting the rise of the country risk was applied).

If the unobservable inputs have been changed to reflect reasonably possible alternative assumptions, the effect is expected to be insignificant.

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

The information by level for assets and liabilities that were measured at fair value on a recurring basis as of March 31, 2023 and 2022 was as follows:

For the fiscal years ended March 31, 2023 and 2022, there were no significant transfers between Level 1 and 2.

	Millions of Yen			
	2023			
	Level 1	Level 2	Level 3	Total
Assets				
Inventories	¥ —	¥ 5,932	¥ —	¥ 5,932
Securities and other investments				
FVTPL financial assets	2,134	28,503	53,272	83,909
FVTOCI financial assets	542,296	—	320,354	862,650
Derivative assets	3,924	60,443	—	64,367
Liabilities				
Derivative liabilities	¥ 9,828	¥ 57,942	¥ —	¥ 67,770

	Millions of Yen			
	2022			
	Level 1	Level 2	Level 3	Total
Assets				
Inventories	¥ —	¥ 1,684	¥ —	¥ 1,684
Securities and other investments				
FVTPL financial assets	6,391	26,921	67,614	100,926
FVTOCI financial assets	521,161	—	342,951	864,112
Derivative assets	11,062	79,815	—	90,877
Liabilities				
Derivative liabilities	¥ 17,876	¥ 62,374	¥ —	¥ 80,250

	Millions of U.S. Dollars			
	2023			
	Level 1	Level 2	Level 3	Total
Assets				
Inventories	**$ —**	**$ 44**	**$ —**	**$ 44**
Securities and other investments				
FVTPL financial assets	**16**	**213**	**399**	**628**
FVTOCI financial assets	**4,061**	**—**	**2,399**	**6,460**
Derivative assets	**29**	**453**	**—**	**482**
Liabilities				
Derivative liabilities	**$ 74**	**$ 434**	**$ —**	**$ 508**

The changes in Level 3 items for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen	
	2023	
	FVTPL financial assets	FVTOCI financial assets
Beginning Balance	**¥ 67,614**	**¥ 342,951**
Total gains or losses	**1,975**	**(21,069)**
Included in gains on investments	**1,975**	**—**
Included in other comprehensive income (loss) (FVTOCI financial assets)	**—**	**(20,414)**
Included in other comprehensive income (loss) (Translation adjustments)	**—**	**(655)**
Purchases	**14,235**	**6,684**
Sales	**(24,971)**	**(1,387)**
Transfers into Level 3	**—**	**2**
Transfers out of Level 3	**(200)**	**(100)**
Others	**(5,381)**	**(6,727)**
Ending balance	**53,272**	**320,354**
The amount of gains (losses) on investments for the period relating to assets still held as of March 31, 2023	**¥ 200**	**¥ —**

	Millions of Yen	
	2022	
	FVTPL financial assets	FVTOCI financial assets
Beginning Balance	¥ 59,077	¥ 279,548
Total gains or losses	15,174	43,319
Included in gains on investments	15,174	—
Included in other comprehensive income (loss) (FVTOCI financial assets)	—	27,327
Included in other comprehensive income (loss) (Translation adjustments)	—	15,992
Purchases	7,467	19,199
Sales	(10,900)	(60,172)
Transfers into Level 3	—	—
Transfers out of Level 3	(260)	(498)
Others	(2,944)	61,555
Ending balance	67,614	342,951
The amount of gains (losses) on investments for the period relating to assets still held as of March 31, 2022	¥ 8,956	¥ —

	Millions of U.S. Dollars	
	2023	
	FVTPL financial assets	FVTOCI financial assets
Beginning Balance	**$ 506**	**$ 2,568**
Total gains or losses	**15**	**(158)**
Included in gains on investments	**15**	**—**
Included in other comprehensive income (loss) (FVTOCI financial assets)	**—**	**(153)**
Included in other comprehensive income (loss) (Translation adjustments)	**—**	**(5)**
Purchases	**106**	**50**
Sales	**(187)**	**(10)**
Transfers into Level 3	**—**	**0**
Transfers out of Level 3	**(1)**	**(1)**
Others	**(40)**	**(50)**
Ending balance	**399**	**2,399**
The amount of gains (losses) on investments for the period relating to assets still held as of March 31, 2023	**$ 1**	**$ —**

Transfers into Level 3 recognized for the fiscal year ended March 31, 2023 were due to the fact that the fair value of equity securities became unobservable resulting from delisting from exchanges.

Transfers out of Level 3 recognized for the fiscal years ended March 31, 2023 and 2022 were due to the fact that the fair value of equity securities became measurable using the quoted market price resulting from listing on exchanges.

The increase in Others of FVTOCI financial assets in 2022 was mainly due to the conversion of Paidy Inc. into Other investments (FVTOCI financial assets) from Investments accounted for by the equity method.

Also, the decrease in Sales of FVTOCI financial assets in 2022 was mainly because Paidy Inc., which was converted into Other investments (FVTOCI financial assets) was sold.

28. Revenue

(1) Contract Balances

The breakdown of contract balances for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen				Millions of U.S. Dollars
	2023		2022		2023
	Beginning Balance	Ending Balance	Beginning Balance	Ending Balance	Ending Balance
Receivables from Contracts with Customers	**¥ 2,458,991**	**¥ 2,533,297**	¥ 2,122,815	¥ 2,458,991	**$ 18,972**
Contract Assets	**27,665**	**32,510**	19,124	27,665	**243**
Contract Liabilities	**151,027**	**172,314**	133,127	151,027	**1,290**

A contract asset is recognized when the Company and its subsidiaries transfer goods or services to a customer on their ordinary activities, but a right to receive the payment is conditional in line with a series of performance related milestones other than the passage of time. Contract assets generally increase when the Company and its subsidiaries transfer goods or services to the customer before the customer pays the consideration or before the payment becomes due and decrease when the Company and its subsidiaries bill the customer. The balance of contract assets increased mainly due to the progress of satisfaction of the performance obligations for the fiscal years ended March 31, 2023 and 2022.

