Annual Report 2009
Year ended March 31, 2009

Frontier-2006

Frontier+ 2008

Frontier^{e} 2010

Enhancing Corporate Value on the World Stage,
Shaping the Future

ITOCHU Corporation

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ITOCHU—A General Trading Company

Our Mission and Values

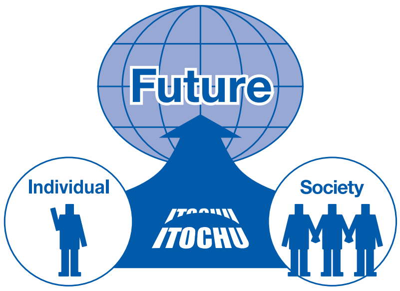
Renewed Mission and Values Befitting *a Truly Global Enterprise*

At ITOCHU, from generation to generation, we have passed down the *sampo yoshi* management philosophy of being good for the seller, the buyer, and society that lies at the heart of our management today. That philosophy has been the source of ITOCHU's Credo, *Committed to the global good*, calling on the Company to do its utmost to benefit society as an international entity. Retaining its basic message, in March 2009 ITOCHU restructured the ITOCHU Credo to the ITOCHU Mission and Values in order to give members of the Group worldwide a clearer understanding of ITOCHU's responsibilities toward society and the values that employees should share—so that they can put them into practice and use them to gauge their own performance in their everyday work. This rearrangement has made the ITOCHU Mission and Values befitting *a truly global enterprise*. (Please see pages 54–55 for details of the rationale behind the rearrangement of the ITOCHU Credo to the ITOCHU Mission and Values and how it relates to management strategy.)

ITOCHU Mission

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

Committed to the Global Good



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

ITOCHU Values

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

Visionary

Integrity

Diversity

Passion

Challenge

Our Growth Model

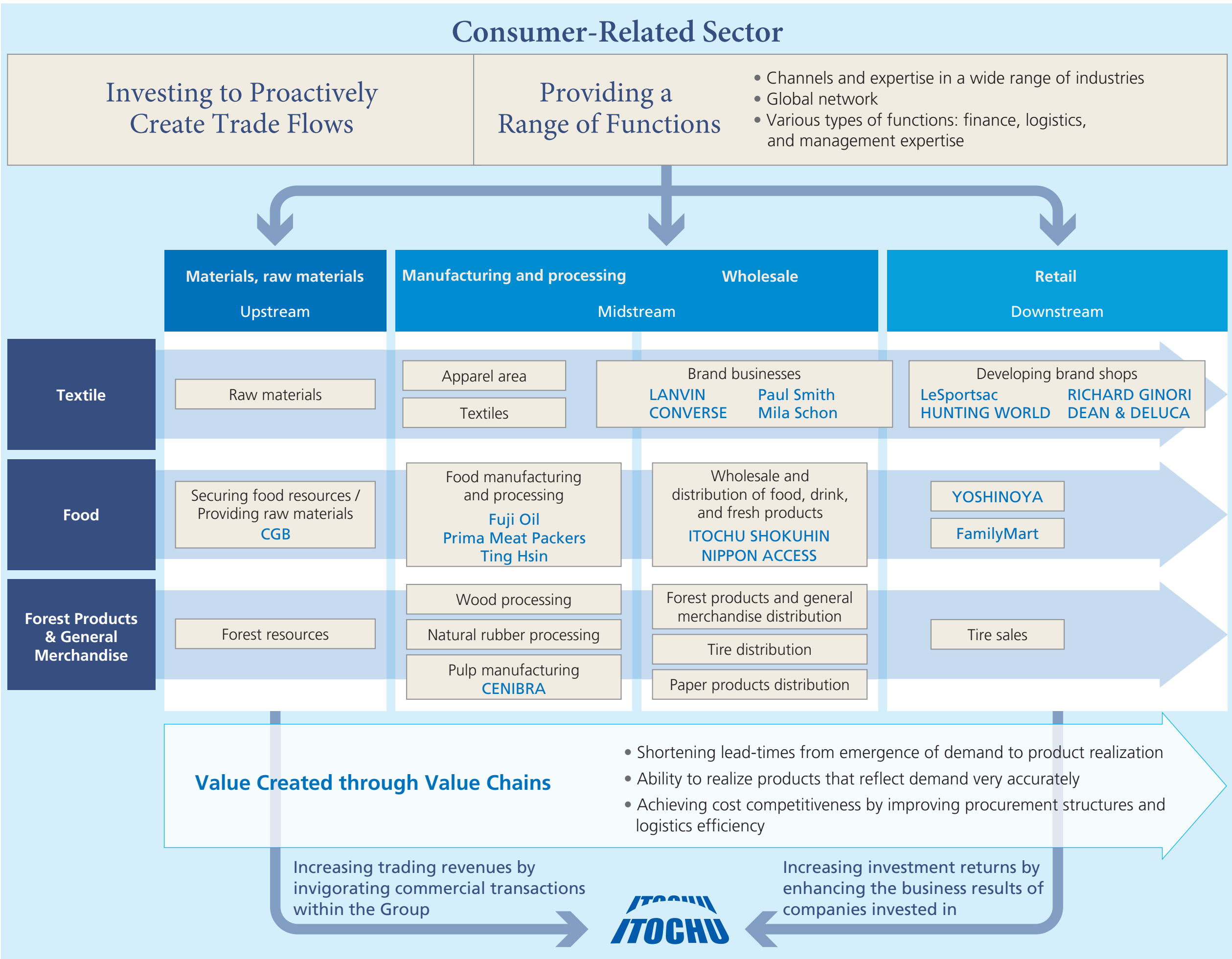
The Evolution of a Growth Model that Constantly Generates Value

Bearing out the view that general trading companies are "microcosms of the global economy," ITOCHU has established contacts with a broad variety of industries throughout the world through its business activities and has many different types of relationships with these industries. The basic role of our business activities lies in forming partnerships with client companies and then removing anything that may obstruct the launching of new businesses or the strengthening of existing businesses' competitiveness. During Japan's period of rapid economic growth from the end of World War II until the 1970s, ITOCHU played that role in two ways: through trading that took advantage of ITOCHU's worldwide information network to bridge information gaps between suppliers and customers and through trading-company finance. From the 1990s onward, in response to ever-more exacting client needs arising from increasing global competition, we continuously upgraded our functions. In time, we shifted to investing directly in promising companies in order to build even stronger partnerships.

Our goal in these efforts is to proactively create trade flows from raw materials through to production, wholesale, and sales. Further, we provide full support to increase the competitiveness of companies that we invest in by facilitating funding, logistics, product development, and marketing; finding business partners and organizing tie-ups; and dispatching management teams. At the same time, we optimize supply chain management (SCM) by circulating downstream information to midstream and upstream business areas. In this way, we build "value chains" that add value at each operational stage. The following explains how we create value, taking the Consumer-Related Sector, where we have advantages, as an example.

In the Consumer-Related Sector, product lifecycles are shortening and consumer demand is evolving with dizzying speed. Therefore, how quickly a company can detect the signs of changing consumer needs and reflect this in products is critical in creating value.

Providing contacts with consumers, powerful retail companies such as FamilyMart Co., Ltd., and Yoshinoya Holdings Co., Ltd., are members of the ITOCHU Group. These companies



identify shifts in consumer tastes in a timely manner, share this information to ITOCHU and other Group companies, and collaborate in the resulting product development. In such initiatives, one significant advantage is business collaborations with companies in all kinds of industries based on ITOCHU's wide-ranging partnerships. As a result, we can bring to market products that cater to consumer needs with a high degree of precision. ITOCHU is able to shorten the lead-time from the identification of a consumer need to the creation of a corresponding product. We do this by coordinating product development and efforts to procure raw materials from the most suitable regions through our global network. At the same time, we have comprehensive control over midstream production and processing, intermediary distribution, and downstream retailing. In addition, we have advanced logistics networks—such as a distribution network that can handle products in all temperature ranges—which NIPPON ACCESS, INC., and our other food wholesale companies have built. As well as adding value to products, these logistics networks improve procurement structures and heighten the cost competitiveness of our logistics by increasing efficiency. Also, we multiply value by providing companies that we invest in with financial functions and management expertise.

Such efforts to upgrade value chains and the accompanying increases in the corporate values of companies in which we invest heighten the return on our investments through increases in trading revenues, equity in earnings of associated companies, and dividend income. Achieving mutual growth through win-win relationships with companies invested in is the essence of ITOCHU's growth model, and it has proven successful time and again in many different business areas.

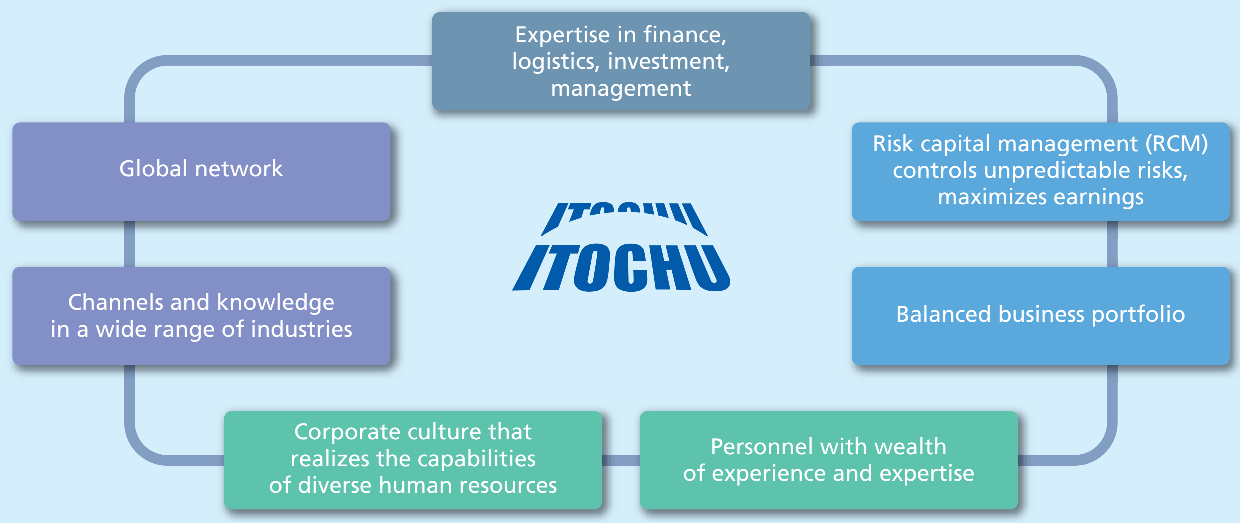
Leveraging Unique Comprehensive Capabilities —The Foundations of ITOCHU's Growth Model

Comprehensive capabilities enable ITOCHU's growth model. Within a corporate group, we have channels and knowledge covering a broad vista of industries, global networks, and a diverse palette of functions and expertise in trading, finance, logistics, investment, and management.

In step with the evolution of our growth model, our risk management methods have become increasingly sophisticated. One such method is risk capital management (RCM), which seeks to maximize earnings while controlling risk that is growing and diversifying as business investment becomes an increasingly important part of our operations. (For details, please see Strengthening Financial Position and Upgrading Risk Management on pages 20–21.) Further, a balanced business portfolio underpins the Group's overall earnings by mitigating earnings volatility arising from slumps in particular business areas or regions.

In addition, ITOCHU views the human resources that implement growth strategies as the most important driver of its growth. We are working so hard to encourage each employee to accumulate expertise and experience and to create an attractive corporate culture in which diverse human resources can give full play to their abilities regardless of their gender, nationality, or age group. This type of nurturing environment attracts talented employees and creates a virtuous circle that further cements the foundations of ITOCHU's growth.

ITOCHU's Comprehensive Capabilities



Our Growth Stage—Aiming to Become *a Truly Global Enterprise*, Shaping the Future

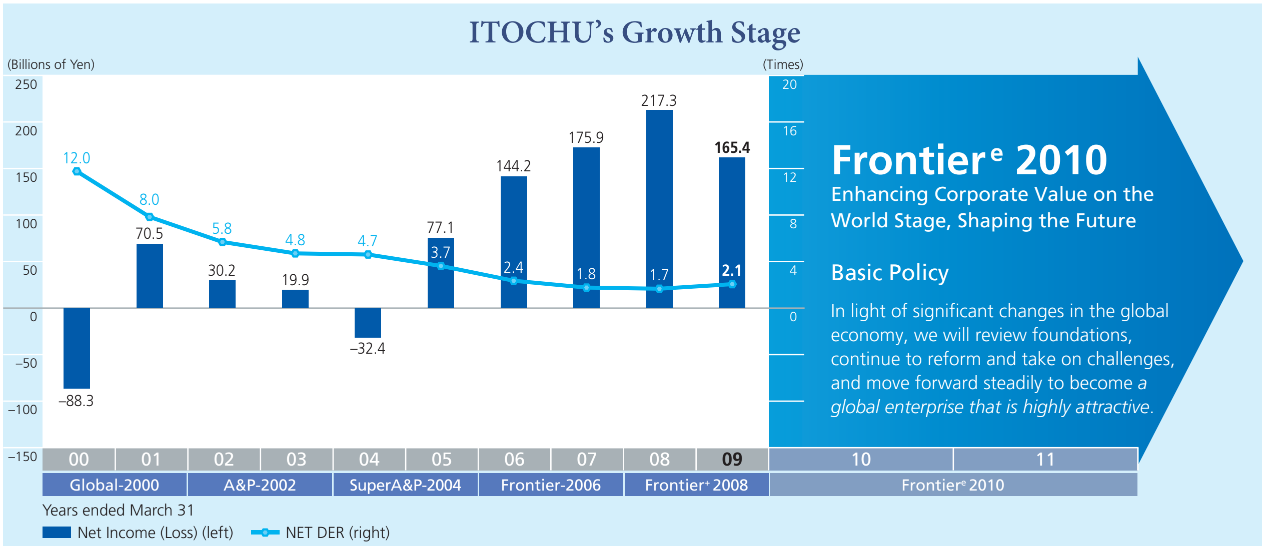
We will continue reviewing foundations and tackling reform to advance steadily toward our goal of becoming *a highly attractive global enterprise*.

From fiscal 2000 onward, ITOCHU began transforming itself into a very efficient high-earning corporate group by disposing of underperforming assets, withdrawing from inefficient assets, and concentrating resources on highly efficient assets. Those tireless efforts formed the backdrop to our achievement of record earnings for four consecutive years from fiscal 2005. In fiscal 2009, the final year of Frontier+ 2008, we faced turmoil in the global economy and did not meet the plan's targets. However, the lean and strong earnings structures that we have put in place undeniably helped buttress earnings.

Frontier+ 2008 summarized our ideal corporate identity as *a global enterprise that is highly attractive to all stakeholders*. And, the plan's overriding goal was to achieve sustainable growth. As one strategy to that end, the plan highlighted the importance of *creating new initiatives*, which meant developing earnings platforms in L-I-N-E-s*1 business areas that promise significant growth. Second, the plan called for accelerating business development in overseas markets, which are likely to see comparatively robust growth. To enable these strategies, the plan emphasized seeking global human resources.
Regarding its basic policy, our new medium-term management plan Frontier^e 2010, launched from the current fiscal year, states that "In light of significant changes in the global economy, we will review foundations, continue to reform and take on challenges, and move forward steadily to become *a highly attractive global enterprise*." ITOCHU's goal during the period of Frontier^e 2010 and beyond remains unchanged—to become *a truly global enterprise*.

During the two years of Frontier^e 2010, aiming to become *a truly global enterprise*, ITOCHU will benefit individuals and society and build the Company's future by steadily implementing the management plan's key measures, which are to *expand and improve earnings platforms*, *strengthen financial position / upgrade risk management*, *evolve management systems*, and *advance full-fledged implementation of global human resources strategy*.

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



The Meaning of Being *a Global Enterprise that Is Highly Attractive to all Stakeholders*

In order to achieve sustainable growth, in addition to efforts in mature Japanese markets, we must increase the momentum of our business development in overseas markets expected to grow vigorously. To achieve this, we believe we have to become *a truly global enterprise* recognized by all stakeholders worldwide—stockholders, creditors, business partners, and society. Furthermore, we need global human resources that are receptive to international viewpoints and diverse values and unshackled by age, gender, or nationality.

Consolidated Financial Highlights

ITOCHU Corporation and Subsidiaries
Years ended March 31

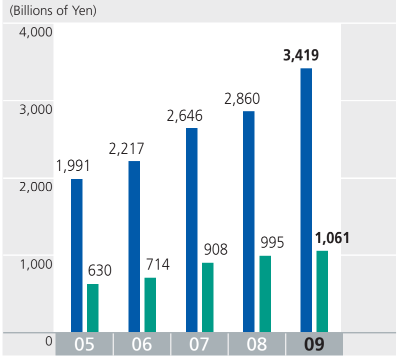
	Millions of Yen					Increase (Decrease)	Millions of U.S. Dollars
	2009	2008	2007	2006	2005	2009/2008	2009
For the fiscal year:							
Revenue	¥3,419,061	¥2,859,853	¥2,646,037	¥2,217,393	¥1,990,627	19.6%	$34,807
Gross trading profit	1,060,521	994,547	907,511	713,546	630,150	6.6	10,796
Net financial expenses*1	5,582	(7,709)	(7,555)	(7,816)	(6,878)	—	57
Net interest expenses*2	(29,457)	(32,156)	(29,218)	(26,032)	(21,040)	(8.4)	(300)
Dividends received	35,039	24,447	21,663	18,216	14,162	43.3	357
Equity in earnings (losses) of associated companies	41,304	70,238	(20,069)	51,737	31,764	(41.2)	421
Net income	165,390	217,301	175,856	144,211	77,063	(23.9)	1,684
At fiscal year-end:							
Total assets	¥5,192,092	¥5,274,199	¥5,288,647	¥4,809,840	¥4,483,505	(1.6)	$52,856
Stockholders' equity	849,411	973,545	892,553	724,377	508,893	(12.8)	8,647
Net interest-bearing debt*3	1,756,764	1,654,532	1,630,928	1,724,314	1,891,086	6.2	17,885
Cash flows:							
Cash flows from operating activities	¥ 276,854	¥ 65,552	¥ 235,917	¥185,147	¥ 126,624	322.3	$ 2,818
Cash flows from investing activities	(326,033)	(65,774)	(83,394)	(79,871)	(127,600)	395.7	(3,319)
Cash flows from financing activities	258,322	(81,294)	(100,920)	(85,193)	(125,342)	—	2,630
Cash and cash equivalents at end of year	628,820	446,311	532,856	477,707	452,934	40.9	6,402
	Yen (Unless otherwise specified)					Increase (Decrease)	U.S. Dollars
Per share:							
Net income	¥104.64	¥137.46	¥111.19	¥ 91.15	¥ 48.70	(23.9)%	$1.07
Stockholders' equity	537.43	615.89	564.48	457.93	321.59	(12.7)	5.47
Cash dividends	18.5	18.0	14.0	9.0	7.0	2.8	0.19
Ratios:							
Gross trading profit ratio (%)	8.8	8.5	7.9	6.8	6.6		
ROA (%)	3.2	4.1	3.5	3.1	1.7		
ROE (%)	18.1	23.3	21.8	23.4	16.6		
Ratio of stockholders' equity to total assets (%)	16.4	18.5	16.9	15.1	11.4		
Net debt-to-equity ratio (NET DER) (times)	2.1	1.7	1.8	2.4	3.7		
Interest coverage (times)	7.2	6.2	6.6	5.7	5.7		
	Millions of Yen					Increase	Millions of U.S. Dollars
(Reference)							
Total trading transactions	¥12,065,109	¥11,729,082	¥11,556,787	¥10,456,727	¥9,562,614	2.9%	$122,825
Adjusted profit*4	339,292	333,673	240,766	251,210	188,196	1.7	3,454

All figures are for fiscal years, which begin on April 1 of the years preceding and extend through March 31.
The Japanese yen amounts for the year ended March 31, 2009 have been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥98.23 = U.S.$1, the official rate of The Bank of Tokyo-Mitsubishi UFJ, Ltd., as of March 31, 2009.
Revenue is presented in accordance with "Emerging Issues Task Force (EITF)" No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent."
Total trading transactions are presented in accordance with Japanese accounting practice.
Total trading transactions consist of sales with respect to transactions in which the companies act as principal and the total amount of transactions in which the companies act as agent.
Net income per share and stockholders' equity per share are calculated by using the shares that exclude the number of treasury stock from that of common stock issued.

*1 Net financial expenses = Net interest expenses + Dividends received
Calculation formula (Fiscal 2009: ¥ million): 5,582 = (29,457) + 35,039
*2 Net interest expenses = Interest income + Interest expense
Calculation formula (Fiscal 2009: ¥ million): (29,457) = 16,253 + (45,710)
*3 Net interest-bearing debt = Interest-bearing debt – Cash, cash equivalents and time deposits
Calculation formula (Fiscal 2009: ¥ million): 1,756,764 = 2,389,322 – 632,558
*4 Adjusted profit = Gross trading profit + Selling, general and administrative expenses + Net financial expenses + Equity in earnings (losses) of associated companies
Calculation formula (Fiscal 2009: ¥ million): 339,292 = 1,060,521 + (768,115) + 5,582 + 41,304

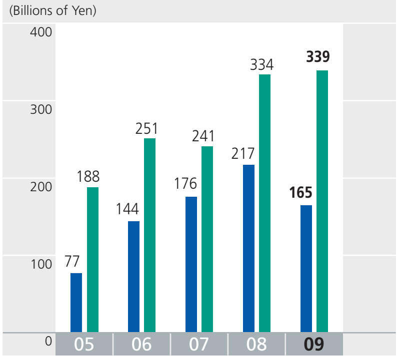
Growth Indicators

Revenue / Gross Trading Profit



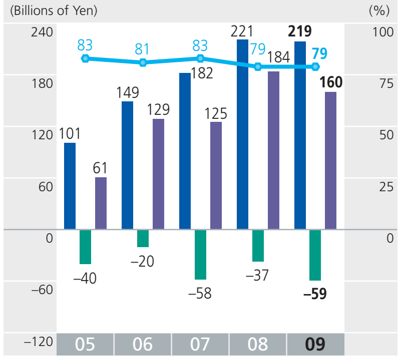
Revenue
Gross Trading Profit

Net Income / Adjusted Profit



Net Income
Adjusted Profit

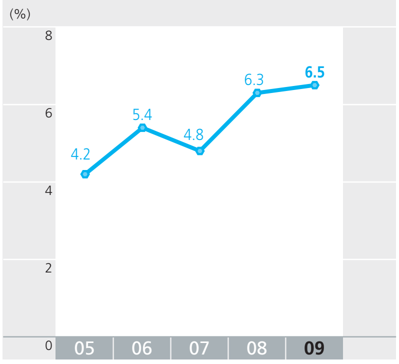
Net Income (Loss) from Subsidiaries and Equity-Method Associated Companies



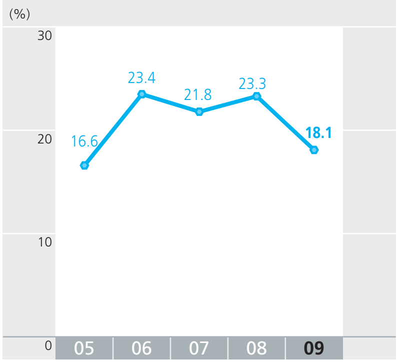
*Includes overseas trading subsidiaries
Companies Reporting Profits (left)
Companies Reporting Losses (left)
Net Income from Subsidiaries and Equity-Method Associated Companies (left)
Share of Group Companies Reporting Profits (right)

Profitability Indicators

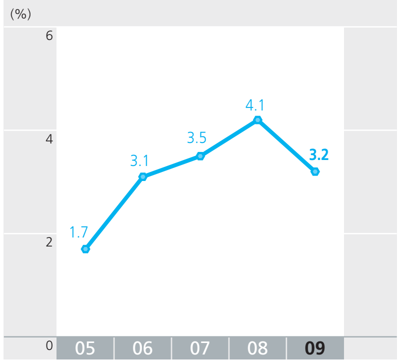
Ratio of Adjusted Profit to Total Assets



ROE

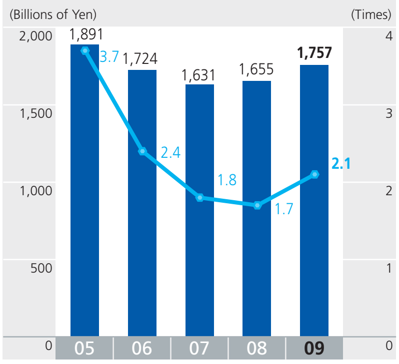


ROA



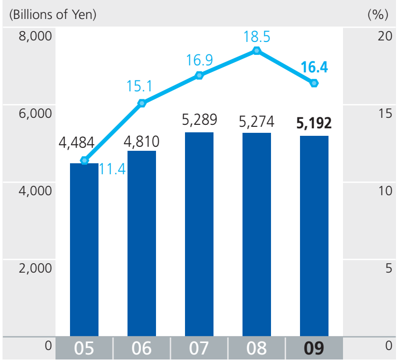
Stability Indicators

Net Interest-Bearing Debt / NET DER



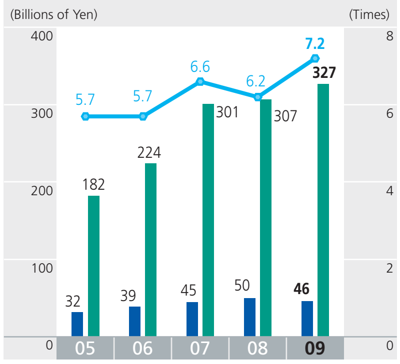
Net Interest-Bearing Debt (left)
NET DER (right)

Total Assets / Ratio of Stockholders' Equity to Total Assets



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

Interest Coverage



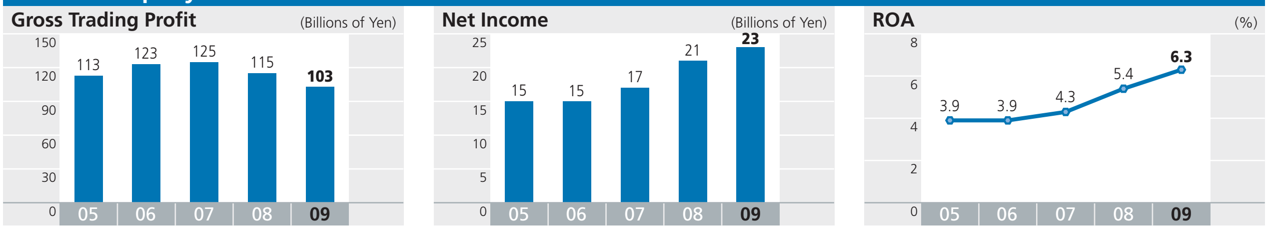
Interest Expense (left)
Gross Trading Profit, SG&A Expenses, Provision for Doubtful Receivables, Interest Income, and Dividends Received (left)
Interest Coverage (right)

Segment Highlights

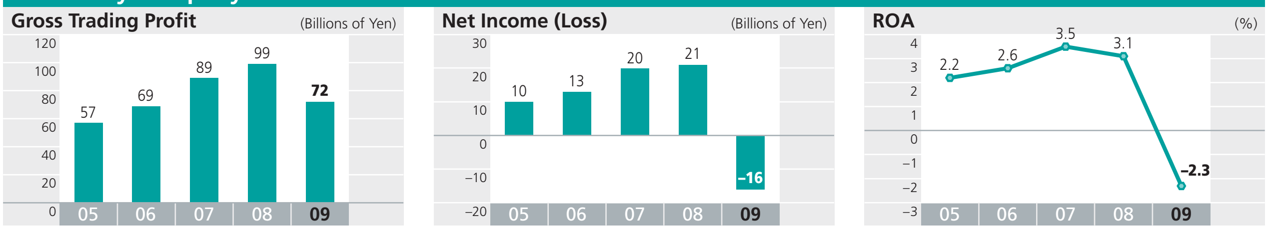
ITOCHU Corporation and Subsidiaries
Years ended March 31

* As the result of a reorganization on April 1, 2009, the Machinery Company transferred control of its Industrial Machinery & System Department to the Aerospace, Electronics & Multimedia Company, which changed its name to the ICT, Aerospace & Electronics Company.

