ITOCHU Corporation

FINANCIAL INFORMATION REPORT 2022

For the Fiscal Year Ended March 31, 2022

Contents

Forward-Looking Statements

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

Summary

ITOCHU Corporation and its Subsidiaries

Fiscal years ended March 31	Millions of Yen 2022	2021	2020	2019	2018	2017	Millions of U.S. Dollars (Note 3) 2022
P/L (For the year):							
Revenues	**¥12,293,348**	¥10,362,628	¥10,982,968	¥11,600,485	¥5,510,059	¥4,838,464	**$100,444**
Gross trading profit	**1,937,165**	1,780,747	1,797,788	1,563,772	1,210,440	1,093,462	**15,828**
Net profit attributable to ITOCHU	**820,269**	401,433	501,322	500,523	400,333	352,221	**6,702**
Comprehensive income attributable to ITOCHU	**1,086,431**	655,259	279,832	464,785	390,022	303,063	**8,877**
Per share (Yen and U.S. Dollars):							
Basic earnings attributable to ITOCHU (Note 1)	**552.86**	269.83	335.58	324.07	257.94	223.67	**4.52**
Cash dividends	**110.0**	88.0	85.0	83.0	70.0	55.0	**0.9**
Shareholders' equity (Note 1)	**2,857.50**	2,232.84	2,010.33	1,930.47	1,722.06	1,532.56	**23.35**
B/S (At year-end):							
Total assets	**¥12,153,658**	¥11,178,432	¥10,919,598	¥10,098,703	¥8,663,937	¥8,122,032	**$ 99,303**
Current interest-bearing debt	**522,448**	710,213	684,406	650,909	526,867	563,033	**4,269**
Long-term interest-bearing debt	**2,383,455**	2,445,099	2,192,557	2,332,928	2,252,606	2,381,620	**19,474**
Interest-bearing debt	**2,905,903**	3,155,312	2,876,963	2,983,837	2,779,473	2,944,653	**23,743**
Net interest-bearing debt	**2,283,003**	2,601,358	2,256,882	2,406,756	2,320,418	2,330,683	**18,654**
Total shareholders' equity	**4,199,325**	3,316,281	2,995,951	2,936,908	2,669,483	2,401,893	**34,311**
Cash flows (For the year):							
Cash flows from operating activities	**¥ 801,163**	¥ 895,900	¥ 878,133	¥ 476,551	¥ 388,212	¥ 389,693	**$ 6,546**
Cash flows from investing activities	**38,637**	(207,296)	(248,766)	201,149	(256,350)	(81,306)	**316**
Cash flows from financing activities	**(846,706)**	(728,767)	(575,482)	(538,318)	(296,136)	(335,396)	**(6,918)**
Cash and cash equivalents at the end of the year	**611,715**	544,009	611,223	572,030	432,140	605,589	**4,998**
Ratios:							
ROA (%)	**7.0**	3.6	4.5	5.3	4.8	4.4	—
ROE (%)	**21.8**	12.7	17.0	17.9	15.8	15.3	—
Ratio of shareholders' equity to total assets (%)	**34.6**	29.7	27.4	29.1	30.8	29.6	—
Net debt-to-equity ratio (times)	**0.54**	0.78	0.75	0.82	0.87	0.97	—
Interest coverage (times) (Note 2)	**23.6**	13.2	8.7	8.3	9.3	11.1	—
Common stock information (For the year):							
Stock price (Yen and U.S. Dollars):							
Opening price	**¥ 3,656.0**	¥ 2,220.0	¥ 2,018.5	¥ 2,063.0	¥ 1,577.0	¥ 1,380.0	**$ 29.87**
High	**4,249.0**	3,653.0	2,695.5	2,302.5	2,254.0	1,674.5	**34.72**
Low	**3,104.0**	2,000.0	1,873.5	1,740.0	1,478.0	1,135.5	**25.36**
Closing price	**4,144.0**	3,587.0	2,242.5	2,002.5	2,066.5	1,580.0	**33.86**
Market capitalization (Yen and U.S. Dollars in billions)	**6,090**	5,328	3,342	3,046	3,203	2,476	**49.76**
Trading volume (yearly, million shares)	**819**	957	1,129	1,155	1,240	1,604	—
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	1,662,889	1,662,889	—
Exchange rates into U.S. currency (Federal Reserve Bank of New York)**:**							
At year-end	**¥ 121.44**	¥ 110.61	¥ 107.53	¥ 110.68	¥ 106.20	¥ 111.41	—
Average for the year	**112.33**	106.09	108.72	110.88	110.80	108.25	—
Range:							
Low	**123.25**	110.61	112.00	114.19	114.25	118.32	—
High	**107.94**	102.70	102.52	105.99	104.83	100.07	—
Number of employees (At year-end, consolidated)	**115,124**	125,944	128,146	119,796	102,086	95,944	—

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, 2022, (Fiscal Year 2022 or the fiscal year), have been translated into U.S. dollars solely for the convenience of the reader at the rate of ¥122.39 = US$1, the exchange rate prevailing on March 31, 2022.

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, 2022 (FYE 2022 or the fiscal year), have been translated into U.S. dollars solely for the convenience of the reader at the rate of ¥122.39 = US$1, the exchange rate prevailing on March 31, 2022.

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, 2023 (FYE 2023), 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 2022. Thus, factors that could cause actual results to differ materially from such statements include, without limitation, the factors stated in the following Risk Information, other potential risks, and uncertain factors.

Management Policy for the Future

Outlook for the Next Term

Regarding the business outlook for the fiscal year ending March 31, 2023, with a high level of uncertainty surrounding Russia's invasion of Ukraine, there are concerns that the surge in international commodity prices and supply chain disruptions will persist and continue to place downward pressure on the global economy through higher prices. Additionally, although an increasing number of countries are lifting restrictions on the movement of people, there is no guarantee that the COVID-19 pandemic can be contained, and the risk remains that a resurgence in the spread of infections could restrict economic activity. We therefore recognize that there are a range of uncertain factors in the future business outlook. Amid such conditions, the U.S. dollar-yen exchange rate is expected to remain yen weakness in the near future with U.S. interest rates projected to continue rising. In addition, crude oil prices are expected to remain high in the near future due to the unstable supply-demand environment caused by economic sanctions against Russia.

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

In FYE 2023, the second year of the Brand-new Deal 2023 medium-term management plan (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 our efforts concerning "realizing business transformation by shifting to a market-oriented perspective" and "enhancing our contribution to and engagement with SDGs through business activities."

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

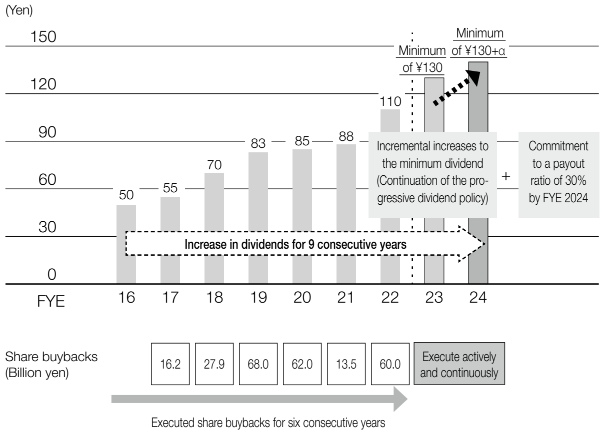
Shareholder Returns Policy and Distribution of the Current Fiscal Year's Profit

Shareholder Returns Policy

As announced on May 10, 2022, we will continue the progressive dividend policy during Medium-Term Management Plan "Brand-new Deal 2023" and implements incremental increases to the minimum dividend. Meanwhile, we commit to a payout ratio of 30% by FYE 2024, the final year of "Brand-new Deal 2023," and have set a minimum dividend of ¥130 per share for FYE 2023, which renews the highest record.

In addition, we will actively and continuously execute share buybacks as appropriate in consideration of the cash allocation situation based on market environment.

Dividend per Share



Risk Information

ITOCHU Group is exposed to various risks such as market risks, credit risks and investment risks, due to the nature of a wide range of its businesses. These risks include unpredictable uncertainties and may have significant effects on its future business and financial performance. 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, 2022.

(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.

ITOCHU Group may be impacted by the interest rate benchmark reform associated with the permanent discontinuation of USD Libor, holding financial instruments in reference to USD Libor. Towards a smooth transition to alternate interest rate benchmarks, ITOCHU Group carefully monitors regulatory developments and market trends. Except for major USD Libor tenors, which are to be permanently discontinued at the end of June 2023, the transition to alternate interest rate benchmarks was completed by the end of the fiscal year ended March 31, 2022.

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

c) Commodity Price Risk

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

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

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

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

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

d) Stock Price Risk

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

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

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

(3) Investment Risk

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

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

(4) Risks Associated with Impairment Loss on Fixed Assets

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

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

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

(5) Credit Risk

Through trade receivables, loans, guarantees, and other formats, ITOCHU Group grants credit to its trading partners, both domestically and overseas. The Group, therefore, bears 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.

Further, ITOCHU Group has exposure including resource-related investments in Russia. Because the ratio of them to our total assets is less than 1% as of March 31 2022, the Russia–Ukraine situation is not expected to significantly affect the financial position and results of operations of ITOCHU Group.

(7) Risks Associated with Fund-raising

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

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

(8) Risks Associated with Taxes

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

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

In addition, the amount of deferred tax assets recorded in the asset section of ITOCHU Group's consolidated statement of financial position is significant, and accounting 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 any of such lawsuits, arbitrations or other legal proceedings, and significantly affect the future financial position and results of operations of ITOCHU Group.

(10) Risks Associated with Laws and Regulations

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

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

Also, 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, introducing a safety confirmation system, and conducting emergency drills. Also, various measures have been implemented individually in each Group company.

However, since ITOCHU Group conducts business activities across a wide range of regions, when damage arises due to natural disasters or the outbreak of infectious diseases, it cannot completely avoid such damage. Therefore, such occurrences could significantly affect the financial position and results of operations of ITOCHU Group.

(14) Risks Associated with Information Systems and Information Security

In ITOCHU Group, a code of conduct concerning the handling of information is enforced on all directors and employees and high priority is placed on maintaining a high information security level. ITOCHU Group leveraged digitalization and data, took measures to build and operate information systems that promote information sharing and operational efficiency, and established and has been monitoring the compliance with security guidelines that take cybersecurity risks into consideration by ensuring the safe operation of information systems, ITOCHU Group is 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 engaging in thorough ongoing measures to address crisis management.

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

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

ITOCHU Group has proceeded with measures in response to the spread of COVID-19, however, the containment of COVID-19 remains unpredictable. ITOCHU Group could be affected by fluctuations in foreign exchange rates, interest rates, commodity prices, and stock prices as well as by business environment changes in various fields due to the restriction of economic activities resulting from a resurgence in the spread of infection. In preparation for such contingencies, while continuing to closely monitor the business environment, ITOCHU Group will minimize risks and maintain stable operations by implementing even more rigorously the basic "earn, cut, prevent" principles of business, with a particular emphasis on the "cut, prevent" principles.

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

Overview

Looking back at the global economy in the fiscal year ended March 31, 2022, the U.S. and Europe temporarily experienced a strong recovery as the distribution of COVID-19 vaccines progressed and restrictions on the movement of people were eased. However, the pace of recovery subsequently slowed as new variants of the COVID-19 virus spread and upward pressure on prices intensified due to factors including disruptions in supply chains and the Russia-Ukraine situation. Meanwhile, emerging countries experienced an increasing sense of slowdown amid the resurgence of infections, as exemplified by China where domestic demand in particular stagnated. The WTI crude oil price gradually rose from the US$60 per barrel range at the beginning of the fiscal year as global oil production remained below demand. From late February onward, the price fluctuated sharply in the US$90–$130 per barrel range due to the economic sanctions imposed on Russia by various countries and uncertainty over the impact on supply and demand, before ending the fiscal year in the US$100 per barrel range.

Although the Japanese economy saw an upturn in consumer spending from autumn through to the end of the calendar year as COVID-19 temporarily subsided, overall the economy remained flat as the nation experienced cycles of COVID-19 resurgence and the issuance of countermeasures including state of emergency declarations. The U.S. dollar-yen exchange rate started at about ¥110 per dollar at the beginning of the fiscal year, with the temporal appreciation of the yen to approximately ¥107 per dollar in April, afterwards subsequently weakened due to the forecast that the Federal Reserve would raise interest rates earlier than previously expected. The start of U.S. interest rate hikes in March saw the yen depreciate from about ¥114 to approximately ¥125 at one point, due to factors including forecasts of accelerated interest rate hikes, before ending the fiscal year at approximately ¥122. The Nikkei Stock Average declined from approximately ¥29,000 at the beginning of the fiscal year due to the state of emergency declared by the Japanese government, among other factors, to below the ¥27,000 mark at one point in August. Although it temporarily recovered to approximately ¥30,000 due in part to expectations of economic recovery, it trended downward again due to factors including the spread of new variants of the COVID-19 virus, rising oil prices, and the Russia-Ukraine situation, falling below the ¥25,000 at one point in March, before ending the fiscal year at approximately ¥27,000. The yield on 10-year Japanese government bonds fell from 0.12% at the beginning of the fiscal year to 0.01% at the beginning of August as the Bank of Japan continued to provide ample liquidity to the market and U.S. long-term interest rates declined, but subsequently rose to 0.26% through to late March in line with U.S. long-term interest rates to close at 0.22% at the end of the fiscal year.

The 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 2022, the first fiscal year of Brand-new Deal 2023.

Textile Company

Acquisition of Shares in DOME Corporation, the Exclusive Distributor for U.S.-Based Under Armour in Japan

An agreement has been reached that ITOCHU Corporation will acquire a majority of the outstanding shares of DOME Corporation, the exclusive distributor in Japan for Under Armour. One of the world’s top sports brands, Under Armour maximizes athlete performance with functional and innovative products. Through a collaboration with U.S.-based Under Armour, Inc., ITOCHU Corporation will enhance corporate value of DOME Corporation.

With a market-oriented perspective, ITOCHU Corporation will continue expanding its sports-related business, a growth market, by staying abreast of diversifying lifestyles and changes in consumer behavior.

Textile Collection Service for a Circular Economy

The RENU Project, which aims to solve the problem of excessive waste in the textile industry, has launched a textile collection service in the Japanese market. Aiming to achieve a circular economy, the service will collect and sort discarded textiles, circulate products and materials through solutions such as reusing and recycling into polyester materials, and reduce textile product waste.

By assessing the needs of consumers and society, evolving our business model, and providing new services, ITOCHU Corporation will contribute to achieving the SDGs.

Machinery Company

Expansion of the Construction Machinery Business Through Capital Alliance With Hitachi Construction Machinery Co., Ltd.

ITOCHU Corporation will acquire 26% of the total voting rights of Hitachi Construction Machinery Co., Ltd. through a special-purpose corporation jointly established with Japan Industrial Partners, Inc., and make it into an equity-method associated company. Hitachi Construction Machinery Co., Ltd. is working to enhance its value chain businesses in areas such as rentals, used equipment, and after-sales services, in addition to new machinery sales, and is strengthening customer engagement using digital technologies.

Through means that include expanding sales opportunities and establishment of sales networks by leveraging the ITOCHU Group’s customer network as well as its logistics and finance functions, this capital alliance will see ITOCHU Corporation provide services that maximize the collective strengths of the two groups.

Start of Construction in Dubai on One of the World’s Largest Energy-from-Waste Plants

ITOCHU Corporation is currently building one of the world’s largest Energy-from-Waste plants in Dubai, and will operate the facility for 35 years after commencement of commercial operation, which is slated for 2024. Once built, the plant will incinerate roughly 45% (1.9 million tons annually) of all general waste produced in Dubai and generate electricity from the heat that is produced during incineration.

Through this project, ITOCHU Corporation will contribute to the achievement of Dubai policy goals with regard to the environment and health, including reducing landfill disposal volume, contributing to sustainable and ecologically friendly waste management, and promoting the development of alternative energy sources not reliant on fossil fuels.

Metals & Minerals Company

Further Strengthening of Western Australian Iron Ore Business

Through the Western Australian Iron Ore Business joint venture with BHP Group Limited (BHP) and others, production at South Flank mine started on schedule in May 2021 following the decision to develop the mine in 2018. Together with the adjacent mine of Mining Area C (MAC), South Flank mine will form the world's largest iron ore production hub producing 145 million tons of iron ore per year. The project will also help to significantly stabilize Western Australian Iron Ore Business.

In 2021, we also acquired a partial interest in the Western Ridge iron ore deposits owned by BHP. Western Ridge consists of four vast iron ore deposits where we are able to keep cost low by utilizing existing rail and port infrastructure, of which we have begun production at an open-pit mine.

Through efforts to strengthen and further stabilize Western Australian Iron Ore Business, ITOCHU Corporation will provide a stable and long-term supply of high-grade iron ore resources to customers around the world.

Energy & Chemicals Company

Launch of Surplus Solar Power Circulation Model Initiative

ITOCHU Group company i GRID SOLUTIONS, Inc. has launched a service for purchasing surplus electric power generated from solar power generation systems on rooftop of commercial building. The service enables the introduction of solar power generation at logistics and commercial facilities, where it was difficult to start the third party-owned distributed power supply business (Solar PPA) from the electricity supply-and-demand point of view. i GRID SOLUTIONS, Inc. already operates on-site solar power stations at over 350 locations nationwide. It has the largest track record for Solar PPA in Japan, providing low-cost electricity stably to customers amid soaring electricity prices driven by tight supply and demand. By purchasing surplus electricity and supplying it as CO_2-free electricity to the surrounding area, i GRID SOLUTIONS, Inc. is constructing a "surplus solar power circulation model" and promoting the maximization of renewable energy in various communities. In addition to the integrated control of distributed electricity sources such as storage batteries which ITOCHU has been working on, networking renewable energy in each region provide next-generation electric power platform services and contributes towards the realization of a carbon-neutral society by 2050.

Renewable Resource-Based Fuel Business

In February 2022, ITOCHU Corporation signed an exclusive contract with Finland-based NESTE OYJ (NESTE), a producer of Sustainable Aviation Fuel (SAF), to sell SAF to customers in Japan. This follows on business we began with the company in 2020 involving the import and sale of NESTE's SAF to aviation companies in Japan. We have also expanded the import and sale of renewable diesel (RD) made by NESTE and have begun operating the first RD refueling facility in Japan. NESTE's renewable fuels are made from components such as waste cooking oil. Compared to petroleum-based fuels, SAF and RD reduce greenhouse gas emissions by up to 80% and roughly 90%, respectively, based on Life-Cycle Assessments.

ITOCHU Corporation will continue to work toward achieving a decarbonized society through renewable fuel-related efforts that leverage the collective strengths of the ITOCHU Group.

Food Company

Investment in Soybean Processing Plant Through CGB ENTERPRISES, INC. (CGB)

CGB, an associated company of ITOCHU Corporation, has decided to build a new soybean processing plant in North Dakota. CGB supports a stable food supply through the operation of grain, soybean processing, and transportation businesses in North America.

Soybean oil produced through the company's soybean processing plant is now being used as biofuel feedstock, a renewable energy source, and is likely to see even further demand in the future.

By expanding its soybean oil production, CGB will better contribute to providing clean energy in growing energy market in the U.S., as well.

Capital and Business Alliance with Shanghai Weiming Food Co., Ltd. (Weiming Food)

In October 2021, ITOCHU Corporation signed a capital and business alliance agreement with Weiming Food, a major coffee industry player in China. Changing lifestyles in China are seeing a rapid increase in coffee consumption, making roast & ground coffee likely to see greater demand, especially among consumers looking for great quality and flavor. Weiming Food provides a variety of coffee products and related equipment to cafés, restaurants, and online merchants. It also deals in roast & ground coffees, as well as specialty coffees that require quality management in all processes from cultivation, transport to roasting.

We will further dig into China's growing coffee market by providing a consistent supply of green coffee beans through the ITOCHU Group's sourcing network, and by selling products from Weiming Food via our customer network.

Going forward, we will work with Farmer Connect SA, another capital and business alliance partner that runs a traceability platform for coffee beans. Together, we will supply Asia's market, including Japan and China, with safe and delicious coffee while contributing also to the growth of coffee culture.

General Products & Realty Company

Expanding Our Tire Value Chain in the UK

European Tyre Enterprise Limited, an ITOCHU Corporation subsidiary that operates wholesale and retail business in UK, expands its operation into the waste tire collection and recycling business by the acquisition of Murfitts Group Limited in December 2021. The company aims to help achieve a recycling-based society by providing an integrated tire business from wholesale, to retail and collection, the likes of which is unprecedented in the industry. European Tyre Enterprise Limited collects roughly 20 million units worth of waste tires every year and processes them into products such as recycled construction materials for use as an asphalt alternative. Leveraging the current national distribution network throughout the UK, the company will further enhance the efficiency and profitability of the business.

Capital and Business Alliance With Nishimatsu Construction Co., Ltd.

ITOCHU Corporation signed a capital and business alliance agreement with Nishimatsu Construction Co., Ltd. and acquired 10% of the issued shares of the company in December 2021. We have developed strong partnership with the company through businesses which include real estate development, construction project orders, and procurement of equipment and materials. This capital and business alliance is the result of the two companies' shared belief that gathering expertise and corporate resources, while strengthening the collaboration will lead to create new synergies and maximize corporate value. Through this capital and business alliance, ITOCHU Corporation will strengthen its alliance with leading companies in the construction and building materials industries by forging value chains that span upstream business (building materials) to downstream business (real estate), with contractor functions. In turn, we will address social issues that include working toward SDGs and making Japan's infrastructure more resilient.

ICT & Financial Business Company

Conversion of U.S.-Based Securities Firm SilverSky Inc. Into Equity-Method Associated Company

In the digitalization and digital transformations that companies are undergoing, system environments change significantly and become increasingly diverse and complicated. This has been accompanied by a sharp rise in cyber attacks aimed at system vulnerabilities, increasing the importance of comprehensively monitoring systems and promptly addressing attacks.