A contract liability is recognized when a payment from a customer is already received or due, prior to the Company and its subsidiaries transferring goods or services to the customer on their operating activities. Contract liabilities generally increase when the Company and its subsidiaries receive consideration from a customer prior to the transfer of goods or services to the customer and decrease when the Company and its subsidiaries meet their performance obligations. The balance of contract liabilities increased mainly due to increases in advances from customer for the fiscal years ended March 31, 2023 and 2022.

Revenues recognized for the fiscal years ended March 31, 2023 and 2022 include ¥118,137 million (US$885 million) and ¥109,259 million respectively, recognized from contract liabilities at the beginning of the fiscal years ended March 31, 2023 and 2022. Revenues recognized for the fiscal years ended March 31, 2023 and 2022 arising from performance obligations fulfilled in past periods, are immaterial.

(2) Remaining Performance Obligations

As of March 31, 2023, the Company and its subsidiaries have total transaction price of ¥1,004,489 million (US$7,523 million), mainly in energy, iron ore, system development, and ships transactions, allocated to remaining performance obligations. As of March 31, 2022, the Company and its subsidiaries have total transaction price of ¥885,538 million, mainly in the same transactions noted above, allocated to remaining performance obligations. The Company and its subsidiaries expect most of these transactions to take place over the next 3 years, and to be recognized as revenues once the contracts are executed. The Company and its subsidiaries use the practical expedients, pursuant to IFRS 15, "Revenue from Contracts with Customers," and only disclose individual transactions with anticipated contract lengths exceeding 1 year.

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

For the fiscal years ended March 31, 2023 and 2022, the amounts of assets or their depreciation arising from costs incurred to acquire or execute customer contracts were immaterial.

29. Selling, General and Administrative Expenses

The breakdown of Selling, general and administrative expenses for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	**2023**
Personnel expenses	**¥ 615,823**	¥ 585,471	**$ 4,612**
Depreciation	**248,103**	255,800	**1,858**
Amortization	**40,492**	37,692	**303**
Service charge	**137,235**	125,479	**1,028**
Distribution costs	**95,821**	92,316	**718**
Others	**281,647**	249,962	**2,109**
Total	**¥1,419,121**	¥1,346,720	**$10,628**

30. Gains (losses) on Investments

The breakdown of Gains (losses) on investments for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	**2023**
Investments in subsidiaries, associates and joint ventures	**¥ 74,346**	¥ 182,315	**$ 557**
FVTPL financial assets	**(7,187)**	29,540	**(54)**
Financial assets measured at amortized cost	**(2)**	(4)	**(0)**
Total	**¥ 67,157**	¥ 211,851	**$ 503**

In the fiscal year ended March 31, 2023, Gains (losses) on investments relating to Investments in subsidiaries, associates and joint ventures mainly consists of the gain of ¥29,732 million (US $223 million) on the sale of a North American beverage-equipment-maintenance company in Machinery segment and the gain of ¥20,427 million (US$153 million) on the sale of CONEXIO Corporation in ICT & Financial Business segment.

In the fiscal year ended March 31, 2022, Gains (losses) on investments relating to Investments in subsidiaries, associates and joint ventures mainly consists of the gains of ¥62,822 million on the partial sale of the shares and the remeasurement of the remaining interest with the loss of control of Taiwan FamilyMart Co., Ltd. in The 8th segment, ¥43,809 million resulting from the fair value remeasurement of remaining interest with the loss of significant influence over Paidy Inc. in ICT & Financial Business segment, the realization of foreign exchange gains of ¥32,057 million due to the loss of control of ITOCHU Coal Americas Inc. in Metal & Minerals segment, and the gain of ¥31,025 million on the transfer of all of the shares in Japan Brazil Paper & Pulp Resource Development Co., Ltd. in General Products & Realty segment. Among these, the amount resulting from remeasurement of interest retained after the loss of control over subsidiaries at fair value as of the date of the loss of control was ¥60,290 million.

The losses relating to Financial assets measured at amortized cost include losses arising from derecognition of financial assets of ¥2 million (US$0 million) for the fiscal year ended March 31, 2023.

The losses relating to Financial assets measured at amortized cost include losses arising from derecognition of financial assets of ¥4 million for the fiscal year ended March 31, 2022.

31. Gains (losses) on Property, Plant, Equipment and Intangible Assets

The breakdown of Gains (losses) on property, plant, equipment and intangible assets for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	**2023**
Gains on sales of property, plant and equipment	**¥ 8,676**	¥ 15,155	**$ 65**
Losses on disposal and sales of property, plant and equipment	**(7,067)**	(5,565)	**(53)**
Impairment losses and reversal gains on property, plant and equipment	**(40,750)**	(22,750)	**(305)**
Impairment losses on goodwill	**(11,556)**	(5,500)	**(87)**
Others	**579**	1,059	**4**
Total	**¥ (50,118)**	¥ (17,601)	**$ (376)**

For the fiscal year ended March 31, 2023, the losses mainly consist of impairment losses recognized on goodwill and trademarks in Dole in Food segment. In Energy & Chemicals segment, regarding the property, plant and equipment of the LNG long-term contract, the Company recognized reversal gain of impairment loss of ¥5,491 million (US$41 million) due to the market improvement.

For the fiscal year ended March 31, 2022, the losses mainly consist of an impairment loss recognized on store assets in FamilyMart Co., Ltd. in The 8th segment.

32. Other-Net

The breakdown of Other-net for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	**2023**
Net foreign exchange gains (losses)	**¥ (3,459)**	¥ (1,995)	**$ (26)**
Others	**18,530**	11,640	**139**
Total	**¥ 15,071**	¥ 9,645	**$ 113**

33. Financial Income (Loss)

The breakdown of Financial income (loss) for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Interest income			
Financial assets measured at amortized cost	¥ 39,370	¥ 20,412	$ 295
Subtotal	39,370	20,412	295
Dividends received			
FVTPL financial assets	642	407	5
FVTOCI financial assets	79,025	80,334	592
Subtotal	79,667	80,741	597
Interest expense			
Financial liabilities measured at amortized cost Lease liabilities	(13,279)	(12,489)	(99)
Others	(47,856)	(10,473)	(359)
Derivatives	(2,821)	(4,055)	(21)
Others	(2,909)	(1,959)	(22)
Subtotal	(66,865)	(28,976)	(501)
Total	¥ 52,172	¥ 72,177	$ 391

34. Cash Flow Information

(1) Acquisitions and Sales of Subsidiaries or businesses

(Acquisitions of subsidiaries or businesses)
The acquisitions of major subsidiaries or businesses for the fiscal year ended March 31, 2023 were that of PWT and PWT's EWP business.
There were no acquisitions of major subsidiaries or businesses for the fiscal year ended March 31, 2022.