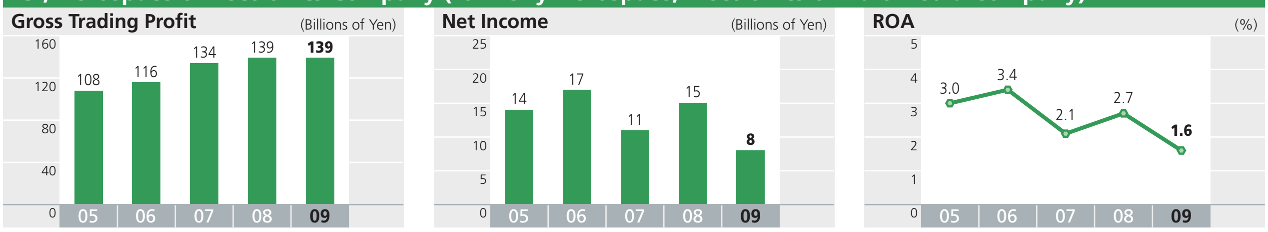
Textile Company



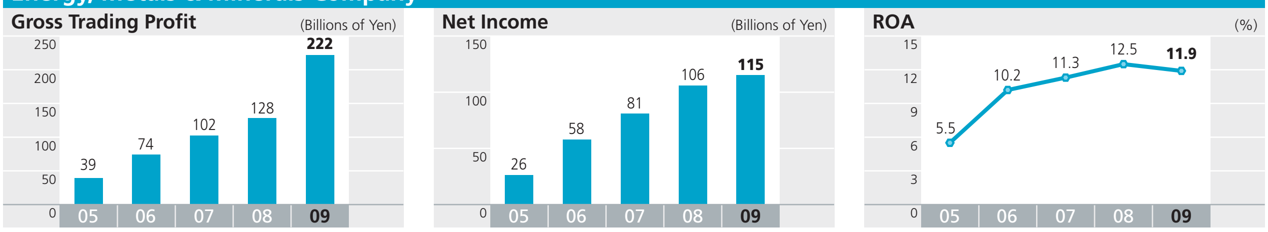
Machinery Company



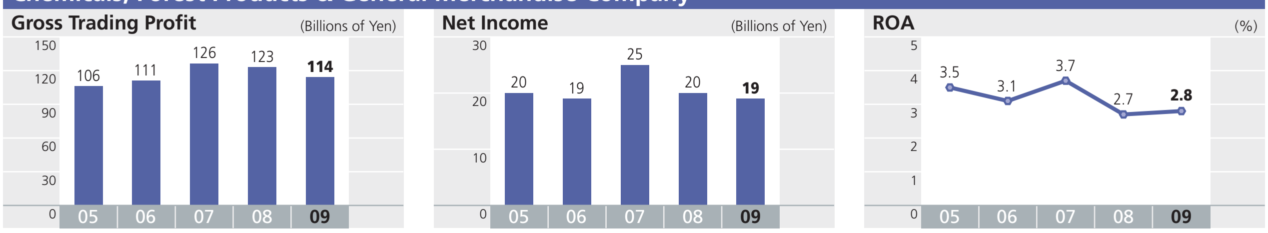
ICT, Aerospace & Electronics Company (formerly Aerospace, Electronics & Multimedia Company)



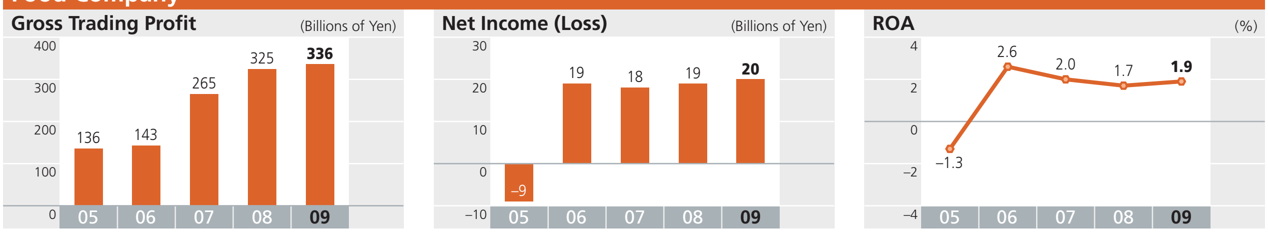
Energy, Metals & Minerals Company



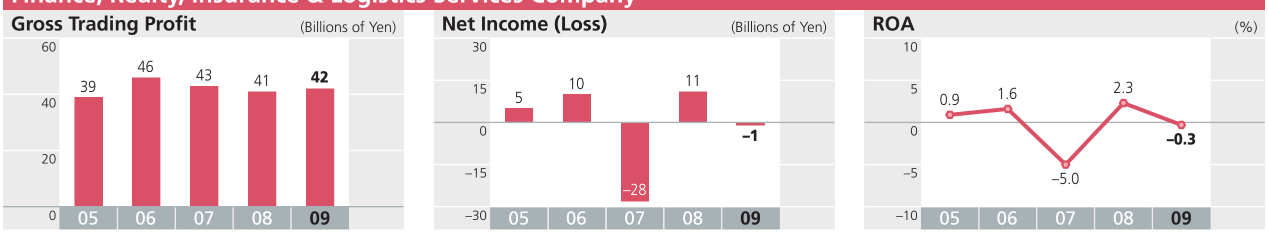
Chemicals, Forest Products & General Merchandise Company



Food Company



Finance, Realty, Insurance & Logistics Services Company



Enhancing Corporate Value on the World Stage, Shaping the Future

Frontier[e] 2010

CEO Message

Enhancing Corporate Value on the World Stage, Shaping the Future

Enhancing Corporate Value on the World Stage, Shaping the Future

Eizo Kobayashi
President and
Chief Executive Officer

The global economy is in a phase of unprecedented turmoil. As conditions are likely to remain uncertain, we have to reappraise and cement our foundations. However, regardless of economic fluctuations, our determination to become *a truly global enterprise* will not waver.

Looking ahead to a post-recession of global economy, we will continue taking on challenges and reforms to move forward steadily.

Reviewing Frontier+ 2008 Quantitatively

In fiscal 2009, ended March 31, 2009, net income declined 23.9%, or ¥51.9 billion, to ¥165.4 billion, which principally resulted from a drop in automobile and construction machinery trading transactions due to a sudden worsening of economic conditions in the second half of the fiscal year; a ¥36.2 billion loss arising from withdrawal from the Entrada oil and natural gas field development project in the U.S. Gulf of Mexico; and ¥46.0 billion in impairment losses on investment securities because of a slumping stock market.

To begin with, I would like to look back over the period of the Frontier+ 2008 medium-term management plan, which covered fiscal 2008 and fiscal 2009. In fiscal 2008, we grew robustly on the back of a growing global economy that was driven by the economic development of BRICs and resource-rich countries. Consequently, we surpassed our initial target of ¥210 billion to post net income of ¥217.3 billion and set a new record for the fourth straight year. Favorable trends continued until the end of the first half of fiscal 2009. However, the failure of a major U.S. financial institution in September 2008 brought about a sea of change. Recession quickly spread globally, and these favorable trends slowed rapidly. As a result, net income declined year on year, falling short of our target. In addition, stockholders' equity was down 12.8%, or ¥124.1 billion, from the previous fiscal year-end, to ¥849.4 billion, reflecting the recording of a comprehensive loss compared with the recording of comprehensive income*1 in the previous fiscal year due to a rapid appreciation of the yen coupled with a steep fall in the stock market. This decrease in comprehensive income led to financial issues such as a 0.4 point worsening of the net debt-to-equity ratio (NET DER) from the previous fiscal year-end, to 2.1 times.

*1 The total change in stockholders' equity excluding items resulting from capital transactions that are stipulated in the Statement of Financial Accounting Standards No.130, "Reporting Comprehensive Income" (SFAS 130)

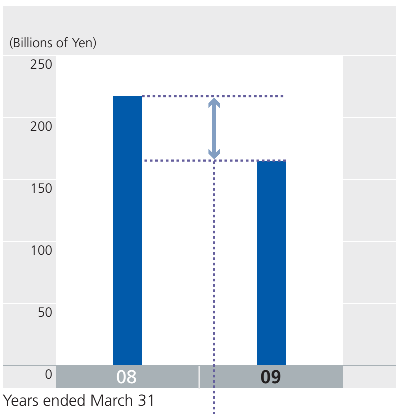
Frontier+ 2008—Quantitative Review

(Billions of Yen)

	FY2008		FY2009	
	Plan	Results	Initial Plan	Results
Net Income	210.0	217.3	210.0	**165.4**
Total Assets	5,800.0	5,274.2	6,300.0	**5,192.1**
NET DER	1.7 times	1.70 times	1.7 times or less	**2.07 times**

	FY2008	FY2009
Net Interest-Bearing Debt	1,654.5	**1,756.8**

FY2009 Net Income—Positive and Negative Factors



- Higher earnings from coal mining / iron ore interests
- Loss due to withdrawal from Entrada Oil / Natural Gas Project (¥36.2 billion)*
- Impairment losses on investment securities (¥46.0 billion)*
- Provision for doubtful receivables for customers in Mongolia (¥10.8 billion)*
- Slumping automobile sales

* Before income taxes

Net Income by Segment

(Billions of Yen)

	FY2008	FY2009
	Plan	Results
Textile	20.5	**22.9**
Machinery*	21.4	**(15.5)**
ICT, Aerospace & Electronics*	14.6	**8.0**
Energy, Metals & Minerals	105.7	**114.7**
Metals & Minerals	55.9	**83.8**
Energy	49.8	**30.9**
Chemicals, Forest Products & General Merchandise	19.7	**19.0**
Forest Products & General Merchandise	8.3	**12.0**
Chemicals	11.4	**7.0**
Food	18.7	**20.2**
Finance, Realty, Insurance & Logistics Services	10.8	**(1.2)**
Finance, Insurance & Logistics Services	13.0	**(4.4)**
Construction & Realty	(2.2)	**3.2**

* As the result of a reorganization on April 1, 2009, the Machinery Company transferred control of its Industrial Machinery & System Department to the Aerospace, Electronics & Multimedia Company, which changed its name to the ICT, Aerospace & Electronics Company.

Evaluating Initiatives Qualitatively

Next, I would like to look back at measures under the previous management plan from a qualitative standpoint. Exceeding targets, we invested ¥660 billion gross, or ¥490 billion net, in highly strategic businesses that will further our growth.

Frontier+ 2008 called on us to accelerate overseas business development as a key measure. Accordingly, in each of the plan's two years we met the ¥100 billion target set out for earnings from overseas businesses*1 while steadily investing upfront in large and highly profitable projects that will provide new business opportunities.

For example, we consolidated our position in China's consumer-related sector. As well as investing in a major conglomerate through its holding company, Shanshan Group Co., Ltd., we decided to invest in a major food product distributor with operations in China and Taiwan, TING HSIN (CAYMAN ISLANDS) HOLDING CORP., which is a holding company of the Ting Hsin Group. In Brazil, we acquired a stake in an iron ore producer and distributor, Nacional Minérios S.A. (NAMISA), a subsidiary of major Brazilian steel producer Companhia Siderúrgica Nacional (CSN), through a consortium formed with major steel producers in Japan and Korea. This initiative marked our full-fledged entry into iron ore operations in Brazil, adding to our iron ore operations in Western Australia.

L-I-N-E-s*2 are particularly important new business areas that ITOCHU is developing on a company-wide basis. During Frontier+ 2008, we made particularly good progress in the Life & Healthcare and the Environment & New Energy business areas. We forged capital and operational alliances with manufacturers and distributors of medical equipment, built value chains in the solar photovoltaic generation area by investing in solar photovoltaic generation systems integrators, and participated in bioethanol production and sales in Brazil.

We embarked upon many other valuable initiatives that promise to contribute to earnings. For example, we made NTT Plala Inc., which provides video broadcasting services through the Internet, an equity-method associated company; reinforced our tie-up with YANASE & CO., LTD.; and decided to make C.I. KASEI Co., Ltd., and i-LOGISTICS CORP. subsidiaries. On the other hand, Frontier+ 2008 left many pressing tasks. In this current unpredictable business environment, I feel that tackling these tasks is absolutely critical if we are to achieve the ambitious goal of becoming *a truly global enterprise*.

*1 Overseas businesses = overseas subsidiaries & affiliates

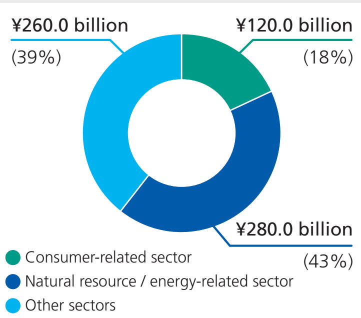
*2 L-I-N-E-s are business areas that ITOCHU develops laterally among its division companies to create future earnings mainstays. The L-I-N-E-s business areas are Life & Healthcare, centered on medical services and health-related businesses; Infrastructure, including IT / LT / FT functional infrastructure and businesses related to social infrastructure; New Technologies & Materials, such as biotechnology and nanotechnology; and Environment & New Energy, comprising bioethanol operations, solar power generation, and other areas.

Frontier+ 2008 Investment Results

(Billions of Yen)

	FY2008–FY2009	
	Plan	Results
Gross	500.0	660.0
Net	400.0	490.0

Investment Review by Segment



Frontier+ 2008 Major Investments

Consumer-related sector	Ting Hsin Holding (China), Shanshan Group (China), SANKEI, DESCENTE
Natural resource / energy-related sector	Nacional Minérios S.A. (NAMISA) iron ore production and wholesale business in Brazil; Expansion of iron ore project in Western Australia; Offshore oil and gas field in Victoria, Australia; Bioethanol production in Brazil
Other sectors	North American IPP, Methanol production in Brunei, NTT Plala, YANASE, Life & Healthcare related businesses, Solar power generation related businesses

Identifying Tasks

Because ITOCHU conducts a broad range of business activities in countries the world over, it mirrors global economic trends. Therefore, correctly anticipating how the global economy will unfold is indispensable in determining the best course to take. In my view, the worst period of the recession has passed thanks to prompt countermeasures by governments. Unfortunately, however, it is difficult to predict when the global economy will recover from this recession because it has shaken countries worldwide to an extent that limits the relevance of past experience and theories. Given that lack of clarity in business conditions, I believe that our first priority must be to review our foundations objectively, in other words, to check the overall status of operations and gain a firm grasp of problems.

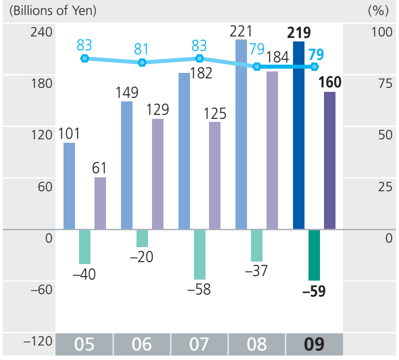
So, what are the tasks that ITOCHU has carried over from Frontier+ 2008? First of all, focusing on L-I-N-E-s, we took a variety of steps to create new businesses in the Life & Healthcare and Environment & New Energy business areas. However, these initiatives still need time when they contribute to earnings. Earnings from overseas businesses were down year on year due to worsening global economic trends in the second half of the fiscal year. I am fully aware that we must strengthen and improve the profitability of existing operating companies in response to a 13% year-on-year decrease in net income from subsidiaries and equity-method associated companies, a significant decline in earnings from companies reporting profits, an increase in the losses of companies reporting losses, and a lower percentage of companies reporting profits. Further, we discovered that tri-nation trade transactions involving heavy machinery, mechanical equipment, and materials for customers in Mongolia included financial transactions not involving actual delivery of products. We view that incident with the utmost gravity and will further strengthen internal controls accordingly.

Another task is to rapidly improve financial indicators that could affect funding, such as the NET DER and the balance between stockholders' equity and risk assets*. Meanwhile, although we have made progress in laying the foundations for our global human resources strategies, the full-fledged implementation of initiatives still lies ahead of us.

We designed our new medium-term management plan Frontier^e 2010 to be a roadmap for tackling these tasks head-on and set out a full array of measures that will enable strategic and aggressive corporate management.

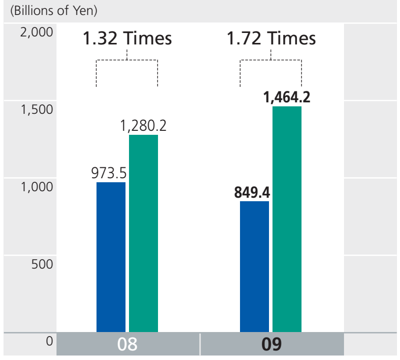
*Risk assets: maximum loss amount that could be incurred (asset price x risk coefficient)

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



Years ended March 31
* Includes overseas trading subsidiaries
Companies Reporting Profits (left)
Companies Reporting Losses (left)
Net Income from Subsidiaries and Equity-Method Associated Companies (left)
Share of Group Companies Reporting Profits (right)

Stockholders' Equity / Risk Assets



Years ended March 31
Stockholders' Equity
Risk Assets

Gathering Momentum through Frontier^e 2010

Our previous medium-term management plan, Frontier+ 2008, urged ITOCHU to become *a global enterprise that is highly attractive to all stakeholders*. This ideal corporate identity does not simply mean becoming a company that has global operations, rather it means becoming a company that is embedded in each region worldwide, that pursues business from an international viewpoint, and that thereby generates earnings as *a truly global enterprise*. Although business conditions have changed since the period of Frontier+ 2008, in accordance with the full title of Frontier^e 2010—Enhancing Corporate Value on the World Stage, Shaping the Future—we will continue pursuing the goal of becoming *a truly global enterprise*.

As its population ages in earnest, Japan is likely to see economic growth soften. In the medium-to-long term, economies are certain to become more globalized. Therefore, unless we look overseas to quickly create earnings platforms, we will not be able to map out growth strategies or prevail against the competition. Halting our progress toward becoming *a truly global enterprise* would mean giving up on growth and retrogressing.

Becoming *a truly global enterprise* requires us to enhance management systems, human resources, and corporate value. The small "e" in the title Frontier^e 2010 stands for "enhance" and symbolizes our strong resolve to heighten all aspects of operations. While taking steps appropriate to the opacity of current business conditions, we will definitely avoid the pitfall of becoming short-sighted and will steadfastly advance toward becoming *a truly global enterprise*.

Mindful of the tasks that I explained earlier, we established *expand and improve earnings platforms*, *strengthen financial position / upgrade risk management, evolve management systems*, and *advance full-fledged implementation of global human resources strategy* as the key measures of Frontier^e 2010.

FY2010–FY2011 Medium-Term Management Plan

Frontier^{e} 2010—Enhancing Corporate Value on the World Stage, Shaping the Future—

Basic Policy

In light of significant changes in the global economy, we will review foundations, continue to reform and take on challenges, and move forward steadily to become *a global enterprise that is highly attractive*.

The "e" added above and to the right of "Frontier" stands for "**Enhance**." The Company will enhance management quality, the abilities of each employee, and the attractiveness of the Company to realize the goal of being *a truly global enterprise*.

Key Measures

- **Expand and improve earnings platforms**
- **Strengthen financial position / Upgrade risk management**
- **Advance full-fledged implementation of global human resources strategy**
- **Evolve management systems**

Quantitative Plan

(Billions of Yen)

	FY2009 (results)	FY2010 (plan)	FY2011 (image)
Net Income	165.4	130.0	160.0
Total Assets	5,192.1	5,500.0	—
NET DER	2.07 times	Less than 2.0 times	—

Setting Out New Quantitative Targets and Investment Targets

Due to the difficulty of forecasting economic conditions over the period of Frontier^{e} 2010, which covers fiscal 2010 and fiscal 2011, we have only fixed a quantitative plan for fiscal 2010.

In fiscal 2010, we will strive to reach net income of ¥130 billion. We will spare no effort to meet this target, which represents a more than 20% decrease year on year. At the same time, we will improve financial indicators that deteriorated markedly in fiscal 2009. The target for the NET DER is less than 2.0 times.

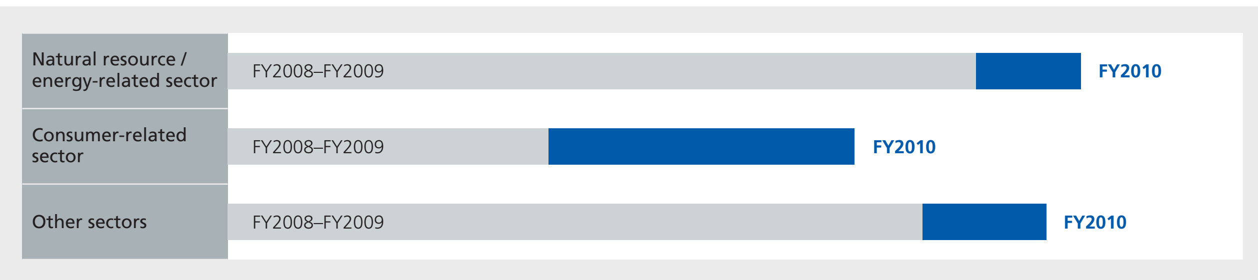
We have set the plan of ¥200 billion gross and between ¥100 billion and ¥150 billion net, for new investments that we will carefully select in fiscal 2010. In conjunction with these activities, we intend to replace assets and curb risk assets by divesting not only unprofitable businesses or those with low efficiency but also highly efficient assets if it makes little strategic sense to hold them.

Our overriding investment policy is to build a business portfolio that is well balanced among three sectors: the Natural Resource / Energy-Related Sector, the Consumer-Related Sector, and Other Sectors, which include automobiles, IT, chemicals, and financial services. Therefore, we will allocate investment with an eye on maintaining a balance among these three sectors over the medium-to-long term.

Investment Plan

Implement New Carefully Selected Investments

- FY2010 new investments: ¥100 billion–¥150 billion net, approximately ¥200 billion gross
- Replace assets steadily through divestment of existing assets that Group has less reason to hold
- Deploy investment with awareness of medium-to-long term balance among three sectors (Consumer-related, Natural resource / energy-related, Other sectors)



Expanding and Improving Earnings Platforms for Tomorrow

Under the key measure to *expand and improve earnings platforms*, as well as aggressive corporate management initiatives to *discover / build new businesses* and *accelerate development of overseas business even further*, we will concentrate on efforts to *strengthen foundations of earning power* in relation to core operations, primarily strengthening existing operating companies.

Initiatives to *discover / build new businesses* will entail stepped-up efforts for L-I-N-E-s and faster creation and development of new businesses.

Under Frontier^{e} 2010, ITOCHU will focus efforts on the Life & Healthcare and the Environment & New Energy business areas, which cater to markets with particularly large reserves of untapped potential. Further, to add impetus to business development we have established the new post of Chief Officer for New Business Development, who is responsible for L-I-N-E-s. We also integrated solar power generation initiatives, which division companies had conducted separately, by creating a Solar Business Department tasked with advancing solar power generation businesses. The new department is part of the business development organization of Headquarters. In a similar move to tighten up our organization, we gathered life science businesses in the Healthcare Business Department.

The Life & Healthcare business area presents an extremely broad spectrum of business opportunities, ranging from health food products to medical equipment sales, generic pharmaceutical products, such leading-edge medical technology fields as regenerative medicine, and one-stop support services for hospital management. Without fail, we will seize these business opportunities by bringing to bear the expertise and networks we have as a general trading company to build a medical value

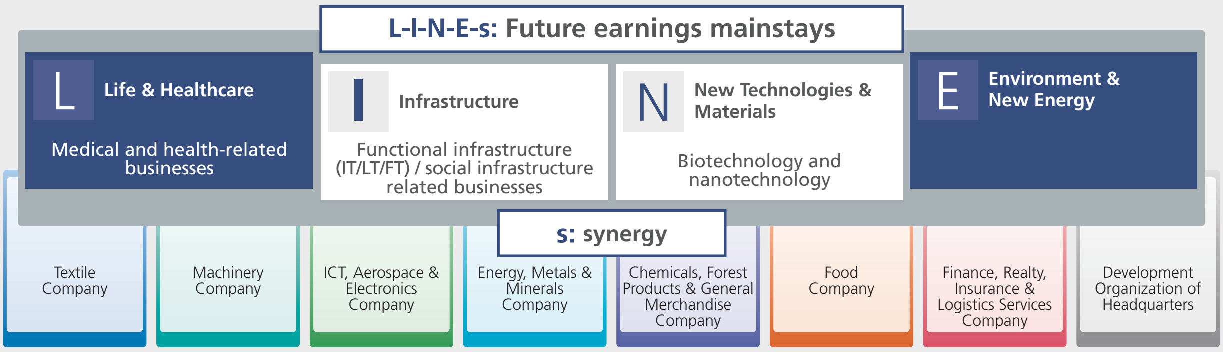
chain linking upstream areas, producing medical equipment; midstream areas, distributing pharmaceutical and medical materials; and downstream areas, businesses for hospitals.

In the Environment & New Energy business area, we will give priority to the areas of "solar power generation," "energy storage devices," and "water resources." Of these areas, I believe our solar power generation businesses are frontrunners in the main markets, which are Japan, U.S., and Europe. For example, we have begun participating in the management of NorSun AS, which produces ingots and wafers for solar power generation, and our advance investments in integrators of solar power generation systems have proven successful. In preparation for the advent of a full-fledged solar power generation market, we will build a value chain across the solar power generation area by laying the foundations upon which to develop operations for raw materials and panel manufacturing.

Expand and Improve Earnings Platforms—Discover / Build New Businesses

Continue L-I-N-E-s, strengthen even further

- Under Frontier^{e} 2010, we will concentrate efforts especially on the Life & Healthcare and the Environment & New Energy areas.
- In the Environment & New Energy area, we will give priority to initiatives in the **solar power generation**, **energy storage device**, and **water resources areas**.



Organization

- Assignment of new Chief Officer for New Business Development (L-I-N-E-s)
- Newly establish Solar Business Department
- Strengthen Healthcare Business Department

Chief Officer for New Business Development (L-I-N-E-s)

Development Organization of Headquarters

- Healthcare Business Department
- Solar Business Department
- Innovative Technology Business Development Office
- Corporate Development Office

In initiatives to *accelerate development of overseas business even further,* we will emphasize continuing the general thrust and scope of regional strategies. Accordingly, we will continue to regard North America, China, and Asia as priority regions and view resource-rich regions with growing economies and regions in which the ITOCHU Group has advantages over competitors as focus regions. To heighten basic earning power, ITOCHU will push efforts to improve the earnings of existing overseas operating companies. At the same time, we will deepen tie-ups with major regional partners to develop profitable new businesses. Fiscal 2010 plans call for stepping up the pace of projects to develop new businesses and make them profitable, particularly in sectors other than the Natural Resource / Energy-Related Sector. Through these efforts, we aim to secure earnings from overseas businesses that account for 60% or more of consolidated net income.

Expand and Improve Earnings Platforms—Accelerate Development of Overseas Business Even Further

Earnings from Overseas Businesses

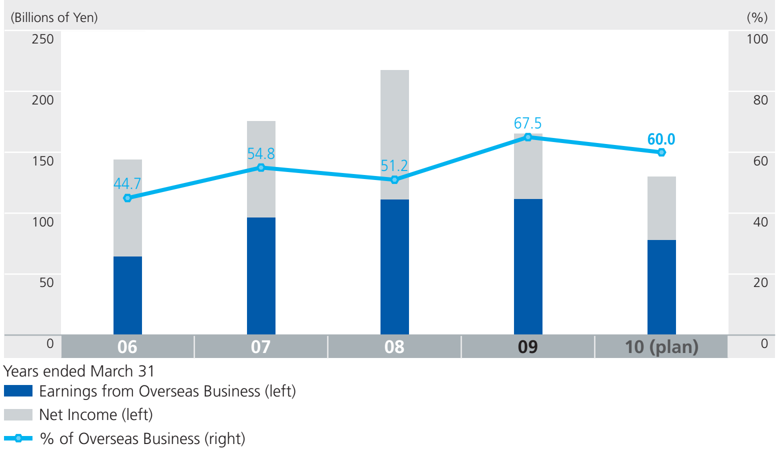
- In FY2010, aim to attain earnings from overseas businesses that account for 60% or more of Company-wide consolidated net income
- Develop businesses / achieve profitability in sectors other than the Natural Resource / Energy-Related Sector
- Improve earnings of existing businesses

Regional Strategies

- Continue efforts in priority regions, focus regions

Priority regions:	North America / China / Asia
Focus regions:	Resource-rich regions with growing economies Regions in which ITOCHU has marked advantage over competitors

Earnings from Overseas Businesses



Against the backdrop of such an unclear business environment, we aim to recheck and reinforce the earning power of the core operations of ITOCHU, subsidiaries, and associated companies to *strengthen foundations of earning power*. To that end, we will allocate management resources optimally throughout the ITOCHU Group while rigorously strengthening monitoring of the earnings progress and business conditions of segments, subsidiaries, and associated companies.