Against this backdrop, ITOCHU Corporation has acquired a stake in SilverSky Inc., a leading U.S.-based securities firm. Soon, we will join forces with ITOCHU Techno-Solutions Corporation, which has extensive expertise in areas such as system development, to minimize our customers' cyber security concerns while supporting sustainable growth in the digital age by contributing to business development in not only the U.S. but also Japan and other parts of Asia, as well.

Expansion of Sales of Used Mobile Devices by Belong Inc.

ITOCHU Corporation's fully-owned subsidiary Belong Inc. conducts sales of used mobile devices, mainly through e-commerce, anticipating market expansion driven by factors such as increasing device prices and a growing interest in the SDGs. To enable people to purchase with confidence, even if they have little knowledge of technology, Belong Inc. carefully inspects the surface scratches, status of battery wear, and other aspects of the mobile devices and explains the results clearly. The inspection and selection work is carried out by Belong Inc.'s dedicated operation centers, which have accumulated expertise, enabling the sale of high quality devices at reasonable prices. As a result, Belong Inc. has received extremely high evaluations of customer satisfaction from purchasing customers, recording an approximately four-fold year-on-year increase in sales volume in FYE 2022. Looking ahead, through Belong Inc.'s business, ITOCHU Corporation will expand its share in this growing market and strengthen its earnings base, while also contributing to the realization of a recycling-oriented society.

The 8th Company

Establishment of Gate One Corp.

In September 2021, ITOCHU Corporation and FamilyMart Co., Ltd. established Gate One Corp. The new company will run a media business that involves the usage of digital signage installed inside FamilyMart stores. Three signages mounted behind the register counters will display advertisements that mesmerize through sound and the large screen. They will also be used to show entertainment-related information that includes original interviews with actors on the promotional circuit for new TV dramas or movies, as well as artist promotion videos, in addition to regional information, news, and weather forecasts etc. The business will not only boost advertising revenues — the exciting store design also help bring in customers and improve daily sales.

With the objective of making FamilyMart's digital signage the third media choice, after TV and Internet, 3,000 FamilyMart stores will be equipped with digital signage by around June 2022, and all stores capable of signage installation will be equipped within the next three years.

Other

Establishment of ITOCHU SDGs STUDIO as a Communication Center for the SDGs

ITOCHU Corporation opened ITOCHU SDGs STUDIO on the premises of the Tokyo headquarter as a communication center intended to increase public support for SDGs initiatives, appointing supermodel Ai Tominaga as an evangelist. Over 20,000 people have visited ITOCHU SDGs STUDIO thus far, as a result of communicating and raising public awareness about SDGs initiatives through a radio program hosted by SHELLY and sponsored by ITOCHU Corporation on J-WAVE (81.3FM), and through exhibitions held on site by such organizations as the Ministry of Agriculture, Forestry and Fisheries and WWF. Among the visitors are well-known figures, and their social media followers add up to be over 15 million people.

ITOCHU SDGs STUDIO will continue to serve as a communication center creating opportunities to contribute to pursuing the achievement of the SDGs.

Analysis of Results of Operations in Fiscal Year 2022

The analysis of the financial position and results of operations for Fiscal Year 2022 were as follows.

Revenues

Revenues for the fiscal year ended March 31, 2022 increased by 18.6%, or 1,930.7 billion yen, compared to the previous fiscal year to 12,293.3 billion yen (US$100,444 million). This increase was attributable to higher revenue from Energy & Chemicals Company, due to higher market prices and transaction volume in energy-related companies and chemical-related companies; higher revenue from Metals & Minerals Company, due to higher iron ore prices and coal prices; higher revenue from Food Company, due to higher transaction volume in NIPPON ACCESS, INC. and higher market prices in provision-related transactions; and higher revenue from General Products & Realty Company, due to the sales volume recovery in European Tyre Enterprise Limited (European tire-related company) resulting from the alleviation of the impact of COVID-19 and the favorable performance in construction materials business. Furthermore, the breakdown of Revenues for the fiscal year ended March 31, 2022 was ¥11,011.8 billion (US$89,973 million) for Revenues from sale of goods, and ¥1,281.5 billion (US$10,471 million) for Revenues from rendering of services and royalties.

Gross Trading Profit

Gross trading profit increased by 8.8%, or 156.4 billion yen, compared to the previous fiscal year to 1,937.2 billion yen (US$15,828 million). Gross trading profits increased in Metals & Minerals Company, due to higher iron ore prices and coal prices; in General Products & Realty Company, due to the sales volume recovery in European Tyre Enterprise Limited resulting from the alleviation of the impact of COVID-19 and the favorable performance in construction materials business; in Machinery Company, due to the favorable sales in YANASE & CO., LTD., the recovery in overall automobile-related business resulting from the alleviation of the impact of COVID-19, and the favorable performance in almost all businesses such as ship-related companies and North American IPP-related business; and in Energy & Chemicals Company, due to the improvement in profitability in energy trading transactions and ITOCHU Oil Exploration (Azerbaijan) Inc. (Crude oil exploration and production company) resulting from higher market prices, and the stable performance in chemical-related companies, partially offset by the absence of the favorable performance in electricity transactions in the previous fiscal year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by 1.4%, or 19.8 billion yen, compared to the previous fiscal year to 1,346.7 billion yen (US$11,004 million), due to the conversion of Taiwan FamilyMart Co., Ltd. ("Taiwan FamilyMart") into an investment accounted for by the equity method from a consolidated subsidiary in the first quarter of this fiscal year, partially offset by the increase of expenses resulting from the stable growth in revenue and the depreciation of the yen.

Provision for Doubtful Accounts

Provision for doubtful accounts decreased by 2.9 billion yen, compared to the previous fiscal year to a loss of 7.9 billion yen (US$65 million), due to the decreases in provision for doubtful accounts in general receivables.

Gains on Investments

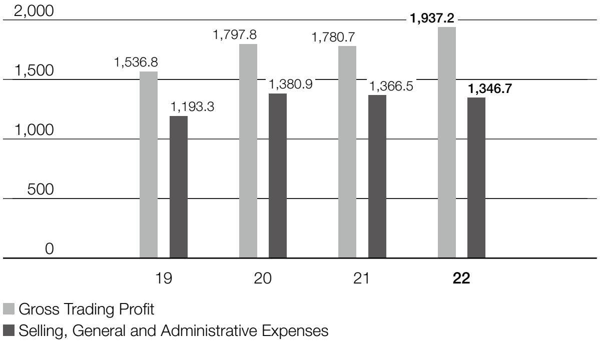
Gains on investments increased by 207.7 billion yen, compared to the previous fiscal year to 211.9 billion yen (US$1,731 million), due to the gains on the partial sale of Taiwan FamilyMart, the de-consolidation of Paidy Inc., and the sale of Japan Brazil Paper & Pulp Resources Development Co., Ltd., in addition to the realization of foreign exchange gains due to the de-consolidation of ITOCHU Coal Americas Inc.

Losses on Property, Plant, Equipment and Intangible Assets

Losses on property, plant, equipment and intangible assets improved by 139.9 billion yen, compared to the previous fiscal year to a loss of 17.6 billion yen (US$143 million), due to the absence of the impairment losses in FamilyMart Co., Ltd. and Australian coal-related company, and of the impairment loss on a foreign company of Machinery in the previous fiscal year.

Gross Trading Profit; Selling, General and Administrative Expenses

(Billions of Yen)



* For fiscal years

Other–net

Other–net improved by 15.8 billion yen compared to the previous fiscal year to a profit of 9.6 billion yen (US$79 million), due to the absence of the loss from long-term energy contract in the previous fiscal year, partially offset by deterioration in foreign exchange gains and losses.

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

Net interest expenses, which is the total of Interest income and Interest expense, improved by 4.5 billion yen, compared to the previous fiscal year to expenses of 8.6 billion yen (US$70 million), caused by a decrease in interest expenses due to lower U.S. dollar interest rates. Dividends received increased by 51.9%, or 27.6 billion yen compared to the previous fiscal year to 80.7 billion yen (US$660 million), due to an increase in dividends from iron ore companies. Net financial income, which is the total of net interest expenses and dividends received, increased by 32.1 billion yen, compared to the previous fiscal year to a gain of 72.2 billion yen (US$590 million).

Equity in Earnings of Associates and Joint Ventures

Equity in earnings of associates and joint ventures increased by 27.5%, or 62.8 billion yen, compared to the previous fiscal year to 291.4 billion yen (US$2,381 million). This increase was attributable to increases in General Products & Realty Company, caused by improvement of earnings in ITOCHU FIBRE LIMITED (European pulp-related company) due to higher pulp prices, and higher earnings in construction materials business; in Metals & Minerals Company, caused by higher earnings in Marubeni-Itochu Steel Inc. because of some factors such as the favorable results in North American sheet construction materials business, the improvement in North American steel pipe business and the steady performance in overall business due to higher steel material prices, in addition to higher earnings in iron ore companies due to higher prices; in Machinery Company, caused by higher earnings in I-ENVIRONMENT INVESTMENTS LIMITED (European water-and-environment-related company) resulting from the gain on the sale of a water utility company, and higher earnings in ship-related companies; and a decrease in Others, Adjustments & Eliminations (Note), caused by lower earnings in C.P. Pokphand Co. Ltd. due to the deterioration in profitability resulting from lower pork prices and the absence of extraordinary gain in the previous fiscal year, partially offset by higher earnings in CITIC Limited due to the stable performance especially in comprehensive financial business.

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

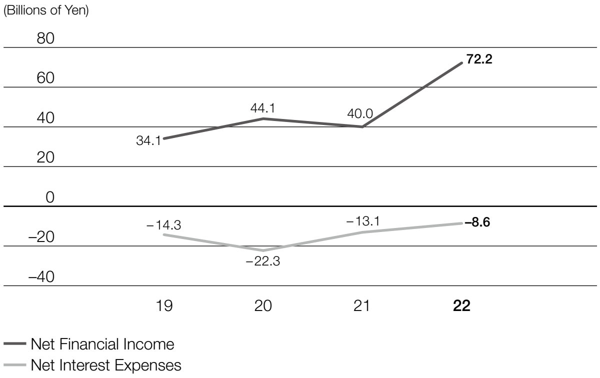
Net Profit Attributable to ITOCHU

Consequently, Profit before tax increased by 124.4%, or 637.6 billion yen, compared to the previous fiscal year to 1,150.0 billion yen (US$9,397 million). Income tax expense increased by 278.6%, or 199.5 billion yen, compared to the previous fiscal year to 271.1 billion yen (US$2,215 million), due to stable growth in profits and the absence of lower tax expenses related to FamilyMart Co., Ltd. in the previous fiscal year. Net profit, which is calculated as profit before tax of 1,150.0 billion yen minus income tax expense of 271.1 billion yen, increased by 99.4%, or 438.1 billion yen, compared to the previous fiscal year to 879.0 billion yen (US$7,182 million). Net profit attributable to ITOCHU, which is calculated as Net profit minus Net profit attributable to non-controlling interests of 58.7 billion yen (US$480 million), increased by 104.3%, or 418.8 billion yen, compared to the previous fiscal year to 820.3 billion yen (US$6,702 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 44.4%, or 179.1 billion yen, compared to the previous fiscal year to 582.5 billion yen (US$4,759 million). This increase was attributable to increases in Metals & Minerals Company, due to higher iron ore prices and coal prices; in Machinery Company, due to the favorable sales in YANASE & CO., LTD., the recovery in overall automobile-related business resulting from the alleviation of the impact of COVID-19, and the favorable performance in almost all businesses such as ship-related companies and North American IPP-related business; in General Products & Realty Company, due to the sales volume recovery in European Tyre Enterprise Limited resulting from the alleviation of the impact of COVID-19 and the favorable performance in construction materials business; and in Energy & Chemicals Company, due to the improvement in profitability in energy trading transactions and ITOCHU Oil Exploration (Azerbaijan) Inc. resulting from higher market prices, and the stable performance in chemical-related companies, partially offset by the absence of the favorable performance in electricity transactions in the previous fiscal year.

Net Financial Income



* For fiscal years

Net Financial Income = Net Interest Expenses + Dividends Received

Net Interest Expenses = Interest Income + Interest Expense

Operating Segment Information

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

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

Textile

Revenues increased by 2.2%, or ¥9.7 billion, to ¥444.8 billion (US$3,634 million), due to the recovery trend especially in apparel-related companies, partially offset by the impact of COVID-19. Gross trading profit increased by 8.1%, or ¥7.3 billion, to ¥96.8 billion (US$791 million), due to the same reason noted above. Net profit attributable to ITOCHU increased by ¥23.5 billion, to ¥25.1 billion (US$205 million), due to the recovery trend especially in apparel-related companies, higher equity in earnings and the gain on the partial sale of a foreign company, in addition to the absence of extraordinary losses in the previous fiscal year, partially offset by the impact of COVID-19. Total assets increased by 4.3%, or ¥18.1 billion, to ¥436.8 billion (US$3,569 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, and the depreciation of the yen.

Machinery

Revenues increased by 13.3%, or ¥140.6 billion, to ¥1,194.0 billion (US$9,755 million), due to higher transaction volume in aircraft-related companies, and the favorable performance in almost all businesses such as the favorable sales in YANASE & CO., LTD., and the recovery in overall automobile-related business resulting from the alleviation of the impact of COVID-19. Gross trading profit increased by 18.6%, or ¥32.2 billion, to ¥205.8 billion (US$1,682 million), due to the favorable sales in YANASE & CO., LTD., the recovery in overall automobile-related business resulting from the alleviation of the impact of COVID-19, and the favorable performance in almost all businesses such as ship-related companies and North American IPP-related business. Net profit attributable to ITOCHU increased by 250.6%, or ¥57.2 billion, to ¥80.0 billion (US$654 million), due to the favorable sales in YANASE & CO., LTD., the recovery in overall automobile-related business resulting from the alleviation of the impact of COVID-19, the favorable performance in almost all businesses such as ship-related companies and North American IPP-related business, and the gain on the sale of a water utility company in I-ENVIRONMENT INVESTMENTS LIMITED, in addition to the absence of the extraordinary losses in the previous fiscal year. Total assets increased by 15.8%, or ¥177.8 billion, to ¥1,302.7 billion (US$10,644 million), due to the increase due to the rise in the fair value of listed stocks as well as the investment and loan to an overseas machinery-related company, and the depreciation of the yen.

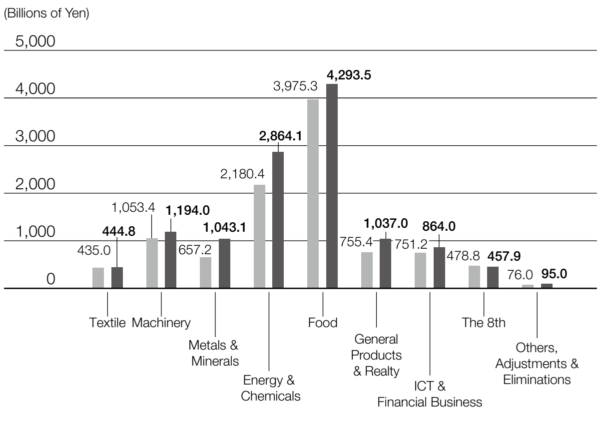
Metals & Minerals

Revenues increased by 58.7%, or 385.9 billion, to ¥1,043.1 billion (US$8,523 million), due to higher iron ore prices and coal prices. Gross trading profit increased by 62.1%, or ¥68.6 billion, to ¥179.0 billion (US$1,462 million), due to the same reason noted above. Net profit attributable to ITOCHU increased by 117.1%, or ¥121.9 billion, to ¥226.0 billion (US$1,846 million), due to higher iron ore prices and coal prices, higher equity in earnings in Marubeni-Itochu Steel Inc., and the realization of foreign exchange gains due to the de-consolidation of ITOCHU Coal Americas Inc., in addition to the absence of extraordinary losses in the previous fiscal year. Total assets increased by 40.7%, or ¥371.7 billion, to ¥1,285.3 billion (US$10,501 million), due to the increase in trade receivables and inventories as well as the accumulation of earnings resulting from higher iron ore prices, and the increase in Australian natural-resource-related assets resulting from the depreciation of the yen.

Energy & Chemicals

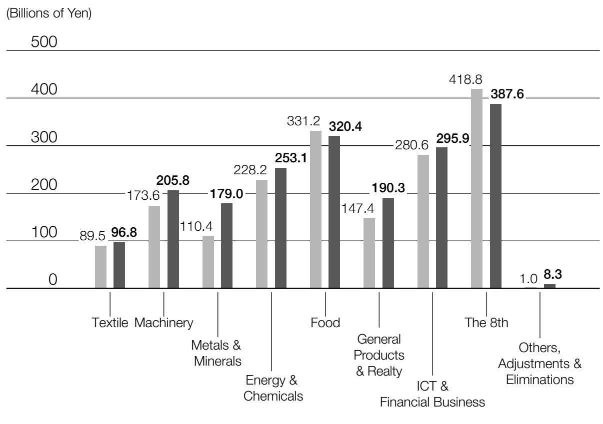
Revenues increased by 31.4%, or ¥683.8 billion, to ¥2,864.1 billion (US$23,402 million), due to higher market prices and transaction volume in energy-related companies and chemical-related companies. Gross trading profit increased by 10.9%, or ¥24.8 billion, to ¥253.1 billion (US$2,068 million), due to the improvement in profitability in energy trading transactions and ITOCHU Oil Exploration (Azerbaijan) Inc. resulting from higher market prices, and the stable performance in chemical-related companies, partially offset by the

Revenues by Operating Segment



■ 2021 ■ 2022
* For fiscal years

Gross Trading Profit by Operating Segment



■ 2021 ■ 2022
* For fiscal years

absence of the favorable performance in electricity transactions in the previous fiscal year. Net profit attributable to ITOCHU increased by 148.5%, or ¥53.6 billion, to ¥89.6 billion (US$732 million), due to the improvement in profitability in energy trading transactions and ITOCHU Oil Exploration (Azerbaijan) Inc. as well as higher dividends resulting from higher market prices, and the stable performance in chemical-related companies, in addition to the absence of extraordinary losses in the previous fiscal year. Total assets increased by 16.4%, or ¥210.1 billion, to ¥1,489.3 billion (US$12,168 million), due to the increase in trade receivables in energy trading transaction and energy-related companies as well as the increase in inventories in chemical-related companies in addition to the depreciation of the yen.

Food

Revenues increased by 8.0%, or ¥318.2 billion, to ¥4,293.5 billion (US$35,081 million), due to higher transaction volume in NIPPON ACCESS, INC. and higher market prices in provision-related transactions. Gross trading profit decreased by 3.2%, or ¥10.8 billion, to ¥320.4 billion (US$2,618 million), due to the deterioration in profitability in Prima Meat Packers, Ltd. resulting from higher purchasing cost, partially offset by higher transaction volume in NIPPON ACCESS, INC. and the stable performance in fresh-food-related and food-distribution-related transactions. Net profit attributable to ITOCHU increased by 135.7%, or ¥34.0 billion, to ¥59.0 billion (US$482 million), due to the improvement in North American grain-related companies and higher transaction volume in NIPPON ACCESS, INC. as well as the absence of extraordinary losses in the previous fiscal year, partially offset by the deterioration in profitability in meat-products-related companies. Total assets increased by 10.0%, or ¥180.2 billion, to ¥1,979.5 billion (US$16,174 million), due to the increase in trade receivables and inventories in provisions-related transactions, the increase in inventories in packaged foods business of Dole, and the depreciation of the yen.

General Products & Realty

Revenues increased by 37.3%, or ¥281.6 billion, to ¥1,037.0 billion (US$8,473 million), due to the sales volume recovery in European Tyre Enterprise Limited resulting from the alleviation of the impact of COVID-19 and the favorable performance in construction materials business. Gross trading profit increased by 29.1%, or ¥42.9 billion, to ¥190.3 billion (US$1,555 million), due to the same reason noted above. Net profit attributable to ITOCHU increased by 394.8%, or ¥84.0 billion, to ¥105.2 billion (US$860 million), due to the favorable performance in construction materials business, the improvement in European Tyre Enterprise Limited resulting from the alleviation of the impact of COVID-19, improvement of equity in earnings in ITOCHU FIBRE LIMITED due to higher pulp prices, and the gain on the sale of Japan Brazil Paper & Pulp Resources Development Co., Ltd., in addition to the absence of extraordinary losses in the previous fiscal year. Total assets increased by 8.6%, or ¥89.5 billion, to ¥1,126.2 billion (US$9,201 million), due to the increase in trade receivables and inventories in construction materials business and the newly acquisition of investments as well as the depreciation of the yen, partially offset by the sale of Japan Brazil Paper & Pulp Resources Development Co., Ltd.

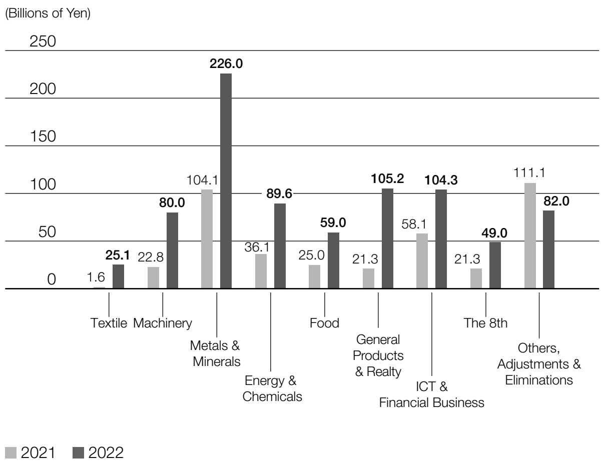
ICT & Financial Business

Revenues increased by 15.0%, or ¥112.8 billion, to ¥864.0 billion (US$7,059 million), due to the favorable performance in ICT business, primarily in ITOCHU Techno-Solutions Corporation. Gross trading profit increased by 5.5%, or ¥15.3 billion, to ¥295.9 billion (US$2,417 million), due to the favorable performance in ITOCHU Techno-Solutions Corporation and overseas retail-finance-related companies. Net profit attributable to ITOCHU increased by 79.4%, or ¥46.2 billion, to ¥104.3 billion (US$852 million), due to the favorable performance in ITOCHU Techno-Solutions Corporation, the higher gain on fund operation, and the gain due to the de-consolidation of Paidy Inc. Total assets increased by 9.2%, or ¥113.6 billion, to ¥1,350.4 billion (US$11,034 million), due to the increase in cash and cash equivalents due to the accumulation of earnings in ICT business, primarily in ITOCHU Techno-Solutions Corporation, the newly acquisition of investments and the rise in the fair value of investments.