	Millions of Yen	Millions of U.S. Dollars
	2023	2023
Acquisitions of subsidiaries or businesses		
Fair value of assets acquired	¥ 71,529	$ 535
Fair value of liabilities acquired	(23,943)	(179)
Net assets, before deduction of cash	47,586	356
Fair value of previously held equity interests	(11,132)	(83)
Goodwill and Non-controlling interests	(7,594)	(57)
Fair value of consideration	28,860	216
Effect of exchange rate changes	341	3
Cash acquired	(3,168)	(24)
Payments for acquisition of subsidiaries or businesses	¥ 26,033	$ 195

Note: The amounts listed above are subject to change as the fair value measurement period is ongoing.

(Sales of subsidiaries or businesses)
The sales of major subsidiaries or businesses for the fiscal year ended March 31, 2023 were that of a North American beverage-equipment-maintenance company and CONEXIO Corporation.
There were no sales of major subsidiaries or businesses for the fiscal year ended March 31, 2022.

	Millions of Yen	Millions of U.S. Dollars
	2023	2023
Sales of subsidiaries or businesses		
Fair value of assets sold	¥ 131,461	$ 985
Fair value of liabilities sold	(74,188)	(556)
Net assets, before deduction of cash	57,273	429
Fair value of consideration	88,254	661
Effect of exchange rate changes	1,128	8
Cash included in assets sold	(19,221)	(144)
Proceeds from sale of subsidiaries or businesses	¥ 70,161	$ 525

(2) Changes in Liabilities Arising from Financing Activities

Changes in liabilities arising from financing activities for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of Yen		
	2023		
	Debentures and Borrowings	Lease liabilities and the others	Total
Beginning of the year	**¥ 2,905,903**	**¥ 1,011,032**	**¥ 3,916,935**
Cash flow	**(16,476)**	**(261,271)**	**(277,747)**
Non-cash changes			
Increase through acquisitions	**45,109**	**7,254**	**52,363**
Decrease through divestitures	**—**	**(20,411)**	**(20,411)**
New leases	**—**	**90,115**	**90,115**
Effect of foreign currency exchange differences	**82,112**	**11,418**	**93,530**
Fair value changes	**(4,734)**	**—**	**(4,734)**
Others	**(5,276)**	**166,430**	**161,154**
End of the year	**¥ 3,006,638**	**¥ 1,004,567**	**¥ 4,011,205**

	Millions of Yen		
	2022		
	Debentures and Borrowings	Lease liabilities and the others	Total
Beginning of the year	¥ 3,155,312	¥ 1,063,851	¥ 4,219,163
Cash flow	(349,350)	(266,974)	(616,324)
Non-cash changes			
Increase through acquisitions	15,742	2,314	18,056
Decrease through divestitures	(518)	(7,296)	(7,814)
New leases	—	81,571	81,571
Effect of foreign currency exchange differences	95,534	14,439	109,973
Fair value changes	(7,342)	—	(7,342)
Others	(3,475)	123,127	119,652
End of the year	¥ 2,905,903	¥ 1,011,032	¥ 3,916,935

	Millions of U.S. Dollars		
	2023		
	Debentures and Borrowings	Lease liabilities and the others	Total
Beginning of the year	**$ 21,762**	**$ 7,572**	**$ 29,334**
Cash flow	**(123)**	**(1,956)**	**(2,079)**
Non-cash changes			
Increase through acquisitions	**338**	**54**	**392**
Decrease through divestitures	**—**	**(153)**	**(153)**
New leases	**—**	**675**	**675**
Effect of foreign currency exchange differences	**615**	**85**	**700**
Fair value changes	**(35)**	**—**	**(35)**
Others	**(40)**	**1,247**	**1,207**
End of the year	**$ 22,517**	**$ 7,524**	**$ 30,041**

Note: Amounts of “Others” in “Lease Liabilities and the others” are mainly the increase due to lease contract modifications in FamilyMart Co., Ltd.
In addition, lease contract modifications in other companies, mid-term terminations and other factors are included.

35. Parent's Ownership Interest in Subsidiaries

Subsidiaries of the Company as of March 31, 2023 were as follows:

Name	Location	Voting shares (%)
Textile		
ROYNE CO., LTD.	Shinagawa-ku, Tokyo	100.0
Sankei Co., Ltd.	Koto-ku, Tokyo	100.0
EDWIN CO., LTD.	Shinagawa-ku, Tokyo	100.0
DOME CORPORATION	Koto-ku, Tokyo	69.7
JOI'X CORPORATION	Chiyoda-ku, Tokyo	100.0
LEILIAN CO., LTD.	Meguro-ku, Tokyo	100.0
ITOCHU Textile Prominent (ASIA) Ltd.	Hong Kong, China	100.0 (50.0)
ITOCHU TEXTILE (CHINA) CO., LTD.	Shanghai, China	100.0 (40.0)
34 other companies		
Machinery		
IMECS Co., Ltd.	Minato-ku, Tokyo	100.0
ITOCHU AVIATION CO., LTD.	Minato-ku, Tokyo	100.0
ITOCHU Plantech Inc.	Minato-ku, Tokyo	100.0
JAPAN AEROSPACE CORPORATION	Minato-ku, Tokyo	100.0
ITOCHU MACHINE-TECHNOS CORPORATION	Chiyoda-ku, Tokyo	100.0
YANASE & CO., LTD.	Minato-ku, Tokyo	82.8
Citrus Investment LLC	Minato-ku, Tokyo	100.0
I-Power Investment Inc.	Wilmington, Delaware, U.S.A.	100.0
I-ENVIRONMENT INVESTMENTS LIMITED	London, U.K.	100.0 (30.0)
MULTIQUIP INC.	Cypress, California, U.S.A.	100.0 (80.0)
RICARDO PÉREZ, S.A.	Panama, Republic of Panama	70.0
Auto Investment Inc.	Pelham, Alabama, U.S.A.	100.0
ITOCHU Automobile America Inc.	Farmington Hills, Michigan, U.S.A.	100.0
82 other companies		
Metals & Minerals		
ITOCHU Metals Corporation	Minato-ku, Tokyo	100.0
JAPÃO BRASIL MINÉRIO DE FERRO PARTICIPAÇÕES LTDA.	Sao Paulo, Brazil	77.3
ITC Coal Resources International Inc.	Wilmington, Delaware, U.S.A.	100.0
ITOCHU Minerals & Energy of Australia Pty Ltd	Perth, W.A., Australia	100.0 (3.7)
5 other companies		
Energy & Chemicals		
ITOCHU ENEX CO., LTD.	Chiyoda-ku, Tokyo	54.0
ITOCHU PLASTICS INC.	Chiyoda-ku, Tokyo	100.0
ITOCHU CHEMICAL FRONTIER Corporation	Minato-ku, Tokyo	100.0
C.I. TAKIRON Corporation	Kita-ku, Osaka	55.7 (0.2)
ITOCHU Retail Link Corporation	Chuo-ku, Tokyo	100.0
ITOCHU PETROLEUM CO., (SINGAPORE) PTE. LTD.	Singapore	100.0
ITOCHU Oil Exploration (Azerbaijan) Inc.	Grand Cayman, Cayman Islands	100.0
CIECO West Qurna Limited	London, U.K.	60.0
ITOCHU Plastics Pte., Ltd.	Singapore	100.0 (30.0)
106 other companies		

Name	Location	Voting shares (%)
Food		
ITOCHU FEED MILLS CO., LTD.	Koto-ku, Tokyo	100.0
ITOCHU Food Sales and Marketing Co.,Ltd.	Minato-ku, Tokyo	100.0
Prima Meat Packers, Ltd.	Shinagawa-ku, Tokyo	50.1 (4.5)
Dole International Holdings, Inc.	Minato-ku, Tokyo	100.0
ITOCHU-SHOKUHIN Co., Ltd.	Chuo-ku, Osaka	52.3 (0.1)
NIPPON ACCESS, INC.	Shinagawa-ku, Tokyo	(100.0)
PROVENCE HUILES	Vitrolles, France	100.0 (25.0)
ITOCHU TAIWAN INVESTMENT CORPORATION	Taipei, Taiwan	100.0
106 other companies		
General Products & Realty		
ITOCHU LOGISTICS CORP.	Minato-ku, Tokyo	100.0
ITOCHU PULP & PAPER CORPORATION	Chuo-ku, Tokyo	100.0
ITOCHU CERATECH CORPORATION	Seto, Aichi	100.0
ITOCHU HOUSING CO., LTD.	Minato-ku, Tokyo	100.0 (1.3)
ITOCHU KENZAI CORPORATION	Chuo-ku, Tokyo	100.0
ITOCHU Urban Community Ltd.	Chuo-ku, Tokyo	100.0
ITOCHU Property Development, Ltd.	Minato-ku, Tokyo	100.0
PT. Aneka Bumi Pratama	Palembang, Indonesia	100.0 (35.0)
Pacific Woodtech Corporation	Burlington, Washington, U.S.A.	75.0
European Tyre Enterprise Limited	Letchworth, U.K.	100.0 (25.0)
ITOCHU FIBRE LIMITED	London, U.K.	100.0 (25.0)
ITOCHU Building Products Holdings Inc.	Dallas, Texas, U.S.A.	100.0 (100.0)
59 other companies		
ICT & Financial Business		
ITOCHU Techno-Solutions Corporation	Minato-ku, Tokyo	61.3
A2 Healthcare Corporation	Bunkyo-ku, Tokyo	100.0
ITOCHU Fuji Partners, Inc.	Minato-ku, Tokyo	63.0
POCKET CARD CO.,LTD.	Minato-ku, Tokyo	80.0 (80.0)
HOKEN NO MADOGUCHI GROUP INC.	Chiyoda-ku, Tokyo	100.0
ITC VENTURES XI, INC.	Santa Clara, California, U.S.A.	100.0
GCT MANAGEMENT (THAILAND) LTD.	Bangkok, Thailand	100.0 (67.3)
First Response Finance Ltd.	Nottingham, U.K.	100.0 (100.0)
ITOCHU FINANCE (ASIA) LTD.	Hong Kong, China	100.0 (100.0)
38 other companies		
The 8th		
FamilyMart Co., Ltd.	Minato-ku, Tokyo	94.7 (44.7)
16 other companies		
Headquarters		
ITOCHU Treasury Corporation	Minato-ku, Tokyo	100.0
Orchid Alliance Holdings Limited	BR. Virgin Islands	100.0
17 other companies		

Name	Location	Voting shares (%)
Overseas Trading Subsidiaries		
ITOCHU International Inc.	New York, N.Y., U.S.A.	100.0
ITOCHU Europe PLC	London, U.K.	100.0
ITOCHU Singapore Pte Ltd	Singapore	100.0
ITOCHU KOREA LTD.	Seoul, Korea	100.0
ITOCHU (Thailand) Ltd.	Bangkok, Thailand	100.0
ITOCHU Hong Kong Ltd.	Hong Kong, China	100.0
ITOCHU Latin America, S.A.	Panama, Republic of Panama	100.0
ITOCHU Brasil S.A.	Sao Paulo, Brazil	100.0
ITOCHU Australia Ltd.	Sydney, N.S.W., Australia	100.0
Itochu Middle East FZE	Dubai, U.A.E.	100.0
ITOCHU (CHINA) HOLDING CO., LTD.	Beijing, China	100.0
ITOCHU TAIWAN CORPORATION	Taipei, Taiwan	100.0
17 other companies		

Notes: 1. The above numbers of subsidiaries do not include investment companies considered part of the parent (165 companies).
2. Figures in parentheses are indirect voting share percentages.
3. ITOCHU MACHINE-TECHNOS CORPORATION and ITOCHU SysTech Corporation merged and formed ITOCHU MACHINE-TECHNOS CORPORATION on April 1, 2022.