Until now, ITOCHU has classified all operations into about 70 segments, furthering efficiency in each based on the benchmarks of a return on assets of 2% and a risk return index of 8%. Going forward, we will add another two benchmarks to our monitoring of all segments: earnings size and earnings growth. Based on these evaluations, we will allocate assets optimally and replace assets strategically to improve company-wide asset efficiency and strengthen earning power.

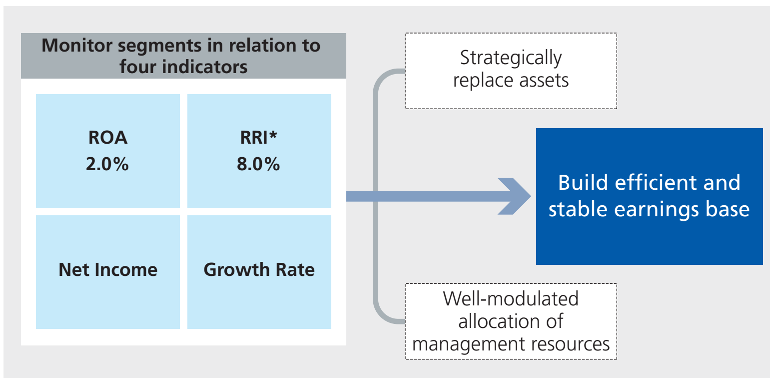
Expand and Improve Earnings Platforms—Strengthen Foundations of Earning Power

Management of Affiliates

- Upgrade existing subsidiaries and associated companies and increase their earnings
- Strengthen monitoring of subsidiaries and associated companies and advance effective allocation of management resources

Segment Strategies and Asset Replacement

- Monitor segments in relation to four indicators: ROA, RRI, net income, growth rate
- Identify segments' strengths / weaknesses and gain all-round grasp of portfolios in order to allocate or replace assets optimally and thereby build efficient and stable earnings base



* RRI: Risk return index, the rate of return attainable relative to risk assets, which expresses the maximize loss that could be incurred in the future

Making Management Even More *Solid*—Financial Strategy / Risk Management / Management Systems

My belief is that in order to earn trust as *a truly global enterprise*, we must work unflaggingly to strengthen our financial base and improve the financial indicators that have worsened in fiscal 2009. Therefore, we will expedite efforts to improve key financial indicators and uphold financial discipline, including the basic principle of keeping increases in risk assets within the increases in stockholders' equity and controlling the balance of interest-bearing debt in light of the NET DER. In particular, we have made improving the NET DER to less than 2.0 times our highest-priority financial target for fiscal 2010. Also, over the medium-term we will rectify in stages the current imbalance between risk assets and stockholders' equity. Further, we aim to stabilize funding and lower funding costs by expanding and improving our global cash management system, which is an infrastructural system for controlling funds on a consolidated basis.

Further, we will upgrade risk management. As well as continuing risk control through the existing RCM (risk capital management) method, we will realize stringent control of credit exposure for the whole ITOCHU Group. The current economic crisis has reaffirmed to us the need for thorough-going control of risk concentrations in specific industries or countries. With that in mind, we will strictly control risk to ensure that we do not become exposed to concentrations of risk. Moreover, in addition to controlling each risk, ITOCHU will promote enterprise risk management (ERM), which comprehensively analyzes and controls various risks, to intensify the risk management of the ITOCHU Group as a whole.

Aiming to *evolve management systems*, we will advance corporate social responsibility that reflects multiple stakeholder perspectives, increase the appropriateness and transparency of corporate governance, and develop more effective internal control. Since 2006, the ITOCHU DNA Project has been examining the improvement of operational efficiency and the strengthening of internal control. Now, the time has come to shift from the design phase of the project to the implementation phase and thereby strengthen the capabilities of each organization and employee, the source of each general trading company's competitiveness.

Financial Strategy / Risk Management / Management Systems

Strengthen Financial Position

- Uphold financial discipline resolutely, improve key financial ratios
  - > Recover NET DER to less than 2.0 times by end of FY2010 (SFAS160 not applied)
  - > Maintain financial discipline of keeping increases in risk assets within increases in consolidated stockholders' equity
- Organize overseas Intra-group Loan System, move toward global capital management

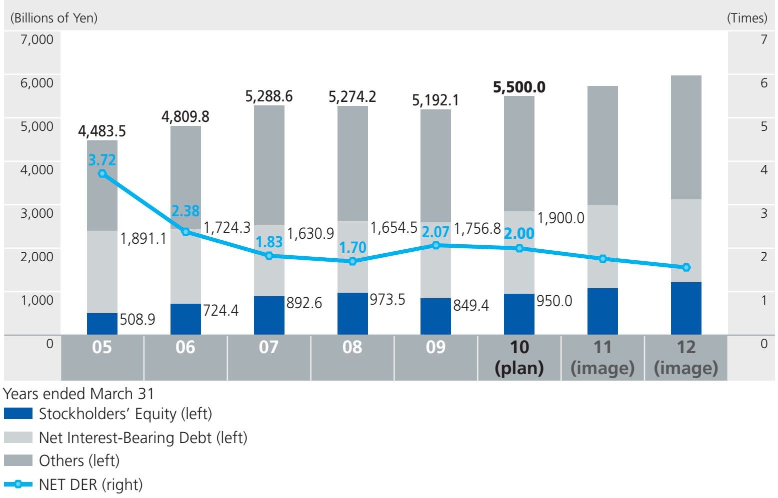
Upgrade Risk Management

- Control risk concentration (limits for assets in particular areas, country risk limits)
- Move toward Enterprise Risk Management

Evolve Management Systems

- Advance corporate social responsibility
- Strengthen corporate governance
- Realize rigorous internal control
- Continue to advance operational reforms (ITOCHU DNA Project)

Consolidated Balance Sheets



Implementing Global Human Resources Strategies in Earnest

For more than 150 years, ITOCHU has been able to overcome the upheavals of many eras and continue to advance its businesses because it has promoted, fostered, and utilized its personnel. Because a general trading company does not have major production facilities, personnel are its greatest asset. In order to become *a truly global enterprise*, we have to address the urgent task of cultivating global human resources that will be the base of our global strategies. To that end, ITOCHU must root its business activities in regions worldwide by accommodating diverse values, maintaining an international perspective, and utilizing personnel regardless of nationality or gender. Mindful of that necessity, we have been developing global human resources strategies, which we will implement in earnest during Frontier[e] 2010. These strategies form the core of our human resources strategies. To advance them, we have established in four regions Global Talent Enhancement Centers (GTECs) that will secure global human resources from around the world as well as foster and create management personnel for the ITOCHU Group.

Becoming *a Truly Global Enterprise*, Becoming a 21st Century Enterprise

We need to prepare ourselves for the continuation of uncertain conditions in the global economy. For at least the duration of the current fiscal year, we will require resilience as the economy recovers from past overconsumption and oversupply to trend back toward normal consumption and supply. However, I am by no means pessimistic when looking at the global economy over the medium-term because the world's population is likely to rise from 6.7 billion at present to roughly 9 billion by 2050. I believe that the global economy will move forward in step with that population growth.

I believe that the emergence of the global economy from recession will test ITOCHU's capabilities more than ever. What kind of qualities will be necessary for companies? As the current economic crisis has clearly shown, economies are becoming increasingly globalized, and future change is likely to transcend countries and industries and spread very rapidly. Therefore, as a basic requirement, we will have to respond swiftly and flexibly to this kind of change. Next, we must analyze significant trends in the global economy appropriately. Faced with a global arena, we must have sound judgment and the ability to carry out strategies appropriately where and when required. Another vital component is to have a group of dedicated personnel with various characters. After the recovery from this economic crisis, in order to win out in the 21st century we will have to meet these prerequisites, which define *a truly global enterprise*.

To inculcate the real meaning of being *a truly global enterprise* among ITOCHU Group employees around the world, we redrafted the ITOCHU Credo to create the ITOCHU Mission and Values. We sought to build a stronger solidarity among all employees by presenting the *Committed to the global good* concept in a form that is more readily understandable and practically applicable to everyday operations.

The present conditions provide an excellent opportunity for ITOCHU to show the true value of the pioneering spirit that has driven our growth. Anticipating trends and building new earnings platforms ahead of the times, we will move forward toward the realization of *a global enterprise that is highly attractive to all stakeholders* with redoubled passion and resolution.

July 2009

Eizo Kobayashi
President and Chief Executive Officer

Enhancing Corporate Value on the World Stage,
Shaping the Future
Frontier^e 2010

Special Features

ITOCHU
—Reviewing Foundations while Continuing Reform
Strengthening Financial Position and Upgrading Risk Management

ITOCHU
—Continuing to Take on Challenges to Shape the Future
Accelerating Overseas Business Development / Discovering and Building New Businesses

ITOCHU
—Reviewing Foundations while Continuing Reform

Strengthening Financial Position and Upgrading Risk Management

In order to overcome the current simultaneous worldwide recession and become *a truly global enterprise*, combining aggressive business strategies to expand and improve our earnings platforms with defensive measures to build our solid foundations is extremely important. ITOCHU will further strengthen its financial position and upgrade its risk management to earn trust as *a truly global enterprise*.

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

Strengthening Financial Position

Improving NET DER to Less than 2.0 Times as Our Top Priority

In fiscal 2009, net interest-bearing debt increased ¥102.2 billion year on year, to ¥1,756.8 billion, due to large-scale strategic investment. Further, yen appreciation and slumping stock market resulted in comprehensive income worsening, which caused ¥124.1 billion year-on-year decline, to ¥849.4 billion, in consolidated stockholders' equity. As a consequence, NET DER for fiscal 2009 was 2.07 times. Unfortunately, we could not achieve the Frontier+ 2008 target of NET DER of less than 1.7 times for fiscal 2009. ITOCHU regards net debt-to-equity ratio as an important indicator for the financial management. Accordingly, improvement of NET DER for the current fiscal year to less than 2.0 times was set as our highest priority. ITOCHU will strengthen our financial position by steadily accumulating earnings to enhance consolidated stockholders' equity while controlling interest-bearing debt.

Cash Flows

In principle, ITOCHU covers new capital expenditures for investment activities through cash flows from operating activities, which result from accumulation of earnings and the sale or disposition of assets. Any shortfall in case new investments are made upfront is covered by loans or bonds.

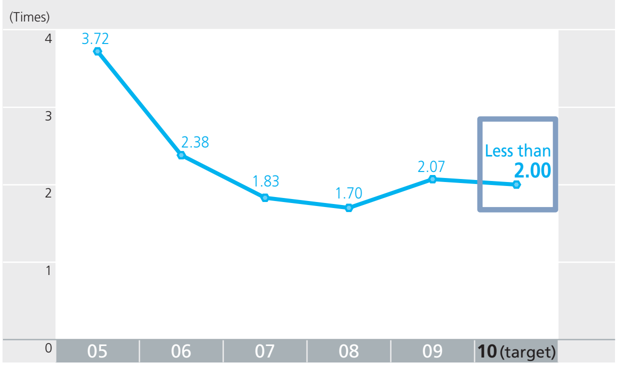
Based on that principle, we mostly maintained positive free cash flows until fiscal 2008. However, for fiscal 2009, large-scale strategic investments resulted in negative free cash flows. Under Frontier[e] 2010, we are planning to keep free cash flow positive by promoting scrap and build for investment as well as enhancing quality of earnings.

Funding

Stable Funding and Lower Funding Costs

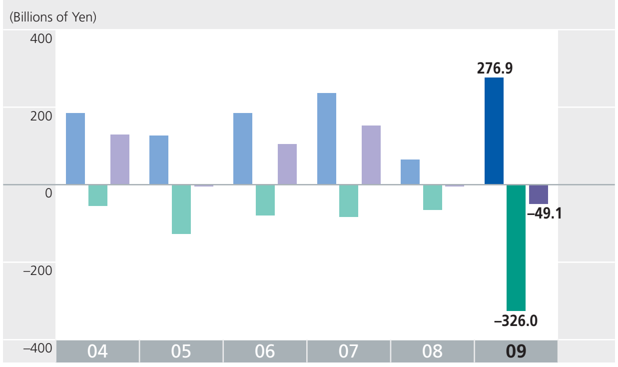
In the second half of fiscal 2009, ITOCHU made several major strategic investments. Despite deteriorating liquidity in financial markets, we were able to acquire stable funding primarily from indirect financial markets. This was attributed to long-standing

Recover NET DER to Less than 2.0 Times



Years ended March 31

Cash Flows



Years ended March 31

Cash Flows from Operating Activities
Cash Flows from Investing Activities
Free Cash Flows

and favorable relationships with various financial institutions. The successful operation of Group finance, which the Company has been developing since fiscal 2008 in order to consolidate funding of subsidiaries of ITOCHU, also contributed to our stable funding conditions. Although direct financial markets have seen challenging conditions, currently, funding conditions are improving even in long-term capital.

Under this uncertain outlook for business conditions, our funding policy gives first priority to securing "volume." Second, we will continue to concentrate on securing long-term funding based on consideration of funding stability and equalizing amortization over fiscal years. Moreover, we intend to diversify funding sources by using capital markets and syndicated loans. In addition, ITOCHU will expand the framework of Group finance globally, as well as in Japan and certain overseas regions, thereby stabilizing funding, improving capital efficiency, and lowering funding costs. ITOCHU has adequate reserves of liquidity. At the end of fiscal 2009, cash and cash equivalents stood at ¥632.6 billion and the Company had commitment line agreements with financial institutions of ¥400 billion and US$500 million.

Upgrading Risk Management

Strengthening Risk Management on a Consolidated Basis

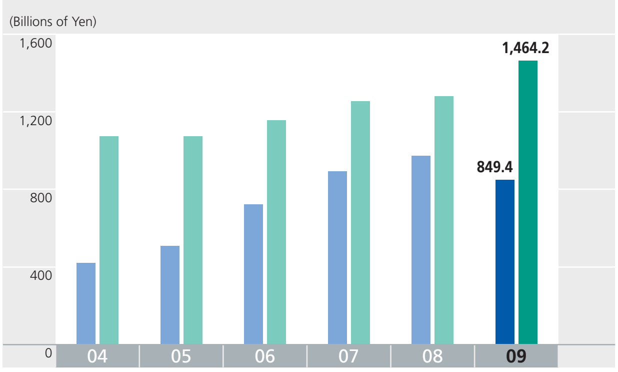
As a risk management method, ITOCHU uses risk assets, which express the maximum possible future loss that could arise. Our basic policy is to control comprehensively company-wide risk quantified by risk assets, which keeps increases in risk assets within the scope of increases in consolidated stockholders' equity and maintains a balance between risk assets and stockholders' equity from a medium-term perspective. We use RCM*[1] methods, in which we categorize business areas according to the business sectors of division companies and the characteristics of invested businesses. Then, for each business area, we calculate the RRI*[2], which is rate of return on risk assets, and use RRI as a basic indicator for assets distribution including exit strategy.

In distributing assets we not only seek efficiency based on RRI, but also aim to disperse our asset portfolio throughout the Natural Resources / Energy-Related Sector, Consumer-Related Sector, and Other Sector. We establish individual asset limits to avoid risk concentrations in particular business areas. In addition, risk management methods include setting country risk limits based on the political and economic situations of individual countries. ITOCHU will further develop these risk management methods while introducing them throughout the Group.

Also, we are undertaking the development and construction of ERM*[3], which comprehensively controls the risk of the entire ITOCHU Group. By upgrading responses of the Group as a whole to various types of risks, ITOCHU will reinforce risk management frameworks to enable the Group to achieve sustainable growth and maximize corporate value.

*1 RCM: Risk Capital Management
*2 RRI: Risk Return Index
*3 ERM: Enterprise Risk Management

Stockholders' Equity / Risk Assets



Years ended March 31
Stockholders' Equity
Risk Assets

ITOCHU
—Continuing to Take On Challenges to Shape the Future

Accelerating Overseas Business Development

ITOCHU is stepping up the pace of development of its overseas businesses to increase earnings from overseas businesses. In those efforts, we regard North America, China, and Asia as priority regions and view as focus regions resource-rich regions with growing economies and regions in which the ITOCHU Group has advantages over competitors.

From among those countries, this section spotlights China and Brazil as two countries that have outstanding potential in terms of both resources and domestic demand and in which ITOCHU has built up competitive advantages over its long history.

Toshihito Tamba
Executive Vice President, Chief Operating Officer, Overseas Operations

Establishing Strategic Foundations in China's Burgeoning Consumer Market

Focusing Consistently on China has Made Us the Country's Strongest Trading Company

Based on the conviction that, when diplomatic relations were restored, China's market would undoubtedly become a major source of trade, we made a variety of preparations to enter the market. In March 1972—half a year before the normalization of Sino-Japanese diplomatic relations—we became the first major general trading company to resume trade between Japan and China by obtaining formal ratification from China's State Council. Since then, we have steadily built our foothold in China's market by tirelessly pioneering new areas. In 1979, we opened a representative office in Beijing; in 1992, we established a trading subsidiary in Shanghai; in 1993, we obtained approval for an umbrella company; and in 2005, we obtained approval for a multinational company regional headquarters.

As a result of continuously concentrating management resources on China, we have developed one of the largest networks of bases among major general trading companies. Other consequent competitive advantages include an extensive network of personal contacts, alliances with major companies, and numerous personnel with extensive knowledge of China. Our present position as China's most powerful trading company is the fruit of such far-sightedness and a consistent emphasis on China.

Building Collaborative Relationships with Major Companies in the Consumer-Related Sector

Establishing Strategic Foundations with a View to Growth in Domestic Demand

The simultaneous worldwide recession has significantly affected China's exporting sector. However, economic stimulus measures that include proactive investment in infrastructure are likely to produce economic growth fueled by domestic demand. We believe that China will certainly be a driver of the global economy recovery. Although until now China's economy has grown on the back of exports, in our view heavier domestic demand will become the growth driver. ITOCHU has always analyzed and forecast structural changes in industries from a medium-to-long perspective and moved forward with farsighted initiatives accordingly. In response to the structural transformation of China's economy from growth thus far as "the world's factory" toward growth as a huge consumer market, we are steadily establishing stepping stones for future growth. Such initiatives include large-scale investments in the Consumer-Related Sector, in which we enjoyed particular strength, in fiscal 2009. Through these investments we have established partnerships with major companies, which are explained on the next page. Also, we are decisively pursuing business opportunities in China's interior, which has large growth potential. In addition to such coastal regions as the Yangtze delta, the Zhuhai delta, and Bohai Bay region, we are stepping up initiatives in the three north-eastern provinces and in the mid-western regions of China. Furthermore, not only are we going to develop our partnerships with major companies within China, we are also looking to develop these partnerships globally.

Milestones of ITOCHU's Engagement with China

1972	**First major trading company** to obtain ratification for the resumption of Sino-Japanese trade
1979	**First major trading company** to establish a representative office in Beijing
1992	**First major trading company** to establish local trading subsidiary in Shanghai
1993	**First major trading company** to acquire approval for an umbrella company
2005	**First major trading company** to acquire approval for a multinational company regional headquarters

ITOCHU's Strengths

- Creation of one of the largest networks of bases among major trading companies (seven local trading subsidiaries, six local trading sub-subsidiaries, four headquarters representative offices)
- Breadth of personal contacts network
- Close alliances with major local companies
- Insight and channels in relation to China (procurement sources, sales channels, risk management know-how)
- Large number of personnel with business expertise relating to China

Strengthening Our Partnership with the Ting Hsin Group

Establishing Strategic Foundations with Our Sights Set on 1.3 Billion Consumers

Even amid the simultaneous worldwide recession, China's market is expected to grow approximately 8% in fiscal 2009, buoyed by very strong consumer spending among the country's population of 1.3 billion. Among this population, in recent years we have seen a growing interest in luxury brands and concern about food safety that provides ITOCHU, which has strengths in the food business area, with a major business opportunity.

Positioning China's market at the center of a global SIS*1 strategy we are advancing in the food business area. In these efforts—based on close collaboration with domestic companies and major local partners—we will open up markets by taking advantage of superior expertise in such areas as food safety management and traceability. Extremely significant strides forward under this strategy was the decision we made in November 2008 to invest in TING HSIN (CAYMAN ISLANDS) HOLDING CORP. (Ting Hsin), and the business partnership we have built with this company.

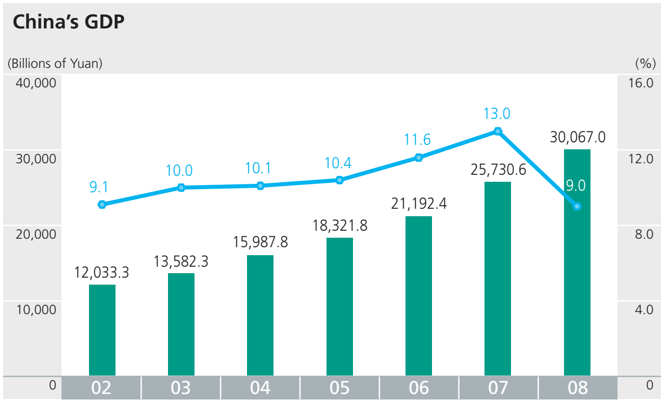
Ting Hsin is the holding company of the Ting Hsin Group, which is China's largest food business group. Our aim in strengthening this business partnership through an approximately ¥68.9 billion investment, which represents a 20% stake, is to use our advanced management methods and Japan's outstanding food safety management and expertise in quality improvement to achieve differentiation in China's expanding market—which has increasing numbers of wealthy and middle-class consumers—and thereby heighten the corporate value of Ting Hsin. Further, ITOCHU intends to use Ting Hsin's operational platforms to develop a wide range of businesses in China and Taiwan's food distribution markets. Using this recent initiative as a springboard, we plan to develop a global SIS strategy that includes Asia and Australia.

The Ting Hsin Group's Market Shares

Instant noodles	47.0%
Tea beverages	51.9%
Water beverages	15.4%
Crackers	25.6%

Restaurant business DICOS has approximately 900 restaurants in China and is the third-largest restaurant chain

*1 SIS: Strategic Integrated System, a supply and demand system based on customer needs that seamlessly links upstream food resource development and processing, midstream distribution, and downstream retail and sales.



(CY)
Source: Chinese Government
Nominal GDP (left) Increase Year on Year (right)

At the signing ceremony

Building Relationships with a View to Global Business Development

Investing in the Shanshan Group

Amid the intensifying competition in China's textile business area, the key to heightening competitiveness lies in building relationships with partners that have solid sales and logistics networks and other infrastructure. This was our aim when we took a 28% stake in Shanshan Group Co., Ltd., which was originally focused on textile operations but has become one of China's foremost conglomerates—developing businesses in a broad range of areas, such as natural resources, energy, electronic components, food resources, finance, and real estate.

With this company, we will jointly build a group management system and, as a first step, in the textile business area we will leverage our expertise in management methods and brand businesses, advanced technology, and global networks to differentiate brand businesses and garment accessories. With an eye on global development in Europe and North America, ITOCHU will also deepen its partnerships with Shanshan by strengthening trading relationships in other business areas. Through these initiatives, our goal is to heighten Shanshan's corporate value.

At the signing ceremony

Strengthening Initiatives in Brazil

Targeting Significant Potential in Resources and Consumption

ITOCHU is focusing on Brazil because it combines natural resources and a growing consumer market. With abundant minerals and energy resources, Brazil is one of the world's richest countries in terms of natural resources. It is the largest exporter of such commodities as iron ore and soybeans. On the other hand, improvements in its job market and personal income is increasing consumer spending, which is driving the growth of Brazil's consumer market.

Further, Brazil's iron ore has an excellent reputation as the highest-quality iron ore in the world. Moreover, the country's crude oil reserves are increasing rapidly with ongoing discoveries of seafloor oil fields. Therefore, Brazil still has tremendous potential as an exporter of natural resources and energy. Also, the country has the capacity to export massive amounts of such food resources as soybeans and sugar cane thanks to its huge area of cultivatable land. As the world's largest exporter of bioethanol and with its rich water, solar, and agricultural resources, Brazil has the potential to become the world's factory for energies that provide an alternative to fossil fuels. We are concentrating on Brazil because it promises steady economic growth. With one of the most stable governments in South America, Brazil has sound fiscal and financial policies and abundant foreign currency reserves. Further, it has a unique industrial structure that not only incorporates primary commodities but also includes significant exports of such industrial products as aircraft and automobiles.

Pursuing Strategies to Tap Brazil's Potential

Exploiting the Advantages of a Track Record Spanning Half a Century

In Brazil, ITOCHU's competitive advantage rests on management resources cultivated over a long history and an extensive track record.

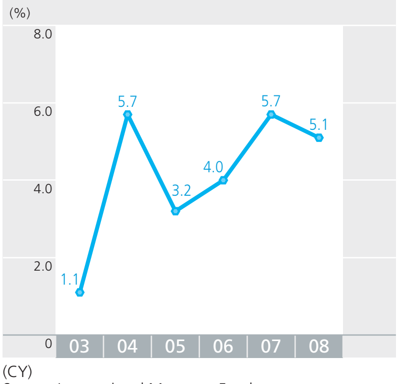
Establishing an overseas trading subsidiary in Rio de Janeiro in 1957 marked our entry into the Brazilian market. Recently, Brazil's growth potential has been a focus of attention. However, we made our initial foray into the country before the "Brazilian miracle" period of rapid economic growth, from the second half of the 1960s through to the first half of the 1970s.

Subsequently, 1970 saw ITOCHU participating in the MBR iron ore mining project as the organizing trading company of a consortium of steel producers and trading companies. Also, with support from the Japanese and Brazilian governments, we advanced numerous national projects with diverse partners and contributed to the building of economic relations between the two countries. For example, after jointly establishing the pulp manufacturer CENIBRA with a major Japanese paper manufacturer in 1973, we took part in a synthetic resins raw materials production operations and aluminum refining operations in 1974.

By harnessing the experience, business expertise, and multifaceted business relationships garnered through these projects, as well as personnel that are highly knowledgeable about Brazil's market, we expanded our business sectors through the development of businesses for iron ore, food resources, and oil resources.

Now, ITOCHU has further strengthened its footing in Brazil. In fiscal 2009, we participated in bioethanol production and sales operations through a joint venture with the Bunge Group. And, we acquired a stake in Nacional Minérios S.A. (NAMISA), a subsidiary of major Brazilian steel producer Companhia Siderúrgica Nacional (CSN), through a consortium of Japanese and Korean companies. Looking ahead, we will continue furthering initiatives to benefit from the expected growth of Brazil as a resource-rich country and a consumer market.

Brazil's GDP Growth



Source: International Monetary Fund

Bioethanol plant

Acquiring an Iron Ore Equity Interest in Brazil through a Japan-Korea Consortium

Establishing an Unshakable Position and a New Earnings Model in Iron Ore Operations

A consortium formed by ITOCHU, five major Japanese steel producers (JFE Steel Corporation, Nippon Steel Corporation, Sumitomo Metal Industries, Ltd., Kobe Steel, Ltd., and Nisshin Steel Co., Ltd.), and Korea's largest steel company, POSCO, acquired a 40% stake in an iron ore producer and distributor, Nacional Minérios S.A. (NAMISA). As a result, ITOCHU acquired a 16% stake in NAMISA, which represents the largest stake among the companies in the consortium and ITOCHU's largest-ever investment in an overseas business. NAMISA's sales volumes are slated to increase steadily. Plans call from sales volume of 17 million tons/year in 2009, rising to 38 million tons in 2013. Furthermore, in this business project we have secured infrastructure to handle these future increases in shipment volumes through a long-term contract that includes the integrated operation of railway and port facilities.

This initiative will launch our full-fledged entry into the iron ore operations in Brazil, adding to our existing iron ore operations in Western Australia. Having steadily built its position in the industry, ITOCHU aims not only to increase earnings from this equity interest but also to expand iron ore trading centered on shipments to Japanese steel producers and POSCO. Moreover, by bolstering our relations with Companhia Siderúrgica Nacional (CSN), which owns 60% of NAMISA's shares, we plan to target business opportunities in a wide range of business areas.