The 8th

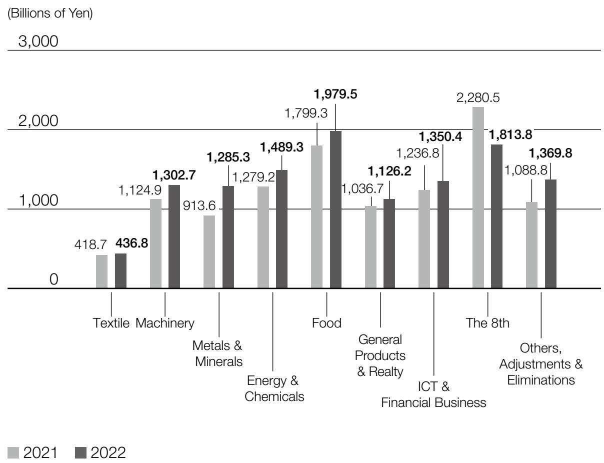
Revenues decreased by 4.4%, or ¥20.8 billion, to ¥457.9 billion (US$3,741 million), due to the conversion of Taiwan FamilyMart into an investment accounted for by the equity method from a consolidated subsidiary in the first quarter of this fiscal year, partially offset

Net Profit by Operating Segment



* For fiscal years

Total Assets by Operating Segment



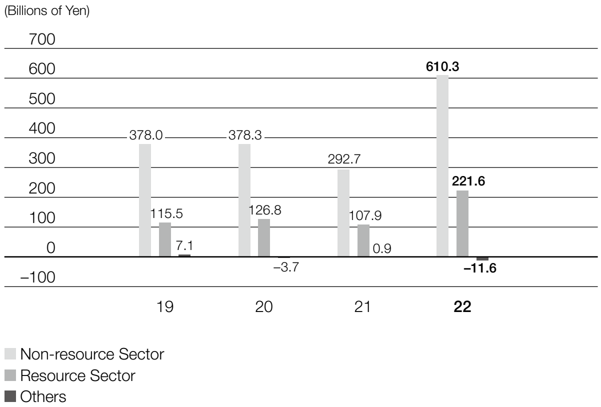
* As of March 31

by the recovery of daily sales resulting from the alleviation of the impact of COVID-19 and expanding product offerings by FamilyMart Co., Ltd. Gross trading profit decreased by 7.5%, or ¥31.2 billion, to ¥387.6 billion (US$3,167 million), due to the same reason noted above. Net profit attributable to ITOCHU increased by 130.5%, or ¥27.8 billion, to ¥49.0 billion (US$401 million), due to the recovery of daily sales resulting from the alleviation of the impact of COVID-19 and expanding product offerings by FamilyMart Co., Ltd., the increased ownership percentage in FamilyMart Co., Ltd., and the gain on the partial sale of Taiwan FamilyMart, partially offset by the absence of extraordinary gains in the previous fiscal year. Total assets decreased by 20.5%, or ¥466.7 billion, to ¥1,813.8billion (US$14,820 million), due to the decrease due to the conversion of Taiwan FamilyMart into an investment accounted for by the equity method from a consolidated subsidiary in the first quarter of this fiscal year and the partial sale of Pan Pacific International Holdings Corporation.

Others, Adjustments & Eliminations

Net profit attributable to ITOCHU decreased by 26.3%, or ¥29.2 billion, to ¥82.0 billion (US$670 million), due to lower equity in earnings in C.P. Pokphand Co. Ltd. due to the deterioration in profitability resulting from lower pork prices and the absence of extraordinary gain in the previous fiscal year, in addition to higher tax expenses, partially offset by higher equity in earnings in CITIC Limited resulting from the stable performance especially in comprehensive financial business.

Earnings from Non-resource / Resource Sectors



* For fiscal years

Segment Information

Fiscal years ended March 31	Billions of Yen 2022	Billions of Yen 2021	Millions of U.S. Dollars 2022
Revenues:			
Textile	¥ 444.8	¥ 435.0	$ 3,634
Machinery	1,194.0	1,053.4	9,755
Metals & Minerals	1,043.1	657.2	8,523
Energy & Chemicals	2,864.1	2,180.4	23,402
Food	4,293.5	3,975.3	35,081
General Products & Realty	1,037.0	755.4	8,473
ICT & Financial Business	864.0	751.2	7,059
The 8th	457.9	478.8	3,741
Others, Adjustments & Eliminations	95.0	76.0	776
Total	¥12,293.3	¥10,362.6	$100,444
Gross trading profit:			
Textile	¥ 96.8	¥ 89.5	$ 791
Machinery	205.8	173.6	1,682
Metals & Minerals	179.0	110.4	1,462
Energy & Chemicals	253.1	228.2	2,068
Food	320.4	331.2	2,618
General Products & Realty	190.3	147.4	1,555
ICT & Financial Business	295.9	280.6	2,417
The 8th	387.6	418.8	3,167
Others, Adjustments & Eliminations	8.3	1.0	68
Total	¥ 1,937.2	¥ 1,780.7	$ 15,828
Net profit attributable to ITOCHU:			
Textile	¥ 25.1	¥ 1.6	$ 205
Machinery	80.0	22.8	654
Metals & Minerals	226.0	104.1	1,846
Energy & Chemicals	89.6	36.1	732
Food	59.0	25.0	482
General Products & Realty	105.2	21.3	860
ICT & Financial Business	104.3	58.1	852
The 8th	49.0	21.3	401
Others, Adjustments & Eliminations	82.0	111.1	670
Total	¥ 820.3	¥ 401.4	$ 6,702
Total assets as of March 31:			
Textile	¥ 436.8	¥ 418.7	$ 3,569
Machinery	1,302.7	1,124.9	10,644
Metals & Minerals	1,285.3	913.6	10,501
Energy & Chemicals	1,489.3	1,279.2	12,168
Food	1,979.5	1,799.3	16,174
General Products & Realty	1,126.2	1,036.7	9,201
ICT & Financial Business	1,350.4	1,236.8	11,034
The 8th	1,813.8	2,280.5	14,820
Others, Adjustments & Eliminations	1,369.8	1,088.8	11,192
Total	¥12,153.7	¥11,178.4	$ 99,303

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.

Performance of Subsidiaries, Associates, and Joint Ventures

Group Companies Reporting Profits / Losses

Billions of Yen

	2022			2021			Changes		
Fiscal years ended March 31	Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
Group companies (including overseas trading subsidiaries)	**¥719.5**	**¥(10.6)**	**¥708.9**	¥463.8	¥(104.2)	¥359.6	¥255.7	¥93.6	¥349.2

Ratio of Group Companies Reporting Profits

		2022			2021			Changes		
Fiscal years ended March 31		Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
Consolidated subsidiaries	No. of group companies	**180**	**12**	**192**	164	35	199	16	(23)	(7)
	Ratio	**93.7%**	**6.3%**	**100.0%**	82.4%	17.6%	100.0%	11.3%	(11.3)%	
Associates and Joint Ventures	No. of group companies	**69**	**13**	**82**	66	14	80	3	(1)	2
	Ratio	**84.1%**	**15.9%**	**100.0%**	82.5%	17.5%	100.0%	1.6%	(1.6)%	
Total	No. of group companies	**249**	**25**	**274**	230	49	279	19	(24)	(5)
	Ratio	**90.9%**	**9.1%**	**100.0%**	82.4%	17.6%	100.0%	8.4%	(8.4)%	

Note: Investment companies which are considered as part of the parent company (154 companies), and companies other than those which are directly invested by the Company and its overseas trading subsidiaries (488 companies) are not included in the number of companies.

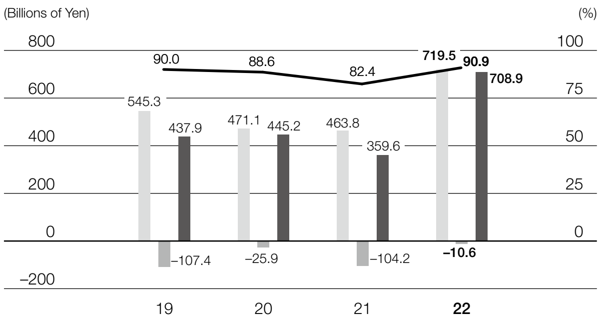
In the fiscal year ended March 31, 2022, profits / losses of Group companies increased by ¥349.2 billion to ¥708.9 billion (US$5,792 million).

The profits of Group companies reporting profits increased by ¥255.7 billion to ¥719.5 billion (US$5,879 million), resulting from higher earnings in ITOCHU Minerals & Energy of Australia Pty Ltd, due to higher iron ore prices and coal prices; higher earnings in FamilyMart Co., Ltd., due to the recovery of daily sales and an extraordinary gain; higher earnings in Orchid Alliance Holdings Limited, due to increased equity in earnings in CITIC Limited, resulting from the stable performance, especially in comprehensive financial business.

Meanwhile, the losses of Group companies reporting losses improved by ¥93.6 billion to ¥10.6 billion (US$87 million), due to the absence of extraordinary loss in the previous fiscal year.

The ratio of Group companies reporting profits increased by 8.4 points, from 82.4% to 90.9%.

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



Companies reporting profits (left) Companies reporting losses (left)
Net profit (loss) from subsidiaries and equity-method associated companies (left)
— Share of Group companies reporting profits* (right)
* For fiscal years
* Number of Group companies reporting profits as a percentage of the number of companies included in consolidation

Major Group companies reporting profits or losses for the fiscal years ended March 31, 2022 and 2021 were as follows:

Major Group Companies

		Net income (loss) attributable to ITOCHU *1	
		Billions of Yen	
Fiscal years ended March 31	Ownership	2022	2021
Textile			
JOI'X CORPORATION	100.0%	¥ 0.7	¥ (0.8)
DESCENTE LTD.	40.0%	2.7	1.6
EDWIN CO., LTD.	98.5%	1.6	(1.7)
Sankei Co., Ltd.	100.0%	0.5	(8.2)
ITOCHU Textile Prominent (ASIA) Ltd.	100.0%	2.0	0.9
ITOCHU TEXTILE (CHINA) CO., LTD.	100.0%	1.7	1.1
Machinery			
Tokyo Century Corporation	30.0%	16.0	13.5
I-Power Investment Inc.	100.0%	4.1	2.5
I-ENVIRONMENT INVESTMENTS LIMITED	100.0%	7.5	0.6
ITOCHU Plantech Inc. *2	100.0%	1.4	1.4
IMECS Co., Ltd.	100.0%	4.2	1.1
JAMCO Corporation	33.4%	(1.4)	(5.0)
JAPAN AEROSPACE CORPORATION	100.0%	1.6	1.5
YANASE & CO., LTD.	66.0%	9.7	4.6
Auto Investment Inc.	100.0%	2.7	1.2
ITOCHU TC CONSTRUCTION MACHINERY CO., LTD.	50.0%	0.3	0.2
ITOCHU MACHINE-TECHNOS CORPORATION	100.0%	0.6	0.5
Century Medical, Inc.	100.0%	0.6	0.6
MULTIQUIP INC.	100.0%	3.7	2.4
Metals & Minerals			
ITOCHU Minerals & Energy of Australia Pty Ltd	100.0%	158.7	90.6
JAPÃO BRASIL MINÉRIO DE FERRO PARTICIPAÇÕES LTDA.	77.3%	3.7	5.5
Marubeni-Itochu Steel Inc.	50.0%	31.3	8.7
ITOCHU Metals Corporation *2	100.0%	3.1	1.5
Energy & Chemicals			
ITOCHU Oil Exploration (Azerbaijan) Inc.	100.0%	8.9	1.8
ITOCHU PETROLEUM CO., (SINGAPORE) PTE. LTD.	100.0%	1.4	1.1
ITOCHU ENEX CO., LTD.	54.0%	7.1	6.6
Japan South Sakha Oil Co., Ltd.	25.0%	4.1	4.8
ITOCHU CHEMICAL FRONTIER Corporation	100.0%	6.4	4.7
ITOCHU PLASTICS INC. *2	100.0%	4.7	4.3
C. I. TAKIRON Corporation	55.7%	3.5	2.8
Food			
Dole International Holdings, Inc.	100.0%	8.4	(3.3)
NIPPON ACCESS, INC. *2	100.0%	17.1	7.1
FUJI OIL HOLDINGS INC.	39.9%	4.5	2.4
Prima Meat Packers, Ltd.	47.9%	4.0	5.6
ITOCHU-SHOKUHIN Co., Ltd.	52.2%	2.7	2.0
HYLIFE GROUP HOLDINGS LTD.	49.9%	1.1	4.5
General Products & Realty			
European Tyre Enterprise Limited	100.0%	3.5	(3.6)
ITOCHU FIBRE LIMITED	100.0%	17.8	(1.2)
ITOCHU PULP & PAPER CORPORATION *2	100.0%	1.8	1.2
ITOCHU CERATECH CORPORATION	100.0%	0.7	0.5
ITOCHU LOGISTICS CORP. *2	100.0%	4.6	3.0
ITOCHU KENZAI CORPORATION	100.0%	6.0	2.7
DAIKEN CORPORATION	36.4%	2.7	2.0
ITOCHU PROPERTY DEVELOPMENT, LTD.	100.0%	3.0	3.1

		Net income (loss) attributable to ITOCHU *1	
		Billions of Yen	
Fiscal years ended March 31	Ownership	2022	2021
ICT & Financial Business			
ITOCHU Techno-Solutions Corporation	59.5%	20.7	17.8
BELLSYSTEM24 Holdings, Inc.	40.7%	2.6	1.9
CONEXIO Corporation	60.3%	3.5	4.3
ITOCHU Fuji Partners, Inc.	63.0%	2.0	1.9
HOKEN NO MADOGUCHI GROUP INC.	76.2%	2.2	3.4
POCKET CARD CO., LTD. *2, 3	78.2%	4.0	2.6
Orient Corporation*4	16.5%	1.9	(9.5)
First Response Finance Ltd.	100.0%	2.5	1.5
ITOCHU FINANCE (ASIA) LTD.	100.0%	4.8	4.0
The 8th			
FamilyMart Co., Ltd. *5	94.7%	44.7	(16.7)
Others, Adjustments & Eliminations			
Orchid Alliance Holdings Limited *6	100.0%	96.4	72.5
C.P. Pokphand Co. Ltd.	23.8%	(2.6)	40.2
Chia Tai Enterprises International Limited *7	23.8%	(0.5)	(0.2)
(Reference) Overseas Subsidiaries *8			
ITOCHU International Inc.	100.0%	27.7	13.1
ITOCHU Europe PLC	100.0%	11.6	(0.8)
ITOCHU (CHINA) HOLDING CO., LTD.	100.0%	6.8	4.2
ITOCHU Hong Kong Ltd.	100.0%	8.0	6.1
ITOCHU Singapore Pte Ltd	100.0%	5.2	3.2

*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. The figures of POCKET CARD CO., LTD. include net profits through FamilyMart Co., Ltd. ITOCHU's ownership percentage was 63.1% in the first half, 68.3% in the third quarter and 78.2% in the fourth quarter in the fiscal year ended March 31, 2021.
*4. The figures of Orient Corporation for the fiscal year ended March 31, 2021 include the impairment loss on investment accounted for by the equity method.
*5. The figures of FamilyMart Co., Ltd. include net profits from POCKET CARD CO., LTD. ITOCHU's ownership percentage was 50.2% in the first half, 65.6% in the third quarter and 94.7% in the fourth quarter in the fiscal year ended March 31, 2021.
*6. The figures of Orchid Alliance Holdings Limited include related tax effects and other factors.
*7. The figures of Chia Tai Enterprise International Limited for the fiscal years ended March 31, 2022 and 2021 include the impairment loss on investment accounted for by the equity method.
*8. 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, 2022, 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.

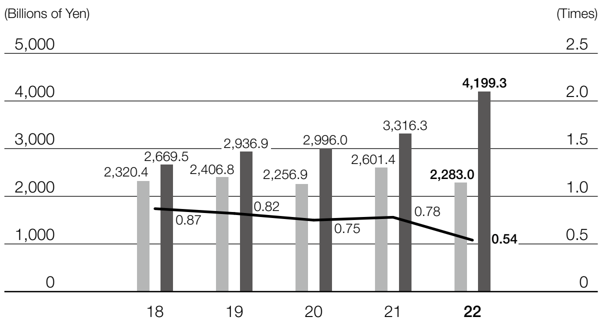
Ratings of the Company's long-term debt and short-term debt as of March 31, 2022 were as follows. Aiming to secure even higher ratings, the Company will strengthen profitability, improve financial position, and implement a thorough risk management.

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

Interest-Bearing Debt

Interest-bearing debt as of March 31, 2022 decreased by 7.9%, or ¥249.4 billion, compared to March 31, 2021 to ¥2,905.9 billion (US$23,743 million). Net interest-bearing debt (Interest-bearing debt after deducting Cash and cash equivalents and Time deposits) decreased by 12.2%, or ¥318.4 billion, to ¥2,283.0 billion (US$18,654 million). NET DER (debt-to-equity ratio) improved by 0.24 points from 0.78 to 0.54 times. Furthermore, the ratio of long-term interest-bearing debt to total interest-bearing debt was 82%, up 5 points from 77% as of March 31, 2021.

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



■ Net Interest-Bearing Debt (left)
■ Shareholders' Equity (left)
— Net DER (right)
* For fiscal years

Details of interest-bearing debt as of March 31, 2022 and 2021 were as follows:

Fiscal Years ended March 31	Billions of Yen 2022	Billions of Yen 2021	Millions of U.S. Dollars 2022
Short-term debentures and borrowings			
Short-term and current maturities of long-term loans mainly from banks	¥ 436.2	¥ 584.9	$ 3,564
Commercial paper	30.0	15.0	245
Current maturities of debentures	56.3	110.3	460
Short-term total	522.4	710.2	4,269
Long-term debentures and borrowings			
Long-term loans mainly from banks, less current maturities	2,235.3	2,252.6	18,263
Debentures	148.2	192.5	1,211
Long-term total	2,383.5	2,445.1	19,474
Total interest-bearing debt	2,905.9	3,155.3	23,743
Cash and cash equivalents, time deposits	622.9	554.0	5,089
Net interest-bearing debt	¥2,283.0	¥2,601.4	$18,654

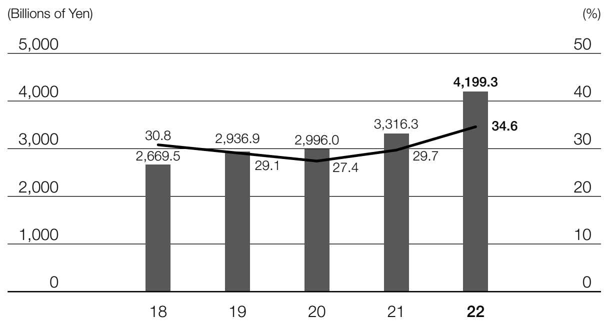
Financial Position

Total assets as of March 31, 2022 increased by 8.7%, or ¥975.2 billion, compared to March 31, 2021 to ¥12,153.7 billion (US$99,303 million), due to the impact of the depreciation of the yen, the increase in trade receivables and inventories resulting from the increase of trading transactions and higher market prices, and the increase in investments accounted for by the equity method, partially offset by the decrease due to the partial sale of Taiwan FamilyMart.

Total shareholders' equity increased by 26.6%, or ¥883.0 billion, compared to March 31, 2021 to ¥4,199.3 billion (US$34,311 million), due to net profit attributable to ITOCHU during this fiscal year and the impact of 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 4.9 points compared to March 31, 2021 to 34.6%.

Total equity, or the sum of Total shareholders' equity and Non-controlling interests, increased by 23.1%, or ¥893.5 billion, compared to March 31, 2021 to ¥4,763.7 billion (US$38,922 million).

Ratio of Shareholders' Equity to Total Assets



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

Reserves for Liquidity

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

As of March 31, 2022, against the necessary liquidity amount, which is the total of short-term interest-bearing debt and contingent liabilities of ¥719.5 billion (US$5,879 million), the amount of reserves, which is the sum of cash, cash equivalents, time deposits (¥622.9 billion), and the unutilized commitment line (yen: ¥200.0 billion, multiple currency: US$1,700 million) was ¥1,031.0 billion (US$8,424 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 ¥807.4 billion (US$6,597 million).

	Billions of Yen	Millions of U.S. Dollars
	2022	2022
Fiscal Years ended March 31	Liquidity Reserves	Liquidity Reserves
Cash and cash equivalents, time deposits	¥ 622.9	$5,089
Commitment line	¥ 408.1	$3,335
Total primary liquidity reserves	¥1,031.0	$8,424

Fiscal Years ended March 31	Billions of Yen 2022	Millions of U.S. Dollars 2022
Short-term debentures and borrowings	¥522.4	$4,269
Long-term debentures and borrowings (Note)	112.9	923
Contingent liabilities (Financial guarantees (substantial risk) of associates and joint ventures, customers)	84.1	687
Total	¥719.5	$5,879

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.

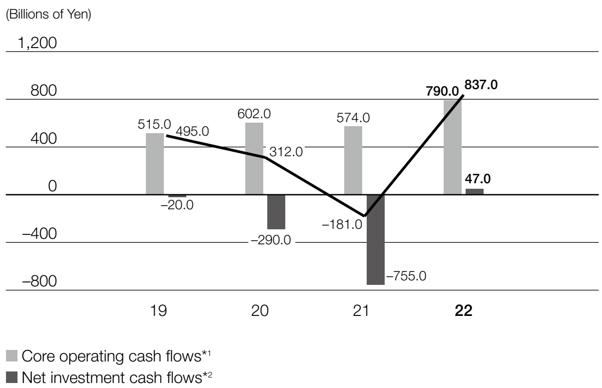
Cash flows from operating activities for the fiscal year ended March 31, 2022 was a net cash-inflow of ¥801.2 billion (US$6,546 million), due to the stable performance in operating revenues in The 8th, Metals & Minerals, Energy & Chemicals and Food Companies. Cash flows from operating activities for the fiscal year ended March 31, 2021 was a net cash-inflow of ¥895.9 billion.