(The loss of control of subsidiaries)
The Company recognized gains, which were included in Gains (losses) on investments in the Consolidated Statement of Comprehensive Income, of ¥68,634 (US$514 million) for the fiscal year ended March 31, 2023 due to the losses of control over subsidiaries after disposals of interests. The main gains were related to a North American beverage-equipment-maintenance company in Machinery segment and CONEXIO Corporation in ICT & Financial Business segment.

The Company recognized gains, which were included in Gains (losses) on investments in the Consolidated Statement of Comprehensive Income, of ¥96,640 for the fiscal year ended March 31, 2022 due to the losses of control over subsidiaries after disposals of interests. The main gains were related to Taiwan FamilyMart in The 8th segment and ITOCHU Coal Americas Inc. in Metals & Minerals segment.

(Determination of Control Over Investees)
The Company has acquired common shares of Hitachi Construction Machinery Co. Ltd. through HCJI Holdings Ltd. (hereinafter the “Joint Venture”), an equally held joint venture with HCJ Holdings Ltd., a special purpose company in which a fund that Japan Industrial Partners, Inc. manages, operates, and provides information (hereafter “JIP SPC”). Additionally, JIP SPC is financed by a loan from ITOCHU Treasury Corporation, a subsidiary of the Company. Through this shareholding structure, the Company has determined that it has acquired the control of the Joint Venture as it is in a position to lead the significant activities of the Joint Venture, including the shareholding in Hitachi Construction Machinery Co. Ltd. and mid-to-long term measures to enhance its corporate value.

(Subsidiaries with material non-controlling interests)
There were no subsidiaries with material non-controlling interests as of March 31, 2023 and 2022.

36. Structured Entities

A structured entity, as defined in IFRS 12 “Disclosure of Interests in Other Entities,” is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. If a structured entity is substantively controlled by the Company and its subsidiaries, the Company and its subsidiaries consolidate the structured entity.

Unconsolidated structured entities are funded mainly in the aim of infrastructure-related businesses, and the Company and its subsidiaries are involved through investments, loans, and others.

Meanwhile, as of March 31, 2023 and 2022, the total assets of the unconsolidated structured entities were ¥1,919,336 million (US $14,374 million) and ¥1,708,901 million, respectively. The unconsolidated structured entities primarily raise funds through loans from banks.

The book values of assets in the Consolidated Statement of Financial Position as of March 31, 2023 and 2022 which the Company and its subsidiaries recognized with regard to the involvement in the unconsolidated structured entities were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	**2023**
Investments accounted for by the equity method	**¥ 88,155**	¥ 56,709	**$ 660**
Non-current receivables	**41,349**	40,370	**310**
Total	**¥ 129,504**	¥ 97,079	**$ 970**

In addition, as of March 31, 2023 and 2022, the maximum exposure to losses in relation to the unconsolidated structured entities were ¥134,416 million (US$1,007 million) and ¥100,972 million, respectively. The differences between the maximum exposure to losses and the amounts of assets recognized in the Consolidated Statement of Financial Position were mainly due to guarantees.

37. Contingent Liabilities

The Company and its subsidiaries issue various guarantees for indebtedness of associates, joint ventures, and customers. If a guaranteed party fails to fulfill its obligation, the Company and its subsidiaries would be required to execute payments. The maximum potential amount of future payments and the amount of substantial risk as of March 31, 2023 and 2022 were as follows:

	Millions of Yen		
	2023		
	Financial guarantees	Guarantees for performance transactions	Total
Guarantees for associates and joint ventures:			
Maximum potential amount of future payments	**¥ 79,565**	**¥ 3,142**	**¥ 82,707**
Amount of substantial risk	**69,691**	**3,142**	**72,833**
Guarantees for customers:			
Maximum potential amount of future payments	**33,010**	**44,673**	**77,683**
Amount of substantial risk	**21,952**	**8,360**	**30,312**
Total:			
Maximum potential amount of future payments	**¥ 112,575**	**¥ 47,815**	**¥ 160,390**
Amount of substantial risk	**91,643**	**11,502**	**103,145**

	Millions of Yen		
	2022		
	Financial guarantees	Guarantees for performance transactions	Total
Guarantees for associates and joint ventures:			
Maximum potential amount of future payments	¥ 84,943	¥ 2,880	¥ 87,823
Amount of substantial risk	67,734	2,880	70,614
Guarantees for customers:			
Maximum potential amount of future payments	23,527	38,842	62,369
Amount of substantial risk	16,370	8,276	24,646
Total:			
Maximum potential amount of future payments	¥ 108,470	¥ 41,722	¥ 150,192
Amount of substantial risk	84,104	11,156	95,260

	Millions of U.S. Dollars		
	2023		
	Financial guarantees	Guarantees for performance transactions	Total
Guarantees for associates and joint ventures:			
Maximum potential amount of future payments	**$ 596**	**$ 23**	**$ 619**
Amount of substantial risk	**522**	**23**	**545**
Guarantees for customers:			
Maximum potential amount of future payments	**247**	**335**	**582**
Amount of substantial risk	**164**	**63**	**227**
Total:			
Maximum potential amount of future payments	**$ 843**	**$ 358**	**$ 1,201**
Amount of substantial risk	**686**	**86**	**772**

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

The amount of substantial risk represents the actual amount of liability incurred by the guaranteed parties within the maximum potential amount of future payments. The amounts that may be reassured from third parties have been excluded in determining the amount of substantial risk.

Within the maximum potential amount of future payments, the amounts that may be reassured from third parties were ¥43,675 million (US$327 million) and ¥35,398 million as of March 31, 2023 and 2022, respectively.

Under these guarantees, adequate allowance to cover the expected losses from probable performance is recognized as liabilities. As of March 31, 2023, the Company and its subsidiaries are not required to perform significant guarantees, nor does the Company expect an increase of guarantee amounts due to the deterioration of business conditions of the guaranteed parties for these guarantees, except for those recognized as liabilities.