Location of Brazil NAMISA

State of Minas Gerais, Brazil

Expansion plan

Total investment	2008–2012:	US$2.2 billion
Sales volume outlook	2009:	17 million tons
	2013:	38 million tons

ITOCHU—Remaining the World's No.1 Pulp Trader

Pursuing a Growth Strategy in the Forest Resources Area Centered on CENIBRA

In 1973, we established CENIBRA (Celulose Nipo-Brasileira S.A.) as a joint national project between Japan and Brazil in Brazil's Minas Gerais State. Today, CENIBRA is wholly owned by Japanese companies and organizations, which include Oji Paper Co., Ltd., JICA, ITOCHU, and 13 other major Japanese paper manufacturers.

CENIBRA owns 250,000 hectares of land, of which 130,000 hectares are planted with eucalyptus, and produces 1.2 million tons of pulp annually. CENIBRA only uses renewable forestry as a raw material for this pulp. As a result, it has acquired international certification from the FSC (Forest Stewardship Council), which only grants certification to manufacturers that focus efforts on benefiting local communities and protecting the natural environment. Based on extremely rapid virgin wood growth volumes and rigorous production rationalization, CENIBRA has world-leading cost control.

CENIBRA, Brazil

Through its investment and participation in CENIBRA, ITOCHU is involved in the entire value chain, from production through to sales. As the general agency for CENIBRA's products, we have capitalized on our logistic and financial functions and the world's strongest sales network to continue marketing that gives first priority to differentiating the CENIBRA brand and increasing the corporate value of CENIBRA.

ITOCHU will contribute to the further growth of CENIBRA and, in addition to pulp, create synergy benefits with other forest resource areas.

ITOCHU
—Continuing to Take On Challenges to Shape the Future

Discovering and Building New Businesses

ITOCHU is developing new operations in the L-I-N-E-s business areas, which will support its future growth. Launching in fiscal 2010, our new medium-term management plan Frontier[e] 2010 calls on us to concentrate efforts on the Environment & New Energy and Life & Healthcare business areas as markets likely to expand substantially. Also, ITOCHU will pioneer such business areas ahead of competitors.

Takanobu Furuta
Managing Director,
Chief Officer for New Business Development (LINEs)

Advancing Initiatives to Shape the Future

Developing New Businesses in the L-I-N-E-s Business Areas

ITOCHU is forging ahead with the development of new businesses in the Life & Healthcare area, which comprises medical and health-related businesses; the Infrastructure area, focusing on functional infrastructure and social infrastructure; the New Technologies & Materials area, mainly biotechnology, new materials, and clean technologies; and the Environment & New Energy area. At ITOCHU, taking the initial letter of each business area, we refer to these business areas as L-I-N-E-s.

Life & Healthcare is one area in which we are moving forward with particular speed. Guided by our concept of a medical value chain, we are increasing business lines in a range of business areas, from the handling of medical devices through to businesses for hospitals. In Environment & New Energy, we are focusing on solar power generation, bioethanol, and other energies that offer an alternative to fossil fuels, and energy storage devices. Among these initiatives, in solar power generation businesses we are outpacing other general trading companies in the mainstay markets of Japan, the United States, and Europe. Other initiatives in the environmental area include smart grid as core technology for modernized electricity networks and engineering businesses for seawater desalination. In the New Technologies & Materials area, based on strategic tie-ups with research organizations, companies, and universities, we are advancing the development of such leading-edge medical technologies as regenerative medicine and the development of products that incorporate nanotechnology materials. As for the Infrastructure area, using our unique strategic tools, functional infrastructures such as IT, LT, and FT functions, ITOCHU is building infrastructure networks in Japan and overseas. Further, aiming to expand and improve the social infrastructure of developing countries, ITOCHU will make contributions by exploiting its comprehensive capabilities to provide functional infrastructure and create systems that utilize such infrastructure.

Priority L-I-N-E-s Business Areas

Life & Healthcare
Increasing business lines in all business areas based on a medical value chain concept, upstream: production and sale of medical devices; midstream: wholesale distribution of pharmaceuticals and medical materials; downstream: businesses for hospitals

Infrastructure
Concentrating efforts on developing social infrastructure businesses and exploiting such functional infrastructure as IT (information technology), LT (logistics technology), and FT (financial technology) to build functional infrastructure networks in Japan and overseas

New Technologies & Materials
Developing and fostering businesses that incorporate such leading-edge technologies as biotechnology and nanotechnology in the business areas of life science, environment and new energy, and advanced materials

Environment & New Energy
Building value chains in the solar power generation business area, giving priority to strengthening energy storage devices businesses and water resources businesses, developing smart grid businesses and bioethanol businesses in a wide range of business areas

Realizing the Policies of Frontier[e] 2010

Giving Priority to Strengthening the Life & Healthcare and Environment & New Energy Business Areas

Frontier[e] 2010 identifies Life & Healthcare and Environment & New Energy as business areas that ITOCHU should focus efforts on. In Environment & New Energy, the plan calls on the Company to give priority to bolstering solar power generation, energy storage devices, and water resources business areas. Also, we are laying the organizational foundations to achieve Frontier[e] 2010's goal of rapidly establishing profit-making businesses. For example, we created a new Solar Business Department within the business development organization of Headquarters. Further, we have created the post of Chief Officer for New Business Development, who is responsible for L-I-N-E-s. This officer will steer initiatives related to L-I-N-E-s, advance lateral business projects among the seven division companies, sow the seed of new business, and nurture the resulting businesses seedlings to grow new earnings mainstays.

Working to Build Value Chains in Solar Power Generation

ITOCHU—Leading Solar Power Business As the Top Runner

As a renewable energy that emits almost no greenhouse gases, solar power generation promises to become a significant energy resource that will address such global problems as the depletion of fossil fuels and global warming. Spurred by lowering power generation costs and subsidies from national governments, the solar power generation market is expected to grow 27% annually, reaching ¥4.6 trillion in 2012.

Solar power generation is an extremely wide-ranging industry. ITOCHU is building a competitively superior solar power generation value chain by organically linking all areas of this industry from such raw materials as polysilicon through to intermediary products, including ingots, wafers, and cells, and finished products such as solar cell modules and generation systems. Another significant strategic goal is to create synergies in peripheral businesses, including the trading of manufacturing equipment and components.

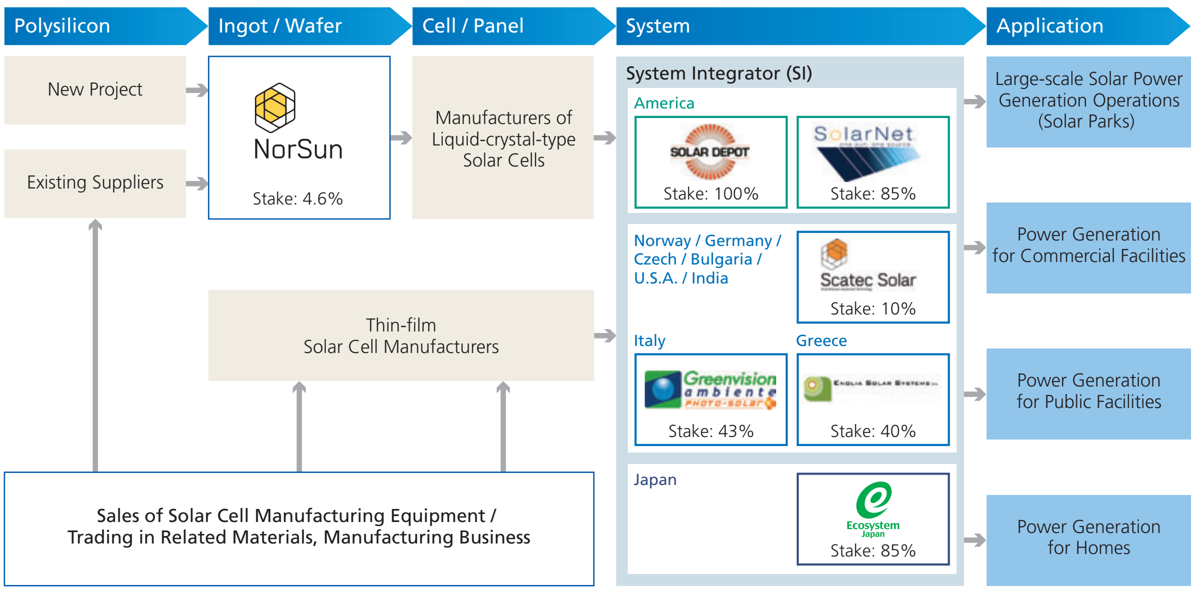
Our initiatives in this business area began with our 2006 capital participation in NorSun AS, which manufactures ingots and wafers. Expansion of this market will create a need for significant cost reductions. And, we believe that the decisive factor for competitiveness in this business area lies in securing a partner with outstanding technology as well as building and developing efficient distribution formats, in other words marketing capabilities. Mindful of that, in recent years we have stepped up investment in downstream system integrators. These initiatives started with the acquisition of Solar Depot, LLC, of the United States, in June 2007, and include investments in Scatec Solar AS, of Norway, in May 2008; Greenvision Ambiente Photo-Solar S.R.L., of Italy, in December 2008; and Enolia Solar Systems S.A., of Greece, in March 2009. Further, we acquired Solar Net LLC, which sells solar power generation systems for homes and is based in California, the United States, in April 2009. Combined with Solar Depot, this latest acquisition gives us the largest solar distribution network in the United States. Also in April 2009, in Japan we acquired Ecosystem Japan Co., Ltd., which claims the largest share in residential retrofit market for solar power generation systems. Thanks to these initiatives we have further strengthened our marketing power in Japan, the United States, and Europe.

As well as taking part in upstream businesses for the production of solar power generation raw materials (polysilicon), together with major partners we are considering and advancing participation in holding businesses for such solar power generation plants as solar parks*. ITOCHU will accelerate initiatives to rapidly build a competitively superior solar power generation value chain that will form a solid foundation of our position as the industry's top runner.

* Large-scale solar power generation plants

Solar park

Solar Power Generation Value Chain



Developing the Business Areas Related to Health and Medical Care

Aiming to Realize a Value Chain Concept

Japan's population is aging more rapidly than any other. As the baby boomer generation becomes older, the number of senior citizens is projected to increase by 1 million every year. According to estimates, senior citizens will account for 40.5% of the population, or 36.46 million people, in 2055*1. Therefore, lowering the cost to society of medical and health care in preparation for the coming of this ultra-aged society has become a worrisome issue and a pressing task in Japan.

By providing solutions to such social problems and strengthening businesses related to health and medical care areas, ITOCHU aims to create and develop new sources of earnings. Because health and medical care businesses cover an extremely diverse range of areas, collaborations beyond industry boundaries are indispensable. Precisely for this reason, ITOCHU can bring its strength to bear on the field based on its contacts and expertise in all kinds of industries and its extensive range of trading-company functions.

With a view to further speeding up the creation of businesses and increasing business lines, we established the Healthcare Business Department in the business development organization of Headquarters in May 2007. Based on its medical value chain concept, ITOCHU is aggressively using mergers and acquisitions (M&As) and other capital measures to build a business model in upstream handling of medical devices, midstream pharmaceuticals distribution, and downstream businesses for hospitals.

In the medical device business area, we are expanding and improving our operational platform centered on subsidiary Century Medical, Inc. In 2008, we further strengthened our operations in this business area by investing in leading manufacturers in the field of treatment and diagnosis, including Japan Medical Dynamic Marketing Inc., in the orthopedic medical equipment area, and Goodman Co., Ltd., in the area of equipment for cardiovascular internal medicine.

In 2008, ITOCHU and 15*2 companies jointly established the Japan Medical Partners corporate alliance to formulate countermeasures for the new influenza pandemic. ITOCHU serves as the secretariat for this alliance, which has created a system to provide devices for infection prevention, emergency measure and transportation of those devices for the national government, local governments, and companies.

In the downstream area, in which we help hospitals improve their business management by providing services for the one-stop outsourcing of operations and management support, in 2008, together with a partner company, we won a contract for the PFI*3 operations of Kobe City Medical Center General Hospital. Further, subsidiary Healthcare-Tech Corporation contributes to the efficiency of many hospitals through its SPD*4 operations, which take advantage of IT and outsourcing to realize integrated procurement of pharmaceuticals and medical materials, inventory management, and logistics.

In the wholesale distribution of pharmaceuticals and medical materials, Healthcare-Tech also sells generic pharmaceuticals. Going forward, we intend to create pharmaceuticals distribution models with new pharmaceuticals in mind. In addition, we are also steadily taking measures to develop businesses overseas. As part of these efforts, we invested in China's third largest pharmaceuticals wholesaler Jointown Pharmaceutical Group Co., Ltd.

Taking as its fundamental stance the simultaneous pursuit of business activities and social contributions that this initiative exemplifies, ITOCHU will continue to develop and implement new business models.

*1 Statistics and estimates concerning demographic trends
Source: The Cabinet Office
*2 Number of participating companies scheduled to increase to 30 in 2009
*3 PFI (private finance initiative): A method of social infrastructure development that entails using private-sector expertise and capital to design, construct, maintain, and operate public facilities as well as providing public services efficiently by having private-sector companies manage them
*4 SPD: Supply Processing & Distribution

For the new strain of influenza, a negative-pressure-type air tent jointly developed by Achilles Corporation and ITOCHU

OCT
(Optical Coherence Tomography)

Image of the completed
Kobe City Medical Center General Hospital

Enhancing Corporate Value on the World Stage,
Frontier^{e} 2010 Shaping the Future

Division Companies

Division Companies at a Glance

ITOCHU Corporation and Subsidiaries
Years ended March 31

* As the result of a reorganization on April 1, 2009, the Machinery Company transferred control of its Industrial Machinery & System Department to the Aerospace, Electronics & Multimedia Company, which changed its name to the ICT, Aerospace & Electronics Company.

Division Companies | **Major Products and Services**

Textile Company

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

Machinery Company

- Gas, oil, and petrochemical plants
- Ships • Automobiles • Rolling stock
- Power-generating equipment
- Construction machinery • Textile machinery
- Industrial machinery • Food machinery
- Plastics / polymer-related equipment
- Electronic devices / electronics-related equipment
- Devices and businesses related to water resources and the environment
- Devices and businesses related to renewable and alternative energy (solar cells, etc.)
- IPP / IWPP (power generation / water desalination)

ICT, Aerospace & Electronics Company (formerly Aerospace, Electronics & Multimedia Company)


Provided by JASDF

- Broadcasting and communication business
- Electronic systems
- Internet-related business
- Equipment for broadcasting and communication services
- Programming supply and entertainment-related business
- Mobile equipment and services
- Life science business
- Systems and related equipment for computers and information processing
- Semiconductor equipment
- Aircraft and in-flight equipment
- Air transportation management systems
- Space-related equipment
- Security equipment

Energy, Metals & Minerals Company

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

Chemicals, Forest Products & General Merchandise Company

- Building materials
- Logs and lumber
- Woodchips, pulp, paper
- Natural rubber, tires
- Ceramic products
- Shoes
- Basic chemicals
- Fine chemicals
- Pharmaceutical products
- Inorganic chemicals
- Plastics
- Various consumer products

Food Company

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

Finance, Realty, Insurance & Logistics Services Company

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

Financial Highlights (Billions of Yen)

	2005	2006	2007	2008	2009
Gross trading profit	¥112.8	¥122.9	¥124.6	¥115.2	¥102.6
Net income	14.8	15.0	17.1	20.5	22.9
Identifiable assets at March 31	377.2	395.4	401.8	364.3	360.4
ROA (%)	3.9	3.9	4.3	5.4	6.3

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

	2007	2008	2009
Prominent Apparel Ltd.	¥0.6	¥0.6	¥0.6
ITOCHU TEXTILE (CHINA) CO., LTD.	0.9	0.9	1.0
JOI'X CORPORATION	1.1	0.9	0.4

	2005	2006	2007	2008	2009
Gross trading profit	¥ 57.4	¥ 68.7	¥ 89.3	¥99.1	¥ 71.9
Net income (loss)	9.8	12.7	19.9	21.4	(15.5)
Identifiable assets at March 31	462.6	501.8	652.9	709.7	639.9
ROA (%)	2.2	2.6	3.5	3.1	(2.3)

	2007	2008	2009
ITOCHU Sanki Corporation	¥ 0.4	¥ 0.4	¥ 0.4
ITOCHU CONSTRUCTION MACHINERY CO., LTD.	0.7	0.8	0.4
MCL Group Limited	(0.4)	(2.6)	(2.5)
ITOCHU Automobile America Inc.	1.2	0.6	(1.6)
Century Leasing System, Inc.	1.6	1.5	1.0

	2005	2006	2007	2008	2009
Gross trading profit	¥108.4	¥116.4	¥133.5	¥139.0	¥138.9
Net income	14.4	17.2	11.2	14.6	8.0
Identifiable assets at March 31	489.4	524.7	551.2	513.9	490.2
ROA (%)	3.0	3.4	2.1	2.7	1.6

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

* ITOCHU Techno-Solutions Corporation's net income includes the net income of former CRC Solutions Corp.

	2005	2006	2007	2008	2009
Gross trading profit	¥ 39.1	¥ 73.9	¥102.1	¥127.5	¥ 222.3
(Metals & Minerals)	25.8	48.2	46.5	50.0	110.7
(Energy)	13.3	25.6	55.6	77.5	111.6
Net income	25.7	58.0	80.7	105.7	114.7
Identifiable assets at March 31	491.0	644.4	781.4	916.6	1,016.6
ROA (%)	5.5	10.2	11.3	12.5	11.9

	2007	2008	2009
ITOCHU Metals Corporation*	¥ 1.2	¥ 1.4	¥ 1.4
ITOCHU Petroleum Japan Ltd.	5.1	3.6	5.0
ITOCHU Minerals & Energy of Australia Pty Ltd	28.9	38.5	71.2
ITOCHU Oil Exploration (Azerbaijan) Inc.	21.2	33.4	26.1
Marubeni-Itochu Steel Inc.	16.8	16.9	14.8

* Company name changed as of April 1, 2008
(former company name: ITOCHU Non-Ferrous Materials Co., Ltd.)

	2005	2006	2007	2008	2009
Gross trading profit	¥105.9	¥111.1	¥126.2	¥122.6	¥114.3
(Forest Products & General Merchandise)	70.4	72.7	79.4	74.3	66.0
(Chemicals)	35.5	38.4	46.8	48.3	48.3
Net income	20.3	18.6	24.8	19.7	19.0
Identifiable assets at March 31	583.7	634.3	716.8	766.8	611.4
ROA (%)	3.5	3.1	3.7	2.7	2.8

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

	2005	2006	2007	2008	2009
Gross trading profit	¥136.2	¥142.6	¥ 264.6	¥ 324.7	¥ 335.6
Net income (loss)	(9.3)	19.4	18.1	18.7	20.2
Identifiable assets at March 31	728.0	778.8	1,070.7	1,064.8	1,054.1
ROA (%)	(1.3)	2.6	2.0	1.7	1.9

	2007	2008	2009
NIPPON ACCESS, INC.*	¥2.4	¥ 2.6	¥ 3.7
Japan Foods Co., Ltd.	0.1	0.1	0.0
FamilyMart Co., Ltd.	4.7	4.9	5.3

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

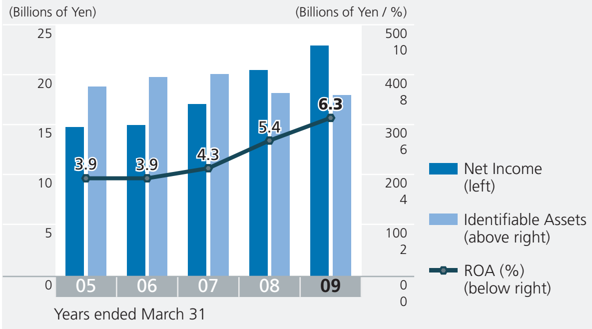
	2005	2006	2007	2008	2009
Gross trading profit	¥ 39.3	¥ 46.0	¥ 43.3	¥ 41.4	¥ 42.0
Net income (loss)	5.4	9.9	(28.3)	10.8	(1.2)
Identifiable assets at March 31	615.3	600.9	524.9	420.5	381.8
ROA (%)	0.9	1.6	(5.0)	2.3	(0.3)

	2007	2008	2009
ITOCHU Finance Corporation	¥ 2.3	¥ (7.0)	¥ 0.6
CENTURY 21 REAL ESTATE OF JAPAN LTD.	0.4	0.4	0.2
i-LOGISTICS CORP.	0.4	0.7	0.1
Orient Corporation	(40.6)	19.3	(2.7)
FX PRIME Corporation	0.1	0.7	0.9
eGuarantee, Inc.	0.1	0.0	0.1

Operating Segment Information

Textile Company

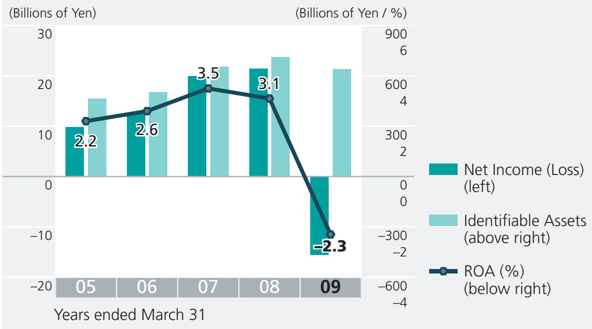
Net Income / Identifiable Assets / ROA



Net income increased by 11.7%, or ¥2.4 billion, to ¥22.9 billion (US$233 million), due to contribution of a new invested equity-method associated company and a marked improvement in gain on investments and marketable securities, which offset lower gross trading profit. Identifiable assets decreased by 1.1%, or ¥3.9 billion, compared with the previous fiscal year-end, to ¥360.4 billion (US$3,669 million), primarily due to decreases in trade receivables, and sale of investments and marketable securities offset the effects from acquisition of a subsidiary.

Machinery Company

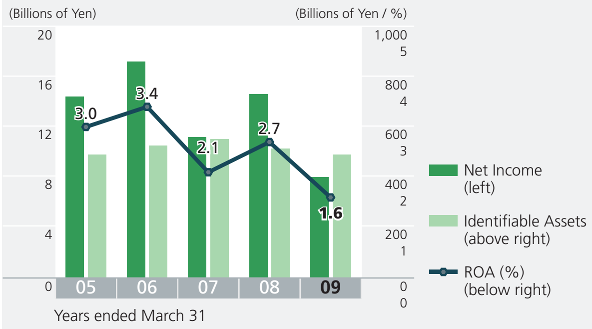
Net Income (Loss) / Identifiable Assets / ROA



The Division Company recorded a net loss of ¥15.5 billion (US$157 million), a decrease of 172.4%, or ¥36.8 billion, compared with net income of ¥21.4 billion recorded in the previous fiscal year. That loss resulted from a significant decrease in gross trading profit, the recognition of impairment losses on investments and marketable securities in automobile-related investment, and a deterioration in equity in earnings of associated companies. Identifiable assets decreased by 9.8%, or ¥69.8 billion, compared with the previous fiscal year-end, to ¥639.9 billion (US$6,515 million), which was mostly attributable to a decrease in trade receivables related to automobile and construction machinery business, and lower prices of listed marketable securities due to sluggish stock markets.

ICT, Aerospace & Electronics Company (formerly Aerospace, Electronics & Multimedia Company)

Net Income / Identifiable Assets / ROA

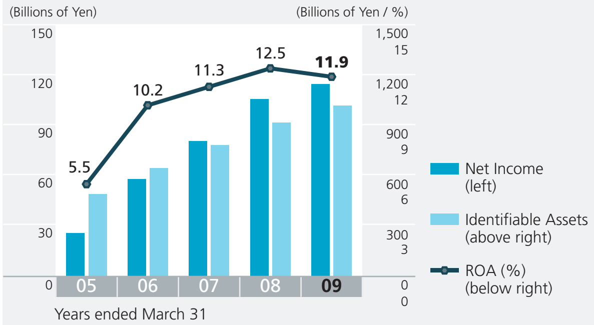


Net income decreased by 45.0%, or ¥6.6 billion, to ¥8.0 billion (US$82 million), due to increase in selling, general and administrative expenses and a reduction in gain on disposal of investments and marketable securities. Identifiable assets decreased by 4.6%, or ¥23.7 billion, compared with the previous fiscal year-end, to ¥490.2 billion (US$4,990 million), because of a reduction in advances to suppliers accompanying the delivery of major aircraft-related projects.

* As the result of a reorganization on April 1, 2009, the Machinery Company transferred control of its Industrial Machinery & System Department to the Aerospace, Electronics & Multimedia Company, which changed its name to the ICT, Aerospace & Electronics Company.

Energy, Metals & Minerals Company

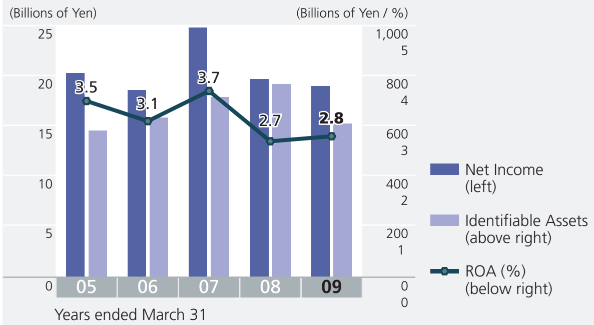
Net Income / Identifiable Assets / ROA



Net income increased by 8.5%, or ¥9.0 billion, to ¥114.7 billion (US$1,167 million), due to contribution of higher gross trading profit accompanying an increase in metal resource prices and an increase in dividends from the LNG-related investments, which offset the recognition of loss arising from the withdrawal from the Entrada Oil/Natural Gas Project. Identifiable assets increased by 10.9%, or ¥100.0 billion, compared with the previous fiscal year-end, to ¥1,016.6 billion (US$10,349 million), because of the acquisition of ITOCHU ENEX CO., LTD. and the new invested associated company which engages in iron ore production and wholesale business in Brazil despite the effect of decreases due to yen appreciation and falling of oil prices.

Chemicals, Forest Products & General Merchandise Company

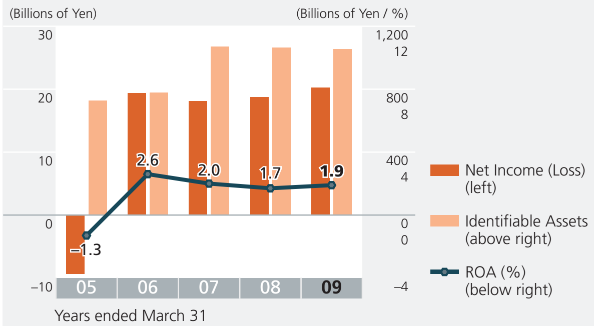
Net Income / Identifiable Assets / ROA



Net income decreased by 3.3%, or ¥0.7 billion, to ¥19.0 billion (US$194 million), due to impairment losses on fixed assets and the absence of gain on disposal of investments and marketable securities in the previous fiscal year, which offset an improvement in equity in earnings of associated companies. Identifiable assets declined 20.3%, or ¥155.4 billion, compared with the previous fiscal year-end, to ¥611.4 billion (US$6,224 million), due to a decrease in trade receivables that accompanied a worsening of the market for chemicals and a slump in housing market in Japan.

Food Company

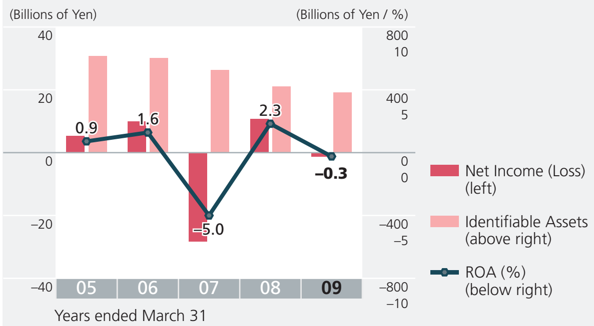
Net Income (Loss) / Identifiable Assets / ROA



Net income increased by 8.2%, or ¥1.5 billion, to ¥20.2 billion (US$205 million), as increases in gross trading profit and equity in earnings of associated companies absorbed an impairment loss on investments and marketable securities held by subsidiaries and the absence of a gain on disposal of investments and marketable securities recorded in the previous fiscal year. Identifiable assets decreased by 1.0%, or ¥10.7 billion, compared with the previous fiscal year-end, to ¥1,054.1 billion (US$10,731 million), due to a decrease in food-related inventories.