Cash flows from investing activities was a net cash-inflow of ¥38.6 billion (US$316 million), due to the partial sale of Pan Pacific International Holdings Corporation, the sale of Japan Brazil Paper & Pulp Resources Development Co., Ltd. and Paidy Inc., partially offset by the purchase of fixed assets by Food, The 8th and Machinery Companies, and the decrease in cash as the conversion of Taiwan FamilyMart Co., Ltd. into an investment accounted for by the equity method from a consolidated subsidiary accompanying the partial sale. Cash flows from investing activities for the fiscal year ended March 31, 2021 was a net cash-outflow of ¥207.3 billion.

Cash flows from financing activities was a net cash-outflow of ¥846.7 billion (US$6,918 million), due to the repayment of borrowings and lease liabilities in addition to dividend payments and share buybacks. Cash flows from financing activities for the fiscal year ended March 31, 2021 was a net cash-outflow of ¥728.8 billion.

As a result of cash flows above and the impact of the depreciation of the yen, "Cash and cash equivalents" as of March 31, 2022 increased by 12.4%, or ¥67.7 billion, to ¥611.7 billion (US$4,998 million), compared to March 31, 2021.

Core Free Cash Flows



* For fiscal years
*1. "Operating Cash Flows" minus "Changes in working capital" plus "Repayments of lease liabilities, etc."
*2. Payments and collections for substantive investment and capital expenditure. "Investment Cash Flows" plus "Equity transactions with non-controlling interests" minus "Changes in loan receivables," etc.

A summary of cash flows for the fiscal years ended March 31, 2022 and 2021 were as follows:

	Billions of Yen		Millions of U.S. Dollars
Fiscal Years ended March 31	2022	2021	2022
Cash flows from operating activities	**¥ 801.2**	¥ 895.9	**$ 6,546**
Cash flows from investing activities	**38.6**	(207.3)	**316**
Cash flows from financing activities	**(846.7)**	(728.8)	**(6,918)**
Net change in cash and cash equivalents	**(6.9)**	(40.2)	**(56)**
Cash and cash equivalents at the beginning of the year (Opening balance on the consolidated statement of financial position)	**544.0**	611.2	**4,445**
Reclassification of cash and cash equivalents included in assets held for sale in the opening balance	**44.3**	—	**362**
Cash and cash equivalents at the beginning of the year	**588.3**	611.2	**4,807**
Effect of exchange rate changes on cash and cash equivalents	**30.3**	17.3	**247**
Cash and cash equivalents included in assets held for sale	**—**	(44.3)	**—**
Cash and cash equivalents at the end of the year	**¥ 611.7**	¥ 544.0	**$ 4,998**

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. In fair value measurement of resource-related investments, we use certain assumptions such as commodity prices and discount rate. Even if the assumptions change to the extent rationally possible, we do not expect a material impact on our operating results and financial position. In addition, we also do not expect a material impact on our subsidiaries and associates operating automobile-related business and aircraft-leasing-related business in Russia and Ukraine.

Regarding COVID-19, we expect the impact will decrease in the fiscal year ending March 31, 2023 compared to the fiscal year ended March 31, 2022 though it remains uncertain that the pandemic around the world can be contained.

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, intangible assets, and investments in associates and joint ventures measured through impairment tests

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

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

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

Measurement of provisions

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

Estimates of income taxes

To calculate income taxes, estimates and 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
- Judgment about whether credit risks on financial assets measured at amortized cost and debt FVTOCI financial assets have increased significantly
- Identification of cash-generating units, evaluation of whether there are indications of impairment or reversals of impairment in conducting impairment tests for property, plant and equipment, investment property, goodwill, intangible assets, and investments in associates and joint ventures
- Assessments regarding the existence of current obligations arising from past events and the likelihood of an outflow of resources to settle such obligations in recognizing provisions

Consolidated Statement of Financial Position

ITOCHU Corporation and its Subsidiaries
As of March 31, 2022 and 2021
Prepared in conformity with IFRSs

	Millions of Yen		Millions of U.S. Dollars
Assets	2022	2021	2022
Current assets			
Cash and cash equivalents	¥ 611,715	¥ 544,009	$ 4,998
Time deposits	11,185	9,945	91
Trade receivables (Note 6)	2,458,991	2,122,815	20,092
Other current receivables (Note 6)	236,864	166,282	1,935
Other current financial assets (Note 13)	101,932	44,930	833
Inventories (Note 7)	1,077,160	898,692	8,801
Advances to suppliers	123,382	80,521	1,008
Other current assets (Note 28)	188,727	161,256	1,542
Assets held for sale (Note 8)	—	248,861	—
Total current assets	4,809,956	4,277,311	39,300
Non-current assets			
Investments accounted for by the equity method (Note 14)	2,288,762	1,867,777	18,701
Other investments (Note 13)	958,218	952,374	7,829
Non-current receivables (Note 6)	728,965	658,658	5,956
Non-current financial assets other than investments and receivables	172,191	166,611	1,407
Property, plant and equipment (Notes 9 and 17)	1,936,044	1,939,791	15,819
Investment property (Note 10)	47,742	50,665	390
Goodwill (Note 12)	368,989	396,869	3,015
Intangible assets (Note 12)	712,618	728,967	5,822
Deferred tax assets (Note 20)	54,639	60,446	447
Other non-current assets	75,534	78,963	617
Total non-current assets	7,343,702	6,901,121	60,003
Total assets (Note 4)	¥12,153,658	¥11,178,432	$99,303

Refer to Notes to Consolidated Financial Statements.

Liabilities and Equity	Millions of Yen 2022	Millions of Yen 2021	Millions of U.S. Dollars 2022
Current liabilities			
Short-term debentures and borrowings (Notes 16 and 34)	¥ 522,448	¥ 710,213	$ 4,269
Lease liabilities (short-term) (Notes 17)	235,791	238,446	1,926
Trade payables (Note 15)	1,967,117	1,628,766	16,072
Other current payables (Note 15)	210,857	199,757	1,723
Other current financial liabilities	83,724	40,172	684
Current tax liabilities (Note 20)	74,026	57,370	605
Advances from customers (Note 28)	132,513	84,699	1,083
Other current liabilities (Notes 19 and 28)	424,071	374,489	3,465
Liabilities held for sale (Note 8)	—	220,722	—
Total current liabilities	3,650,547	3,554,634	29,827
Non-current liabilities			
Long-term debentures and borrowings (Notes 16 and 34)	2,383,455	2,445,099	19,474
Lease liabilities (long-term) (Notes 17)	775,180	825,170	6,334
Other non-current financial liabilities	58,217	53,483	476
Non-current liabilities for employee benefits (Note 18)	103,975	116,631	850
Deferred tax liabilities (Note 20)	250,999	150,275	2,051
Other non-current liabilities (Note 19)	167,585	162,900	1,369
Total non-current liabilities	3,739,411	3,753,558	30,554
Total liabilities	7,389,958	7,308,192	60,381
Equity			
Common stock (Note 22)	253,448	253,448	2,071
Capital surplus (Note 22)	(161,917)	(155,210)	(1,323)
Retained earnings (Notes 22 and 23)	3,811,991	3,238,948	31,146
Other components of equity (Note 24)			
Translation adjustments	383,215	131,612	3,131
FVTOCI financial assets (Note 13)	146,638	38,740	1,198
Cash flow hedges (Note 26)	7,154	(9,897)	59
Total other components of equity	537,007	160,455	4,388
Treasury stock (Note 22)	(241,204)	(181,360)	(1,971)
Total shareholders' equity	4,199,325	3,316,281	34,311
Non-controlling interests (Note 35)	564,375	553,959	4,611
Total equity	4,763,700	3,870,240	38,922
Total liabilities and equity	¥12,153,658	¥11,178,432	$99,303

Consolidated Statement of Comprehensive Income

ITOCHU Corporation and its Subsidiaries
Fiscal years ended March 31, 2022 and 2021
Prepared in conformity with IFRSs

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Revenues (Notes 4 and 28)			
Revenues from sale of goods	¥ 11,011,816	¥ 9,156,193	$ 89,973
Revenues from rendering of services and royalties	1,281,532	1,206,435	10,471
Total revenues	12,293,348	10,362,628	100,444
Cost			
Cost of sale of goods (Note 19)	(9,696,532)	(7,989,246)	(79,226)
Cost of rendering of services and royalties	(659,651)	(592,635)	(5,390)
Total cost	(10,356,183)	(8,581,881)	(84,616)
Gross trading profit (Note 4)	1,937,165	1,780,747	15,828
Other gains (losses)			
Selling, general and administrative expenses (Notes 18 and 29)	(1,346,720)	(1,366,489)	(11,004)
Provision for doubtful accounts (Note 25)	(7,923)	(10,844)	(65)
Gains on investments (Notes 30 and 35)	211,851	4,105	1,731
Losses on property, plant, equipment and intangible assets (Notes 9, 12 and 31)	(17,601)	(157,524)	(143)
Other–net (Note 32)	9,645	(6,197)	79
Total other losses	(1,150,748)	(1,536,949)	(9,402)
Financial income (loss) (Note 33)			
Interest income	20,412	23,114	167
Dividends received	80,741	53,145	660
Interest expense	(28,976)	(36,218)	(237)
Total financial income	72,177	40,041	590
Equity in earnings of associates and joint ventures (Notes 4 and 14)	291,435	228,636	2,381
Profit before tax	1,150,029	512,475	9,397
Income tax expense (Note 20)	(271,056)	(71,592)	(2,215)
Net profit	878,973	440,883	7,182
Net profit attributable to ITOCHU (Note 4)	¥ 820,269	¥ 401,433	$ 6,702
Net profit attributable to non-controlling interests	58,704	39,450	480

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
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)	¥ (8,927)	¥ 80,764	$ (73)
Remeasurement of net defined pension liability (Note 18)	3,897	12,449	32
Other comprehensive income in associates and joint ventures (Note 14)	(4,932)	13,474	(41)
Items that will be reclassified to profit or loss			
Translation adjustments (Note 27)	170,109	114,879	1,390
Cash flow hedges (Note 26)	4,519	3,470	37
Other comprehensive income in associates and joint ventures (Note 14)	105,500	63,660	862
Total other comprehensive income net of tax	270,166	288,696	2,207
Total comprehensive income	1,149,139	729,579	9,389
Total comprehensive income attributable to ITOCHU	¥1,086,431	¥655,259	$8,877
Total comprehensive income attributable to non-controlling interests	62,708	74,320	512

	Yen		U.S. Dollars
	2022	2021	2022
Basic earnings per share attributable to ITOCHU (Note 21)	¥552.86	¥269.83	$4.52
Diluted earnings per share attributable to ITOCHU (Note 21)	¥552.86	¥269.83	$4.52

Refer to Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

ITOCHU Corporation and its Subsidiaries
Fiscal years ended March 31, 2022 and 2021
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, 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 Yen							
	Shareholders' equity							
	Common stock	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total shareholders' equity	Non-controlling interests	Total equity
Balance on April 1, 2020	¥253,448	¥ 50,677	¥2,948,135	¥ (88,971)	¥(167,338)	¥2,995,951	¥844,658	¥3,840,609
Net Profit			401,433			401,433	39,450	440,883
Other comprehensive income (Note 24)				253,826		253,826	34,870	288,696
Total comprehensive income			401,433	253,826		655,259	74,320	729,579
Cash dividends to shareholders (Note 23)			(129,008)			(129,008)		(129,008)
Cash dividends to non-controlling interests						—	(27,832)	(27,832)
Net change in acquisition (disposition) of treasury stock (Note 22)					(14,022)	(14,022)		(14,022)
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests (Notes 22 and 35)		(205,887)		13,988		(191,899)	(337,187)	(529,086)
Transfer to retained earnings			18,388	(18,388)		—		—
Balance on March 31, 2021	¥253,448	¥(155,210)	¥3,238,948	¥160,455	¥(181,360)	¥3,316,281	¥553,959	¥3,870,240

	Millions of 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, 2021	$2,071	$(1,268)	$26,464	$1,311	$(1,482)	$27,096	$4,526	$31,622
Net Profit			6,702			6,702	480	7,182
Other comprehensive income (Note 24)				2,175		2,175	32	2,207
Total comprehensive income			6,702	2,175		8,877	512	9,389
Cash dividends to shareholders (Note 23)			(1,106)			(1,106)		(1,106)
Cash dividends to non-controlling interests						—	(171)	(171)
Net change in acquisition (disposition) of treasury stock (Note 22)					(489)	(489)		(489)
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests		(55)		(12)		(67)	(256)	(323)
Transfer to retained earnings (Note 24)			(914)	914		—		—
Balance on March 31, 2022	$2,071	$(1,323)	$31,146	$4,388	$(1,971)	$34,311	$4,611	$38,922

Refer to Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

ITOCHU Corporation and its Subsidiaries
Fiscal years ended March 31, 2022 and 2021
Prepared in conformity with IFRSs

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Cash flows from operating activities			
Net profit	¥ 878,973	¥ 440,883	$ 7,182
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation and amortization	404,184	424,297	3,302
(Gains) losses on investments	(211,851)	(4,105)	(1,731)
(Gains) losses on property, plant, equipment and intangible assets	17,601	157,524	143
Financial (income) loss	(72,177)	(40,041)	(590)
Equity in earnings of associates and joint ventures	(291,435)	(228,636)	(2,381)
Income tax expense	271,056	71,592	2,215
Provision for doubtful accounts and other provisions	(2,836)	30,504	(23)
Change in trade receivables	(304,709)	(4,876)	(2,490)
Change in inventories	(153,200)	38,527	(1,252)
Change in trade payables	314,373	(47,115)	2,569
Other–net	(98,114)	72,440	(801)
Proceeds from interest	19,706	24,142	161
Proceeds from dividends	201,532	144,732	1,647
Payments for interest	(29,807)	(39,412)	(244)
Payments for income taxes	(142,133)	(144,556)	(1,161)
Net cash provided by (used in) operating activities	801,163	895,900	6,546
Cash flows from investing activities			
Payments for purchase of investments accounted for by the equity method	(34,723)	(66,364)	(284)
Proceeds from sale of investments accounted for by the equity method	101,766	45,670	832
Payments for purchase of other investments	(70,381)	(86,458)	(575)
Proceeds from sale of other investments	184,158	35,545	1,505
Sales of subsidiaries, net of cash held by subsidiaries (Notes 8 and 35)	(30,433)	—	(249)
Origination of loans receivable	(53,760)	(34,796)	(439)
Collections of loans receivable	69,432	58,096	567
Payments for purchase of property, plant, equipment and intangible assets	(157,142)	(165,022)	(1,284)
Proceeds from sale of property, plant, equipment and intangible assets	32,259	12,439	264
Net change in time deposits	(2,539)	(6,406)	(21)
Net cash provided by (used in) investing activities	38,637	(207,296)	316
Cash flows from financing activities			
Proceeds from debentures and loans payable (Note 34)	456,698	1,019,577	3,732
Repayments of debentures and loans payable (Note 34)	(717,291)	(729,386)	(5,861)
Repayments of lease liabilities (Note 34)	(266,974)	(277,493)	(2,181)
Net change in other loans payable (Note 34)	(88,757)	(38,585)	(725)
Equity transactions with non-controlling interests (Note 35)	(14,093)	(531,774)	(115)
Cash dividends (Note 23)	(135,356)	(129,008)	(1,106)
Cash dividends to non-controlling interests	(20,897)	(27,832)	(171)
Net change in treasury stock	(60,036)	(14,266)	(491)
Net cash provided by (used in) financing activities	(846,706)	(728,767)	(6,918)
Net change in cash and cash equivalents	(6,906)	(40,163)	(56)
Cash and cash equivalents at the beginning of the year (Opening balance on the consolidated statement of financial position)	544,009	611,223	4,445
Reclassification of cash and cash equivalents included in assets held for sale in the opening balance (Note 8)	44,331	—	362
Cash and cash equivalents at the beginning of the year	588,340	611,223	4,807
Effect of exchange rate changes on cash and cash equivalents	30,281	17,280	247
Cash and cash equivalents included in assets held for sale (Note 8)	—	(44,331)	—
Cash and cash equivalents at the end of the year	¥ 611,715	¥ 544,009	$ 4,998

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, 2022 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥122.39 = US$1, the exchange rate prevailing on March 31, 2022.

(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, 2022.

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 a current 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 and 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, intangible assets, and investments in associates and joint ventures

At the end of each quarter, property, plant and equipment, investment property, goodwill, 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 a current 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 royalty transactions on franchise contract in The 8th, software maintenance in ICT & Financial Business, and other services. Revenues from royalty transactions are mainly recognized over a period of time of franchise contract by a method calculating gross margin multiplied by a certain percentage. Revenues from software maintenance are mainly recognized over a period of time of maintenance contract by allocating the consideration agreed with customer on the 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.

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.

Tax expenses for a current fiscal year are measured based on taxes payable on taxable income of a current fiscal year or taxes refundable on taxable losses of a current fiscal year. These tax amounts are calculated based on tax rates enacted, or substantially enacted, at the end of a current 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, unused tax losses and unused tax credits, and unused foreign tax credits, 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 a current fiscal year and based on the tax rates that are expected to apply in a current 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 a current 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 a current 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. In fair value measurement of resource-related investments, we use certain assumptions such as commodity prices and discount rate. Even if the assumptions change to the extent rationally possible, we do not expect a material impact on our operating results and financial position. In addition, we also do not expect a material impact on our subsidiaries and associates operating automobile-related business and aircraft-leasing-related business in Russia and Ukraine.

Regarding COVID-19, we expect the impact will decrease in the fiscal year ending March 31, 2023 compared to the fiscal year ended March 31, 2022 though it remains uncertain that the pandemic around the world can be contained.

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

Measurement of the fair value of unlisted equity instruments

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

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

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

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

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

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

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

Measurement of provisions

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

Estimates of income taxes

To calculate income taxes, estimates and 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, 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, 2022 and 2021.

	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	80,039	225,971	89,629	58,988	105,239	104,288	49,021	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 Yen									
	2021									
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Consolidated Total
Revenues from external customers	¥435,026	¥1,053,415	¥657,165	¥2,180,359	¥3,975,295	¥ 755,419	¥ 751,225	¥ 478,758	¥ 75,966	¥10,362,628
Intersegment revenues	87	50	—	37,145	5,003	18,764	12,908	1,971	(75,928)	—
Total revenues	435,113	1,053,465	657,165	2,217,504	3,980,298	774,183	764,133	480,729	38	10,362,628
Gross trading profit	89,521	173,596	110,380	228,225	331,192	147,440	280,579	418,819	995	1,780,747
Equity in earnings of associates and joint ventures	2,003	25,621	22,612	11,010	12,276	5,206	39,134	(443)	111,217	228,636
Net profit attributable to ITOCHU	1,609	22,830	104,078	36,066	25,032	21,270	58,134	21,267	111,147	401,433
Reportable segment assets	¥418,720	¥1,124,873	¥913,582	¥1,279,210	¥1,799,320	¥1,036,682	¥1,236,777	¥2,280,472	¥1,088,796	¥11,178,432

	Millions of U.S. Dollars									
	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	**$3,634**	**$ 9,755**	**$ 8,523**	**$23,402**	**$35,081**	**$8,473**	**$ 7,059**	**$ 3,741**	**$ 776**	**$100,444**
Intersegment revenues	**0**	**1**	**—**	**315**	**97**	**179**	**107**	**16**	**(715)**	**—**
Total revenues	**3,634**	**9,756**	**8,523**	**23,717**	**35,178**	**8,652**	**7,166**	**3,757**	**61**	**100,444**
Gross trading profit	**791**	**1,682**	**1,462**	**2,068**	**2,618**	**1,555**	**2,417**	**3,167**	**68**	**15,828**
Equity in earnings of associates and joint ventures	**36**	**347**	**385**	**102**	**136**	**248**	**355**	**7**	**765**	**2,381**
Net profit attributable to ITOCHU	**205**	**654**	**1,846**	**732**	**482**	**860**	**852**	**401**	**670**	**6,702**
Reportable segment assets	**$3,569**	**$10,644**	**$10,501**	**$12,168**	**$16,174**	**$9,201**	**$11,034**	**$14,820**	**$11,192**	**$ 99,303**

Notes: 1. Others, Adjustments & Eliminations includes gains and losses which do not belong to any operating segment and internal eliminations between operating segments. The investments in CITIC Limited and C.P. Pokphand Co. Ltd. and the profits and losses from them are included in this segment.
2. Revenues from external customers include revenues resulting from contracts with customers and other sources of revenue. Revenues resulting from other sources of revenue mainly include revenues from energy trading transactions such as oil and gas and lease contracts, which are immaterial in terms of amount.

(2) Information about Geographical Areas

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

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Japan	**¥ 9,774,728**	¥ 8,351,737	**$ 79,865**
Singapore	**658,554**	490,685	**5,381**
United States	**558,416**	463,046	**4,563**
Australia	**378,545**	262,344	**3,093**
China	**339,631**	292,667	**2,775**
Others	**583,474**	502,149	**4,767**
Consolidated Total	**¥12,293,348**	¥10,362,628	**$100,444**

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

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Japan	¥2,328,419	¥2,432,543	$19,025
Australia	184,387	178,571	1,507
United Kingdom	164,551	152,001	1,344
Singapore	148,013	138,957	1,209
United States	124,140	114,752	1,014
Others	179,052	167,196	1,463
Consolidated Total	¥3,128,562	¥3,184,020	$25,562

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

5. Business Combinations

There were no major business combinations for the fiscal years ended March 31, 2022 and 2021.