JAPÃO BRASIL MINÉRIO DE FERRO PARTICIPAÇÕES LTDA (“JBMF”), a subsidiary of the Company, currently holds CSN Mineração S.A. (“CM”) which is recorded in Other investments due to the merger of Nacional Minérios S.A. (“NAMISA”), which was a joint venture of the Company, and the Casa de Pedra Mine and railway company shares and port facility usage rights owned by Companhia Siderúrgica Nacional, the major Brazilian steel producer which is the parent company of NAMISA, in November 2015. NAMISA received a tax assessment notice in December 2012 from the Brazilian tax authorities relating to corporation tax and social contributions attributable to income for the period from 2009 to 2011 related to the deductibility of the amortization of goodwill for tax purposes over the period from August 2009 to July 2014. CM, which took over this tax assessment, filed a suit in Brazilian federal court in September 2017 upon exhausting the administrative appeal procedures. CM received a tax assessment notice in December 2018 from the Brazilian tax authorities relating to corporation tax and social contributions attributable to income for the period from 2013 to 2014, and proceeded with the administrative appeal procedures in January 2019. With regards to the tax assessment, the impact on JBMF will be ¥38,982 million (US$292 million) in the event that the amortization of goodwill for tax purposes is not deductible. The Company’s proportionate interest related to the tax assessment is ¥27,150 million (US$203 million), including interest and penalties of ¥21,235 million (US$159 million). CM, which took over the tax litigation, recorded no liabilities related to this assessment.

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

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

38. Approval of Consolidated Financial Statements

The consolidated financial statements were approved at the Board of Directors’ meeting held on June 13, 2023.

39. Material Subsequent Events

The Company evaluated subsequent events through June 23, 2023, which is the issuance date of the consolidated financial statements.
There are no subsequent events to report.

Independent Auditor's Report

Deloitte Touche Tohmatsu LLC
Marunouchi Nijubashi Building
3-2-3 Marunouchi
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Japan

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of ITOCHU Corporation:

Opinion

We have audited the consolidated financial statements of ITOCHU Corporation and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of March 31, 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the related notes to the consolidated financial statements (all expressed in Japanese yen).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

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

Key Audit Matters

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

<table>
<tr><th colspan="2">The Valuation of FamilyMart's Goodwill (Note 12 "Goodwill and Intangible Assets")</th></tr>
<tr><th>Key Audit Matter Description</th><th>How the Key Audit Matter
Was Addressed in the Audit</th></tr>
<tr><td>As described in Note 12 "Goodwill and Intangible Assets" to the consolidated financial statements, ITOCHU Corporation (the "Company") recorded goodwill of ¥366,659 million on its consolidated statement of financial position as of March 31, 2023, which included goodwill of ¥216,393 million related to FamilyMart Co., Ltd. (hereafter, "FamilyMart"), a subsidiary that is in the business of operating convenience stores. The goodwill was recognized as a result of the conversion of FamilyMart into a subsidiary, and was allocated to a cash-generating unit composed of its businesses of FamilyMart. The cash-generating unit also included intangible assets with definite useful lives of ¥397,845 million, which was recognized as a result of the conversion of FamilyMart into a subsidiary.

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

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

In the measurement of the value in use of the cash-generating unit, significant accounting estimates used are future cash flows, such as income projections from franchised stores and the calculation of a discount rate.

Significant assumptions used in estimating future cash flows include maintaining the number of stores and increasing trading income through raising daily sales. These assumptions reflect forecasts that are based on past results and industry trends. For the impairment test conducted in the fiscal year ended March 31, 2023, the Company expects to maintain the number of stores from the fiscal year ending March 31, 2024 through the fiscal year ending March 31, 2026. Also, the Company expects a moderate increase in daily sales while continuing to consider the impact of inflation. Therefore, estimating future cash flows requires accounting estimates that involves a high degree of uncertainty and subjectivity. In addition, the discount rate is likely to be affected by external environments, such as economic conditions and interest rate fluctuations and has a large impact on the value in use when it changes.

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

1. Evaluation of the effectiveness of internal controls

• We tested the design, implementation and operating effectiveness of controls that assess and approve the measurement of the recoverable amount in relation to the cash-generating unit composed of its businesses of FamilyMart and on the reasonableness of significant assumptions involved, including the number of stores in the future, future daily sales and the discount rate.

2. Evaluation of the reasonableness of the estimate of the value in use

• We compared the outcomes of previous accounting estimates and their subsequent re-estimation for the significant assumptions used in the previous fiscal year, conducted the sensitivity analysis to assess the effect of changes in the significant assumptions, and assessed the degree of estimation uncertainty.

• We inquired of management and conducted a comparison with actual results in previous fiscal years to evaluate the rationality of the significant assumptions. Furthermore, we assessed the consistency with their business strategies by inspecting the business plan, compared external data available on the Japanese economic environment and market growth including the convenience store industry and business plans of other companies in the same industry.