Finance, Realty, Insurance & Logistics Services Company

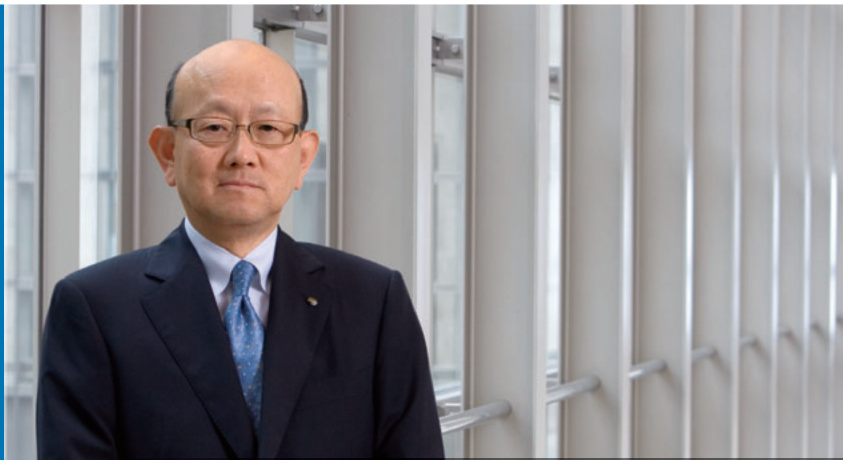
Net Income (Loss) / Identifiable Assets / ROA



This Division Company recorded a net loss of ¥1.2 billion (US$12 million), a decrease of ¥12.0 billion compared with net income of ¥10.8 billion recorded in the previous fiscal year. That decline was due to the absence of a gain on capital restructuring (a gain on debt waiver) in a finance associated company recorded in the previous fiscal year as well as the recognition of an impairment loss on investment in that investment, and a worsened performance of financial asset management subsidiaries. Identifiable assets decreased by 9.2%, or ¥38.7 billion, compared with the previous fiscal year-end, to ¥381.8 billion (US$3,887 million), due to a decrease in fund management assets of financing subsidiaries.

Textile Company

This consumer-driven division company has evolved ITOCHU's founding business by pursuing high added value from upstream through to downstream business areas—from raw materials through to textiles and finished products. However, the Textile Company is not limited to apparel. In addition to developing nontextile businesses, such as industrial materials with advanced functionality, this division company is also launching forays throughout the Consumer-Related Sector, including business areas related to food and "living," by drawing on its far-sightedness and adaptability to establish new business models.



Masahiro Okafujii
President, Textile Company

Strengths of the Textile Company

- Combination of far-sightedness and boldness that has created an unceasing flow of new business models, advanced asset renewal, and undertaken upfront investments in businesses with potential
- Brand businesses enjoy dominant industry positions thanks to the creation of new business models ahead of competitors covering importing to licensing, expansion of sales channels and product lineups, and long-term stabilization of trademark rights through tie-ups and acquisitions

Main Initiatives in Fiscal 2009

- Expanded new businesses and advanced mergers and acquisitions by making DESCENTE, LTD., an equity-method associated company, including SANKEI CO., LTD., as a subsidiary, and taking a stake in Shanshan Group Co., Ltd. (China)
- Accelerated overseas development by forging alliances through investments in new business partners
- Avoided bad debts by strengthening consolidated risk management

Business Results

(Billions of Yen)

	2007	2008	**2009**
Gross trading profit	¥124.6	¥115.2	**¥102.6**
Equity in earnings (losses) of associated companies	1.5	2.0	**3.6**
Net income	17.1	20.5	**22.9**
Identifiable assets at March 31	401.8	364.3	**360.4**
ROA (%)	4.3	5.4	**6.3**

Years ended March 31

Fiscal 2009 Business Conditions and Measures in Response to Changes

In fiscal 2009, ended March 31, 2009, the textile industry faced severe business conditions due to a marked steepening of the trend toward contraction, which has emerged in the past several years. The apparel market was hit particularly hard, with conditions worsening rapidly every month from October 2008. By March 2009, department stores had seen year-on-year sales declines for 21 consecutive months. As a result, credit uneasiness became evident in the textile industry.

In response to those changes in business conditions, the Textile Company, based on even more stringent consolidated management of credit risk to prevent contingent losses, invested in highly profitable assets and businesses and actively advanced sales activities in new business areas. Consequently, this division company became more solid in financial position by adding efficient assets and replacing less efficient assets.

Frontier+ 2008 Results and Evaluation of Fiscal 2009 Business Results

In fiscal 2009, the final year of Frontier+ 2008, the Textile Company increased earnings for the eighth straight year by posting another new record for net income. Moreover, achieving the highest ever level for return on assets—more than 6%— testifies to the progress made during the plan in reweighting the Textile Company's portfolio toward high-efficiency assets. The replacement of assets and the development and strengthening of operating companies enabled this division company to keep the percentage of Group companies reporting profits above 90%. Therefore, we achieved satisfactory results under Frontier+ 2008.

Looking at our performance qualitatively, in fiscal 2009, in accordance with the previous plan's key strategies of reweighting toward highly efficient assets through efforts to pioneer and develop new businesses and to aggressively implement merger and acquisition (M&A) activities, in our most important region—China—we made investments that will pave the way toward further advances and stepped up the pace of investment to establish alliances with new companies.

For example, our inclusion as an equity-method associated company of Shanshan Group Co., Ltd.—which was originally a textile business and is one of the foremost conglomerates in China—and the conclusion of a strategic tie-up with the company has given us a solid foothold from which to intensify operational development in China's market, which promises stable growth over the medium-to-long term. Further, we made DESCENTE, LTD., an equity-method associated company with a view to furthering the development of overseas operations by strengthening our alliance and introducing new brands. In another strategic move, we made the leading garment accessories company SANKEI Co., Ltd., a subsidiary. By capitalizing on that company's product procurement capabilities, overseas information gathering capabilities, and material procurement capabilities, we will develop an integrated procurement, production, and sales system that immediately responds to apparel retail trends. And, in yet another effort to create a strategic stepping stone for the future, we established a joint venture quality control company in Ho Chi Minh City, Vietnam, PROMINENT (VIETNAM) CO., LTD., which will help counteract rising production costs in China and strengthen our base for exporting to Europe and North America.

Furthermore, we introduced 16 new brands, including Syunsoku, a children's sports shoes brand selling more than 5 million pairs of shoes annually, and Kitson, a highly fashionable multi-brand store from Los Angeles, in the United States. In both the importing and licensing business areas, we are strengthening efforts to cater to lifestyles and market demand through a wide selection of lineups, which range from dark-colored formal apparel through to golf wear.

To sum up fiscal 2009, we managed to consolidate our foundations by taking the above-mentioned steps to strengthen risk management promptly while steadily establishing footholds that will enable us to move toward the goals of the current plan.

Priority Strategies of the New Medium-Term Management Plan Frontier[e] 2010

As the Textile Company will likely continue to face unpredictable business conditions, we will cement management foundations while strengthening its basic earning power.

Specifically, we intend to reduce expenses and to implement rigorous management of credit risk to reduce bad debt risk. Further, this division company will target the early achievement of contributions to earnings from new investments in businesses that it has developed to date while making carefully selected investments in new business areas with a view to further extending the scope of its business domain. In order to further increase earning power, we must concentrate even more effort on overseas development. Accordingly, taking China's market as our primary target, the Textile Company will further accelerate overseas initiatives.

A Capital and Operational Tie-up with Shanshan Group

Shanshan Group Co., Ltd., began as a textile business. Today, it is one of China's foremost conglomerates and is extending the scope of its business areas, which already include natural resources, energy, electronic components, food resources, finance, and real estate. We will leverage our recent capital and operational tie-up with the company not only to build a medium-to-long term partnership in the textile area but also to further strategic initiatives in other business areas.

Developing Syunsoku Based on Licensing

For general licensing operations, we established a partnership with Achilles Corporation, which markets sport shoes for children under the Syunsoku brand. Unveiled in 2003, Syunsoku shoes features a structure with a large number of spikes on the left side of the sole creating asymmetry between the left and right sides that enables the wearer to run, round corners with a firmer tread. Selling more than 5 million pairs of shoes annually, Syunsoku boasts strong brand name recognition and overwhelming popularity among children. Having acquired a master license for all of the company's lineups, except shoes, ITOCHU will take full advantage of the expertise and track record it has built up over many years in the character licensing business to develop further business models.

Machinery Company

With operations centering on ships, plant, automobiles, and construction machinery, the Machinery Company trades and invests in businesses on a global scale based on the deployment of a large number of our personnel to overseas bases. Also, this division company is creating new earnings platforms based on trading devices related to water resources and the environment as well as developing businesses related to renewable and alternative energy.

Toru Nomura
President, Machinery Company

Strengths of the Machinery Company

- Approximately one-third of personnel positioned overseas; independent sales networks for ships, plant, automobiles, and construction machinery businesses around the world
- Strong relationships with strategic partners and trading track record in Japan as well as overseas, centered on North America, Europe, and emerging markets
- Impressive track record: Orders received for chemical plants and infrastructure projects in Algeria and other countries

Main Initiatives in Fiscal 2009

- Merged Century Leasing System, Inc., and Tokyo Leasing Co., Ltd.
- Implemented strategic investment with strategic partners in environmental business area
- Established company for development of biomass power generation operations
- Acquired North American independent power producer Fox Energy Company, LLC
- Established ISUZU Network Co., Ltd.
- Established sales finance companies in North America and Thailand
- Invested in integrators and sales companies for solar power generation systems

Business Results

(Billions of Yen)

	2007	2008	**2009**
Gross trading profit	¥ 89.3	¥ 99.1	**¥ 71.9**
Equity in earnings (losses) of associated companies	5.8	4.8	**1.8**
Net income (loss)	19.9	21.4	**(15.5)**
Identifiable assets at March 31	652.9	709.7	**639.9**
ROA (%)	3.5	3.1	**(2.3)**

Years ended March 31

Fiscal 2009 Business Conditions and Measures in Response to Changes

The Machinery Company's brisk sales in fiscal 2008 continued through the first half of fiscal 2009 in emerging countries and the Middle East, but not in North America. In the second half of the fiscal year, however, the sudden economic slowdown stemming from the subprime loan crisis directly impacted automobile and construction equipment sales, leading to a significant decrease in revenues. Other factors that significantly affected this division company's performance were an increase in credit risk due to delays in projects and payments as companies' fund-raising capabilities lessened, a decline in the competitiveness of exports due to the rapid appreciation of the yen, and higher impairment losses resulting from rapidly falling share prices from autumn 2008 onward. In response to these volatile business conditions, this division company rigorously strengthened risk management in relation to inventory control and credit risk.

Meanwhile, reacting to the announcements of international frameworks for systems related to CO_2 reduction and new energy, including related policy announcements in the United States, we invested aggressively in environmental business areas, including those related to new energies that are likely to see demand growth—such as biomass, geothermal, and solar—as well as in businesses related to water resources.

Frontier+ 2008 Results and Evaluation of Fiscal 2009 Business Results

In fiscal 2009, despite a dramatic worsening of business conditions, by selecting business projects carefully, we were able to take steady steps toward building earnings platforms for the future.

The Plant & Project Division achieved an increase in orders for the building of new ships and continued to increase its asset holdings in such independent power producers as Fox

Energy Company, LLC. At the same time, the division accelerated business collaborations and strategic tie-ups. For example, in the environmental business area the division established American Renewables, LLC, which develops, builds, and operates independent biomass power generation plants in North America.

The Automobile Division strengthened its core sales businesses by establishing ISUZU Network Co., Ltd., and making YANASE & CO., LTD., an equity-method associated company through an additional investment. Further, the division also strengthened peripheral automobile businesses through the establishment of a captive sales finance company for the products of Isuzu Motors Limited in the North American market and the establishment of a sales finance company in Thailand exclusively for Suzuki motorbikes.

The Industrial Machinery & Solution Division advanced M&As with solar power generation systems integrators as part of efforts to build a value chain in the solar cell business area. Also, the division paved the way toward further advances by establishing a three-pronged system in Japan, the United States, and Europe through the bedding down of operations at Solar Depot, LLC, following its acquisition; investing in Greenvision Ambiente Photo-Solar S.R.L., of Italy, and Enolia Solar Systems S.A., of Greece; and the acquisition of Ecosystem Japan Co., Ltd., of Japan*.

Further, we merged Century Leasing System, Inc., and Tokyo Leasing Co., Ltd., to establish a core company for leasing and financing operations, and intend to support the future growth of that company.

Looking at fiscal 2009—the final year of Frontier^{+} 2008—in the first half we recognized ¥10.8 billion, before tax, as a provision for doubtful receivables related to an incident that tri-nation trade transactions involving heavy machinery, mechanical equipment, and materials for customers in Mongolia included financial transactions not involving actual delivery of products. In response, we strengthened internal control by steadily implementing preventative measures prepared following that incident. Further, we saw impairment losses on securities of listed companies due to a slump in the stock market from the second half of the fiscal year, lower earnings reflecting a worsening of equity in earnings of associated companies, and a sudden slowdown in automobile trading transactions. Due to the resulting significant decrease in earnings, we did not reach consolidated earnings targets. However, as mentioned above, we successfully implemented valuable, forward-looking investments.

* In fiscal 2010, ITOCHU integrated the solar power generation businesses of the Machinery Company and the Energy, Metals & Minerals Company in a newly established Solar Business Department, which is within the business development organization of Headquarters. Based on this reorganization, ITOCHU will further strengthen solar power generation businesses.

Priority Strategies of the New Medium-Term Management Plan Frontier^{e} 2010

Under Frontier^{e} 2010, the Machinery Company will further heighten its ability to adapt to changes in business conditions by reorganizing and integrating operations and bolstering the earnings power of operating companies. Meanwhile, viewing the economic crisis as an opportunity, we will unearth new business chances. In conjunction with these initiatives, we will create solid foundations for sustainable growth by carefully selecting and accumulating strategic, highly profitable assets to rebuild our asset portfolio into one that secures stable earnings.

Embarking on Biomass Power Generation Operations in North America

Through our operating company, Tyr Energy, Inc., which is an independent power producer, we jointly established American Renewables, LLC, headquartered in Boston, as a company that develops, builds, and operates independent biomass power generation plants. We established American Renewables with a U.S. energy development company and a developer of independent power producer businesses. At three sites across the country, the new company is currently developing the largest scale biomass power generation plants in the United States, the first of which is slated to begin commercial operations in 2012.

Underwriting YANASE's Third-party Allocation of New Shares

Since acquiring shares of YANASE & CO., LTD., in 2003, ITOCHU and YANASE have drawn on each other's management resources to expand the businesses of both companies. A recent further assumption of 5,208,000 shares, for approximately ¥3 billion, increased ITOCHU's holding to 22.04% of the company's shares. We believe this will help further strengthen the company's management platform.

ICT, Aerospace & Electronics Company

* As the result of a reorganization on April 1, 2009, the Machinery Company transferred control of its Industrial Machinery & System Department to the Aerospace, Electronics & Multimedia Company, which changed its name to the ICT, Aerospace & Electronics Company.

This division company has a large number of operating companies that lead their respective industries in a wide range of sectors, from aerospace to information technology (IT) solutions, Internet-related businesses, media, and mobile equipment and services. While further strengthening core businesses and working to generate profits from businesses in which it has made upfront investments, the ICT, Aerospace & Electronics Company is boldly taking on the challenges of pioneering new technologies and businesses.

Hiroo Inoue
President, ICT, Aerospace & Electronics Company

Strengths of the ICT, Aerospace & Electronics Company

- Centered on ITOCHU Techno-Solutions Corporation, IT solutions businesses boast leading earning power among general trading companies
- ITC NETWORKS CORPORATION's nationwide distribution network for mobile handsets
- Development of a wide diversity of businesses in Internet-related business areas, including general portal site of Excite Japan Co., Ltd., and advertising and digital marketing operations of ITOCHU ELECTRONICS CORP.
- Large shares of markets in civilian aerospace business area, including sale of small aircraft and production and sale of equipment for aircraft interiors

Main Initiatives in Fiscal 2009

- Acquired shares of NTT Plala Inc. to step up involvement with video broadcasting services through Internet (IPTV businesses)
- Assumed mobile handset distribution business of Hitachi Mobile Co., Ltd., through ITC NETWORKS CORPORATION
- Established environment-friendly data center through ITOCHU Techno-Solutions Corporation
- Took a stake in pharmaceutical marketing support company Medical Collective Intelligence Co., Ltd.
- Acquired rights to act as a sales agent for the world's largest manufacturer of turboprop aircraft, ATR (Avions de Transport Régional)

Business Results

(Billions of Yen)

	2007	2008	**2009**
Gross trading profit	¥133.5	¥139.0	**¥138.9**
Equity in earnings (losses) of associated companies	(1.5)	(1.2)	**0.3**
Net income	11.2	14.6	**8.0**
Identifiable assets at March 31	551.2	513.9	**490.2**
ROA (%)	2.1	2.7	**1.6**

Years ended March 31

Fiscal 2009 Business Conditions and Measures in Response to Changes

In the IT solutions business area, the curbing of IT investment due to deteriorating corporate performances affected the business results of ITOCHU Techno-Solutions Corporation. However, the ICT, Aerospace & Electronics Company sought to offset this trend by strengthening measures targeting businesses less susceptible to economic fluctuations, such as data centers and cloud computing.

In the mobile business area, ITC NETWORKS CORPORATION saw handset sales volumes soften due to a rise in handset prices resulting from the introduction of a new sales system and the peaking of new customers. In response, the company minimized the impact of these factors by focusing efforts on developing corporate clients—a market expected to grow—under themes of strengthening information security and reducing telecommunications costs. In addition, as the appetite for purchasing mobile handsets waned, demand increased rapidly for the insurance and warranty services for mobile handsets that Asurion Japan K.K. provides to NTT DOCOMO, INC.

In the life science business area*, the business opportunities for clinical trial outsourcing operations rose as pharmaceutical product manufacturers, facing fiercer development competition, increasingly sought to reduce personnel expenses and shorten development lead times.

* From fiscal 2010, ITOCHU integrated this division company's life science related businesses with those of the Healthcare Business Department, which was newly established in the business development organization of Headquarters. Through this new department, ITOCHU will strengthen related operations.

Frontier+ 2008 Results and Evaluation of Fiscal 2009 Business Results

For fiscal 2009, the ICT, Aerospace & Electronics Company recorded a year-on-year decline in earnings due to the rapid worsening of markets in the IT solutions business area and the aircraft business area in the wake of the financial crisis as well as the asset impairment of certain operating companies. From a qualitative standpoint, however, we strengthened core businesses and steadily cultivated seeds for future growth.

In a successful effort to develop new business areas, one of the key measures of the previous management plan, we bolstered video broadcasting services for televisions that use Internet protocol (IPTV businesses) by taking a stake in NTT Plala Inc., which provides the Hikari TV video broadcasting service. Under this key measure, another initiative was taking a stake in pharmaceutical marketing support company Medical Collective Intelligence Co., Ltd., as part of initiatives to strengthen marketing support services for pharmaceutical companies. Meanwhile, in the aerospace business area we acquired rights to act as a sales agent for ATR—the world's largest manufacturer of turboprop aircraft, which have outstanding fuel efficiency.

As part of initiatives to strengthen core businesses, ITOCHU Techno-Solutions buttressed green IT solutions businesses by opening an environment-friendly green data center, the Mejirozaka Data Center. Further, ITC NETWORKS increased its sales channels for mobile handsets and expanded its base for corporate sales by assuming the mobile handset distribution business of Hitachi Mobile Co., Ltd.

A success resulting from the key strategy to turn upfront investments into sources of profit was the steady increase in policyholders for the insurance and warranty services for mobile handsets that Asurion Japan provides to NTT DOCOMO.

Evaluating our achievements in relation to the tasks of Frontier+ 2008, efforts to strengthen core businesses bore fruit, which included increasing sales channels for mobile handsets and expanding our base for corporate sales through aggressive M&As by ITC NETWORKS as well as heightening our presence in the equipment for aircraft interiors business area by increasing our stake in JAMCO Corporation. However, we are conscious of the tasks that remain to be tackled in the current fiscal year. These include rebuilding the profit structures in the Internet media business area and addressing the decline in earning power among second-tier core operating companies ranking after ITOCHU Techno-Solutions and ITC NETWORKS. Efforts to turn upfront investments into sources of profit produced such successes as moving the abovementioned insurance and warranty services for mobile handsets into the black. Further, we expect IPTV businesses and the acquisition of rights to act as a sales agent for ATR will contribute to earnings from fiscal 2010.

Priority Strategies of the New Medium-Term Management Plan Frontier[e] 2010

Under the new medium-term management plan, the ICT, Aerospace & Electronics Company will strengthen core businesses steadily, take on challenges in new business areas, and accelerate the development of businesses overseas as basic strategies to further increase earnings. In efforts to strengthen core businesses steadily, we will continue to concentrate on reinforcing the earnings platforms of core operating companies and second-tier core operating companies while decisively divesting businesses with low efficiency or rebuilding their business models. In order to take on challenges in new business areas, this division company will maximize synergies created through the April 2009 reorganization that integrated the Industrial Machinery & System Department with the Aerospace & Electronics Systems Division, the IT & Business Solutions Division, and the Media Business Division to open up fresh business areas in the field of information communication, such as new environmental technologies, outsourcing platforms, and broadcasting platforms. Overseas, we will accelerate the development in North America and Asia centered on IT solutions businesses and aircraft-related businesses.

Increasing Involvement in Optical Cable-based Video Distribution Services

The ICT, Aerospace & Electronics Company has made NTT Plala Inc., which provides Hikari TV, an equity-method associated company. ITOCHU will support the further development of Hikari TV by capitalizing on expertise garnered in such multichannel pay broadcasting operations as SKY PerfecTV and Space Shower TV and through the terrestrial digital broadcasting service, provided over the Internet by ITOCHU's associated company I-CAST, Inc.

Acquisition of Rights to Act as a Sales Agent for Turboprop Aircraft Manufacturer

ITOCHU acquired the rights to act as a sales agent for ATR, the world's largest manufacturer of turboprop aircraft, which boasts one of the best-selling ranges of turboprop aircraft among short-haul and regional airlines worldwide. Able to land on the short runways of regional airports, ATR turboprop aircraft can play a significant role in reinvigorating regions. Also, featuring more environment-friendly designs than jet aircraft of the same class, these aircraft have lower carbon emission volumes, less exterior noise, and better fuel efficiency. Another related benefit is that their operational costs are less than half of those of jet aircraft.

Energy, Metals & Minerals Company

Focusing on the development of such mineral resources as iron ore, coal, and alumina, and energy resources as our priority business areas, the Energy, Metals & Minerals Company identifies and acquires highly profitable business projects. Further, this division company coordinates with trading operations to build value chains based on independently developed resources, which maximize the Group's earnings. We are also steadily sowing seeds for the future by developing Environment & New Energy-related businesses, including bioethanol and biomass, dimethyl ether, and greenhouse gas emission credits.

Yoichi Kobayashi
President, Energy, Metals & Minerals Company

Strengths of the Energy, Metals & Minerals Company

- One of the soundest earnings platforms in the general trading company industry thanks to highly profitable equity interests
- Best oil-trading business lines in general trading company industry
- Building of portfolios in resources development operations that balance products, regions, and development stages
- Strong steel distribution network in Japan and overseas built by Marubeni-Itochu Steel Inc.

Main Initiatives in Fiscal 2009

- Acquired equity interest in iron ore in Brazil (Nacional Minérios S.A.) through consortium of Japanese and Korean companies
- Extended existing equity interests in iron ore, coal, and alumina in Australia
- Reorganized oil and gas operations in Japan, integrating trading operations for non-ferrous products, steel scrap, and recycling
- Advanced bioethanol operations in Brazil and operations to produce greenhouse gas emission credits in China and the Philippines

Business Results

(Billions of Yen)

	2007	2008	**2009**
Gross trading profit	¥102.1	¥127.5	**¥ 222.3**
Equity in earnings (losses) of associated companies	27.1	25.5	**24.7**
Net income	80.7	105.7	**114.7**
Identifiable assets at March 31	781.4	916.6	**1,016.6**
ROA (%)	11.3	12.5	**11.9**

Years ended March 31

Fiscal 2009 Business Conditions and Measures in Response to Changes

In the first half of fiscal 2009, markets for mineral resources and energy that trended above the levels we initially anticipated contributed significantly to higher earnings from existing equity interests. By contrast, in the second half of the fiscal year the financial crisis in the United States triggered a dramatic worsening of the real economy worldwide, which drove down demand for crude oil, iron ore, coal, and other mineral resources and produced a fall in prices for resources and energy. Those trends scientifically affected the earnings of the Energy, Metals & Minerals Company's trading businesses and operating companies. In response, we sought to realize stringent risk management through foreign currency hedges and other measures and to reduce development costs.

A further feature of business conditions was the upturn in investment and business opportunities in such environment-related business areas as new energy, including bioethanol, biomass, and dimethyl ether, and greenhouse gas emission credits due to the ever increasing international concern over global environmental problems.

Frontier+ 2008 Results and Evaluation of Fiscal 2009 Business Results

In fiscal 2009, we actively invested to acquire new equity interests and extend existing equity interests in mineral resources and energy. In Brazil, we formed a consortium with major steel producers in Japan and Korea and acquired a stake in an iron ore producer and distributor, Nacional Minérios S.A. (NAMISA), a subsidiary of major Brazilian steel producer Companhia Siderúrgica Nacional (CSN). In resources development operations in Australia, we invested to increase our iron ore and alumina supply capabilities and undertook capital investment in coal equity interests. In addition, the Energy, Metals & Minerals Company took preparatory steps toward fortifying its earnings platforms for the future by advancing explorations for iron ore in Australia, nickel and platinum group metals in North America, and copper at concessions in Chile as well as beginning explorations for new oil and gas fields, such as Riness SW in the British North Sea. Other initiatives to establish earnings platforms for the future included beginning bioethanol production and sales in Brazil—through a joint venture company established with major Brazilian grain producer the Bunge Group—and furthering operations for the creation of greenhouse gas emission credits in the Philippines. In fiscal 2009, we strengthened our management platform by reorganizing and integrating operating companies in Japan. For example, in response to Japan's shrinking market for petroleum products, we integrated ITOCHU's domestic petroleum-related businesses in ITOCHU ENEX CO., LTD., and established ITOCHU Metals Corporation, in which we consolidated non-ferrous products businesses and businesses involved in steel scrap and recycling.

Regarding results under the Frontier+ 2008 medium-term management plan, which ended in fiscal 2009, the Energy, Metals & Minerals Company posted consolidated net income above ¥100 billion in fiscal 2008 and fiscal 2009. Over those two years, we invested a total of more than ¥280 billion to increase the capacity of existing equity interests, acquire new highly profitable equity interests, and create new earnings platforms by advancing new energy businesses. On the other hand, we recognized a ¥36.2 billion loss, before tax, due to withdrawal from the Entrada oil and natural gas field development project in the U.S. Gulf of Mexico. Nevertheless, we feel that, quantitatively and qualitatively, overall results during the period of the previous management plan were satisfactory.

Priority Strategies of the New Medium-Term Management Plan Frontier[e] 2010

Although exacting conditions continue in economies worldwide, we expect that over the medium-to-long term vigorous economic development among such emerging countries as China will spur higher demand for mineral and energy resources as well as steel and non-ferrous products. Therefore, under Frontier[e] 2010 we will first of all expand existing equity interests while replacing assets with carefully selected new business projects that are more profitable. Next, in trading businesses we will build value chains based on highly profitable equity interests and increase earnings synergies. Further, we will acquire tankers and terminals to enable the creation of new business models. The Energy, Metals & Minerals Company will also focus efforts on stepping up the acquisition of uranium equity interests and related trading as well as strengthening Environment & New Energy businesses by moving forward with bioethanol operations in Brazil, embarking upon the full-fledged operation of greenhouse gas emission credits businesses, and establishing commercial operations for biomass fuel.

Through these initiatives, we envision constructing earnings platforms that can consistently secure consolidated net income of ¥100 billion or higher even amid large fluctuations in the prices of resources and energy.