6. Trade and Other Receivables

The breakdown of trade receivables as of March 31, 2022 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Notes receivable	¥ 145,161	¥ 126,990	$ 1,186
Trade accounts receivable	2,002,595	1,740,044	16,363
Service fees receivable	330,207	274,216	2,698
Allowance for doubtful accounts (current)	(18,972)	(18,435)	(155)
Total	¥2,458,991	¥2,122,815	$20,092

The breakdown of other current receivables as of March 31, 2022 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Short-term loans receivable	¥ 64,738	¥ 61,764	$ 529
Other accounts receivable	30,968	22,233	253
Deposit to customer	84,228	45,811	688
Allowance for doubtful accounts (current)	(2,546)	(2,044)	(21)
Others	59,476	38,518	486
Total	¥236,864	¥166,282	$1,935

The breakdown of non-current receivables as of March 31, 2022 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Long-term loans receivable	¥ 707,296	¥650,657	$5,779
Allowance for doubtful accounts (non-current)	(34,403)	(31,327)	(281)
Others	56,072	39,328	458
Total	¥ 728,965	¥658,658	$5,956

7. Inventories

The breakdown of Inventories as of March 31, 2022 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Merchandise	¥ 706,287	¥568,506	$5,771
Finished goods	97,715	78,561	798
Real estate for sale	163,527	164,061	1,336
Raw materials and supplies	70,090	54,399	573
Work in progress	39,541	33,165	323
Total	¥1,077,160	¥898,692	$8,801

The write-downs of inventories to net realizable value were ¥4,416 million (US$36 million) and ¥6,666 million as of March 31, 2022 and 2021, respectively. The write-down is included in Cost of sale of goods in the Consolidated Statement of Comprehensive Income.

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

With respect to the Company's subsidiary FamilyMart Co., Ltd., 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 previous fiscal year. As the share transfer completed on June 9, 2021, 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 (US$513 million) on the partial sale and the remeasurement of the remaining interest with the loss of control of Taiwan FamilyMart were recognized in Gains 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, 2022 and 2021 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, 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 Yen							
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Mineral rights	Construction in progress	Others	Total
Balance as of March 31, 2021								
Cost	¥404,632	¥1,729,280	¥ 743,367	¥ 298,082	¥142,867	¥57,772	¥ 23,947	¥ 3,399,947
Accumulated depreciation and accumulated impairment losses	(74,105)	(695,997)	(433,589)	(175,706)	(67,930)	(827)	(12,002)	(1,460,156)
Carrying amount	330,527	1,033,283	309,778	122,376	74,937	56,945	11,945	1,939,791

	Millions of 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, 2022								
Cost	$3,471	$15,214	$ 6,846	$ 2,587	$1,246	$343	$ 224	$ 29,931
Accumulated depreciation and accumulated impairment losses	(844)	(6,973)	(3,853)	(1,717)	(599)	(7)	(119)	(14,112)
Carrying amount	2,627	8,241	2,993	870	647	336	105	15,819

The changes in the carrying amount of property, plant and equipment for the fiscal years ended March 31, 2022 and 2021 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, 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 Yen							
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Mineral rights	Construction in progress	Others	Total
Balance as of April 1, 2020	¥359,339	¥1,189,246	¥288,512	¥157,955	¥ 86,432	¥ 45,760	¥10,230	¥2,137,474
Acquisitions through business combinations	179	3,936	832	120	—	—	52	5,119
Individual acquisitions	9,941	150,071	37,526	37,308	—	51,701	3,247	289,794
Disposals and decreases through divestitures	(3,676)	(8,779)	(502)	(1,588)	—	(1,611)	(281)	(16,437)
Depreciation	(32,619)	(217,930)	(59,744)	(43,762)	(3,118)	—	(3,184)	(360,357)
Impairment losses recognized in profit or loss	(6,428)	(65,839)	(11,996)	(8,315)	(12,552)	(63)	(151)	(105,344)
Effect of foreign currency exchange differences	2,236	21,687	23,910	1,774	4,172	8,517	1,760	64,056
Reclassification to Assets held for sale	(10,230)	(113,146)	(342)	(25,080)	—	(2,186)	—	(150,984)
Others	11,785	74,037	31,582	3,964	3	(45,173)	272	76,470
Balance as of March 31, 2021	¥330,527	¥1,033,283	¥309,778	¥122,376	¥ 74,937	¥ 56,945	¥11,945	¥1,939,791

	Millions of 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, 2021	$2,701	$ 8,443	$2,531	$1,000	$612	$ 465	$ 98	$15,850
Acquisitions through business combinations	**15**	**16**	**289**	**2**	**—**	**—**	**0**	**322**
Individual acquisitions	**115**	**820**	**388**	**204**	**—**	**459**	**29**	**2,015**
Disposals and decreases through divestitures	**(87)**	**(292)**	**(213)**	**(40)**	**(3)**	**(76)**	**(3)**	**(714)**
Depreciation	**(268)**	**(1,632)**	**(477)**	**(329)**	**(23)**	**(0)**	**(25)**	**(2,754)**
Impairment losses recognized in profit or loss	**(8)**	**(124)**	**(20)**	**(17)**	**—**	**(0)**	**—**	**(169)**
Effect of foreign currency exchange differences	**16**	**143**	**135**	**19**	**61**	**16**	**6**	**396**
Others	**143**	**867**	**360**	**31**	**0**	**(528)**	**0**	**873**
Balance as of March 31, 2022	**$2,627**	**$ 8,241**	**$2,993**	**$ 870**	**$647**	**$ 336**	**$105**	**$15,819**

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, 2022 was ¥20,634million (US$169 million) mainly consisted of the impairment loss recognized on store assets in FamilyMart Co., Ltd.

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

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

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

10. Investment Property

The cost, accumulated depreciation and accumulated impairment losses, and carrying amount of investment property as of March 31, 2022 and 2021 were as follows:

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

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

	Millions of U.S. Dollars
	Investment property
Balance as of March 31, 2022	
Cost	$ 710
Accumulated depreciation and accumulated impairment losses	(320)
Carrying amount	390

The changes in the carrying amount of investment property for the fiscal years ended March 31, 2022 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Beginning of the year	¥50,665	¥58,595	$414
Individual acquisitions	9,057	8,041	74
Disposals and decreases through divestitures	(4,116)	(739)	(34)
Depreciation	(7,893)	(7,536)	(64)
Impairment losses recognized in profit or loss	(235)	(1,511)	(2)
Effect of foreign currency exchange differences	1,162	2,794	9
Transfers to and from property, plant and equipment	(3,841)	846	(31)
Reclassification to Assets held for sale	—	(5,657)	—
Others	2,943	(4,168)	24
End of the year	¥47,742	¥50,665	$390

Fair values of investment property as of March 31, 2022 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Fair Value	¥47,833	¥51,140	$391

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, 2022 and 2021 were ¥17,548 million (US$143 million) and ¥16,677 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, 2022 and 2021 were ¥14,059 million (US$115 million) and ¥13,720 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, 2022 and 2021:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Time deposits	¥ 5	¥ 5	$ 0
Trade receivables and others	11,193	14,233	91
Inventories	14,763	70,023	121
Investments and Non-current receivables	203,304	156,904	1,661
Property, plant and equipment, and others	38,685	11,225	316
Total	¥267,950	¥252,390	$2,189

Collateral was pledged to secure the following obligations as of March 31, 2022 and 2021:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Short-term borrowings (Note)	¥ 11,007	¥ 1,841	$ 90
Trade payables and others	15,202	70,627	124
Long-term borrowings	11,021	6,091	90
Lease liabilities (short-term and long-term)	116,318	118,735	950
Total	¥153,548	¥197,294	$1,254

Note: Short-term borrowings as of March 31, 2022 and 2021 included the current portion of Long-term borrowings of ¥9,963 million (US$81 million) and ¥823 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, 2022 and 2021 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, 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 Yen									
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total
Balance as of March 31, 2021										
Cost	¥ 9,324	¥ 22,324	¥—	¥922	¥ 58,988	¥ 77,602	¥60,032	¥261,911	¥ 1,686	¥492,789
Accumulated impairment losses	(9,324)	(13,377)	—	(87)	(25,343)	(40,057)	(1,262)	(4,784)	(1,686)	(95,920)
Carrying amount	—	8,947	—	835	33,645	37,545	58,770	257,127	—	396,869

	Millions of 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, 2022										
Cost	**$ 76**	**$ 195**	**$—**	**$ 9**	**$ 533**	**$ 681**	**$501**	**$1,887**	**$ 15**	**$3,897**
Accumulated impairment losses	**(76)**	**(114)**	**—**	**(1)**	**(232)**	**(345)**	**(53)**	**(46)**	**(15)**	**(882)**
Carrying amount	**—**	**81**	**—**	**8**	**301**	**336**	**448**	**1,841**	**—**	**3,015**

The changes in the carrying amount of goodwill for the fiscal years ended March 31, 2022 and 2021 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, 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 Yen									
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total
Balance as of April 1, 2020	¥ 7,547	¥ 9,961	¥—	¥817	¥33,385	¥34,434	¥57,475	¥260,321	¥—	¥403,940
Acquisitions through business combinations	—	544	—	—	—	3,283	—	—	—	3,827
Impairment losses recognized in profit or loss	(7,547)	(1,728)	—	—	—	(3,924)	—	(3,194)	—	(16,393)
Effect of foreign currency exchange differences, and others	—	170	—	18	260	3,752	1,295	—	—	5,495
Balance as of March 31, 2021	¥ —	¥ 8,947	¥—	¥835	¥33,645	¥37,545	¥58,770	¥257,127	¥—	¥396,869

	Millions of 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, 2021	$—	$73	$—	$ 7	$275	$307	$480	$2,101	$—	$3,243
Acquisitions through business combinations	**—**	**—**	**—**	**—**	**19**	**8**	**—**	**—**	**—**	**27**
Decrease through divestitures	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(253)**	**—**	**(253)**
Impairment losses recognized in profit or loss	**—**	**—**	**—**	**—**	**—**	**—**	**(38)**	**(7)**	**—**	**(45)**
Effect of foreign currency exchange differences, and others	**—**	**8**	**—**	**1**	**7**	**21**	**6**	**—**	**—**	**43**
Balance as of March 31, 2022	**$—**	**$81**	**$—**	**$ 8**	**$301**	**$336**	**$448**	**$1,841**	**$—**	**$3,015**

The goodwill balance as of March 31, 2022 included ¥216,901 million (US$1,772 million) recognized as a result of the conversion of FamilyMart Co., Ltd. into a subsidiary of The 8th segment and ¥29,388 million (US$240 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, 2021 included ¥248,757 million recognized as a result of the conversion of FamilyMart Co., Ltd. into a subsidiary of The 8th segment and ¥27,807 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 consolidated subsidiary in FamilyMart Co., Ltd.

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 (US$45 million).

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

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

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

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 and increasing trading income through raising daily sales and bolstering operational efficiency. These assumptions reflect past results, industry trends and the expected effect of improvement measures on store profitability. The business plan for the impairment test covers a period of three years. Although the impact of COVID-19 still remained, we experienced a certain recovery in demand for the fiscal year ended March 31, 2022 as the distribution of COVID-19 vaccines progressed. For the impairment test conducted in the fiscal year ended March 31, 2022, though we have faced the change of life style and of consumption pattern, we assume that the similar demand trend would continue after the fiscal year ended March 31, 2022. We expect the business will recover up to the same level of the fiscal year ended March 31, 2020 from the fiscal year ending March 31, 2024 through the fiscal year ending March 31, 2025. The growth rate of future cash flows beyond the target period of the business plan, after the fiscal year ending March 31, 2026, is taken to be zero. These growth rates are calculated by considering the long-term average 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, 2022 and 2021 were as follows:

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

	Millions of U.S. Dollars			
	Trademarks	Software	Others	Total
Balance as of March 31, 2022				
Cost	**$4,415**	**$ 1,594**	**$ 2,554**	**$ 8,563**
Accumulated amortization and accumulated impairment losses	**(664)**	**(1,003)**	**(1,074)**	**(2,741)**
Carrying amount	**3,751**	**591**	**1,480**	**5,822**

The changes in the carrying amount of intangible assets for the fiscal years ended March 31, 2022 and 2021 were as follows:

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

	Millions of U.S. Dollars			
	Trademarks	Software	Others	Total
Balance as of April 1, 2021	$3,792	$ 554	$1,611	$5,957
Acquisitions through business combinations	**4**	**0**	**42**	**46**
Individual acquisitions	**0**	**230**	**55**	**285**
Disposals	**—**	**(11)**	**(11)**	**(22)**
Decrease through divestitures	**—**	**(2)**	**(143)**	**(145)**
Amortization expenses	**(110)**	**(185)**	**(96)**	**(391)**
Impairment losses recognized in profit or loss	**—**	**(1)**	**(7)**	**(8)**
Effect of foreign currency exchange differences, and others	**65**	**6**	**29**	**100**
Balance as of March 31, 2022	**$3,751**	**$ 591**	**$1,480**	**$5,822**

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 is mainly due to the conversion of Taiwan FamilyMart into an investment accounted for by the equity method from a consolidated subsidiary in FamilyMart Co., Ltd.

The amount of impairment losses for the fiscal year ended March 31, 2022 was ¥1,053 million (US$9 million).

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

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

The carrying amount of Trademarks as of March 31, 2022 included ¥299,050 million (US$2,443 million) of trademarks in FamilyMart Co., Ltd. The carrying amount of Others included ¥109,146 million (US$892 million) of customer relationships in FamilyMart Co., Ltd., ¥10,319 million (US$84 million) of customer relationships in ITOCHU Building Products Holdings Inc. (The company's name changed from TMI Forest Products Inc. on March 4, 2022), and ¥7,620 million (US$62 million) of customer relationships in HOKEN NO MADOGUCHI GROUP INC.

The carrying amount of Trademarks as of March 31, 2021 included ¥309,188 million of trademarks in FamilyMart Co., Ltd. The carrying amount of Others included ¥128,492 million of customer relationships in FamilyMart Co., ¥9,949 million of customer relationships in ITOCHU Building Products Holdings Inc., and ¥8,719 million of customer relationships in HOKEN NO MADOGUCHI GROUP INC.

The carrying amounts of intangible assets with indefinite useful lives as of March 31, 2022 and 2021 were ¥105,008 million (US$858 million) and ¥96,849 million, respectively. The balance of intangible assets with indefinite useful lives as of March 31, 2022 included ¥56,646 million (US$463 million) of trademarks of Dole International Holdings, Inc., and ¥44,508 million (US$364 million) of trademarks of European Tyre Enterprise Limited. The balance of intangible assets with indefinite useful lives as of March 31, 2021 included ¥51,211 million of trademarks of Dole International Holdings, Inc., and ¥42,113 million of trademarks of European Tyre Enterprise Limited. The fluctuation in the balance of trademarks of Dole International Holdings, Inc. and European Tyre Enterprise Limited are mainly due to foreign currency exchange differences. These trademarks were 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 (pre-tax, approximately 5–10%).

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
	2022	2021	2022
Securities:			
FVTPL financial assets	¥ 7,476	¥ 1,610	$ 61
Amortized cost (Note)	19	1,413	0
Total	¥ 7,495	¥ 3,023	$ 61
Other Investments:			
FVTPL financial assets	93,450	79,335	764
FVTOCI financial assets	864,112	872,427	7,060
Amortized cost (Note)	656	612	5
Total	¥958,218	¥952,374	$7,829

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
	2022	2021	2022
Marketable equity securities	¥521,161	¥592,879	$4,258
Non-marketable equity securities	342,951	279,548	2,802
Total	¥864,112	¥872,427	$7,060

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, 2022 and 2021 were ¥221,792 million (US$1,812 million) and ¥176,770 million, respectively. These investments included BHP Iron Ore (Jimblebar) Pty Ltd, Sakhalin Oil and Gas Development Co., Ltd., and RAS LAFFAN LIQUEFIED NATURAL GAS COMPANY LIMITED.

The main marketable equity securities that the Company and its subsidiaries owned as FVTOCI financial assets as of March 31, 2022 and 2021 were as follows:

March 31, 2022

Stock	Millions of Yen	Millions of U.S. Dollars
ISUZU MOTORS LIMITED	¥84,066	$687
CSN Mineração S.A.	78,535	642
Pan Pacific International Holdings Corporation	62,148	508
NISSIN FOODS HOLDINGS CO., LTD.	46,682	381
Seven & i Holdings Co., Ltd.	19,311	158
Internet Initiative Japan Inc.	16,026	131
Nishimatsu Construction Co., Ltd.	14,764	121
eGuarantee,Inc.	12,997	106
Advance Residence Investment Corporation	12,127	99
VIETNAM NATIONAL TEXTILE AND GARMENT GROUP	9,477	77
Shandong Longda Meishi Co.,Ltd.	7,645	62
momo.com Inc.	6,711	55
Showa Sangyo Co., Ltd.	6,650	54
Taiwan Pelican Express Co., LTD.	6,132	50
FreakOut Holdings, inc.	5,561	45

March 31, 2021

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

Note: Shandong Longda Meishi Co.,Ltd. changed its corporate name from Shandong Longda Meat Foodstuff Co.,Ltd. on December 17, 2021.

FVTOCI financial assets which the Company derecognized in the fiscal years ended March 31, 2022 and 2021 were as follows:

Millions of Yen						Millions of U.S. Dollars		
2022			2021			2022		
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
¥152,804	**¥(168,767)**	**¥914**	¥30,139	¥3,917	¥234	**$1,249**	**$(1,379)**	**$7**

The amount of transfer from FVTOCI financial assets to Retained earnings for the fiscal years ended March 31, 2022 and 2021 due to derecognition of FVTOCI financial assets were ¥117,159 million (US$957 million) (loss) and ¥2,672 million (gain), 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 is mainly due to the sale of Drummond International, LLC owned by ITOCHU Coal Americas Inc. Drummond International, LLC is the operating entity which has the rights to coal mines and transport infrastructure in Columbia.

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, 2022 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Investment			
Associates	**¥1,375,789**	¥1,201,985	**$11,241**
Joint ventures	**912,973**	665,792	**7,460**
Total	**¥2,288,762**	¥1,867,777	**$18,701**

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 ¥349,510 million (US$2,856 million) and ¥253,591 million as of March 31, 2022 and 2021, respectively, increased mainly due to the conversion of Taiwan FamilyMart into an investment accounted for by the equity method from a consolidated subsidiary in FamilyMart.

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, 2022 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Associates			
Share of profit or loss	**¥134,297**	¥131,960	**$1,098**
Share of other comprehensive income	**50,824**	7,343	**415**
Subtotal	**185,121**	139,303	**1,513**
Joint ventures			
Share of profit or loss	**157,138**	96,676	**1,283**
Share of other comprehensive income	**49,744**	69,791	**406**
Subtotal	**206,882**	166,467	**1,689**
Share of comprehensive income			
Total share of profit or loss of associates and joint ventures	**291,435**	228,636	**2,381**
Total share of other comprehensive income of associates and joint ventures	**100,568**	77,134	**821**
Total	**¥392,003**	¥305,770	**$3,202**

In Investments accounted for by the equity method, the Company recognized impairment losses which were included in Gains on investments in the Consolidated Statement of Comprehensive Income of ¥1,254 million (US$10 million) and ¥31,945 million for the fiscal years ended March 31, 2022 and 2021, respectively. In the fiscal year ended March 31, 2021, the Company calculated the recoverable amount of its investments accounted for by the equity method in the overseas business of Food segment taking into account third-party valuations, due to the decline in profitability as an impact of COVID-19, and recorded an impairment loss of ¥14,709 million on its investments accounted for by the equity method in this business. The Company calculated the recoverable amount of its investments accounted for by the equity method in Orient Corporation by comprehensively taking into account third-party valuations and stock prices, etc., due to the long-term decline in stock prices, and recorded an impairment loss of ¥12,081 million on its investments accounted for by the equity method in the company.

The recoverable amounts used in impairment tests for investments in associates and joint ventures are calculated as the higher of the fair value less costs to sell or the value in use by 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 5–11%).