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

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

The Valuation of CITIC Limited Investment (Note 14 "Associates and Joint Ventures")	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As described in Note 14 "Associates and Joint Ventures" to the consolidated financial statements, Chia Tai Bright Investment Company Limited (hereafter, "CTB"), a company in which the Company has 50% ownership and applies equity method, owns 20% of ordinary shares in CITIC Limited and applies the equity method to CITIC Limited. The summarized financial information of CITIC Limited is as described in Note 14(5) Others. CITIC Limited is a Chinese conglomerate with a wide range of businesses covering financial services, resources and energy, manufacturing, engineering contracting, real estate and other businesses in China and other countries. If the Company determined that there is an indication of impairment of the investment in CITIC Limited held by CTB, the recoverable amount of the investment is measured. If the recoverable amount is below the carrying amount, an impairment loss is recognized in profit or loss. The Company recognizes an amount corresponding to the share of the impairment loss recognized by CTB in "Equity in earnings of associates and joint ventures". In the current fiscal year, the decline of CITIC Limited's stock price was determined to be an indication of impairment and the recoverable amount of the investment was measured based on the estimated future cash flows of CITIC Limited. The Company did not recognize an impairment loss because the recoverable amount exceeded the carrying amount. As CITIC Limited has a large number of operating companies under its umbrella, such as listed companies and companies that operate businesses in various industries, significant complexity and judgment are involved in determining the recoverable amount of the investment. The Company uses appropriate valuation methods for each operating company under CITIC Limited for its impairment test. Significant accounting estimates, such as future cash flows, are used in measurement of the recoverable amount. Future cash flows are measured by reflecting the future profitability based on the growth outlook of the Chinese economy and regulations on the Chinese financial businesses. Therefore, estimating future cash flows requires accounting estimates that involves a high degree of uncertainty and subjectivity. For the above reasons, measurement of the estimated recoverable amount when conducting an impairment test of CITIC Limited investment was of significance in our audit of the consolidated financial statements for the current fiscal year. Therefore, we identified the valuation of CITIC Limited investment was a key audit matter.	Regarding the valuation of CITIC Limited investment, our audit procedures to address this key audit matter included the following, among others: 1. Evaluation of the effectiveness of internal controls • We tested the design, implementation and operating effectiveness of controls that assess and approve the measurement of the recoverable amount in relation to CITIC Limited investment and on the reasonableness of the significant assumptions involved, including the future profitability of CITIC Limited and the outlook for relevant regulations. 2. Evaluation of the reasonableness of the estimate of the recoverable amount • We compared the outcomes of previous accounting estimates and their subsequent re-estimation for the significant assumptions used in the previous fiscal year, conducted the sensitivity analysis to assess the effect of changes in the significant assumptions, and assessed the degree of estimation uncertainty. • We inquired of management to evaluate the rationality of the significant assumptions, conducted a comparison with actual results in previous fiscal years and compared external data available on the market environment and market growth. • For the future profitability, we assessed the consistency with their business strategies by inspecting the business plan. • For the outlook of relevant regulations, we discussed with our specialists in the Chinese financial industry and verified the rationality of the assessment conducted by management’s experts in the Chinese financial industry. • With the assistance of our valuation specialists, we evaluated whether the selection and application of the method, assumptions and data for measuring the recoverable amount, including the discount rate, were reasonable based on the characteristics of the CITIC Limited Group. • We independently developed a reasonable range of the recoverable amount by changing the significant assumptions and assessed whether the recoverable amount determined by the Company was within the range.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Financial Information Report, but does not include the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

・Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

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

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

Notwithstanding the second bullet point in the second paragraph of the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section, we have performed an audit of management's report on internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act of Japan. A translated copy of management's report on ICFR along with a translated copy of our report is included within this Financial Information Report as information for readers.

Deloitte Touche Tohmatsu LLC
June 23, 2023

Supplementary Explanation

Internal Controls over Financial Reporting in Japan

The Financial Instruments and Exchange Act in Japan (“the Act”) requires the management of Japanese public companies to annually evaluate whether internal controls over financial reporting (“ICFR”) are effective as of each fiscal year-end and to disclose the assessment to investors in “Management Internal Control Report.” The Act also requires that the independent auditor of the financial statements of these companies report on management’s assessment of the effectiveness of ICFR in an Independent Auditor’s Report (“indirect reporting”). Under the Act these reports are required for fiscal years beginning on or after April 1, 2008.

We have thus evaluated its internal controls over financial reporting as of March 31, 2023 in accordance with “On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” published by the Business Accounting Council.

As a result of conducting an evaluation of internal controls over financial reporting in the fiscal year ended March 31, 2023, we concluded that its internal control system over financial reporting as of March 31, 2023 was effective and reported such in its Management Internal Control Report.

Our Independent Auditors, Deloitte Touche Tohmatsu LLC, performed an audit of the Management Internal Control Report under the Act. An English translation of the Management Internal Control Report and the Independent Auditor’s Report filed under the Act is attached on the following pages.

ITOCHU Corporation

Management Internal Control Report (Translation)

NOTE TO READERS:

Following is an English translation of management's report on internal control over financial reporting ("ICFR") filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

(TRANSLATION)

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

Keita Ishii, President & Chief Operating Officer and Tsuyoshi Hachimura, Chief Financial Officer are responsible for designing and operating effective internal control over financial reporting of our company (the "Company") and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that material misstatements may not be completely prevented or detected by internal control over financial reporting.

2. [Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures]

The assessment of internal control over financial reporting was performed as of March 31, 2023, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

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

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and associated companies, from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts on financial reporting based upon four key financial figures: "Revenues", "Gross trading profit", "Total assets" (for associated companies, carrying amount of investments in associated companies), and "Profit before tax" before elimination of inter-company transactions for the year ended March 31, 2023. The Company and 87 consolidated subsidiaries and associated companies (the "87 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 87 entities, we reasonably determined the required scope of assessment of internal controls over business processes.

(Note) The 87 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 87 entities, however we included major special purpose entities into the scope of assessment. Regarding entities other than the 87 entities and the major special purpose entities, we concluded that they do not have any material impact on the consolidated financial statements and, thus, we did not include them in the scope of assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, we selected locations and business units to be tested based upon revenue and gross trading profit (before elimination of inter-company transactions). In addition, we also added locations and business units by considering qualitative aspects such as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management's judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting. We selected the Company and 36 entities as "significant locations and/or business units". We verified that combined revenue and gross trading profit of entities in scope exceeded two thirds of totals for the year ended March 31, 2023. We included in the scope of assessment, at the selected significant locations and/or business units, business processes relating to revenue, gross trading profit, accounts receivable, inventories, and investments as significant accounts that may have a material impact on the business objectives of the Company.

3. [Matters relating to the results of the assessment]

As a result of the assessment described above, as of the end of this fiscal year, we concluded that the Company's internal control over financial reporting was effectively maintained.

4. [Remarks]

We have nothing to be reported as remarks.

5. [Points to be noted]

We have nothing to be reported as points to be noted.

Independent Auditor’s Report
(filed under the Financial Instruments and Exchange Act of Japan)

NOTE TO READERS:

Following is an English translation of the Independent Auditor's Report filed under the Financial Instruments and Exchange Act of Japan.