Acquisition of Brazilian Iron Ore Equity Interest through Japan-Korea Consortium

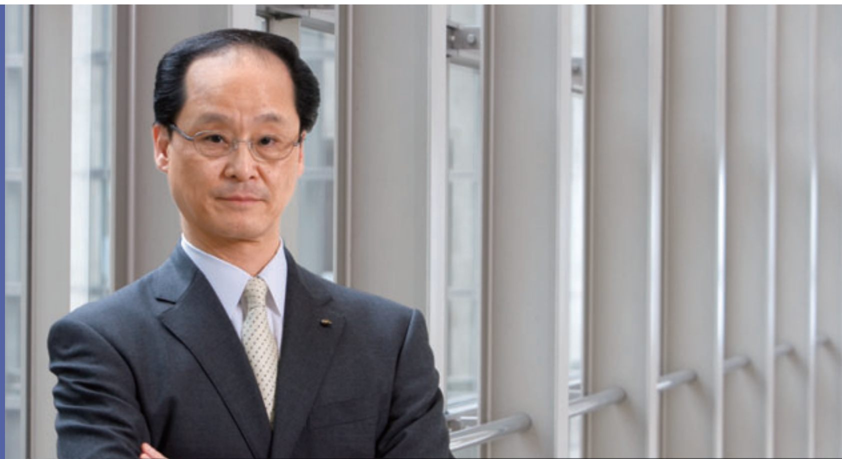
With major Japanese and Korean steel producers, ITOCHU formed a consortium, which acquired a 40% stake in the Brazilian iron ore producer and distributor Nacional Minérios S.A. Representing 16% of the Brazilian company's shares, ITOCHU's stake is the largest among the consortium companies as well as ITOCHU's largest ever investment in an overseas business. We invested to secure this major iron ore equity interest, which represents our second-largest such operations after existing operations in Western Australia, with our sights set on the burgeoning demand for steel expected over the medium-to-long term, mainly from China, India, and other emerging countries.

Bioethanol Operations in Brazil

ITOCHU began a capital participation in a business for the production and sale of bioethanol that uses sugar cane as a raw material and sugar in September 2008. In Brazil, 85% of automobiles use fuel that is a mixture of gasoline and ethanol. Consequently, domestic demand for ethanol is very strong. Also, we look forward to growing demand for ethanol as an alternative to fossil fuels in the United States, Europe, and Asia.

Chemicals, Forest Products & General Merchandise Company

In value chains covering materials from a variety of upstream industries through to the downstream retailing of finished products, the Chemicals, Forest Products & General Merchandise Company develops operations to reflect customer needs while aggressively expanding such new business areas as Life & Healthcare and Environment & New Energy. In the Consumer-Related Sector, centered on "the home and living," the Forest Products & General Merchandise Division handles various materials, including building materials, pulp, paper, rubber, and tires. Meanwhile, the Chemicals Division handles a broad lineup of products that ranges from raw materials to pharmaceutical products and electronic materials.



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

Strengths of the Chemicals, Forest Products & General Merchandise Company

- Competitive advantages in building materials-related businesses in North America and Japan
- Competitive pulp production businesses in Brazil and powerful sales network
- Handling of competitive product lineups, including basic chemicals, synthetic resins, electronic materials, and pharmaceutical products
- Global sales network centered on synthetic fiber raw materials and synthetic resin

Main Initiatives in Fiscal 2009

- Strengthened earnings platforms through aggressive M&As by PrimeSource Building Products, Inc.
- Acquired medium density fiberboard (MDF) plant in New Zealand through joint venture with DAIKEN CORPORATION
- Decided to make C.I. KASEI Co., Ltd., a subsidiary; began take over bid (completed April 2009)
- Increased involvement in generic pharmaceutical products businesses

Business Results

(Billions of Yen)

	2007	2008	**2009**
Gross trading profit	¥126.2	¥122.6	**¥114.3**
Equity in earnings (losses) of associated companies	2.3	2.0	**2.9**
Net income	24.8	19.7	**19.0**
Identifiable assets at March 31	716.8	766.8	**611.4**
ROA (%)	3.7	2.7	**2.8**

Years ended March 31

Fiscal 2009 Business Conditions and Measures in Response to Changes

In the first half of fiscal 2009, the Chemicals, Forest Products & General Merchandise Company performed favorably, with chemicals-related businesses and pulp and tire trading doing particularly well, thanks to a combination of product price hikes worldwide and increasing demand centered in Asia. In the second half of the fiscal year, the worldwide financial crisis transformed business conditions, and a sudden deterioration of the commodities market and a large fall-off in demand significantly affected the chemicals-related businesses. The U.S. housing market had been declining since the housing boom ended in 2005, moreover, the market worsened in fiscal 2009 as a result of the credit crunch, triggered by the subprime mortgage loan problem. In 2008, new housing starts in the United States dropped to 905,500 residences, which is the lowest level since records began in 1959. In addition, the Japanese housing market was lackluster. As a result, our building materials-related businesses in both North America and Japan faced a challenging market situation. On the other hand, the worldwide credit crunch had the positive effect of increasing the opportunities for ITOCHU to invest in highly profitable business projects. In response to volatile business conditions, we lowered inventories, strengthened credit risk management, and reduced a range of costs while actively acquiring highly profitable business projects overseas based on medium-to-long term perspectives.

Frontier+ 2008 Results and Evaluation of Fiscal 2009 Business Results

Answering Frontier+ 2008's call to strengthen core businesses as a key measure, PrimeSource Building Products, Inc., our subsidiary in North America, bolstered its earnings by acquiring three competitors, reinforcing its sales offices, and extending its product lineups, which contributed to ITOCHU's earnings from overseas operations. In further initiatives, the Chemicals, Forest Products & General Merchandise Company acquired an MDF plant in New Zealand through a joint venture with DAIKEN CORPORATION. In tire businesses, we withdrew from wholesale and retail operations in Japan as well as in the United States. On the other hand, we acquired a tire retail company, Central Tyre Ltd., through U.K. subsidiary Stapleton's (Tyre Services) Ltd. In pulp-related businesses, Brazilian pulp producer Celulose Nipo-Brasileira S.A. performed well due to worldwide hikes in pulp prices. Meanwhile, in chemicals-related businesses, aiming to expand and accelerate the development of joint operations in Japan and overseas with C.I. KASEI Co., Ltd.—an operating company in the synthetic resins processing business area—we established a timetable for making the company a subsidiary through a take-over bid. In China, we further increased our handling of synthetic fiber raw materials, centered on polyester raw materials operations in Ningbo. In new businesses, we made steady progress in preparation for the beginning of commercial operations for methanol production in Brunei in 2010. In another initiative, this division company examined a major business project in the upstream chemicals business area.

In efforts to develop new business areas, we expanded Environment & New Energy-related businesses by advancing general forest plantation businesses, bioethanol businesses, and light-emitting diode (LED)-related businesses. We also laid strategic foundations in growth areas of pharmaceutical products by expanding generic pharmaceutical products operations at ITOCHU CHEMICAL FRONTIER Corporation, making REMEJE PHARMACEUTICALS (CHINA) CO., LTD., a subsidiary, and launching a foray into China's pharmaceutical industry through an investment in Jointown Pharmaceutical Group Co., Ltd.

Unfortunately, we did not reach the numerical targets set out in Frontier^{+} 2008. However, we achieved noteworthy qualitative and quantitative successes by steadily replacing assets with a view to fiscal 2010 while coping with volatile business conditions.

Priority Strategies of the New Medium-Term Management Plan Frontier^{e} 2010

Under the new management plan, we will respond to volatile business conditions through balanced portfolio management that actively replaces assets to accumulate high-quality assets and build a stable earnings structure.

In the Forest Products & General Merchandise Division, we will give priority to measures to further strengthen building materials businesses in Japan and overseas, expand global trading in the paper and pulp business area, and fortify our overseas sales network for tires. In the Chemicals Division, efforts will center on furthering major business investments in the petrochemicals business area, heightening the corporate value of C.I. KASEI, and strengthening overseas operations in the synthetic resins processing business area. Further, in the Life & Healthcare business area, focusing on businesses related to pharmaceuticals, we will step up the creation of new earnings platforms.

In addition to these initiatives, we will concentrate on cementing operational foundations through the reorganization and consolidation of small or loss-making businesses and other measures.

C.I. KASEI Becomes a Subsidiary

We made C.I. KASEI Co., Ltd., previously an equity-method associated company, a subsidiary to clarify its status as a core operating company in the synthetic resins processing business area. To increase earning power, we will advance joint operations overseas with this new subsidiary and raise the efficiency of operational management through the sharing of management resources. We intend to pursue synergies within the Group among businesses for packing films, construction-related materials, civil engineering and agricultural materials, and industrial-use products.

PrimeSource Acquires Three Competitors

PrimeSource Building Products, Inc., is a leading distributor of building materials, such as nails and screws throughout the United States. In accordance with its main growth strategy, in 2008 the company acquired the regional distributors 3G's, Coast to Coast, and Compass to expand its business and increase earnings.

Food Company

The goal of this division company is to become the leading company in the global food industry. Accordingly, the Food Company globally advances and develops Strategic Integrated System (SIS) strategies that realizes efficient, customer-driven production, distribution, and sales by organically linking food resources development, food resources supply, product processing, midstream distribution, and retail. Further, throughout that system we are upgrading controls for food safety even further to ensure trust and reliability.

Yoshihisa Aoki
President, Food Company

Strengths of the Food Company

- Global application of SIS strategy
- Firm strategic platforms built in all areas—upstream, midstream, and downstream
  - Upstream: Overseas food resources supply bases such as grain-handling operations
  - Midstream: One of Japan's best food distribution networks covering all temperature ranges
  - Downstream: Points of contact with customers centered on FamilyMart Co., Ltd., and Yoshinoya Holdings Co., Ltd., that give accurate feedback on consumer needs to upstream operations
- Strategic tie-ups with major companies in China that will provide a platform for advancement of the SIS strategy
- Second highest net income among food divisions of general trading companies in Japan

Main Initiatives in Fiscal 2009

- Took a stake in the Ting Hsin Group, a major food business group with operations in China and Taiwan
- Began China's first mass-production operations for bread and premixes through collaboration with the Ting Hsin Group
- Forged comprehensive strategic tie-up with China's largest food-related company, COFCO Limited

Business Results

(Billions of Yen)

	2007	2008	**2009**
Gross trading profit	¥ 264.6	¥ 324.7	¥ 335.6
Equity in earnings (losses) of associated companies	10.2	8.0	10.1
Net income	18.1	18.7	20.2
Identifiable assets at March 31	1,070.7	1,064.8	1,054.1
ROA (%)	2.0	1.7	1.9

Years ended March 31

Fiscal 2009 Business Conditions and Measures in Response to Changes

In fiscal 2009, the food industry saw intensified competition due to maturing of the market as Japan's population ages and continuing excess supply. These trends accelerated industry reorganization, which the Food Company welcomes as it increases the opportunities for survivors to secure earnings. Further, in response to declining confidence in food safety among Japanese consumers due to incidents involving false labels and expiration dates, we shouldered additional costs in relation to food safety in order to increase consumers' confidence in products and willingness to spend. The dramatic economic slowdown also seriously affected consumer confidence.

In China and other Asian countries, firm consumer spending presents scope for stepped-up business expansion. However, particularly in China, due to the worldwide worsening of business confidence and growing concern with safety among consumers, competitive conditions will likely change. Mindful of these trends, the Food Company steadily created platforms from which to develop businesses by undertaking strategic investments and tie-ups with major Chinese companies.

Frontier+ 2008 Results and Evaluation of Fiscal 2009 Business Results

Under Frontier+ 2008's key measures to accelerate overseas business development, strengthen core businesses, and develop new business areas, the Food Company focused on accelerating global Strategic Integrated System (SIS) strategies as well as continuing to promote SIS strategies in Japan and for businesses exporting to Japan.

Qualitatively, in efforts under our global SIS—centered on China, North America, and Asia—we were particularly successful in establishing platforms in China, which has especially large growth potential and promises to continue growing stably. Specifically, we invested in the Ting Hsin Group, a major food business group with operations in China and Taiwan.

Since concluding a comprehensive strategic tie-up in 2002, the Ting Hsin Group and ITOCHU have strengthened their alliance while expanding business development. Although China's domestic demand is expected to continue growing steadily, consumers' increasing awareness of safety will likely bring about further market changes. Based on a business partnership cultivated based on concrete business achievements, this latest investment has considerable strategic importance because it will enable ITOCHU to introduce its expertise in management and control as well as Japan's outstanding methods for food safety control and quality improvement into China's market and thereby achieve differentiation and increase corporate value of the Ting Hsin Group. Further, our comprehensive strategic tie-up with China's largest food-related company, COFCO Limited, will enable joint procurement of food resources as well as food-related production and processing in regions worldwide; exchanges of information in distribution operations; and mutual use of management resources.

Further, in SIS initiatives, we exploited to the utmost the benefits of integrating NIPPON ACCESS, INC., and Nishino Trading Co., Ltd., improved earnings, enhanced the balance among products handled, and expanded the trading area for commercial-use products.

From a quantitative perspective, the Food Company had to steer through difficult business conditions in the second half of the fiscal year, when the effect of the financial crisis was particularly marked, and this division company had to recognize an extraordinary loss related to impairment of listed companies. Nevertheless, favorable performances by overseas food businesses, such as grain-handling operations in North America and non-alcoholic beverages operations in China: Fuji Oil Co., Ltd., and Prima Meat Packers, Ltd., in Japan; midstream company NIPPON ACCESS; and downstream company FamilyMart Co., Ltd., helped us to post a significant year-on-year increase in consolidated net income. The fact that mainstay businesses—which have been the focus of strategic efforts—made a good showing in difficult business conditions testifies to the steady strengthening of the Food Company's basic earning power.

Priority Strategies of the New Medium-Term Management Plan Frontier^e 2010

We aim to be the leading company in the food industries of Japan and China. In relation to Frontier^e 2010, we will transform our earnings structure to establish an earnings platform that can generate consolidated net income of ¥30 billion. In priority measures to achieve this goal, first we will move forward with joint initiatives with such strategic partners as the Ting Hsin Group and COFCO as well as furthering SIS strategies globally and in China, based on the expansion of tri-nation trading transactions that target China's market. Second, we will push ahead with SIS strategies in Japan and for businesses exporting to Japan through decisive moves to encourage reorganization of industries in the Japan's market. Also, we intend to strengthen upstream businesses by securing procurement and processing bases for grain and other food resources. Further, the Food Company will expand and upgrade food safety functions in order to realize differentiation through food safety.

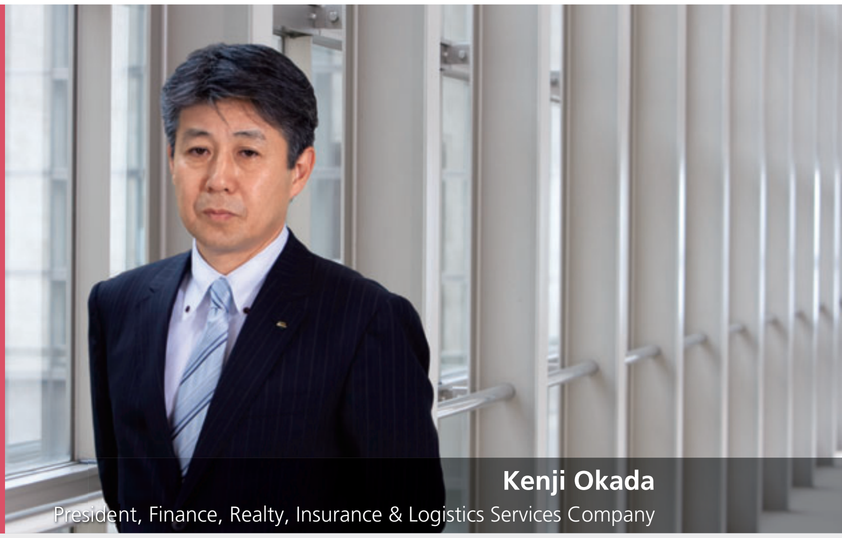
Building SIS Strategy in China

In addition to stepping up the pace of SIS strategy in Japan, as a second major pillar, we built an SIS strategy in China. Specifically, we concluded a comprehensive strategic tie-up with China's largest food-related company, COFCO, in July 2008. And, in November 2008 we acquired shares and underwrote a third-party allocation of new shares from TING HSIN (CAYMAN ISLANDS) HOLDING CORP., which is the holding company of the Ting Hsin Group, a major food business group in China and Taiwan.

We will set our businesses apart from those of competitors by bringing our expertise in management and control as well as Japan's outstanding methods for food safety control and quality improvement to China's market, which promises further growth. This differentiation will allow us to develop a wide range of food product-related operations. In addition, for China's market, we intend to develop a global SIS strategy that uses North America, Asia, and Australia as supply bases for raw materials.

Finance, Realty, Insurance & Logistics Services Company

The Financial & Insurance Division, the Construction & Realty Division, and the Logistics Services Division draw on extensive experience and track records and the unique comprehensive capabilities of ITOCHU as a general trading company to provide high-value-added solutions. By providing highly creative services reflecting the needs of the times, we will maximize earnings.



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

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

- Can access many types of industries as a service company by combining a large variety of functions
- Combined financial insurance business model that anticipates market deregulation and other market changes
- Real estate securitization businesses that exploit wide-ranging networks and value chains, provision of quality manufacturing and services centered on operating companies
- Third-party logistics services with high added value with respect to precision, efficiency, and safety as well as logistics business in China that has a network of more than 80 logistics centers

Main Initiatives in Fiscal 2009

- Listing of FX PRIME Corporation on the JASDAQ Securities Exchange
- Decided to make i-LOGISTICS CORP. a subsidiary
- Established ITC INVESTMENT PARTNERS Corporation as a comprehensive asset management company covering the financial services and real estate business areas
- Forming of a credit risk underwriting fund for small and medium-sized companies that combines financial services and insurance
- Strengthening of private equity business in Japan
- Invested in real estate liquidation business projects in Singapore with Mapletree Investments Pte. Ltd.

Business Results

(Billions of Yen)

	2007	2008	**2009**
Gross trading profit	¥ 43.3	¥ 41.4	**¥ 42.0**
Equity in earnings (losses) of associated companies	(66.0)	29.6	**(2.9)**
Net income (loss)	(28.3)	10.8	**(1.2)**
Identifiable assets at March 31	524.9	420.5	**381.8**
ROA (%)	(5.0)	2.3	**(0.3)**

Years ended March 31

Fiscal 2009 Business Conditions and Measures in Response to Changes

The intensification of the worldwide economic crisis from last year brought plunging stock market prices and a credit crunch, which significantly affected the financial services and insurance business areas. Similarly, failures among real estate companies and funds as well as increasing credit uneasiness affected the construction and real estate business areas. Meanwhile, the logistics business area saw a sudden collapse of the supply and demand balance in cargo transportation coupled with violent fluctuations in crude oil and raw material prices and fiercer cost competition.

Responding to those conditions, the Finance, Realty, Insurance & Logistics Services Company worked to reduce risk in its business portfolio in the financial services and insurance business areas while concentrating efforts on undertaking stringent risk management in the construction and real estate business areas, curbing its inventory of buildings, and heightening the profitability of existing buildings. In the logistics business area, we enforced strict management of credit risk, while in the shipping business area we strove to avoid risk based on accurate analysis of market conditions.

Frontier+ 2008 Results and Evaluation of Fiscal 2009 Business Results

In fiscal 2009, the final year of the management plan, a deterioration of market conditions led to a decrease in financial management earnings, recognition of impairment of shares held, stagnation of real estate securitization businesses, and a softening of condominium sales. Consequently, we did not reach full-year targets.

During the period of the management plan, we gave priority to measures to merge its in-house functions with a view to realizing synergies. These efforts have begun to take concrete form. For example, the Financial & Insurance Division collaborated with the Logistics Services Division to form a logistics and distribution infrastructure fund. Further, the Financial & Insurance Division and the Construction & Realty Division developed a comprehensive asset management system covering financial services and securities-related business areas as well as real estate-related business areas. Furthermore, we established a credit risk underwriting fund targeting small and medium-sized companies by utilizing the guarantee functions of listed associated company eGuarantee, Inc., and the financial services functions of ITC INVESTMENT PARTNERS Corporation and ITOCHU Finance Corporation. In the financial services and insurance business areas, the China Structured Equity Fund, one of our initiatives to strengthen overseas private equity businesses, showed steady progress. The No.1 fund successfully completed divestiture. In fiscal 2009, we were able to establish the No.2 fund. Also, FX PRIME Corporation's September 2008 listing on the JASDAQ Securities Exchange was a major step toward expanding the company's earnings platform through heightened name recognition.

In the construction and real estate business areas, despite tough business conditions, we secured profits thanks to the completion of reweighting toward highly profitable assets. We strengthened our alliance relationship with Singapore's largest logistics facilities developer Mapletree Investments Pte. Ltd. and undertook equity participation in business projects for industrial real estate liquidation in Singapore.

In logistics business areas, we decided to make i-LOGISTICS CORP. a subsidiary, stepped up initiatives in third-party logistics, and began reorganizing and expanding domestic logistics businesses in China.

Priority Strategies of the New Medium-Term Management Plan Frontier^{e} 2010

Although uncertain business conditions continue, looking ahead to the likely establishment of a new order following the current financial crisis, the Finance, Realty, Insurance & Logistics Services Company will take advantage of comprehensive capabilities that combine diverse functions to target higher earnings.

In the financial services and insurance business areas, plans call for the bolstering of comprehensive asset management businesses that realize synergies; the development of private equity and financial services businesses overseas with a focus on Asia; expansion of respective businesses through further strengthening of our tie-up with Orient Corporation; and initiatives relating to combined businesses for financial services and insurance that exploit reinsurance and capital markets.

In the construction and real estate business areas, we will implement stringent risk management, strengthen initiatives in housing, logistics, and distribution business areas by capitalizing on value chains that ITOCHU has as a general trading company. In addition, we will build operations in environmental business areas and other new business areas.

In logistics business areas, this division company intends to build a stronger integrated management platform centered on i-LOGISTICS, reorganize and integrate logistics businesses in China, increase efforts for third-party logistics businesses, and open up the area of high-value-added logistics.

Developing Logistics Center Development in Hachioji

This business project is an example operation that employs real estate securitization methods and draw on ITOCHU's extensive networks and expertise. The Finance, Realty, Insurance & Logistics Services Company purchased land, approximately 18,150 square meters, five minutes from the Chuo Expressway and the Hachioji Interchange. After building a logistics center there in accordance with our client's requests, we sold it.

FX PRIME Corporation

Listed on the JASDAQ Securities Exchange in September last year, FX PRIME Corporation is an online foreign exchange brokerage targeting individual investors. With safety and dependability as its overriding goals, the company provides a highly reliable trading environment, which it has achieved by building a very stable trading system and adopting unique risk management methods that emphasize the protection of investors' assets.

Headquarters

ITOCHU uses a Division Company System to heighten the flexibility of its business management. To complement this system, ITOCHU has developed a Headquarters System that maximizes the Company's comprehensive capabilities by deploying chief officers and a chief operating officer with company-wide cross-divisional functions in the areas of new business development, corporate planning, administration, and overseas operations.

New Business Development

Takanobu Furuta Managing Director, Chief Officer for New Business Development (LINEs)

Reorganization in accordance with the new medium-term management plan Frontier^{e} 2010 established the position of Chief Officer for New Business Development (L-I-N-E-s) in April 2009. Frontier^{e} 2010 calls on ITOCHU to use this new organization as the basis for further strengthening of L-I-N-E-s business areas as future earnings mainstays. Also, Frontier^{e} 2010 sets out as a policy concentrating particular efforts on the business areas of solar power generation, energy storage devices, and water resources. Accordingly, the reorganization established the Solar Business Department, which is under the control of the Chief Officer for New Business Development.

Healthcare Business Department: In the medical and health-related business area, which will likely expand as Japan's society ages, based on a medical value chain concept, this department is developing new initiatives in a broad range of business areas, from upstream pharmaceuticals and medical equipment through to downstream hospitals and dispensing pharmacies.

Solar Business Department: We established this department in April 2009 to consolidate the solar power-related businesses of division companies. The department is building a solar cell value chain that stretches from raw material production and ingot / wafer manufacturing to systems integrator businesses that design, build, and sell solar power generation systems.

Innovative Technology Business Development Office: This office pioneers new business areas to develop businesses that will become earnings sources by matching technology seeds in such leading-edge business areas such as biotechnology and nanotechnology with market demand. The office unearths technology seeds based on strategic tie-ups with research organizations in Japan and overseas. Moreover, it stakes claims on promising leading-edge technology seeds by investing in venture companies. Also, the office incubates business projects through joint development and marketing. As these projects become commercially viable, it steadily transfers them to division companies.

Corporate Development Office: This office develops and provides marketing support to establish new business opportunities in such strategic business areas as Environment & New Energy, Infrastructure, and Consumer-Related. As part of its lateral initiatives, the office promotes regional businesses under the themes of leading-edge technology and regional development through collaborative agreements concluded with local governments. Also, as the secretariat of the Company-wide Business Committee, the office undertakes a broad range of lateral initiatives centered on L-I-N-E-s business areas and coordinate with division companies.

Planning & Administration Office, New Business Development: Linking the two departments and two offices under the authority of the Chief Officer for New Business Development (LINEs), this office prepares plans and strategies and develops business management systems aimed at advancing L-I-N-E-s business projects.

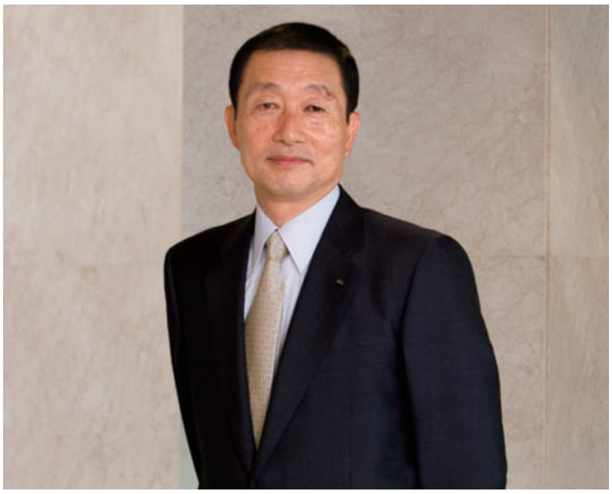
Organizational Structure

As of July 1, 2009

- Chief Officer for New Business Development (LINEs)
  - Healthcare Business Department
  - Solar Business Department
  - Innovative Technology Business Development Office
  - Corporate Development Office
  - Planning & Administration Office, New Business Development

Corporate Planning

Koji Takayanagi Managing Director, Chief Corporate Planning Officer



Under the authority of the Chief Corporate Planning Officer, the Corporate Planning & Administration Division, the Affiliate Administration Division, the Corporate Communications Division, the IT Planning Division, the Research & Policy Analysis Division, the Investor Relations Department, and the ITOCHU DNA Project Office formulate company-wide management plans and promote and support company-wide strategies.

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

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

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

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

Corporate Communications Division / Investor Relations Department: This division and department ensure accountability and promote understanding of the ITOCHU Group's management and businesses through a variety of communications to a wide range of stakeholders inside and outside the Company.

ITOCHU DNA Project Office: ITOCHU launched the ITOCHU DNA Project as a company-wide initiative to heighten the efficiency of its increasingly complex operations. Working in collaboration with various organizations throughout the Company, this office develops the ITOCHU DNA Project and ensures its implementation in actual operations.

Organizational Structure

As of July 1, 2009

- Chief Corporate Planning Officer
  - Corporate Planning & Administration Division
  - Affiliate Administration Division
  - Corporate Communications Division
  - IT Planning Division
  - Research & Policy Analysis Division
    - ITOCHU DNA Project Office
    - Investor Relations Department

Administration

Kouhei Watanabe Executive Vice President, Chief Officer for Human Resources, General Affairs, Legal

The Chief Officer for Human Resources, General Affairs, Legal controls the Human Resources Division, the General Affairs Division, the Legal Division, and the Trade & Logistics Administration Division. These divisions are taking steps to *advance full-fledged implementation of global human resources strategy* and *evolve management systems*, which are key measures of Frontier[e] 2010.

Human Resources Division: In order to continuously create "management personnel for the ITOCHU Group" that will drive ITOCHU toward its goal of becoming *a truly global enterprise*, this division implements global human resources strategies. The division plays a central and practical role in facilitating the global human resources strategies implemented by Headquarters; the four Global Talent Enhancement Centers (GTECs) in North America, Asia, China, and Europe; and human resources departments in other regions.