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

For investments in associates and joint ventures, the balances of receivables and payables as of March 31, 2022 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Balance of receivables			
Associates	¥ 93,599	¥ 71,503	$ 765
Joint ventures	593,679	544,863	4,850
Total	¥687,278	¥616,366	$5,615
Balance of payables			
Associates	72,759	78,230	595
Joint ventures	2,830	3,375	23
Total	¥ 75,589	¥ 81,605	$ 618

(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, 2022 and 2021 as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Revenues			
Associates	¥ 74,203	¥ 66,989	$ 607
Joint ventures	32,338	32,508	264
Total	¥106,541	¥ 99,497	$ 871
Purchases			
Associates	290,005	268,401	2,369
Joint ventures	26,040	21,776	213
Total	¥316,045	¥290,177	$2,582

(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, 2022, 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$8,707 million (credit balance) as of March 31, 2022. 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, 2021 and 2020 were as follows:

	Millions of HK Dollars	
	2021	2020
Total assets	$10,685,521	$9,740,828
Total liabilities	$ 9,519,931	$8,732,186
Total equity	$ 1,165,590	$1,008,642
Non-Controlling interests	$ 414,183	$ 334,366
Total equity after netting Non-Controlling interests	$ 751,407	$ 674,276

	Millions of HK Dollars	
	2021	2020
Total revenues	$ 708,936	$ 552,949
Net profit	$ 100,278	$ 80,928
Total other comprehensive income for the year, net of tax	$ 33,859	$ 54,685
Total comprehensive income for the year	$ 134,137	$ 135,613

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

15. Trade and Other Payables

The breakdown of trade payables as of March 31, 2022 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Notes payable	¥ 242,287	¥ 162,819	$ 1,979
Trade accounts payable	1,522,791	1,306,637	12,442
Other accounts payable	202,039	159,310	1,651
Total	¥1,967,117	¥1,628,766	$16,072

The breakdown of other current payables as of March 31, 2022 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Other accounts payable	¥ 48,698	¥ 19,367	$ 398
Deposit received	162,159	180,390	1,325
Total	¥210,857	¥199,757	$1,723

16. Debentures and Borrowings

The breakdown of Short-term debentures and borrowings as of March 31, 2022 and 2021 were as follows:

	Millions of Yen	Interest rate (%)	Millions of Yen	Interest rate (%)	Millions of U.S. Dollars
	2022		2021		2022
Current loans from financial institutions	¥205,884	0.2%	¥282,830	0.2%	$1,682
Commercial paper	30,000	0.0%	15,000	0.0%	245
Subtotal	235,884	—	297,830	—	1,927
Current portion of long-term debentures and borrowings	286,564	—	412,383	—	2,342
Total	¥522,448	—	¥710,213	—	$4,269

Note: Interest rates represent the weighted average interest rates based on balances as of March 31, 2022 and 2021. 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, 2022 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Borrowings			
Secured			
Due 2021–2035, interest rate mainly 0.1%–2.5%	¥ 20,984	¥ 6,914	$ 171
Unsecured			
Due 2021–2039, interest rate mainly 0.0%–4.5%	2,441,183	2,541,894	19,946
Debentures			
Unsecured bonds and notes			
Year of issuance, Coupon, Type of bond, Maturity			
Issued in 2011–2015, 0.5%–1.4% Yen Bonds due 2021–2027	70,000	140,000	572
Issued in 2012, floating rate Yen Bonds due 2022	10,000	10,000	82
Issued in 2021, 1.6% U.S. Dollar Bonds due 2026	61,195	55,355	500
Issued in and after 2012, debentures and others issued by subsidiaries, maturing through 2026	65,871	95,191	538
Subtotal	2,669,233	2,849,354	21,809
Fair value hedge and discontinuation of hedge adjustment	786	8,128	6
Total	2,670,019	2,857,482	21,815
Less: Current portion of long-term debentures and borrowings	(286,564)	(412,383)	(2,341)
Long-term debentures and borrowings	¥2,383,455	¥2,445,099	$19,474

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, 2022 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Less than 1 year	¥ 6,593	¥ 6,623	$ 54
1–5 years	10,433	10,437	85
More than 5 years	5,719	7,232	47
Total	¥22,745	¥24,292	$186

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, 2022 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Less than 1 year	¥22,809	¥27,089	$186
1–5 years	44,661	48,415	365
More than 5 years	16,832	20,116	138
Total	84,302	95,620	689
Less: Unearned finance income	(5,728)	(6,043)	(47)
Net investment in the lease	¥78,574	¥89,577	$642

For the fiscal years ended March 31, 2022 and 2021, the finance income on the net investment in the lease were ¥2,481 million (US$20 million) and ¥3,103 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, 2022 and 2021 were as follows:

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

	Millions of U.S. Dollars				
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Total
Balance as of April 1, 2021	$ 1,278	$ 5,772	$ 293	$ 408	$ 7,751
Individual acquisitions	56	415	83	70	624
Depreciation	(268)	(1,354)	(87)	(153)	(1,862)
Impairment losses recognized in profit or loss	(6)	(79)	(2)	(7)	(94)
Others (Note)	163	762	(22)	61	964
Balance as of March 31, 2022	$ 1,223	$ 5,516	$ 265	$ 379	$ 7,383

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, 2022 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Less than 1 year	¥ 240,492	¥ 245,154	$1,965
1–5 years	541,218	576,352	4,422
More than 5 years	284,328	306,929	2,323
Total	¥1,066,038	¥1,128,435	$8,710

For the fiscal years ended March 31, 2022 and 2021, the interest expense on lease liabilities were ¥12,961 million (US$106 million) and ¥14,497 million, respectively. In addition, for the fiscal years ended March 31, 2022 and 2021, the total cash outflow for leases were ¥282,074 million (US$2,305 million) and ¥294,819 million, respectively.

As of March 31, 2022, 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 ¥8,390 million (US$69 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
	2022	2021	2022
Changes in the present value of defined benefit obligations :			
Defined benefit obligations at the beginning of the year	¥430,601	¥442,599	$3,518
Service cost	15,713	16,025	128
Current service cost	15,664	15,898	128
Prior service cost	49	127	0
Interest cost	2,914	2,866	24
Plan participants' contributions	616	611	5
Remeasurements	(5,228)	3,581	(43)
Benefits paid from plan assets	(18,462)	(25,273)	(151)
Benefits paid by employer	(7,146)	(5,887)	(58)
Foreign currency translation adjustments	866	(672)	7
Acquisitions and divestitures	(360)	(3,566)	(3)
Settlements	(3,386)	317	(27)
Defined benefit obligations at the end of the year	¥416,128	¥430,601	$3,400
Changes in the fair value of plan assets :			
Plan assets at the beginning of the year	¥342,253	¥332,472	$2,796
Interest income	2,390	2,202	20
Remeasurements	3,693	22,241	30
Employer contributions	17,356	11,508	142
Plan participants' contributions	616	611	5
Benefits paid from plan assets	(18,462)	(25,273)	(151)
Foreign currency translation adjustments	968	1,674	8
Acquisitions and divestitures	(295)	(3,182)	(2)
Settlements	(2,669)	—	(22)
Plan assets at the end of the year	¥345,850	¥342,253	$2,826
Effect of the asset ceiling	¥ 12,791	¥ 9,209	$ 105
The net amount of defined benefit obligations	¥ 83,069	¥ 97,557	$ 679

As of March 31, 2022 and 2021, 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		
	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 Yen		
	2021		
	Level1	Level2	Total
Equity instruments:			
Domestic	¥ 27,301	¥ 39,914	¥ 67,215
Overseas	1,359	22,915	24,274
Debt instruments:			
Domestic	31,916	60,371	92,287
Overseas	7,008	38,371	45,379
Other assets:			
Cash and cash equivalents	39,596	—	39,596
Life insurance company general accounts	—	34,072	34,072
Others	—	39,430	39,430
Total	¥107,180	¥235,073	¥342,253

	Millions of U.S. Dollars		
	2022		
	Level1	Level2	Total
Equity instruments:			
Domestic	**$225**	**$ 318**	**$ 543**
Overseas	**12**	**279**	**291**
Debt instruments:			
Domestic	**265**	**452**	**717**
Overseas	**109**	**171**	**280**
Other assets:			
Cash and cash equivalents	**270**	**—**	**270**
Life insurance company general accounts	**—**	**264**	**264**
Others	**—**	**461**	**461**
Total	**$881**	**$1,945**	**$2,826**

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

The Company's investment policy for its portfolio of plan assets is to invest approximately 60% in domestic and overseas debt securities, approximately 25% in domestic and overseas equity securities, and approximately 15% in alternative investments. The Company's allocation of assets may also include Cash and cash equivalents, and Life insurance company general accounts, as appropriate. The Company's basic policy is to emphasize asset liquidity and a thorough diversification of its investments. In addition, the Company has established an employee pension trust mainly comprised of domestic equity securities as a part of plan assets. The Company's holdings of equity instruments consist primarily of shares in listed companies. Debt instruments principally comprise highly-rated government bonds. The Insurance Business Law Enforcement Regulations stipulate that the investment of assets in life insurance company general accounts be conducted in a manner that provides a specific assumed interest rate and a principal guarantee.

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

The 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, 2023 is approximately ¥12,800 million.

The assumptions regarding the defined benefit obligation were as follows:

	2022	2021
Discount rate	0.7%	0.6%
Rate of compensation increase	3.8%	3.7%
Mortality rate	0.02–0.64%	0.02–0.64%
Retirement rate	0.4–14.0%	0.4–15.4%
Lump sum election rate	31.4%	32.3%

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, 2022, a movement of 1% in the discount rate would have an effect of ¥19,332 million (US$158 million) on the defined benefit obligation and an effect of ¥570 million (US$5 million) (before tax effect) on service cost. This analysis is based on the premise that the actuarial assumptions other than the discount rate do not fluctuate and that only the discount rate fluctuates. This method of analysis is based on assumptions, and it is possible that the actual calculation could be influenced by fluctuations in other variables.

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

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

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

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

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

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

As of March 31, 2021, the ITOCHU United Pension Fund was underfunded by ¥4,185 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 ¥2,244 million (US$18 million) and ¥2,222 million for the fiscal years ended March 31, 2022 and 2021, respectively. The planned amount of contributions in the fiscal year ending March 31, 2023 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, 2022.

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, 2022 and 2021 were ¥8,771 million (US$72 million) and ¥8,423 million, respectively.

Details of Compensation

Details of compensation and bonuses for the Company's directors in the fiscal year ended March 31, 2022 were as follows:

		Millions of Yen	Millions of U.S. Dollars	
Type	Number of people	Amount paid	Amount paid	Details
Directors (Outside directors)	12 (5)	¥3,692 ¥ (81)	$30 $ (1)	(1) Monthly remuneration: ¥ 763 million (2) Performance-linked bonuses: ¥2,000 million (3) Share price-linked bonuses: ¥ — million (4) Special benefits: ¥ 576 million (5) Stock remuneration: ¥ 352 million

Notes: 1. FYE 2022 Director remuneration is composed of monthly remuneration, performance-linked bonuses as performance-linked remuneration, share price-linked bonuses, special benefits, and stock remuneration (non-monetary remuneration). These remunerations and bonuses were approved unanimously by the Board of Directors following deliberation by the Governance and Remuneration Committee.

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

3. At the Board of Directors meeting held on March 17, 2022, a resolution was passed following deliberation by the Governance and Remuneration Committee to pay a special bonus. The Company will pay a Director bonus, calculated using the current formula, that is within the range of the existing bonus (¥2.0 billion per year) (As the performance-linked bonus amount reaches ¥2.0 billion per year, the share price-linked bonuses will be zero), and any amount exceeding the said range shall be paid as a special bonus, separate from the Director bonus, whereby the amount of special bonus and Director bonus combined does not exceed the bonus limit (¥3.0 billion per year).

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

19. Provisions

The changes in provisions in Other current liabilities and Other non-current liabilities for the fiscal year ended March 31, 2022 were as follows:

	Millions of Yen		
	Provisions for asset retirement obligations	Other provisions	Total
Balance as of April 1, 2021	¥111,349	¥ 47,970	¥159,319
Provisions increased for the year	14,047	6,640	20,687
Provisions charged-off	(5,188)	(9,668)	(14,856)
Provisions reversed	(1,608)	(14,761)	(16,369)
Accretion expense	1,435	91	1,526
The effect of changing in the discount rate	(1,246)	(425)	(1,671)
Others	1,115	(328)	787
Balance as of March 31, 2022	¥119,904	¥ 29,519	¥149,423

	Millions of U.S. Dollars		
	Provisions for asset retirement obligations	Other provisions	Total
Balance as of April 1, 2021	$910	$ 392	$1,302
Provisions increased for the year	115	54	169
Provisions charged-off	(42)	(79)	(121)
Provisions reversed	(13)	(121)	(134)
Accretion expense	11	1	12
The effect of changing in the discount rate	(10)	(3)	(13)
Others	9	(3)	6
Balance as of March 31, 2022	$980	$ 241	$1,221

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 ¥22,946 million as Other provisions in the fiscal year ended March 31, 2021, which is included in Balance as of April 1, 2021. Due to the improvement of LNG market, the Company recognized ¥13,295 million (US$109 million) reversal of 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. In addition, expenditures related to the provision are expected to occur for up to four years and the actual loss will fluctuate depending on future market conditions and selling prices.

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
	2022	2022
Other current liabilities	¥ 8,141	$ 67
Other non-current liabilities	141,282	1,154
Total	¥149,423	$1,221

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, 2022 and 2021, which have been calculated based on the statutory tax rate, were 31.0%.

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

Amounts provided for income taxes for the fiscal years ended March 31, 2022 and 2021 were allocated as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Income tax expense			
Current tax expense	¥(193,434)	¥(136,102)	$(1,581)
Deferred tax expense (Note)	(77,622)	64,510	(634)
Total	(271,056)	(71,592)	(2,215)
Income taxes recognized directly in equity	44	4,106	0
Total	44	4,106	0
Income tax related to each component of other comprehensive income			
Translation adjustments	5,165	(12,278)	42
Remeasurement of net defined pension liability	(1,442)	(6,211)	(12)
FVTOCI financial assets	1,920	21,595	16
Cash flow hedges	(1,035)	147	(8)
Other comprehensive income in associates and joint ventures	(5,603)	95	(46)
Total	¥ (995)	¥ 3,348	$ (8)

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, 2022 and 2021 were ¥73,625 million (US$602 million) (expense) and ¥74,615 million (income), respectively.
2. Deferred tax expense relating to the reassessment of the realizability of deferred tax assets for the fiscal years ended March 31, 2022 and 2021 were ¥3,997 million (US$33 million) (expense) and ¥10,105 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, 2022 and 2021 were as follows:

	2022	2021
Statutory effective tax rate	31.0%	31.0%
Items not deductible or not taxable for tax purposes	0.2	0.5
Difference of tax rates for foreign subsidiaries	(0.5)	0.9
Tax effect on dividends received	(1.0)	(1.2)
Change in temporary differences for which no deferred tax asset is recognized	0.3	2.0
Equity in earnings of associates and joint ventures	(7.9)	(13.8)
Tax effect on equity interests in subsidiaries, associates and joint ventures	1.1	(4.9)
Others	0.4	(0.5)
Effective tax rate in the Consolidated Statement of Comprehensive Income	23.6%	14.0%

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, 2022 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Deductible temporary differences	¥267,516	¥265,200	$2,186
Tax loss carryforwards / tax credit carryforwards	62,152	112,668	508
Total	¥329,668	¥377,868	$2,694

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
	2022	2021	2022
Within 1 year	¥ 2,608	¥ 4,194	$ 21
Within 2 years	3,437	7,759	28
Within 3 years	4,164	10,832	34
Within 4 years	4,708	4,146	38
Within 5 years	9,251	7,322	76
After 5 to 10 years	24,450	62,665	200
After 10 years (or no expiration date)	13,534	15,750	111
Total	¥62,152	¥112,668	$508

The total amount of taxable temporary differences arising from investments in subsidiaries, associates, and joint ventures, for which deferred tax liabilities have not been recognized as of March 31, 2022 and 2021, 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, 2022 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Deferred tax assets:			
Inventories and Property, plant and equipment	¥ 97,689	¥ 107,860	$ 798
Allowance for doubtful accounts	9,056	9,742	74
Tax loss carryforwards	49,625	58,368	406
Non-current liabilities for employee benefits	63,235	65,976	517
Securities and investments	42	9	0
Others	89,835	90,999	734
Total deferred tax assets	309,482	332,954	2,529
Deferred tax liabilities:			
Non-current liabilities for employee benefits	(42,940)	(41,980)	(351)
Securities and investments	(108,007)	(107,084)	(883)
Equity interests in subsidiaries, associates, and joint ventures	(135,651)	(52,641)	(1,108)
Property, plant and equipment and Intangible assets	(211,914)	(215,116)	(1,731)
Others	(7,330)	(5,962)	(60)
Total deferred tax liabilities	(505,842)	(422,783)	(4,133)
Net deferred tax assets (liabilities)	¥(196,360)	¥ (89,829)	$(1,604)

Among the above changes of deferred tax assets and deferred tax liabilities for the fiscal years ended March 31, 2022 and 2021, the changes recognized through other comprehensive income are mainly FVTOCI financial assets, which are included in Securities and investments.

The details of changes in deferred tax assets and deferred tax liabilities for the fiscal years ended March 31, 2022 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Net deferred tax assets (liabilities)			
Balance at the beginning of the year	¥ (89,829)	¥(139,861)	$ (734)
Deferred tax expense for the current period	(77,622)	64,510	(634)
Deferred taxes recognized directly in equity			
Capital surplus	44	4,311	0
Deferred tax related to each component of other comprehensive income			
Translation adjustments	3,642	(10,754)	30
Remeasurement of net defined pension liability	(1,395)	(6,211)	(11)
FVTOCI financial assets	(18,583)	1,262	(152)
Cash flow hedges	(1,035)	147	(8)
Other comprehensive income in associates and joint ventures	(5,603)	95	(46)
Changes in deferred tax assets (liabilities) accompanying business combination	(5,979)	(3,328)	(49)
Balance at the end of the year	¥(196,360)	¥ (89,829)	$(1,604)

21. Earnings per Share Attributable to ITOCHU

The basic and diluted earnings per share attributable to ITOCHU for the fiscal years ended March 31, 2022 and 2021 were as follows:

	Yen		U.S. Dollars
	2022	2021	2022
Earnings per share			
Basic earnings per share attributable to ITOCHU	¥552.86	¥269.83	$4.52
Diluted earnings per share attributable to ITOCHU	¥552.86	¥269.83	$4.52

The base data to calculate the basic and diluted earnings per share attributable to ITOCHU for March 31, 2022 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
(Numerator)	2022	2021	2022
Net profit attributable to ITOCHU	¥820,269	¥401,433	$6,702
Effect of dilutive securities	—	—	—
Diluted net profit attributable to ITOCHU	¥820,269	¥401,433	$6,702

	Number of Shares	
(Denominator)	2022	2021
Weighted-average number of common shares outstanding	1,483,691,851	1,487,730,085

22. Equity

(1) Common Stock

The number of shares authorized and issued were as follows:

	Number of Shares	
	2022	2021
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, 2022 and 2021 were 115,310,164 shares and 99,659,483 shares, respectively. 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, and the number of shares of treasury stock as of March 31, 2021 includes 735,780 shares of the Company held in the trust account for the benefit share ESOP and 760,006 shares of the Company held in the BIP trust account for officer remuneration.

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 ¥770,284 million (US$6,294 million) as of March 31, 2022. 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.

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

23. Dividends

(1) Dividends paid during the fiscal years ended March 31, 2022 and 2021 were as follows:

Resolution	Class of shares	Millions of Yen (Millions of U.S. Dollars) Amount of dividends	Source of dividends	Yen (U.S. Dollars) Dividends per share	Record date	Effective date
Ordinary general meeting of shareholders held on June 19, 2020	Ordinary shares	¥63,438	Retained earnings	¥42.50	March 31, 2020	June 22, 2020
Board of Directors' meeting held on November 4, 2020	Ordinary shares	¥65,571	Retained earnings	¥44.00	September 30, 2020	December 2, 2020
Ordinary general meeting of shareholders held on June 18, 2021	Ordinary shares	¥65,447 ($535)	Retained earnings	¥44.00 ($0.36)	March 31, 2021	June 21, 2021
Board of Directors' meeting held on November 5, 2021	Ordinary shares	¥69,909 ($571)	Retained earnings	¥47.00 ($0.38)	September 30, 2021	December 2, 2021

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

Resolution	Class of shares	Millions of Yen (Millions of U.S. Dollars) Amount of dividends	Source of dividends	Yen (U.S. Dollars) Dividends per share	Record date	Effective date
Ordinary general meeting of shareholders held on June 24, 2022	Ordinary shares	¥92,715 ($758)	Retained earnings	¥63.00 ($0.51)	March 31, 2022	June 27, 2022

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
	2022	2021	2022
Translation adjustments			
Balance at the beginning of the year	**¥131,612**	¥ (37,836)	**$1,075**
Adjustment for the year	**251,603**	169,448	**2,056**
Balance at the end of the year	**383,215**	131,612	**3,131**
FVTOCI financial assets			
Balance at the beginning of the year	**38,740**	(31,972)	**317**
Adjustment for the year	**(8,177)**	73,907	**(67)**
Transfer to retained earnings	**116,075**	(3,195)	**948**
Balance at the end of the year	**146,638**	38,740	**1,198**
Cash flow hedges			
Balance at the beginning of the year	**(9,897)**	(19,163)	**(81)**
Adjustment for the year	**17,051**	9,266	**140**
Balance at the end of the year	**7,154**	(9,897)	**59**
Remeasurement of net defined pension liability			
Balance at the beginning of the year	**—**	—	**—**
Adjustment for the year	**4,205**	15,193	**34**
Transfer to retained earnings	**(4,205)**	(15,193)	**(34)**
Balance at the end of the year	**—**	—	**—**
Total other components of equity			
Balance at the beginning of the year	**160,455**	(88,971)	**1,311**
Adjustment for the year	**264,682**	267,814	**2,163**
Transfer to retained earnings	**111,870**	(18,388)	**914**
Balance at the end of the year	**¥537,007**	¥160,455	**$4,388**

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

(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					
	2022			2021		
	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	¥ (10,847)	¥ 1,920	¥ (8,927)	¥ 59,169	¥ 21,595	¥ 80,764
Adjustment for the year	(10,847)	1,920	(8,927)	59,169	21,595	80,764
Remeasurement of net defined pension liability						
Amount arising during the year on net defined pension liability	5,339	(1,442)	3,897	18,660	(6,211)	12,449
Adjustment for the year	5,339	(1,442)	3,897	18,660	(6,211)	12,449
Other comprehensive income in associates and joint ventures						
Amount arising during the year	(5,244)	312	(4,932)	14,529	(1,055)	13,474
Adjustment for the year	(5,244)	312	(4,932)	14,529	(1,055)	13,474
Items that will be reclassified to profit or loss						
Translation adjustments						
Amount arising during the year on translation adjustment	197,079	(4,840)	192,239	126,780	(12,318)	114,462
Reclassification to profit or loss for the year	(32,135)	10,005	(22,130)	377	40	417
Adjustment for the year	164,944	5,165	170,109	127,157	(12,278)	114,879
Cash flow hedges						
Amount arising during the year on derivative instruments for cash flow hedges	(31,521)	9,633	(21,888)	(15,686)	5,704	(9,982)
Reclassification to profit or loss for the year	37,075	(10,668)	26,407	19,009	(5,557)	13,452
Adjustment for the year	5,554	(1,035)	4,519	3,323	147	3,470
Other comprehensive income in associates and joint ventures						
Amount arising during the year	113,708	(5,981)	107,727	61,715	1,154	62,869
Reclassification to profit or loss for the year	(2,293)	66	(2,227)	795	(4)	791
Adjustment for the year	111,415	(5,915)	105,500	62,510	1,150	63,660
Total other comprehensive income for the year, net of tax	¥271,161	¥ (995)	¥270,166	¥285,348	¥ 3,348	¥288,696

	Millions of U.S. Dollars		
	2022		
	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	$ (89)	$ 16	$ (73)
Adjustment for the year	(89)	16	(73)
Remeasurement of net defined pension liability			
Amount arising during the year on net defined pension liability	44	(12)	32
Adjustment for the year	44	(12)	32
Other comprehensive income in associates and joint ventures			
Amount arising during the year	(43)	2	(41)
Adjustment for the year	(43)	2	(41)
Items that will be reclassified to profit or loss			
Translation adjustments			
Amount arising during the year on translation adjustment	1,611	(40)	1,571
Reclassification to profit or loss for the year	(263)	82	(181)
Adjustment for the year	1,348	42	1,390
Cash flow hedges			
Amount arising during the year on derivative instruments for cash flow hedges	(258)	79	(179)
Reclassification to profit or loss for the year	303	(87)	216
Adjustment for the year	45	(8)	37
Other comprehensive income in associates and joint ventures			
Amount arising during the year	929	(49)	880
Reclassification to profit or loss for the year	(19)	1	(18)
Adjustment for the year	910	(48)	862
Total other comprehensive income for the year, net of tax	$2,215	$ (8)	$2,207

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, 2022 and 2021 were ¥3,380 million (US$28 million) (income) and ¥1,988 million (income) (before tax effect), respectively (¥2,332 million (US$19 million) (income) and ¥1,372 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 is 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, 2022 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Interest-bearing debt	¥2,905,903	¥3,155,312	$23,743
Cash and cash equivalents	611,715	544,009	4,998
Time deposit	11,185	9,945	91
Net Interest-bearing debt	2,283,003	2,601,358	18,654
Shareholders' equity	¥4,199,325	¥3,316,281	$34,311
NET DER (times)	0.54	0.78	—

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, 2022 and 2021 were as follows:

	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

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

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, 2022, the effect (loss) from a 1% increase in the Japanese yen would be ¥96 million (US$1 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, 2022, the interest rate mismatch amount was ¥836,970 million (US$6,839 million), and the effect on interest expense from a 0.1% increase in interest rate would be ¥837 million (US$7 million) (profit before tax). This amount was calculated by multiplying the interest mismatch balance of the Company and its subsidiaries as of March 31, 2022, by 0.1%. This analysis was made without consideration of factors, such as future changes in the balance, foreign exchange rate fluctuations, and dispersing effects of floating-rate borrowings derived from the interest rate reset date, and was based on the assumption that all other variable factors were constant.