This report is presented merely as supplemental information.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

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

June 23, 2023

To the Board of Directors of
ITOCHU Corporation:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant: Masayuki Nakagawa
Designated Engagement Partner,
Certified Public Accountant: Hiroyuki Yamada
Designated Engagement Partner,
Certified Public Accountant: Susumu Nakamura
Designated Engagement Partner,
Certified Public Accountant: Daisuke Yabuuchi

Audit of Financial Statements

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of ITOCHU Corporation and its consolidated subsidiaries (the "Group") included in the Financial Section, namely, the consolidated statement of financial position as of March 31, 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from April 1, 2022 to March 31, 2023, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

Basis for Opinion

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

Key Audit Matters

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

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

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

In the measurement of the value in use of the cash-generating unit, significant accounting estimates used are future cash flows, such as income projections from franchised stores and the calculation of a discount rate.

Significant assumptions used in estimating future cash flows include maintaining the number of stores and increasing trading income through raising daily sales. These assumptions reflect forecasts that are based on past results and industry trends. For the impairment test conducted in the fiscal year ended March 31, 2023, the Company expects to maintain the number of stores from the fiscal year ending March 31, 2024 through the fiscal year ending March 31, 2026. Also, the Company expects a moderate increase in daily sales while continuing to consider the impact of inflation. Therefore, estimating future cash flows requires accounting estimates that involves a high degree of uncertainty and subjectivity. In addition, the discount rate is likely to be affected by external environments, such as economic conditions and interest rate fluctuations and has a large impact on the value in use when it changes.

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

1. Evaluation of the effectiveness of internal controls

• We tested the design, implementation and operating effectiveness of controls that assess and approve the measurement of the recoverable amount in relation to the cash-generating unit composed of its businesses of FamilyMart and on the reasonableness of significant assumptions involved, including the number of stores in the future, future daily sales and the discount rate.

2. Evaluation of the reasonableness of the estimate of the value in use

• We compared the outcomes of previous accounting estimates and their subsequent re-estimation for the significant assumptions used in the previous fiscal year, conducted the sensitivity analysis to assess the effect of changes in the significant assumptions, and assessed the degree of estimation uncertainty.

• We inquired of management and conducted a comparison with actual results in previous fiscal years to evaluate the rationality of the significant assumptions. Furthermore, we assessed the consistency with their business strategies by inspecting the business plan, compared external data available on the Japanese economic environment and market growth including the convenience store industry and business plans of other companies in the same industry.

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

• We independently developed a reasonable range of the value in use by changing the significant assumptions and assessed whether the value in use determined by the Company was within the range.</td></tr>
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<tr><th>Key Audit Matter Description</th><th>How the Key Audit Matter
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<tr><td>As described in Note 14 "Associates and Joint Ventures" to the consolidated financial statements, Chia Tai Bright Investment Company Limited (hereafter, "CTB"), a company in which the Company has 50% ownership and applies equity method, owns 20% of ordinary shares in CITIC Limited and applies the equity method to CITIC Limited. The summarized financial information of CITIC Limited is as described in Note 14(5) Others.

CITIC Limited is a Chinese conglomerate with a wide range of businesses covering financial services, resources and energy, manufacturing, engineering contracting, real estate and other businesses in China and other countries.

If the Company determined that there is an indication of impairment of the investment in CITIC Limited held by CTB, the recoverable amount of the investment is measured. If the recoverable amount is below the carrying amount, an impairment loss is recognized in profit or loss. The Company recognizes an amount corresponding to the share of the impairment loss recognized by CTB in "Equity in earnings of associates and joint ventures".

In the current fiscal year, the decline of CITIC Limited's stock price was determined to be an indication of impairment and the recoverable amount of the investment was measured based on the estimated future cash flows of CITIC Limited. The Company did not recognize an impairment loss because the recoverable amount exceeded the carrying amount.

As CITIC Limited has a large number of operating companies under its umbrella, such as listed companies and companies that operate businesses in various industries, significant complexity and judgment are involved in determining the recoverable amount of the investment. The Company uses appropriate valuation methods for each operating company under CITIC Limited for its impairment test.

Significant accounting estimates, such as future cash flows, are used in measurement of the recoverable amount.

Future cash flows are measured by reflecting the future profitability based on the growth outlook of the Chinese economy and regulations on the Chinese financial businesses. Therefore, estimating future cash flows requires accounting estimates that involves a high degree of uncertainty and subjectivity.

For the above reasons, measurement of the estimated recoverable amount when conducting an impairment test of CITIC Limited investment was of significance in our audit of the consolidated financial statements for the current fiscal year. Therefore, we identified the valuation of CITIC Limited investment was a key audit matter.</td><td>Regarding the valuation of CITIC Limited investment, our audit procedures to address this key audit matter included the following, among others:

1. Evaluation of the effectiveness of internal controls

• We tested the design, implementation and operating effectiveness of controls that assess and approve the measurement of the recoverable amount in relation to CITIC Limited investment and on the reasonableness of the significant assumptions involved, including the future profitability of CITIC Limited and the outlook for relevant regulations.

2. Evaluation of the reasonableness of the estimate of the recoverable amount

• We compared the outcomes of previous accounting estimates and their subsequent re-estimation for the significant assumptions used in the previous fiscal year, conducted the sensitivity analysis to assess the effect of changes in the significant assumptions, and assessed the degree of estimation uncertainty.

• We inquired of management to evaluate the rationality of the significant assumptions, conducted a comparison with actual results in previous fiscal years and compared external data available on the market environment and market growth.

• For the future profitability, we assessed the consistency with their business strategies by inspecting the business plan.

• For the outlook of relevant regulations, we discussed with our specialists in the Chinese financial industry and verified the rationality of the assessment conducted by management’s experts in the Chinese financial industry.

• With the assistance of our valuation specialists, we evaluated whether the selection and application of the method, assumptions and data for measuring the recoverable amount, including the discount rate, were reasonable based on the characteristics of the CITIC Limited Group.

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

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

・Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

Audit of Internal Control

Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of ITOCHU Corporation as of March 31, 2023.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of ITOCHU Corporation as of March 31, 2023, is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

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

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit

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

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

・Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in management’s report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting.

・Examine representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

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

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

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

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

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

Notes to the Readers of Independent Auditor's Report

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

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