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

General Affairs Division: In addition to performing its previous functions in share-related operations, facilities administration, document-related operations, and operations controlling security and disaster prevention measures, this division, having assumed the CSR Promotion Office and the Global Environment Department in April 2009, is advancing corporate social responsibility initiatives befitting ITOCHU's goal of becoming *a truly global enterprise*.

Trade & Logistics Administration Division: In April 2009, ITOCHU established this division to unify control of comprehensive import and export control and comprehensive logistics control, functions that are particularly important for general trading companies. This division will further strengthening control related to import and export and logistics across the whole Group to support operational activities.

Organizational Structure

As of July 1, 2009

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

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

The Chief Officer for Finance, Accounting, Risk Management overall controls four divisions: the Finance Division, the General Accounting Control Division, the Business Accounting & Control Division, and the Risk Management Division and advances initiatives to *strengthen financial position / upgrade risk management*, which is a key measure of Frontier[e] 2010.

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

General Accounting Control Division: This division conducts financial accounting operations, which include responding to changes resulting from increasingly sophisticated and complex accounting systems as well as preparing external financial statements and financial reports. In addition, the division prepares the ITOCHU Group's accounting policies. The division also establishes tax strategies from a global perspective and supports the Group's growth strategies from the standpoints of accounting and tax.

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

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

CFO Office: In recent years, a need for the establishment and operation of internal control systems as well as the building of systems on a global and consolidated basis has been increasing. Reporting directly to the Chief Financial Officer, this office prepares plans and undertakes responses for internal control, which is the basis of to the ITOCHU Group's financial reports.

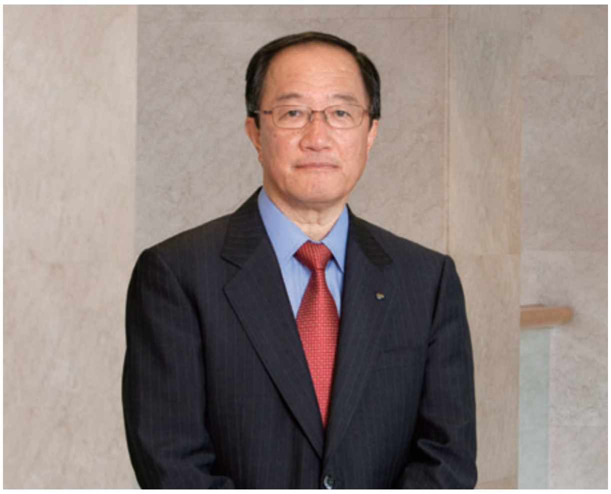
Organizational Structure

As of July 1, 2009

- **Chief Officer for Finance, Accounting, Risk Management**
  - Finance Division
  - General Accounting Control Division
  - Business Accounting & Control Division
  - Risk Management Division
- **Chief Financial Officer**
  - CFO Office

Overseas Operations

Toshihito Tamba Executive Vice President, Chief Operating Officer, Overseas Operations



To carry out one of the key measures for Frontier[e] 2010, *expand and improve earnings platforms*, we set a goal of *accelerating development of overseas business even further*. Aiming to realize truly global operations that generate earnings worldwide centered on our Priority Regions and Focus Regions, we will lead and direct the representatives of overseas regions while controlling company-wide strategies for overseas markets and merchandise.

International Operations Division

Aiming to materialize large overseas strategic projects among the ITOCHU Group, this division enhances partnerships with major companies in the world and aggressively supports division companies to promote large projects, and enhances and improves the management systems in overseas offices.

Accelerating Development of Overseas Business in Priority Regions and Focus Regions

In Priority Regions—North America, China, and Asia—we will proactively continue supporting division companies to strengthen and expand existing businesses and materialize investment projects for new business opportunities. Also, in Focus Regions—resource-rich countries with growing economies and countries where the ITOCHU Group has advantages—we will develop new business projects and increase earnings.

Supporting Development of Global Human Resources

In relation to one of its key measures, *advance full-fledged implementation of global human resources strategy*, Frontier[e] 2010 stresses initiatives to secure "global human resources" and "foster / create the management personnel for the ITOCHU Group." In order to achieve these goals, we will collaborate with the Human Resources Division and overseas offices as it redoubles efforts to advance ITOCHU's human resources strategies.

Organizational Structure

As of July 1, 2009

- Chief Operating Officer, Overseas Operations
  - International Operations Division
  - Overseas Office

Enhancing Corporate Value on the World Stage,
Frontier^e 2010 Shaping the Future

As a Good Corporate Citizen / Operational Structure

In March 2009, ITOCHU reorganized the conceptual system of ITOCHU Credo to ITOCHU Mission and Values in order to ensure that all employees correctly understand the role that ITOCHU should play in society and to share the values that ITOCHU has inherited. Inculcating the Mission and Values and having each employee put it into practice will bring us even closer to becoming *a truly global enterprise*.

The Roots of the ITOCHU Mission and Values—*Sampo Yoshi*

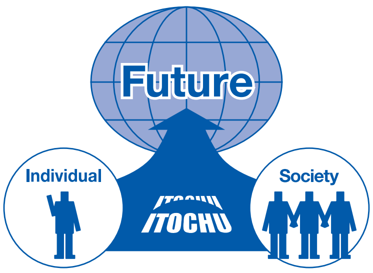
The foundation that has enabled ITOCHU to survive historic upheavals and prosper for more than 150 years is the *sampo yoshi* management philosophy of benefiting the seller, the buyer, and society. It is also what our founder Chubei Itoh regarded as the roots of business. Under this management philosophy, the company—the seller—should not only pursue profit but should also contribute to such stakeholders as business partners—the buyer—as well as regional economies—society. This reflects the symbolic values embraced by merchants Ohmi where Chubei Itoh was originally from.

Aiming to define its commitment to society as an internationally integrated corporation, ITOCHU established *Committed to the global good* as the ITOCHU Credo in 1992. The ideal underpinning this credo is that, in addition to pursuing profit through its business activities, ITOCHU should enrich individuals involved in its businesses and society. In other words, the ITOCHU Credo is rooted in the *sampo yoshi* philosophy. Since establishing the ITOCHU Credo, we have put it into practice in all of our business activities.

Rearranged A Conceptual System to Enable ITOCHU Group Employees Worldwide to Share Values

ITOCHU Mission

Committed to the Global Good



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

ITOCHU Values

- Visionary
- Integrity
- Diversity
- Passion
- Challenge

ITOCHU aims to become *a global enterprise that is highly attractive*. The key to achieving this goal is developing global human resources. Indispensable to such development is ensuring that the ITOCHU Group's approximately 60,000 employees in Japan and around the world share the values that underpin the Group's business activities. With that in mind, in March 2009 we rearranged the conceptual system of the ITOCHU Credo so that all of our employees better understand our responsibility for society and reflect them in their everyday work.

Stemming from the *sampo yoshi* management philosophy, *Committed to the global good* remains unchanged as a core concept. However, we have changed its status from the Credo to the ITOCHU Mission in order to underscore our raison d'etre. The ITOCHU Mission is defined as *The ITOCHU*

5 self-tests

- Am I communicating vision and moving forward with others?
- Am I proud to say I am involved in this work?
- Am I including the ideas and skills of a variety of people to create the best result?
- Am I taking responsibility for and caring intensely about what I am doing?
- Am I actively trying new things and pursuing innovative solutions?

Group respects the individual, society and the future in its Commitment to the Global Good.

Further, we identified the values which every single employee should respect to realize the ITOCHU Mission as the ITOCHU Values. The five ITOCHU Values encapsulate the concepts we must put into practice to become *a global enterprise that is highly attractive* as well as the management philosophy inherited from predecessors stretching back to Chubei Itoh. (Please see "Values ITOCHU has Inherited" in the table below.) In other words, these Values are the foundation that supported our development for 150 years and will carry us through our next 150 years.

By rearrangement of the conceptual system stated above, "the ITOCHU Mission and Values" has been defined as our corporate philosophy.

Furthermore, in order to make the ITOCHU Code of Conduct more practically applicable, we developed 5 self-tests. Using these tests in light of the five ITOCHU Values, each employee can check their efforts to reflect the ITOCHU Values in everyday work.

Inculcating the ITOCHU Mission and Values and Increasing Its Practicality

Aiming to make the ITOCHU Mission and Values more practically applicable, we will incorporate the ITOCHU Values into our personnel evaluation and training system. Furthermore, we intend to form an integrated Ethics Management Program by associating the 5 self-tests with a range of in-house systems and standards.

We presented the ITOCHU Mission and Values to ITOCHU employees worldwide at a Company-wide Employee Meeting on May 16, 2009. We plan to heighten employees' awareness of the ITOCHU Mission and Values by distributing booklets and using communication at various opportunity of in-house dialogues.

Company-wide Employee Meeting

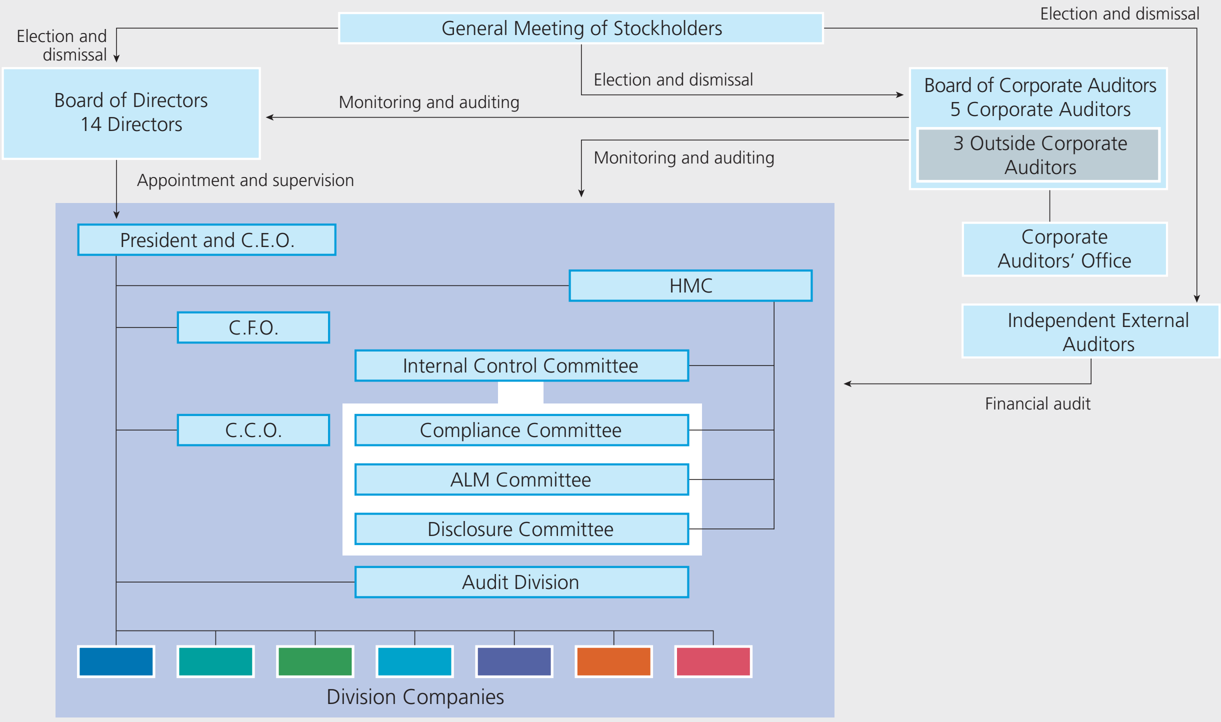
Values ITOCHU has Inherited

Visionary	Possessing a clear picture or idea of a desired future; communicating that vision and leading others to its achievement. "He looked ahead, in other words, he had a great deal of insight, he was always preparing extensive plans." "He set his sights high, aiming to take businesses that had already seemingly reached a pinnacle of success one step higher still." (Chubei Itoh II, talking about Chubei Itoh)
Integrity	Acting in alignment with personal and professional standard and values; keeping agreements; interacting consistently at all times with everyone, everywhere. "From beginning to end, people must be honest." (Chubei Itoh) "No matter what, merchants must not lie." (Chubei Itoh II)
Diversity	Leveraging our stakeholders' backgrounds and perspectives (gender, age, nationality, and experiences) to enhance results. "We were ahead of other companies with respect to the atmosphere in the company—among different employee grades there was real harmony and a spirit of cooperation that gave a sense of solid unity." (Chubei Itoh II) "Respective branches should collaborate with each other, always working cooperatively and to the best of their ability to further operations." (excerpt from "Store Law")
Passion	Focusing intensely and energetically on current issues, with strong will and momentum to succeed. "Whatever he did, his passion towards work was of great width and quality. He gave his whole heart for his work, and worked under the belief that his business was sacred and glorious, that the existence of himself and his business organization contributed to society." (Chubei Itoh II, talking about Chubei Itoh)
Challenge	Undertaking "new" things with strong intention and pioneering the future with creativity and ingenuity, no matter the degree of difficulty. "Going overseas was taboo for me in my family and company. (omission) I came up with the idea that to reasonably change everything in the company, I needed the drive of some great energy. I had decided deep in my heart that also for this reason, I had to travel to Western countries to obtain new knowledge." (Chubei Itoh II)

ITOCHU operates its business in accordance with the ITOCHU Mission and Values. Our fundamental policy is to work toward the long-term preservation and enhancement of our corporate value by building positive and effective relationships with our stakeholders. To execute our business activities in a fair and efficient manner in accordance with our fundamental policy, we are increasing the transparency of our decision-making process and constructing a corporate governance system that incorporates appropriate monitoring and supervisory functions. Furthermore, we will operate our business on a basis of trust with our stockholders by ensuring adequate and timely disclosure of information and by maintaining accountability to our stockholders.

ITOCHU's Corporate Governance System

ITOCHU's Current Corporate Governance System



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

ITOCHU's corporate governance system consists of the General Meeting of Stockholders, which is the highest decision-making body; the Board of Directors, which makes important decisions at the next level; and the Board of Corporate Auditors, which oversees execution of each director's duty.

Comprising 14 directors, the Board of each Directors makes decisions on important management matters and oversees management of business by each director.

The Headquarters Management Committee (HMC) is a supporting body of the CEO and is where company-wide management policy and important issues are discussed and decided. Management issues are also discussed and screened by various internal committees that support the decision making of the CEO and the Board of Directors.

Comprising five corporate auditors, of whom three are outside corporate auditors, the Board of Corporate Auditors provides objective management oversight. Corporate auditors enhance audit functions by regularly attending meetings of the Board of Directors and other in-house meetings and working in cooperation with the Company's independent auditors and other audit bodies inside and outside the Company. ITOCHU's Audit Division is responsible for internal audits. Aiming to facilitate exchanges of information and close collaboration, members of this division meet regularly with corporate auditors to discuss such matters as internal audit planning. In addition, the Corporate Auditors' Office, reporting directly to the Board of Corporate Auditors, supports corporate auditors in the performance of their duties. Although ITOCHU does not appoint outside directors, corporate auditors adequately perform oversight functions within the Company.

With the aim of increasing decision-making speed and management efficiency, ITOCHU introduced the Division Company System in the year ended March 31, 1998. Based on overall control by Headquarters, each division company is responsible for the management of its field of operations. Further, in order to strengthen the decision-making and oversight functions of the Board of Directors, the Company adopted an Executive Officer System from 1999. Based on the approval of the Board of Directors, executive officers implement their designated duties based on delegation from the Board of Directors and representative directors.

Further, the terms of office of directors and executive officers were reduced to one year from the year ended March 31, 2007.

Principal Internal Committees

Name	Objectives
Internal Control Committee	• Evaluates and confirms the status of implementation and operation of internal control systems based on the Basic Policy regarding the Internal Control System and proposes further improvements to the HMC and directors
ALM*1 Committee	• Performs comprehensive balance sheet and risk management analysis and makes recommendations on monitoring systems and improvement measures for management
Company-wide Business Committee	• Maximizes the collective and comprehensive strengths in company-wide business and supports and promotes the realization of synergies between the division companies
Corporate Officer Compensation Consultative Committee	• Deliberates and makes recommendations on the implementation and operation of the corporate officers' compensation system
CIO*2 Committee	• Deliberates, promotes, and makes recommendations on policies for the introduction and implementation of information technology to the ITOCHU Group
Disclosure Committee	• Deliberates and makes recommendations on internal control policies and measures concerning information disclosure (including disclosure of financial statements)
CSR Committee	• Deliberates, promotes, and makes recommendations on policies and measures concerning CSR • Implements policies and programs for the full understanding of, and compliance with, the Company's management principles and corporate code of conduct
Compliance Committee	• Deliberates and decides regarding basic compliance policy, monitors and authorizes overall compliance control
DNA*3 Project Committee	• Deliberates and makes recommendations on policies and measures for promoting business process re-engineering throughout the entire ITOCHU Group
Global Human Resources Strategy Committee	• Deliberates on the acquisition of human resources in regions worldwide and the development of group management resources

*1 ALM = Asset Liability Management *2 CIO = Chief Information Officer *3 DNA = Designing New Age

Establishment of Advisory Board

As a means of further raising the quality of its corporate governance, ITOCHU established the Advisory Board, which comprises experts from outside the Company, with the aim of receiving objective, specialized third-party opinions.

Internal Control

On April 19, 2006, the Company's Board of Directors established the Basic Policy regarding the Internal Control System (summary on page 59), and made a commitment to continuously improve internal control systems by tirelessly revising them. One of a variety of in-house committees, the Disclosure Committee builds internal control to facilitate general disclosure and reporting systems from internal control. In particular, this committee is tasked with further heightening the reliability of consolidated financial reports. Since March 2007, the DNA Project Committee has been advancing an operational improvement project, ITOCHU DNA Project—Designing New Age—, which is helping increase the effectiveness and efficiency of our operations. The ALM Committee protects the ITOCHU Group's assets by making recommendations relating to balance sheet management as well as analysis and management of risk. Established to deliberate and decide basic compliance policy and monitor compliance control, the Compliance Committee ensures compliance with laws and statutory regulations.

In addition to the development and operation of effective internal control systems through these in-house committees, the Internal Control Committee manages overall internal control and deliberates company-wide internal control issues and improvement measures. To perform the function of objectively evaluating and auditing whether the Company is developing and operating internal control systems appropriately, ITOCHU established an Internal Control Audit Section in April 2008.

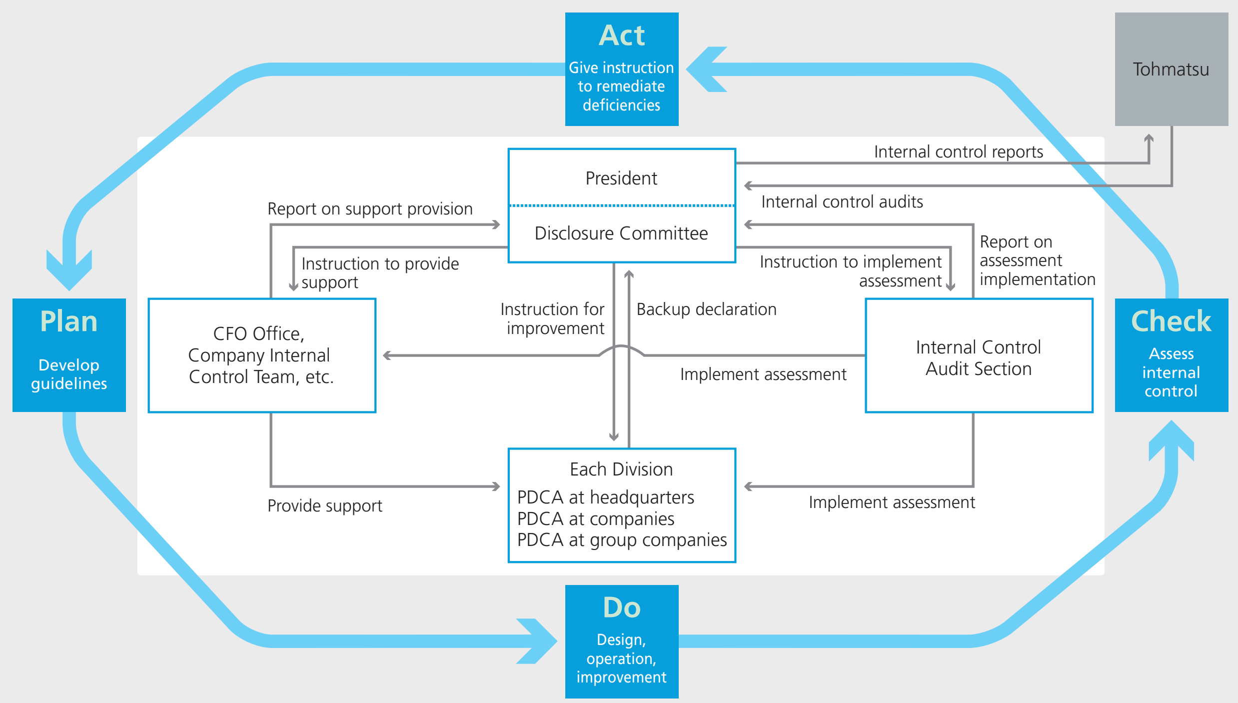
Response to Internal Control Reporting System

In order to further heighten the reliability of its consolidated financial reports, ITOCHU designated the Disclosure Committee as a steering committee and built internal control systems in adherence with the internal control reporting system. We are establishing a system for responding as an organization to this new requirement. The CFO Office manages this project, and we have established internal control advancement teams within each division company.

In addition, to create a system for objectively evaluating whether ITOCHU is developing and operating internal control systems appropriately, the Company established an Internal Control Audit Section within the Audit Division. The Internal Control Audit Section evaluates whether the ITOCHU Group's internal control is functioning effectively and reports the results to managers.

As a consequence of these initiatives, managers concluded that the ITOCHU Group's internal control is effective. To this effect, ITOCHU prepared an internal control report for fiscal 2009, the inaugural year of the internal control reporting system, and, upon receiving an unqualified opinion from the independent auditor, submitted the report to the Kanto Local Finance Bureau.

PDCA Cycle of Internal Control



The Progress of the ITOCHU DNA Project

Taking a company-wide perspective, ITOCHU is reforming and optimizing operations through the ITOCHU DNA Project—Designing New Age—. Aiming to increase overall operational efficiency, this project strengthens the capabilities of each organization and employee.

The project began by visualizing all operational processes. Then, to address the tasks that this initial phase brought to light, we considered a variety of options. In particular, to standardize and consolidate administrative operational processes, we established company-wide standard operations that improve operational efficiency and quality, strengthen risk management, and incorporate internal control requirements.

Going forward, we will steadily move to a phase of establishing organizations and systems that reflect and support these standardized operational processes.

Basic Policy regarding the Internal Control System (Outline)

The Company has established the following internal control systems, which are necessary to ensure that executive officers' implementation of duties are in compliance with laws and statutory regulations and articles of incorporation and ensure the appropriateness of other operations. Below is a summary of the Basic Policy regarding the Internal Control System, which the Board of Directors approved on April 19, 2006.

Notes

1. System to Ensure Compliance by Directors and Employees to Laws, Regulations and the Articles of Incorporation

(1) Corporate Governance

1) As the decision-making body, the Board of Directors is to decide important matters in accordance with laws and regulations, the Articles of Incorporation, the "Board of Directors Regulations," and other internal regulations, and as the supervisory body, the Board of Directors is to supervise the performance of the directors.

2) Each director is to carry out such director's functions and duties as designated by the Board of Directors in accordance with laws and regulations, the Articles of Incorporation, resolutions by the Board of Directors, and internal regulations.

3) ITOCHU is to adopt the Executive Officer System to strengthen the decision-making function and supervisory function of the Board of Directors, and to streamline executive decision-making. Based on the approval of the Board of Directors, executive officers implement their designated duties based on delegation from the Board of Directors and representative directors.

4) The corporate auditors are to oversee the performance of the directors based on the "Board of Corporate Auditors Regulations" and "Auditors' Auditing Standards."

(2) Compliance

1) Directors and employees are to conduct themselves in accordance with the ITOCHU Credo and the ITOCHU Code of Conduct.

2) ITOCHU is to establish a department that oversees all compliance matters, including all matters relating to the Chief Compliance Officer and the Compliance Committee. In addition, the "ITOCHU Group Compliance Program" is to be created to further enhance our compliance system.

(3) Internal Control to Ensure Reliability of Financial Reporting

1) ITOCHU is to have in place internal regulations concerning commercial transactions management and accounting, and is to create the position of Chief Financial Officer to ensure the reliability of financial reporting.

2) ITOCHU is to establish the Disclosure Committee and regularly review and improve the internal control systems to ensure the reliability of financial reporting.

(4) Internal Audits

ITOCHU is to establish the Audit Division under the direct control of the President. The Audit Division is to regularly implement internal audits of all aspects of business operations based on the "Audit Regulations." Such internal audits are to examine compliance with laws and regulations, the Articles of Incorporation, and internal regulations, as well as, among other matters, the appropriateness of the procedures and nature of the exercise of duties and responsibilities.

2. System for the Storage and Preservation of Information Related to Director Duties

The directors are to appropriately store and preserve important documents and related materials concerning the performance of their duties, including the minutes of the General Meeting of Stockholders, in accordance with the "Information Management Regulations," the "Document Management Rules" and other internal regulations. All documents and information so stored and preserved are to be subject to inspection by the directors and auditors at any time. Further, the Company will establish departments responsible for the timely disclosure of important corporate information and other information. At the same time, directors will rapidly and comprehensively gather information that requires disclosure and implement timely and appropriate disclosure in compliance with laws and statutory regulations.

3. Regulations Concerning the Management of the Risk of Loss and Other Relevant Risk Management System

To adequately address the various risks associated with our business operations, such as market risk, credit risk, country risk, and investment risk, ITOCHU is to establish internal committees and responsible departments, and is to develop the necessary risk management system and risk management techniques, for example establishing a full range of management regulations, investment criteria, risk limits and transaction limits, and developing reporting and monitoring systems, and managing company-wide as well as matter-specific risks. Furthermore, ITOCHU is to regularly review the effectiveness of the risk management system.

4. System to Ensure Efficient Performance of Directors

(1) The HMC and Other Internal Committees

The HMC (Headquarters Management Committee) as a supporting body to the president, and a number of other internal committees, are to facilitate the proper and agile decision-making by the president and the Board of Directors.

(2) Division Company System

Under the Division Company System, the position of Company president is to be created at each Company, and each Company is to manage its business autonomously in accordance with laws and regulations, the Articles of Incorporation, and internal regulations. Furthermore, each Company is to establish its own numerical targets, and regularly evaluate its performance by comparing against such numerical targets.

(3) Clearly Define the Scope of Authority and Responsibilities

In order to ensure the appropriateness and efficiency of the performance of the management, ITOCHU is to develop internal regulations to clearly define the scope of authority and responsibilities of each corporate officer and divisional manager.

5. System to Ensure the Adequacy of Operations of the ITOCHU Group (Consisting of ITOCHU Corporation and Its Subsidiaries)

(1) Subsidiary Management System

ITOCHU is to establish a department that oversees all the subsidiaries. Furthermore, relevant departments within ITOCHU Corporation are to exercise jurisdiction over their responsible subsidiaries, and provide managerial guidance to such subsidiaries in accordance with the internal regulations concerning consolidated company management. In principle, ITOCHU Corporation is to send directors and auditors to each subsidiary to ensure the adequacy of the subsidiary's operations.

(2) Compliance

ITOCHU Corporation is to provide guidance to its subsidiaries for the purpose of implementing a compliance system at each subsidiary in accordance with the "ITOCHU Group Compliance Program," and is to implement full compliance in the entire ITOCHU Group through education and training.

(3) Internal Audits

All of the operations and activities of the subsidiaries are to be subject to internal audits by the Audit Division.

6. Matters Concerning Supporting Personnel to Auditors and Independence of Such Personnel from the Directors

ITOCHU is to establish the Corporate Auditors' Office under the direct jurisdiction of the Board of Corporate Auditors and is to put in place full-time employees with the sole responsibility of supporting the work of the corporate auditors. The supervisory authority over such employees is to belong exclusively to the corporate auditors, and evaluation of such employees is to be carried out by the corporate auditor designated by the Board of Corporate Auditors. Any transfer orders or disciplinary actions relating to such employees are to require prior approval by such corporate auditor.