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

The Company and its subsidiaries may be impacted by the interest rate benchmark reform associated with the permanent discontinuation of USD Libor, holding financial instruments in reference to USD Libor. Towards a smooth transition to alternate interest rate benchmarks, the Company and its subsidiaries carefully monitor regulatory developments and market trends. Except for major USD Libor tenors, which are to be permanently discontinued at the end of June 2023, the transition to alternate interest rate benchmarks was completed by the end of the fiscal year ended March 31, 2022.

Non-derivative financial assets and liabilities referring to USD Libor as of March 31, 2022, which maturity dates are beyond the date of Libor discontinuation, were as follows:

	Millions of Yen	Millions of U.S. Dollars
	2022	2022
Non-derivative financial assets	¥ 3,394	$ 28
Non-derivative financial liabilities	¥466,681	$3,813

Non-derivative financial assets includes loans, non-derivative financial liabilities include borrowings. The Company and its subsidiaries did not hold any financial instruments which uncertainty arising from the interest rate benchmark reform was eliminated by Fallback Supplement and other factors.

As of March 31, 2022, 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, 2022 and 2021 were as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2022		2021		2022	
	Long	Short	Long	Short	Long	Short
Commodity	¥15,436	¥315	¥18,437	¥850	$126	$3

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, 2022 and 2021. (Method: variance-covariance method / confidence interval 99% / holding period: 5 days / measurement frequency: weekly)

	Millions of Yen				Millions of U.S. Dollars	
	2022		2021		2022	
	March 31	Average	March 31	Average	March 31	Average
Commodity	¥1,574	¥1,923	¥2,424	¥926	$13	$16

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, 2022 and 2021 were ¥527,552 million (US$4,310 million) and ¥592,879 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, 2022 and 2021.
(Method: variance-covariance method / confidence interval 99% / holding period: 10 days / measurement frequency: monthly)

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Marketable equity securities	¥33,674	¥35,300	$275

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, 2022 and 2021 were as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2022		2021		2022	
	Stage 1 and 2	Stage 3	Stage 1 and 2	Stage 3	Stage 1 and 2	Stage 3
Operating receivables and contract assets	¥2,464,266	¥51,068	¥2,120,871	¥52,564	$20,135	$417
lease receivables	78,533	41	89,470	107	642	0

The credit risk exposures related to loans, financial guarantee contracts, and other financial instruments as of March 31, 2022 and 2021 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2022			2021			2022		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Loan	¥702,686	¥1,173	¥10,442	¥633,140	¥1,154	¥10,333	$5,741	$10	$85
Financial guarantee contract (substantial risk)	106,602	—	1,868	129,491	—	6,630	871	—	15
Other	456,427	761	10,517	313,047	645	7,213	3,729	6	86

The credit risk exposures for each operating segment as of March 31, 2022 and 2021 were as follows:

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

	Millions of U.S. Dollars						
	2022						
	Trade receivables and contract assets	Lease receivables	Loans	Financial guarantee contracts (substantial risk)	Other	Allowance for doubtful accounts	Total
Textile	**$ 881**	**$ 2**	**$ 9**	**$ 1**	**$ 90**	**$ (76)**	**$ 907**
Machinery	**1,326**	**174**	**518**	**432**	**259**	**(114)**	**2,595**
Metals & Minerals	**1,700**	**—**	**30**	**1**	**713**	**(23)**	**2,421**
Energy & Chemicals	**4,705**	**42**	**44**	**77**	**609**	**(25)**	**5,452**
Food	**5,765**	**—**	**26**	**170**	**463**	**(42)**	**6,382**
General Products & Realty	**1,792**	**108**	**186**	**143**	**160**	**(20)**	**2,369**
ICT & Financial Business	**3,750**	**157**	**517**	**—**	**319**	**(153)**	**4,590**
The 8th	**800**	**202**	**44**	**—**	**1,108**	**(15)**	**2,139**
Other	**(167)**	**(43)**	**4,462**	**62**	**100**	**(4)**	**4,410**
Total	**$20,552**	**$642**	**$5,836**	**$886**	**$3,821**	**$(472)**	**$31,265**

The Company and its subsidiaries hold collateral of ¥239 million (US$2 million) and ¥1,110 million as security for the loans included above as of March 31, 2022 and 2021. Properties and other credit enhancements held by the Company and its subsidiaries as collateral are measured at fair value.

As of March 31, 2022 and 2021, 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, 2022 and 2021, a finance-related subsidiary of the Company holds ¥2,875,649 million (US$23,496 million) and ¥2,780,932 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, 2022 and 2021 were as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2022		2021		2022	
	Stage 1 and 2	Stage 3	Stage 1 and 2	Stage 3	Stage 1 and 2	Stage 3
Balance at the end of the previous year	**¥(9,340)**	**¥(26,824)**	¥(9,225)	¥(26,710)	**$(76)**	**$(219)**
Provision	**(1,875)**	**(3,818)**	(2,704)	(5,826)	**(16)**	**(31)**
Reversal	**577**	**1,667**	1,106	2,389	**5**	**14**
Charge-offs	**1,174**	**4,597**	1,536	2,714	**10**	**38**
Reclassification of credit risk stage	**258**	**(258)**	285	(285)	**2**	**(2)**
Increase, decrease due to foreign currency translation and others	**286**	**(72)**	(338)	894	**2**	**(1)**
Balance at the end of the year	**¥(8,920)**	**¥(24,708)**	¥(9,340)	¥(26,824)	**$(73)**	**$(201)**

The changes in allowance for doubtful accounts related to loans and other financial instruments for the fiscal years ended March 31, 2022 and 2021 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2022			2021			2022		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Balance at the end of the previous year	**¥(3,162)**	**¥(722)**	**¥(13,575)**	¥(3,200)	¥(1,059)	¥(11,731)	**$(26)**	**$(6)**	**$(111)**
Provision	**(1,960)**	**(497)**	**(6,665)**	(1,296)	(379)	(2,099)	**(16)**	**(4)**	**(55)**
Reversal	**734**	**83**	**861**	347	55	576	**6**	**1**	**7**
Charge-offs	**48**	**131**	**1,820**	73	223	1,482	**0**	**1**	**15**
Reclassification of credit risk stage	**100**	**184**	**(284)**	1,786	(969)	(817)	**1**	**2**	**(2)**
Increase, decrease due to foreign currency translation and others	**(258)**	**(15)**	**(1,016)**	(872)	1,407	(986)	**(2)**	**(0)**	**(9)**
Balance at the end of the year	**¥(4,498)**	**¥(836)**	**¥(18,859)**	¥(3,162)	¥ (722)	¥(13,575)	**$(37)**	**$(6)**	**$(155)**

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, 2022 and 2021.

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 ¥622,900 million (US$5,089 million) as of March 31, 2022, the Company and its subsidiaries have the unutilized commitment line (Yen: ¥200,000 million; multiple currency: US$1,700 million).

As of March 31, 2022 and 2021, 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			
	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 Yen			
	2021			
	Less than 1 year	1–5 years	More than 5 years	Total
Debentures and borrowings (Short-term and Long-term)	¥ 710,213	¥1,318,882	¥1,126,217	¥3,155,312
Trade payables, other current payables, and other financial liabilities (Short-term and Long-term)	1,893,007	18,781	10,390	1,922,178
Contingent liabilities	49,807	37,875	26,818	114,500

	Millions of U.S. Dollars			
	2022			
	Less than 1 year	1–5 years	More than 5 years	Total
Debentures and borrowings (Short-term and Long-term)	**$ 4,269**	**$10,215**	**$9,259**	**$23,743**
Trade payables, other current payables, and other financial liabilities (Short-term and Long-term)	**18,557**	**309**	**89**	**18,955**
Contingent liabilities	**220**	**435**	**123**	**778**

The remaining contractual maturities of derivatives for the Company and its subsidiaries as of March 31, 2022 and 2021 were as follows: The amounts for derivatives that will be net settled with other contracts are also presented in gross amounts.

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

		Millions of U.S. Dollars			
		2022			
		Less than 1 year	1–5 years	More than 5 years	Total
Currency derivatives	Receipts	$ 212	$ 27	$ 0	$ 239
	Payments	(166)	(1)	—	(167)
Interest rate derivatives	Receipts	1	9	7	17
	Payments	(2)	(31)	—	(33)
Commodity derivatives	Receipts	445	42	—	487
	Payments	(415)	(41)	—	(456)

(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, 2022 and 2021 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	
	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 Yen	
	2021	
	Carrying amount	Fair value
Financial assets:		
Non-current receivables and Non-current financial assets other than investments and receivables (excluding derivative assets)	¥ 315,194	¥ 314,703
Financial liabilities:		
Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative liabilities)	¥2,497,377	¥2,496,837

	Millions of U.S. Dollars	
	2022	
	Carrying amount	Fair value
Financial assets:		
Non-current receivables and Non-current financial assets other than investments and receivables (excluding derivative assets)	$ 2,832	$ 2,817
Financial liabilities:		
Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative liabilities)	$19,877	$19,872

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, 2022 and 2021, the balance of the investment to CTB accompanying the acquisition of CITIC Limited shares amounted to US$514 million (¥62,870 million) and US$514 million (¥56,870 million), respectively. The shareholder loan to CTB accompanying the acquisition of CITIC Limited shares amounted to US$4,446 million (¥544,182 million) and US$4,559 million (¥504,759 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, 2022 and 2021, the closing price of CITIC Limited shares on the Hong Kong Stock Exchange were HK$8.71 and HK$7.36 per share, respectively. The value obtained by multiplying the number of CITIC Limited shares that CTB owns by the said share prices are HK$50,675 million (¥792,606 million) and HK$42,821 million (¥609,736 million), respectively. In addition, the amount obtained by multiplying this value by 50%, which is the Company's ownership percentage in CTB, are HK$25,338 million (¥396,303 million) and HK$21,410 million (¥304,868 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, 2022 and 2021.

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
The amount of financial assets	¥5,337,882	¥4,719,247	$43,614
The amount of possible offsetting under master netting arrangement or similar arrangement	(208,675)	(139,069)	(1,705)
Net	¥5,129,207	¥4,580,178	$41,909

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
The amount of financial liabilities	¥6,236,789	¥6,141,106	$50,958
The amount of possible offsetting under master netting arrangement or similar arrangement	(208,675)	(139,069)	(1,705)
Net	¥6,028,114	¥6,002,037	$49,253

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, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021, the amounts reclassified from other comprehensive income into profit or loss, because it is no longer probable that forecasted transactions would occur, were immaterial.

Hedges of a net investment in foreign operations:

Hedges of a net investment in foreign operations are hedges of the exchange differences that arise between the functional currencies of the foreign operations and the functional currency of the parent company. The changes in fair value of hedging instruments that are designated and qualify as hedges of a net investment in foreign operations are recognized in other comprehensive income if the hedges are considered effective. This treatment is continued until foreign operations are disposed of, and the changes in the fair value of the hedging instruments that had been recorded in other comprehensive income are reclassified to profit or loss as part of gains or losses on disposal. The ineffective portion of the hedge is recognized as profit or loss. For the fiscal year ended March 31, 2022 and 2021, amounts of the net profit (losses) related to hedge ineffectiveness and the portion excluded from the assessment of hedge effectiveness was immaterial.

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, 2022 and 2021 were as follows:

As of the fiscal year ended March 31, 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		
		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 Yen		
		2021		
Type of hedge accounting	Hedging instruments	Notional amounts	Assets	Liabilities
Fair value hedges	Currency derivatives	¥ 84,835	¥1,999	¥ 681
	Interest rate derivatives	130,705	3,531	3
	Commodity derivatives	231,985	3,435	4,323
Cash flow hedges	Currency derivatives	¥191,972	¥2,824	¥2,135
	Interest rate derivatives	447,953	154	3,649
	Commodity derivatives	38,646	1,380	1,228
Hedges of a net investment in foreign operations	Currency derivatives	¥ 79,179	¥4,891	¥ —

		Millions of U.S. Dollars		
		2022		
Type of hedge accounting	Hedging instruments	Notional amounts	Assets	Liabilities
Fair value hedges	Currency derivatives	$ 753	$ 31	$ 7
	Interest rate derivatives	1,280	16	31
	Commodity derivatives	3,648	180	223
Cash flow hedges	Currency derivatives	$1,184	$ 51	$ 19
	Interest rate derivatives	132	1	0
	Commodity derivatives	499	37	25

For the fiscal years ended March 31, 2022 and 2021, the amounts of hedged items designated as fair value hedges were as follows:

		Millions of Yen	
		2022	
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	¥ 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	Millions of Yen 2021 Main account on Consolidated Statement of Financial Position	Carrying amount	Accumulated amount of fair value hedge adjustments included in the carrying amount
Currency risk	Trade receivables	¥ 2,148	¥ 23
	Trade payables	7,426	280
	Other current assets	647	647
	Other current liabilities	1,708	1,708
Interest rate risk	Debentures and borrowings	¥134,233	¥3,528
Commodity price risk	Inventories	¥ 18,796	¥ (454)
	Other current assets	4,209	4,209
	Other current liabilities	2,867	2,867

Risk category	Millions of U.S. Dollars 2022 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	**$ 9**	**$ 1**
	Trade payables	**22**	**1**
	Other current assets	**6**	**6**
	Other current liabilities	**30**	**30**
Interest rate risk	Debentures and borrowings	**$1,264**	**$(15)**
Commodity price risk	Inventories	**$ 313**	**$ 5**
	Other current assets	**216**	**216**
	Other current liabilities	**178**	**178**

Note: For the fiscal years ended March 31, 2022 and 2021, the accumulated amounts of fair value hedge adjustments related to the hedged items on which the hedging transactions have been ceased totaled ¥2,666 million (US$21 million) and ¥4,600 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, 2022 and 2021, the amounts of the Company and its subsidiaries' Other components of equity and the income (losses) associated with hedging instruments designated as cash flow hedges were as follows:

Risk category	Millions of Yen 2022 Amount recognized in Other components of equity	Amount of hedge income (loss) recognized in OCI	Main account of profit or loss reclassified from Other components of equity	Amount of profit or loss reclassified from Other components of equity
Currency risk	**¥ 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	Millions of Yen 2021 Amount recognized in Other components of equity	Amount of hedge income (loss) recognized in OCI	Main account of profit or loss reclassified from Other components of equity	Amount of profit or loss reclassified from Other components of equity
Currency risk	¥ 159	¥ 12,396	Other–net	¥(11,120)
Interest rate risk	(2,686)	1,417	Interest expense	1,656
Commodity price risk	223	(29,499)	Revenues from sale of goods	28,473
Total	¥(2,304)	¥(15,686)		¥19,009

Risk category	Millions of U.S. Dollars 2022 Amount recognized in Other components of equity	Amount of hedge income (loss) recognized in OCI	Main account of profit or loss reclassified from Other components of equity	Amount of profit or loss reclassified from Other components of equity
Currency risk	**$ 5**	**$ (52)**	Other–net	**$ 53**
Interest rate risk	**(1)**	**17**	Interest expense	**14**
Commodity price risk	**13**	**(223)**	Revenues from sale of goods	**236**
Total	**$17**	**$(258)**		**$303**

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, 2022 and 2021 were ¥3,380 million (US$28 million) (income) and ¥1,988 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 and 2021, the amounts of the Company and its subsidiaries' Other components of equity and the income (losses) associated with hedging instruments designated as hedges of a net investment in foreign operations was as follows:

	Millions of Yen			
	2022			
Risk category	Amount recognized in Other components of equity	Amount of hedge income (loss) recognized in OCI	Main account of profit or loss reclassified from Other components of equity	Amount of profit or loss reclassified from Other components of equity
Currency risk	—	—	Gains on investments	**¥(4,891)**
Total	—	—		**¥(4,891)**

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

	Millions of U.S.Dollars			
	2022			
Risk category	Amount recognized in Other components of equity	Amount of hedge income (loss) recognized in OCI	Main account of profit or loss reclassified from Other components of equity	Amount of profit or loss reclassified from Other components of equity
Currency risk	—	—	Gains on investments	**$(40)**
Total	—	—		**$(40)**

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, 2022, 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, 2022, the maturities and nominal amounts, which hedge accounting was applied to and was applicable as described above, were as follows:

			Millions of Yen
Type of hedge accounting	Risk category	Maturities	Nominal amount
Fair value hedges	Interest rate risk	Year 2026	**¥61,195**
Cash flow hedges	Currency risk	Year 2024	**22,030**
	Interest rate risk	Year 2025	**4,736**

			Millions of U.S. Dollars
Type of hedge accounting	Risk category	Maturities	Nominal amount
Fair value hedges	Interest rate risk	Year 2026	**$500**
Cash flow hedges	Currency risk	Year 2024	**180**
	Interest rate risk	Year 2025	**39**

The Company and its subsidiaries did not hold any financial instruments which uncertainty arising from the interest rate benchmark reform was eliminated by Fallback Supplement and other factors.

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 7–16%. 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, 2022 and 2021 was as follows:

For the fiscal years ended March 31, 2022 and 2021, there were no significant transfers between Level 1 and 2.

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

	Millions of U.S. Dollars			
	2022			
	Level 1	Level 2	Level 3	Total
Assets				
Inventories	**$ —**	**$ 14**	**$ —**	**$ 14**
Securities and other investments				
FVTPL financial assets	**52**	**220**	**553**	**825**
FVTOCI financial assets	**4,258**	**—**	**2,802**	**7,060**
Derivative assets	**91**	**652**	**—**	**743**
Liabilities				
Derivative liabilities	**$ 146**	**$510**	**$ —**	**$ 656**

The changes in Level 3 items for the fiscal years ended March 31, 2022 and 2021 were as follows:

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

	Millions of U.S. Dollars	
	2022	
	FVTPL financial assets	FVTOCI financial assets
Beginning Balance	$483	$2,284
Total gains or losses	123	354
Included in gains on investments	123	—
Included in other comprehensive income (loss) (FVTOCI financial assets)	—	223
Included in other comprehensive income (loss) (Translation adjustments)	—	131
Purchases	61	157
Sales	(89)	(492)
Transfers out of Level 3	(2)	(4)
Others	(24)	503
Ending balance	552	2,802
The amount of gains (losses) on investments for the period relating to assets still held as of March 31, 2022	$ 73	$ —

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

Transfers out of Level 3 recognized for the fiscal years ended March 31, 2022 and 2021 were due to the fact that the fair value of equity securities becoming measurable using the quoted market price resulting from listing on exchanges.

The increase in Others of FVTOCI financial assets is 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 is 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, 2022 and 2021 were as follows:

	Millions of Yen				Millions of U.S. Dollars
	2022		2021		2022
	Beginning Balance	Ending Balance	Beginning Balance	Ending Balance	Ending Balance
Receivables from Contracts with Customers	¥2,122,815	¥2,458,991	¥2,113,746	¥2,122,815	$20,091
Contract Assets	19,124	27,665	18,493	19,124	226
Contract Liabilities	133,127	151,027	116,363	133,127	1,234

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 year ended March 31, 2022. The change in balance of contract assets for the fiscal year ended March 31, 2021 was immaterial.

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, 2022 and 2021.

Revenues recognized for the fiscal years ended March 31, 2022 and 2021 include ¥109,259 million (US$893 million) and ¥91,863 million respectively, recognized from contract liabilities at the beginning of the fiscal years ended March 31, 2022 and 2021. Revenues recognized for the fiscal years ended March 31, 2022 and 2021 arising from performance obligations fulfilled in past periods, are immaterial.

(2) Remaining Performance Obligations

As of March 31, 2022, the Company and its subsidiaries have total transaction price of ¥885,538 million (US$7,235 million), mainly in energy, iron ore, system development, and ships transactions, allocated to remaining performance obligations. As of March 31, 2021, the Company and its subsidiaries have total transaction price of ¥580,740 million, mainly in iron ore, battery-related, system development, and ships transactions, allocated to remaining performance obligations. The Company and its subsidiaries expect most of these transactions to take place over the next 3 years, and to be recognized as revenues once the contracts are executed. The Company and its subsidiaries use the practical expedients, pursuant to IFRS 15, "Revenue from Contracts with Customers," and only disclose individual transactions with anticipated contract lengths exceeding 1 year.

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

For the fiscal years ended March 31, 2022 and 2021, 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, 2022 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Personnel expenses	¥ 585,471	¥ 588,942	$ 4,784
Depreciation	255,800	279,439	2,090
Amortization	37,692	37,552	308
Service charge	125,479	117,801	1,025
Distribution costs	92,316	88,191	754
Others	249,962	254,564	2,043
Total	¥1,346,720	¥1,366,489	$11,004

30. Gains on Investments

The breakdown of Gains on investments for the fiscal years ended March 31, 2022 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Investments in subsidiaries, associates and joint ventures	¥182,315	¥(4,728)	$1,490
FVTPL financial assets	29,540	8,838	241
Financial assets measured at amortized cost	(4)	(5)	(0)
Total	¥211,851	¥ 4,105	$1,731

In the fiscal year ended March 31, 2022, Gains on investments relating to Investments in subsidiaries, associates and joint ventures was mainly due to the gains of ¥62,822 million (US$513 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 (US$358 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 (US$262 million) due to the loss of control of ITOCHU Coal Americas Inc. in Metal & Minerals segment, and the gain of ¥31,025 million (US$253 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 (US$493 million).

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

The losses relating to Financial assets measured at amortized cost include losses arising from derecognition of financial assets of ¥4 million (US$0 million) for the fiscal year ended March 31, 2022.

The losses relating to Financial assets measured at amortized cost include losses arising from derecognition of financial assets of ¥3 million and the impairment loss of ¥2 million for the fiscal year ended March 31, 2021.

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

The breakdown of Losses on property, plant, equipment and intangible assets for the fiscal years ended March 31, 2022 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Gains on sales of property, plant and equipment	¥ 15,155	¥ 3,936	$ 124
Losses on disposal and sales of property, plant and equipment	(5,565)	(6,203)	(45)
Impairment losses on property, plant and equipment	(22,750)	(138,083)	(186)
Impairment losses on goodwill	(5,500)	(16,393)	(45)
Others	1,059	(781)	9
Total	¥(17,601)	¥(157,524)	$(143)

For the fiscal year ended March 31,2022, the losses mainly consist of an impairment loss recognized on store assets in FamilyMart Co., Ltd.

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

32. Other–Net

The breakdown of Other–net for the fiscal years ended March 31, 2022 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Net foreign exchange gains (losses)	¥ (1,995)	¥ 5,273	$(16)
Others	11,640	(11,470)	95
Total	¥ 9,645	¥ (6,197)	$ 79

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

33. Financial Income (Loss)

The breakdown of Financial income (loss) for the fiscal years ended March 31, 2022 and 2021 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2022	2021	2022
Interest income			
Financial assets measured at amortized cost	¥ 20,412	¥ 23,114	$ 167
Subtotal	20,412	23,114	167
Dividends received			
FVTPL financial assets	407	322	3
FVTOCI financial assets	80,334	52,823	657
Subtotal	80,741	53,145	660
Interest expense			
Financial liabilities measured at amortized cost			
Lease liabilities	(12,489)	(13,816)	(102)
Others	(10,473)	(22,122)	(86)
Derivatives	(4,055)	1,461	(33)
Others	(1,959)	(1,741)	(16)
Subtotal	(28,976)	(36,218)	(237)
Total	¥ 72,177	¥ 40,041	$ 590

34. Cash Flow Information

(1) Acquisitions and Sales of Subsidiaries

(Acquisitions of subsidiaries)
There were no acquisitions of major subsidiaries for the fiscal years ended March 31, 2022 and 2021.

(Sales of subsidiaries)
There were no sales of major subsidiaries for the fiscal years ended March 31, 2022 and 2021.

(2) Changes in Liabilities Arising from Financing Activities

Changes in liabilities arising from financing activities for the fiscal years ended March 31, 2022 and 2021 were as follows:

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

	Millions of U.S. Dollars		
	2022		
	Debentures and Borrowings	Lease liabilities and the others	Total
Beginning of the year	**$25,781**	**$ 8,692**	**$34,473**
Cash flow	**(2,854)**	**(2,181)**	**(5,035)**
Non-cash changes			
Increase through acquisitions	**129**	**19**	**148**
Decrease through divestitures	**(4)**	**(60)**	**(64)**
New leases	**—**	**666**	**666**
Effect of foreign currency exchange differences	**781**	**118**	**899**
Fair value changes	**(60)**	**—**	**(60)**
Others	**(30)**	**1,007**	**977**
End of the year	**$23,743**	**$ 8,261**	**$32,004**

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, 2022 were as follows:

Name	Location	Voting shares (%)
Textile		
Sankei Co., Ltd.	Koto-ku, Tokyo	100.0
EDWIN CO., LTD.	Shinagawa-ku, Tokyo	98.5
JOI'X CORPORATION	Chiyoda-ku, Tokyo	100.0
LEILIAN CO., LTD.	Meguro-ku, Tokyo	100.0
ITOCHU Textile Prominent (ASIA) Ltd.	Hong Kong, China	100.0 (50.0)
ITOCHU TEXTILE (CHINA) CO., LTD.	Shanghai, China	100.0 (40.0)
36 other companies		
Machinery		
IMECS Co., Ltd.	Minato-ku, Tokyo	100.0
ITOCHU AVIATION, CO., LTD.	Minato-ku, Tokyo	100.0
ITOCHU Plantech Inc.	Minato-ku, Tokyo	100.0
JAPAN AEROSPACE CORPORATION	Minato-ku, Tokyo	100.0
ITOCHU SysTech Corporation	Chuo-ku, Osaka	100.0
ITOCHU MACHINE-TECHNOS CORPORATION	Chiyoda-ku, Tokyo	100.0
Century Medical, Inc.	Shinagawa-ku, Tokyo	100.0
YANASE & CO., LTD.	Minato-ku, Tokyo	66.1
I-Power Investment Inc.	Wilmington, Delaware, U.S.A.	100.0
I-ENVIRONMENT INVESTMENTS LIMITED	London, U.K.	100.0 (30.0)
MULTIQUIP INC.	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
VEHICLES MIDDLE EAST FZE	Dubai, U.A.E.	100.0
78 other companies		
Metals & Minerals		
ITOCHU Metals Corporation	Minato-ku, Tokyo	100.0
ITC Platinum Development Ltd	London, U.K.	75.0
JAPÃO BRASIL MINÉRIO DE FERRO PARTICIPAÇÕES LTDA.	Sao Paulo, Brazil	77.3
ITOCHU Minerals & Energy of Australia Pty Ltd	Perth, W.A., Australia	100.0 (3.7)
6 other companies		
Energy & Chemicals		
ITOCHU ENEX CO., LTD.	Chiyoda-ku, Tokyo	54.0
ITOCHU PLASTICS INC.	Chiyoda-ku, Tokyo	100.0
ITOCHU CHEMICAL FRONTIER Corporation	Minato-ku, Tokyo	100.0
C.I. TAKIRON Corporation	Kita-ku, Osaka	55.8 (0.2)
ITOCHU Retail Link Corporation	Chuo-ku, Tokyo	100.0
ITOCHU PETROLEUM CO., (SINGAPORE) PTE. LTD.	Singapore	100.0
ITOCHU Oil Exploration (Azerbaijan) Inc.	Grand Cayman, Cayman Islands	100.0
IPC (USA), Inc.	West Hollywood, California, U.S.A.	100.0
CIECO West Qurna Limited	London, U.K.	60.0
ITOCHU Plastics Pte., Ltd.	Singapore	100.0 (30.0)
109 other companies		

Name	Location	Voting shares (%)
Food		
ITOCHU SUGAR CO., LTD.	Hekinan, Aichi	100.0
ITOCHU FEED MILLS CO., LTD.	Koto-ku, Tokyo	100.0 (0.0)
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
ITOCHU TAIWAN INVESTMENT CORPORATION	Taipei, Taiwan	100.0
113 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
P.T. ANEKA BUMI PRATAMA	Palembang, Indonesia	100.0 (35.0)
European Tyre Enterprise Limited	Letchworth, U.K.	100.0 (25.0)
ITOCHU FIBRE LIMITED	London, U.K.	100.0 (25.0)
ITOCHU Building Products Holdings Inc.	Chehalis, Washington, U.S.A.	100.0
59 other companies		
ICT & Financial Business		
ITOCHU Techno-Solutions Corporation	Minato-ku, Tokyo	59.4
CONEXIO Corporation	Minato-ku, Tokyo	60.4
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	76.2
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)
37 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
16 other companies		

Name	Location	Voting shares (%)
Overseas Trading Subsidiaries		
ITOCHU International Inc.	New York, N.Y., U.S.A.	100.0
ITOCHU Europe PLC	London, U.K.	100.0
ITOCHU Singapore Pte Ltd	Singapore	100.0
ITOCHU KOREA LTD.	Seoul, Korea	100.0
ITOCHU (Thailand) Ltd.	Bangkok, Thailand	100.0
ITOCHU Hong Kong Ltd.	Hong Kong, China	100.0
ITOCHU Latin America, S.A.	Panama, Republic of Panama	100.0
ITOCHU Brasil S.A.	Sao Paulo, Brazil	100.0
ITOCHU Australia Ltd.	Sydney, N.S.W., Australia	100.0
ITOCHU Middle East FZE	Dubai, U.A.E.	100.0
ITOCHU (CHINA) HOLDING CO., LTD.	Beijing, China	100.0
ITOCHU Taiwan Corporation	Taipei, Taiwan	100.0
17 other companies		

Notes: 1. The above numbers of subsidiaries do not include investment companies considered part of the parent (154 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.
4. ITOCHU Building Products Holdings Inc. changed its corporate name from TMI Forest Products Inc. on March 4, 2022.

(The loss of control of subsidiaries)

There were no major losses of control of subsidiaries for the fiscal year ended March 31, 2021.

The company recorded Gains on investments in the Consolidated Statement of Comprehensive Income of ¥96,640 (US$790 million) 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 and ITOCHU Coal Americas Inc. in Metals and Minerals.

(Subsidiaries with material non-controlling interests)

There were no subsidiaries with material non-controlling interests as of March 31, 2022 and 2021.

The non-controlling interests related to FamilyMart Co., Ltd decreased to 5.3% by the additional investment in shares in FamilyMart Co., Ltd in the previous fiscal year.

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, 2022 and 2021, the total assets of the unconsolidated structured entities were ¥1,708,901 million (US$13,963 million) and ¥1,187,884 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, 2022 and 2021 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
	2022	2021	2022
Investments accounted for by the equity method	**¥56,709**	¥25,290	**$463**
Non-current receivables	**40,370**	22,113	**330**
Total	**¥97,079**	¥47,403	**$793**

In addition, as of March 31, 2022 and 2021, the maximum exposure to losses in relation to the unconsolidated structured entities were ¥100,972 million (US$825 million) and ¥79,312 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, 2022 and 2021 were as follows:

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

	Millions of U.S. Dollars		
	2022		
	Financial guarantees	Guarantees for performance transactions	Total
Guarantees for associates and joint ventures:			
Maximum potential amount of future payments	$694	$ 24	$ 718
Amount of substantial risk	553	24	577
Guarantees for customers:			
Maximum potential amount of future payments	192	317	509
Amount of substantial risk	134	67	201
Total:			
Maximum potential amount of future payments	$886	$341	$1,227
Amount of substantial risk	687	91	778

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 ¥35,398 million (US$289 million) and ¥31,553 million as of March 31, 2022 and 2021, respectively.

Under these guarantees, adequate allowance to cover the expected losses from probable performance is recognized as liabilities. As of March 31, 2022, 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 ¥34,875 million (US$285 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 ¥24,290 million (US$198 million), including interest and penalties of ¥18,610 million (US$152 million). CM, which took over the tax litigation, recorded no liabilities related to this assessment.

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

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

38. Approval of Consolidated Financial Statements

The consolidated financial statements were approved at the Board of Directors' meeting held on June 10, 2022.

39. Material Subsequent Events

The Company evaluated subsequent events through June 24, 2022, which is the issuance date of the consolidated financial statements. There are no subsequent events to report.

Deloitte.

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

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of ITOCHU Corporation:

Opinion

We have audited the consolidated financial statements of ITOCHU Corporation and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of March 31, 2022, 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, 2022, 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 ¥368,989 million on its consolidated statement of financial position as of March 31, 2022, which included goodwill of ¥216,901 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 ¥408,196 million, which was recognized as a result of the conversion of FamilyMart into a subsidiary.

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

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

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

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, industry trends, the expected effect of improvement measures on store profitability and the impact of COVID-19. Since the decline of demand resulting from the impact of COVID-19 showed a certain recovery trend, for the impairment test conducted in the year ended March 31, 2022, the Company expects the similar demand trend would continue after the year ended March 31, 2022, and the business will recover up to the same level of the year ended March 31, 2020 from the year ending March 31, 2024 through the year ending March 31, 2025. 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.</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 judgment on the recognition of the impairment loss 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 accounting estimates for the above significant assumptions used in the previous fiscal year and assessed the reasonableness of subsequent re-estimation and the degree of estimation uncertainty.

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

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

For the above reasons, the estimate of the value in use determined when conducting impairment test of the cash-generating unit pertaining to FamilyMart's goodwill was one of most significance in our audit of the consolidated financial statements for the current fiscal year. Therefore, we identified the valuation of FamilyMart's goodwill was a key audit matter.	• We independently developed a reasonable range of the value in use by changing the above significant assumptions and assessed whether the value in use determined by the Company was within the range.

The Valuation of CITIC Limited Investment (Note 14 "Associates and Joint Ventures")	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As described in Note 14 "Associates and Joint Ventures" to the consolidated financial statements, Chia Tai Bright Investment Company Limited (hereafter, "CTB"), a company in which the Company has 50% ownership 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 determined. If the recoverable amount is below the carrying amount, an impairment loss is recognized in profit or loss. The Company recognizes an amount corresponding to the share of the impairment loss recognized by CTB in "Equity in earnings of associates and joint ventures". In the current fiscal year, as the decline of CITIC Limited's stock price was determined to be an indication of impairment, the recoverable amount of the investment was calculated based on the estimated future cash flows of CITIC Limited. The Company did not recognize any impairment losses 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 used appropriate valuation methods for each operating company under CITIC Limited for its impairment test. Significant accounting estimates, such as future cash flows, are used in determining the recoverable amount.	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 judgment on the recognition of the impairment loss in relation to CITIC Limited investment and on the reasonableness of the significant assumptions involved, including the future profitability of CITIC Limited and the outlook for relevant regulations. 2. Evaluation of the reasonableness of the estimate of the recoverable amount • We compared the outcomes of accounting estimates for the above significant assumptions used in the previous fiscal year and assessed the reasonableness of subsequent re-estimation and the degree of estimation uncertainty. • We inquired of management to evaluate the rationality of the above significant assumptions. Furthermore, we assessed how management evaluated the effects of uncertainty including evaluation of the growth outlook of the Chinese economy, including the impact of COVID-19, and conducted a comparison with actual results in previous fiscal years and industry analysis.

Future cash flows are calculated by reflecting the future profitability based on the growth outlook of the Chinese economy, including the impact of COVID-19, and relevant regulations.Therefore, estimating future cash flows requires accounting estimates that involves a high degree of uncertainty and subjectivity. For the above reasons, the estimate of the recoverable amount determined when conducting impairment test of CITIC Limited investment was one of most 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.	• With the assistance of our valuation specialists, we evaluated whether the selection and application of the method, assumptions and data for measuring the recoverable amount, including the discount rate, were reasonable based on the characteristics of the CITIC Limited Group. • We independently developed a reasonable range of the recoverable amount by changing the above significant assumptions and assessed whether the recoverable amount determined by the Company was within the range.

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 24, 2022

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, 2022 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, 2022, we concluded that its internal control system over financial reporting as of March 31, 2022 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, 2022, 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, 2022. The Company and 90 consolidated subsidiaries and associated companies (the "90 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 90 entities, we reasonably determined the required scope of assessment of internal controls over business processes.

(Note) The 90 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 90 entities, however we included major special purpose entities into the scope of assessment. Regarding entities other than the 90 entities and the major special purpose entities, we concluded that they do not have any material impact on the consolidated financial statements and, thus, we did not include them in the scope of assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, we selected locations and business units to be tested based upon revenue and gross trading profit (before elimination of inter-company transactions). In addition, we also added locations and business units by considering qualitative aspects such as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management's judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting. We selected the Company and 37 entities as "significant locations and/or business units". We verified that combined revenue and gross trading profit of entities in scope exceeded two thirds of totals for the year ended March 31, 2022. 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 24, 2022

To the Board of Directors of ITOCHU Corporation:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant: Koichi Okubo

Designated Engagement Partner,
Certified Public Accountant: Haruko Nagayama

Designated Engagement Partner,
Certified Public Accountant: Susumu Nakamura

Audit of Financial Statements

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of ITOCHU Corporation and its consolidated subsidiaries (the "Group") included in the Financial Section, namely, the consolidated statement of financial position as of March 31, 2022, 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, 2021 to March 31, 2022, 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, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

Basis for Opinion

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

Key Audit Matters

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

<table>
<tr><th colspan="2">The Valuation of FamilyMart's Goodwill (Note 12 "Goodwill and Intangible Assets")</th></tr>
<tr><th>Key Audit Matter Description</th><th>How the Key Audit Matter Was Addressed in the Audit</th></tr>
<tr><td>As described in Note 12 "Goodwill and Intangible Assets" to the consolidated financial statements, ITOCHU Corporation (the "Company") recorded goodwill of ¥368,989 million on its consolidated statement of financial position as of March 31, 2022, which included goodwill of ¥216,901 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 ¥408,196 million, which was recognized as a result of the conversion of FamilyMart into a subsidiary.

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

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

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

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, industry trends, the expected effect of improvement measures on store profitability and the impact of COVID-19. Since the decline of demand resulting from the impact of COVID-19 showed a certain recovery trend, for the impairment test conducted in the year ended March 31, 2022, the Company expects the similar demand trend would continue after the year ended March 31, 2022, and the business will recover up to the same level of the year ended March 31, 2020 from the year ending March 31, 2024 through the year ending March 31, 2025. 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, the estimate of the value in use determined when conducting impairment test of the cash-generating unit pertaining to FamilyMart's goodwill was one of most significance in our audit of the consolidated financial statements for the current fiscal year. 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 judgment on the recognition of the impairment loss 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 accounting estimates for the above significant assumptions used in the previous fiscal year and assessed the reasonableness of subsequent re-estimation and the degree of estimation uncertainty.
• We inquired of management to evaluate the rationality of the above significant assumptions. Furthermore, we assessed how management evaluated the effects of uncertainty including evaluation of the effects of COVID-19, conducted a comparison with actual results in previous fiscal years, compared external data available on the market environment for market growth and business plans of other companies in the same industry and performed a trend analysis.
• With the assistance of our valuation specialists, we evaluated whether the selection and application of the method, assumptions and data for measuring the value in use, including the discount rate, were reasonable.
• We independently developed a reasonable range of the value in use by changing the above significant assumptions and assessed whether the value in use determined by the Company was within the range.</td></tr>
</table>

The Valuation of CITIC Limited Investment (Note 14 “Associates and Joint Ventures”)	
Key Audit Matter Description	**How the Key Audit Matter Was Addressed in the Audit**
As described in Note 14 “Associates and Joint Ventures” to the consolidated financial statements, Chia Tai Bright Investment Company Limited (hereafter, “CTB”), a company in which the Company has 50% ownership 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 determined. If the recoverable amount is below the carrying amount, an impairment loss is recognized in profit or loss. The Company recognizes an amount corresponding to the share of the impairment loss recognized by CTB in “Equity in earnings of associates and joint ventures”. In the current fiscal year, as the decline of CITIC Limited’s stock price was determined to be an indication of impairment, the recoverable amount of the investment was calculated based on the estimated future cash flows of CITIC Limited. The Company did not recognize any impairment losses 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 used appropriate valuation methods for each operating company under CITIC Limited for its impairment test. Significant accounting estimates, such as future cash flows, are used in determining the recoverable amount. Future cash flows are calculated by reflecting the future profitability based on the growth outlook of the Chinese economy, including the impact of COVID-19, and relevant regulations. Therefore, estimating future cash flows requires accounting estimates that involves a high degree of uncertainty and subjectivity. For the above reasons, the estimate of the recoverable amount determined when conducting impairment test of CITIC Limited investment was one of most 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 judgment on the recognition of the impairment loss in relation to CITIC Limited investment and on the reasonableness of the significant assumptions involved, including the future profitability of CITIC Limited and the outlook for relevant regulations. 2. Evaluation of the reasonableness of the estimate of the recoverable amount • We compared the outcomes of accounting estimates for the above significant assumptions used in the previous fiscal year and assessed the reasonableness of subsequent re-estimation and the degree of estimation uncertainty. • We inquired of management to evaluate the rationality of the above significant assumptions. Furthermore, we assessed how management evaluated the effects of uncertainty including evaluation of the growth outlook of the Chinese economy, including the impact of COVID-19, and conducted a comparison with actual results in previous fiscal years and industry analysis. • With the assistance of our valuation specialists, we evaluated whether the selection and application of the method, assumptions and data for measuring the recoverable amount, including the discount rate, were reasonable based on the characteristics of the CITIC Limited Group. • We independently developed a reasonable range of the recoverable amount by changing the above significant assumptions and assessed whether the recoverable amount determined by the Company was within the range.

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, 2022.

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, 2022, is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

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

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board f or Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit

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

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

- Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting.

- Examine representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

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

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

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

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

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

Notes to the Readers of Independent Auditor's Report

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

ITOCHU Corporation

FINANCIAL INFORMATION REPORT 2022

ITOCHU Corporation

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

MIX
Paper from responsible sources
FSC® C006410

Printed in Japan