7. System for Reporting by Directors and Employees to Corporate Auditors

(1) Attendance at Important Meetings

The corporate auditors are to attend meetings of the Board of Directors, the HMC meetings, and other important meetings, and interview the directors and other relevant persons regarding the performance of their duties. In addition, the corporate auditors are to have the right to inspect all relevant materials.

(2) Reporting System

1) The directors and corporate officers are to regularly report to the corporate auditors about their performance. Furthermore, in addition to the matters required by laws and regulations, the directors are to report all the decisions that could have a major impact on the finance or business of ITOCHU to the corporate auditors immediately after such decisions are made.

2) Employees are to have the right to report directly to the corporate auditors any matters that could cause serious damage to ITOCHU.

8. Other Relevant Systems to Ensure the Proper Functioning of Audits

(1) Coordination with the Auditors in the Audit Division

The Audit Division is to maintain close communication and coordination with the corporate auditors with respect to matters such as formulation of the internal audit plan for each business year, and internal audit results.

(2) Retaining External Experts

When deemed necessary, the corporate auditors are to independently retain external experts for the implementation of an audit.

ITOCHU intends to revise and improve these internal control systems tirelessly in order to build systems that are even more appropriate and efficient. Further, a meeting of the Board of Directors convened on April 30, 2009, evaluated the status of items pursuant to the basic policy in fiscal 2009 and confirmed that there were no significant deficiencies or defects.

Aiming to reinforce the "integrity," set out as one of the ITOCHU Values that is of paramount importance to the entire Group, we will redouble efforts to ensure strict compliance with laws, statutory regulations, and other rules to further expand and upgrade our compliance system.

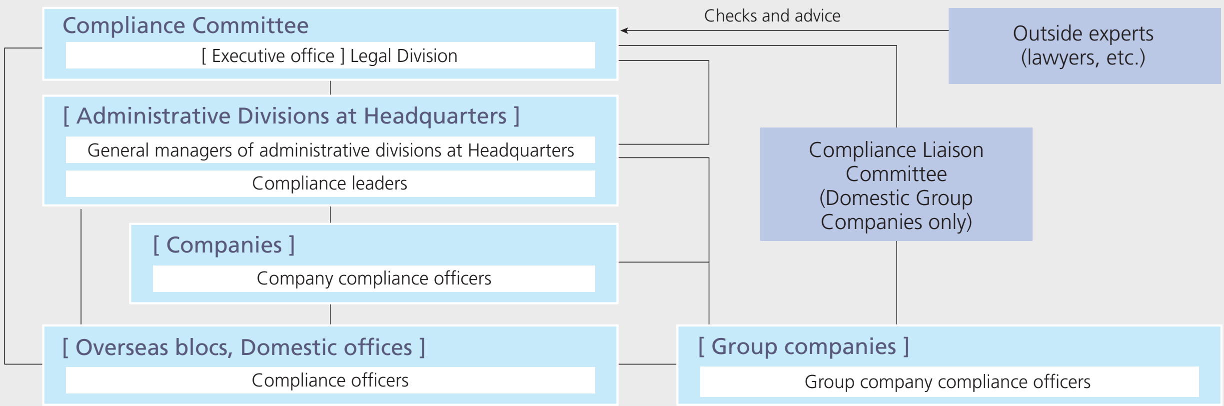
The ITOCHU Group's Compliance System

The ITOCHU Group has compliance officers in each organization within Headquarters and at all Group companies in Japan and overseas. These compliance officers are strengthening compliance by creating systems, conducting education and training, responding to individual cases, and taking any other necessary measures based on directives and support from Headquarters and respective division companies as well as consideration of local laws and businesses' characteristics and operational formats. In addition, we conduct simultaneous company-wide Monitor & Review surveys every six months. While checking the progress in implementing compliance measures at all organizations in the ITOCHU Group through these surveys and various other methods, the ITOCHU Group is making a concerted effort to enhance and upgrade its compliance advancement systems.

We are focusing on fostering an awareness of the need for rigorous compliance in each employee and conducting employee education and training about pertinent laws and statutory regulations as one of the essential requirements for compliance advancement.

In fiscal 2009, ITOCHU conducted education and training covering a wide range of topics and purposes. We held in-house seminars about laws, statutory regulations, and internal systems that employees must know about when conducting business. Also, we provided training about employees' roles in compliance advancement tailored to different positions and kinds of work, such as department managers, section managers, and clerical employees. We also urged employees in frontline operations to recheck that they were strictly following basic operational steps.

Compliance Structure



Initiatives for Comprehensive Import, Export, and Logistics Control

In order to create a division with overall import, export, and logistics control, on April 1, 2009, ITOCHU established the Trade & Logistics Administration Division, which comprises the three departments below. Through this new division, ITOCHU is further strengthening the Group's overall import, export, and logistics control.

Trade Security Policy Coordination Department: This section undertakes trade-security control based on a trade-security control program. In addition to observing trade-security statutory regulations pursuant to the Foreign Exchange and Foreign Trade Law, ITOCHU has prepared and enforces comprehensive and systematic regulations that constitute an internal trade-security control program, which enables the Company to control global security risks, or international political risks, and work in unison with international society. Further, to ensure that we do not take part in business transactions that threaten international peace and security, not only do we meticulously comply with existing government laws and regulations but we also voluntarily take extra measures to ensure that our stakeholders and corporate reputation are adequately safeguarded through our implementation of a comprehensive global security risk management program.

Customs Control Department: This section is responsible for controlling operations related to import and export customs declarations. In 2008, internal customs control regulations and an import customs declaration manual were introduced to enable appropriate management of customs declarations.

Logistics Management Department: This section is responsible for building and operating comprehensive company-wide logistics control systems. Its activities include reorganizing and using logistics data, managing logistics-related business partners, and adapting to the country's new customs clearance systems.

As a company conducting diverse operations across a broad array of sectors and in many different regions, ITOCHU takes the significant impact of its business activities seriously. To accomplish our Mission, *Committed to the global good*, we will contribute to the realization of a sustainable society through our business activities.

Basic CSR Philosophy

A simultaneous world recession, triggered by a financial crisis in the United States that happened in autumn 2008, brought a range of modern social problems into sharper focus. These issues included environmental problems such as global warming, and social problems such as poverty and economic disparities.

Due to these conditions, a considerable groundswell of opinion is looking to the private sector, as the driver of economic activities, to collaborate with the public sector and the citizen sector to help solve these problems.

We at ITOCHU believe that CSR lies in corporate thought and action on the question of how to play a role in building sustainable societies through business activities.

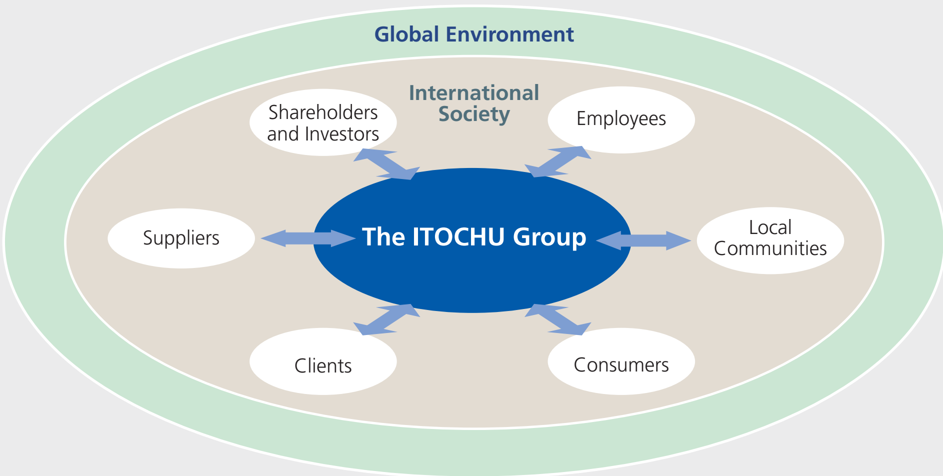
Further, society's recognition of such contributions through business activities will become one of ITOCHU's long-term assets. Therefore, our mission as a company is to fulfil our CSR as a global company by consistently developing businesses based on considerations of whether they will benefit countries and societies.

Giving importance to meeting its CSR through business activities systematically, ITOCHU incorporates CSR into management plans, and each division advances such initiatives through PDCA (Plan–Do–Check–Action) management cycles. Also, as we move forward with CSR initiatives, we will continue dialogues with a broad range of stakeholders to reflect their opinions in management.

CSR Approaches through Dialogue with Our Stakeholders

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

Major Stakeholders of the ITOCHU Group



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

CSR Reports

Please refer to ITOCHU's CSR Reports for specific information about corporate social responsibility initiatives, including ITOCHU's engagement with employees, society, and the environment.

In accordance with Frontier[e] 2010, which positions efforts to advance full-fledged implementation of a global human resources strategy as a key measure, ITOCHU is actively strengthening its human resources from a global perspective. Our goal is to create an appealing company and corporate culture by respecting the careers of individuals, developing employee-friendly work environments and well-balanced work styles that enable diverse employees to realize their full potential, regardless of gender, age, nationality, or race.

Global Human Resources Strategy and Enhancing Diversification

Global Human Resources Strategy

Primarily through Global Talent Enhancement Centers (GTECs) established in four cities around the world with a Global Talent Enhancement Headquarters (GTEC Headquarters) in Tokyo, we are pursuing a variety of human resources initiatives. Two strategies guide these efforts. First, from among diverse employees of both genders and from various nationalities, races, and age groups, we will develop human resources for global management continuously and make the best use of them. Second, to become *a truly global enterprise*, we will reform the mindset of all Group employees. In particular, Frontier[e] 2010 calls on ITOCHU to place global human resources strategy at the center of its human resources strategy and give priority to tackling measures for *securing global human resources* and *fostering / creating group management human resources*.

Enhancing Human Resources Diversification

In accordance with the global human resources strategy, we established and implemented the Promotion Plan on Human Resource Diversification, which began in January 2004 and ended in March 2009, based on the concept of diversifying human resources in Japan by providing maximum support to the careers of diverse personnel regardless of gender, age, or nationality.

We have steadily increased the number of overseas bloc employees deployed to Headquarters and the percentage of female employees and newly graduated female employees in career-track positions. In addition, to provide further support to senior citizens, we revised our employment extension system in October 2008. This expanded and improved system will enable a variety of motivated people to continue rewarding work irrespective of their age.

As the next stage, the Promotion Plan on Human Resource Diversification 2013 (Japan), which applies to the period from April 2009 through March 2014, shifts our focus from increasing numbers and developing systems toward efforts to help establish and support larger numbers of diverse personnel. Based on this plan, we will continue to help the careers of a variety of personnel.

Promotion Plan on Human Resource Diversification 2013 (Japan)
Objectives
Create an appealing company and corporate culture by helping to establish and supporting larger numbers of diverse personnel

Communication with Employees

Company-wide Employee Meeting

To promote direct dialogue between senior management and other employees, all employees are free to participate in company-wide employee meetings, which the president and other members of senior management team attend. These meetings provided a very valuable opportunity for two-way communication. Senior managers explain management policies and their determination to realize goals directly to employees, while employees can directly put forward opinions or questions to the senior management team.

Diversity Forum

As another measure to diversify human resources, we have been holding meetings of the Diversity Forum since fiscal 2007. The main theme of fiscal 2009’s meeting was “Multinational Human Resources.” At the meeting, 20 employees, including male and female employees from overseas blocs with different nationalities, age groups, and professional experience, submitted proposals to senior management on how to advance efforts to hire, develop, and support personnel from a range of different countries.

President and C.E.O. Eizo Kobayashi talking to employees

A meeting of the Diversity Forum on “Multinational Human Resources”

Through social contribution activities, ITOCHU fulfils its role as a good corporate citizen by achieving a balance between corporate profit and the interests of society. Our social contribution activities focus on five areas: *action on global humanitarian issues*, *environmental conservation*, *community contribution*, *growth of the future generation*, and *support for volunteer work by our employees*. Below are examples of ITOCHU's activities in each of these areas.

Basic Activity Guidelines on Social Contribution

1 As a globally active enterprise, ITOCHU Corporation shall take proactive approaches to humanitarian issues around the world and help to build a better, more humane world.

2 ITOCHU Corporation shall vigorously pursue activities of environmental preservation and contribute to sustainable social advancement.

3 As a good corporate citizen, ITOCHU Corporation shall construct favorable relationships, and harmonize its business, with local communities.

4 ITOCHU Corporation shall conduct activities to support the sound development of youth as tomorrow's leaders and work for the emergence of fulfilling and vibrant communities.

5 ITOCHU Corporation shall provide positive support for the activities of social contribution by each and every one of its employees.

Examples of Activities in Fiscal 2009

Action on global humanitarian issues	• Continued support for the United Nations World Food Programme, which seeks to eradicate global hunger • Conducted the TABLE FOR TWO program, which links the provision of food aid to developing countries with the number of special healthy dishes ordered at employee restaurants in Japan • Made donations for the emergency relief of people affected by natural disasters around the world
Environmental conservation	• Planted trees to protect the environment of Lake Biwa, volunteers cultivated fallow land near rural villages in Yamanashi Prefecture • Held symposiums to the public, by Center for Climate System Research, The University of Tokyo, and ITOCHU • Organized Summer School Programs on the Environment for elementary school students mainly in Minato-ku, Tokyo
Community contribution	• Held a baseball class for physically challenged children with the cooperation of Tokyo Yakult Swallows Baseball Club • Participated in clean-up campaigns in various regions
Growth of the future generation	• Supported reading programs for children and outdoor education programs through the ITOCHU Foundation, which promotes the sound development of young people • Sponsored the establishment of a self-support facility for young people established in the Philippines by NGO Kokkyo naki Kodomotachi • Took part in "Campaign to Deliver Picture Books" for children in Asia, by Shanti Volunteer Association (SVA)
Support for volunteer work by our employees	• Supported efforts of employee volunteers, which included nature watching, collecting used stamps, reading aloud to residents of a senior citizens' welfare facility, and cleaning up nearby areas • Supported in-house seminar that the Japanese Red Cross Society conducted, held screening of film about corporate social responsibility

In addition to the above, as a way of supporting the participation of challenged individuals in society, ITOCHU sells bread from the Swan Bakery (a bakery that employs challenged individuals) in-house, and ITOCHU employees donate blood.

Social Contribution Programs to Commemorate the 150th Anniversary of ITOCHU's Foundation

To celebrate the 150th anniversary of the company's founding, in 2008, ITOCHU decided to launch the following two international social contributions as projects befitting a company that aims to become *a truly global enterprise.*

Supporting the Activities to Restore the Tropical Rainforest and Conserve Borneo's Biodiversity *(environmental conservation)*

ITOCHU supports a program of WWF, one of the world's largest and most respected independent conservation organizations to conserve the biodiversity of Borneo by reforestation. Our contribution of 250 million Japanese yen is utilized to conserve 967 hectares, the largest scale supported by a private-sector company. Home to such endangered species as orangutans, Borneo is a treasure-trove of biodiversity. We believe that the conservation of tropical rainforests contributes greatly to the global environment.

An orangutan mother and child at a rehabilitation center

Establishing the ITOCHU Scholarship Fund

This new scholarship fund aims to help students from overseas studying at Japanese universities by reducing their financial burden and enabling them to concentrate on studying. ITOCHU will be supporting the students with total amount of 240 million Japanese yen for the next 3 years.

Further, we are encouraging exchanges with ITOCHU employees by inviting the overseas students to take part in volunteer work and attend presentations about ITOCHU's businesses.

Because we provide a broad range of products and services, develop natural resources, and invest in businesses around the world, ITOCHU is closely involved with global environmental problems. Therefore, such global environmental problems as global warming are one of the highest priorities of our management policy. In order to fulfil the ITOCHU Mission, *Committed to the global good*, we have established an Environmental Policy, determining to benefit not only today's generation but also to leave a favorable legacy for coming generations by always considering global environmental problems as we develop operations worldwide.

Environmental Policy

ITOCHU believes that sustainable corporate growth without consideration for global environmental problems is not possible. Revised in 2007, ITOCHU's Environmental Policy sends a clear message to employees and society at large that the Company intends to pass on to the next generation a better environment by including a commitment to "contribute to the realization of a sustainable society." Further, we unambiguously communicate our intent to benefit the global environment through our core businesses by stating that we will "endeavor to develop and supply products and services that help to conserve the environment."

ITOCHU's Environmental Policy

[I] BASIC PHILOSOPHY

Global warming and other environmental issues will affect the future of mankind. As a global enterprise, ITOCHU is positioning these issues as one of the most important management policies. ITOCHU contributes to the realization of a sustainable society by promoting active involvement in environmental issues based on the ITOCHU Code of Conduct, in order to achieve the goals of the ITOCHU Credo, "*Committed to the global good*."

[II] ACTIVITY GUIDELINES

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

(1) Prevention of environmental pollution
(2) Observance of laws and regulations
(3) Promotion of environmental conservation activities
(4) Harmonious coexistence with society
(5) Promotion of educational activities

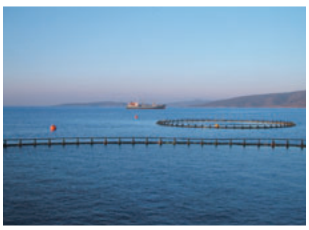
Evaluation of the Environmental Impact of Products and New Investments

Given that we trade a huge variety of products on a global scale, we believe that assessing each product's affect on the global environment is critical. Accordingly, we have built an original system based on life cycle assessment* analysis for evaluating environmental impact. We control products with environmental impacts exceeding the benchmarks of this system and prepare regulations and control-related procedural manuals for these products. In a separate initiative, we have introduced a system that assesses the potential effect on the global environment of our investments in new business projects by evaluating their impact on the natural environment and the social environment.

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

Initiatives to Conserve Ecosystems

Through a variety of initiatives, ITOCHU endeavors to minimize the effect on ecosystems of its operations that handle commodities such as forest resources and ocean resources. Aiming to increase the amount of internationally certified forest products, our forest resources departments have been checking legality and sustainability by conducting annual questionnaire surveys, which cover approximately 100 overseas suppliers, and making on-site visits to individual suppliers since 1997. Also, for the handling of ocean resources, we adhere to international agreements. In particular, we hold face-to-face meetings with tuna suppliers in the Mediterranean to encourage them to use harvesting methods friendly to ecosystems.



A tuna supplier in the Mediterranean

Corporate Officers

As of July 1, 2009

Eizo Kobayashi

President and Chief Executive Officer

1972 Joined ITOCHU Corporation
2004 President and Chief Executive Officer

Uichiro Niwa

Chairman

1962 Joined ITOCHU Corporation
2004 Chairman

Kouhei Watanabe

Executive Vice President

Executive Advisory Officer for Corporate Administration;
Chief Officer for Human Resources, General Affairs, Legal;
Chief Compliance Officer

1971 Joined ITOCHU Corporation
2006 Executive Vice President

Toshihito Tamba

Executive Vice President

Chief Operating Officer, Overseas Operations

1972 Joined ITOCHU Corporation
2008 Executive Vice President

Masahiro Okafuji

Executive Vice President

President, Textile Company

1974 Joined ITOCHU Corporation
2009 Executive Vice President

Yoichi Kobayashi

Senior Managing Director

President, Energy, Metals & Minerals Company

1973 Joined ITOCHU Corporation
2008 Senior Managing Director

Takanobu Furuta

Managing Director

Chief Officer for New Business Development (LINEs)

1973 Joined ITOCHU Corporation
2006 Managing Director

Hiroo Inoue

Managing Director

President, ICT, Aerospace & Electronics Company

1975 Joined ITOCHU Corporation
2008 Managing Director

Kenji Okada

Managing Director

President, Finance, Realty, Insurance & Logistics Services Company

1974 Joined ITOCHU Corporation
2008 Managing Director

Koji Takayanagi

Managing Director

Chief Corporate Planning Officer;
Chief Information Officer

1975 Joined ITOCHU Corporation
2008 Managing Director

Satoshi Kikuchi

Managing Director

President, Chemicals, Forest Products & General Merchandise Company

1976 Joined ITOCHU Corporation
2008 Managing Director

Yoshihisa Aoki

Managing Director

President, Food Company

1974 Joined ITOCHU Corporation
2009 Managing Director

Tadayuki Seki

Managing Director

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

1973 Joined ITOCHU Corporation
2009 Managing Director

Toru Nomura

Managing Director

President, Machinery Company

1976 Joined ITOCHU Corporation
2009 Managing Director

Masahito Tominaga

Corporate Auditor

1971 Joined ITOCHU Corporation
2005 Executive Officer
2007 Standing Corporate Auditor

Shozo Yoneya

Corporate Auditor

1974 Joined ITOCHU Corporation
2005 Executive Officer
2008 Standing Corporate Auditor

Comments from Corporate Auditors

Haruo Sakaguchi

Corporate Auditor

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

Faced with a worldwide economic crisis since last year, ITOCHU has a basic policy of reviewing its foundations while continuing to take on challenges and reforms to advance steadily toward its goal of becoming *a global enterprise that is highly attractive to all stakeholders*. I highly evaluate this policy. However, in such business conditions there can be a tendency to neglect business management discipline or such internal control matters as compliance in order to maintain revenues and earnings. Mindful of that risk, I will continue to perform my duties as a corporate auditor. I hope that ITOCHU continuously considers and clarifies where its strengths exist, that division companies strengthen lateral collaborations, and that employees make a concerted effort to move forward and increase the overall corporate value of the ITOCHU Group.

Ryozo Hayashi

Corporate Auditor

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

The progress of globalization and the IT revolution present companies with new opportunities and risks. Amid such trends, to minimize risk in business management companies must have a fully functioning board of directors and conduct stringent business management oversight that reflects the standpoint of shareholders. My goal is to draw on many years of experience in drafting policy plans concerned with the relationship between companies and society at the Ministry of Economy, Trade and Industry and my university research on corporate governance to contribute to the implementation of risk management and the establishment of corporate governance systems best suited to changing times and the business format of a general trading company.

Keiji Torii

Corporate Auditor

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

I believe that the role of an external corporate auditor is to conduct oversight from a neutral standpoint independent of the management team and to check whether there are any disparities between a company's common practice or logics and society's and whether or not an over-emphasis on business results risks causing the company to act nearsightedly. Furthermore, an external corporate auditor should clearly state his or her opinions. I believe the wide range of experience garnered over my long career in the banking industry, particularly my experience in international finance operations, will help me meet these requirements. In addition, I look forward to seeing ITOCHU turn business opportunities into business successes by heightening both the ability of its risk management to distinguish between risks that can be accepted and those that cannot, and heightening the monitoring function of corporate governance in business management.

Managing Executive Officers

Yoshio Akamatsu

Chief Executive for Asia;
President & C.E.O., ITOCHU Singapore Pte Ltd.;
General Manager, ITOCHU Corporation Singapore Branch
1974 Joined ITOCHU Corporation
2005 Managing Executive Officer

Nobuo Kuwayama

President & C.E.O., ITOCHU China Bloc;
Chairman, ITOCHU (China) Holding Co., Ltd.;
Chairman, ITOCHU Shanghai Ltd.;
Chairman, ITOCHU HONG KONG Ltd.;
Chairman, BIC
1971 Joined ITOCHU Corporation
2006 Managing Executive Officer

Yoshihisa Suzuki

President & C.E.O., ITOCHU International Inc.
1979 Joined ITOCHU Corporation
2006 Managing Executive Officer

Kazutoshi Maeda

Deputy Chief Officer for Human Resources, General Affairs, Legal
1974 Joined ITOCHU Corporation
2007 Managing Executive Officer

Tatsuo Fujino

Deputy Chief Corporate Planning Officer;
Chief Officer for Kansai Operations
2006 Joined ITOCHU Corporation
2007 Managing Executive Officer

Kazuhide Sasa

Executive Vice President, Textile Company
1974 Joined ITOCHU Corporation
2008 Managing Executive Officer

Yoshio Matsukawa

Executive Vice President, Energy, Metals & Minerals Company
1974 Joined ITOCHU Corporation
2008 Managing Executive Officer

Takeshi Kumekawa

Chief Executive for European Operation;
C.E.O., ITOCHU Europe PLC;
C.E.O., ITOCHU Deutschland GmbH
1974 Joined ITOCHU Corporation
2009 Managing Executive Officer

Kunihiko Tamano

General Manager, Business Accounting and Control Division
1974 Joined ITOCHU Corporation
2009 Managing Executive Officer

Yoshiharu Matsumoto

General Manager for Nagoya Area
1975 Joined ITOCHU Corporation
2009 Managing Executive Officer

Shintaro Ishimaru

Executive Vice President, Finance, Realty, Insurance & Logistics Services Company
2006 Joined ITOCHU Corporation
2009 Managing Executive Officer

Toru Matsushima

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

Yuji Fukuda

Executive Vice President, Chemicals, Forest Products & General Merchandise Company;
Chief Operating Officer, Chemicals Division
1979 Joined ITOCHU Corporation
2009 Managing Executive Officer

Executive Officers

Mitsugu Kuno

Executive Vice President, ITOCHU International Inc.;
General Manager, Food Division, ITOCHU International Inc.
1975 Joined ITOCHU Corporation
2007 Executive Officer

Kimio Kitamura

General Manager, General Accounting Control Division
1975 Joined ITOCHU Corporation
2007 Executive Officer

Shuichi Koseki

Chief Operating Officer, Textile Material & Fabric Division
1979 Joined ITOCHU Corporation
2007 Executive Officer

Ichiro Nakamura

Chief Operating Officer, Metals & Minerals Division
1979 Joined ITOCHU Corporation
2007 Executive Officer

Tomofumi Yoshida

Chief Operating Officer, Forest Products & General Merchandise Division
1979 Joined ITOCHU Corporation
2007 Executive Officer

Kazuhiko Matsumi

General Manager, Legal Division
1975 Joined ITOCHU Corporation
2008 Executive Officer

Hiroo Sato

Chief Operating Officer, Provisions Division
1979 Joined ITOCHU Corporation
2008 Executive Officer

Junichi Sasaki

Deputy General Manager for Eastern China;
Managing Director, ITOCHU Shanghai Ltd.;
Group Director, China Business Development Group;
General Manager, ITOCHU Shanghai Ltd. Wuhan Branch
1979 Joined ITOCHU Corporation
2008 Executive Officer

Masataka Yukiya

Chief Operating Officer, Financial and Insurance Services Division
1979 Joined ITOCHU Corporation
2008 Executive Officer

Hitoshi Okamoto

Chief Operating Officer, Apparel Division
1980 Joined ITOCHU Corporation
2008 Executive Officer

Masahiro Imai

Chief Operating Officer, Plant Project & Marine Division
1980 Joined ITOCHU Corporation
2008 Executive Officer

Nobuyuki Kasagawa

Chief Operating Officer, Aerospace & Industrial Systems Division
1981 Joined ITOCHU Corporation
2008 Executive Officer

Nobuyuki Kizukuri

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

Takahiro Susaki

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

Masanobu Takagi

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

Yukihiro Miyake

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

Yutaka Washizu

C.E.O. for Latin America;
President of ITOCHU Brasil S.A.;
General Manager, ITOCHU Brasil S.A. Rio de Janeiro Branch
1980 Joined ITOCHU Corporation
2009 Executive Officer

Toshio Obayashi

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

Eiichi Yonekura

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

Organizational Structure

As of July 1, 2009

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

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

- Textile Material & Fabric Division
- Apparel Division
- Brand Marketing Division 1
- Brand Marketing Division 2
- Planning & Coordinating Department
- Affiliate Administration Department
- Monitoring & Review Section
- IT Business Development Department

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

Number of Employees	
Consolidated*	8,088
Non-consolidated	400

Number of Subsidiaries and Associates	
Domestic	34
Overseas	39

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

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

Number of Employees	
Consolidated*	8,686
Non-consolidated	459

Number of Subsidiaries and Associates	
Domestic	21
Overseas	66

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

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

Number of Employees	
Consolidated*	10,833
Non-consolidated	163

Number of Subsidiaries and Associates	
Domestic	53
Overseas	9

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

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

Number of Employees	
Consolidated*	4,354
Non-consolidated	246

Number of Subsidiaries and Associates	
Domestic	74
Overseas	26

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

- Wood Products & Materials Department
- Paper Products & Materials Department
- General Merchandise Department
- Organic Chemicals Department No. 1
- Organic Chemicals Department No. 2
- Inorganic Chemicals Department
- Plastics Department
- Retail & Plastics Materials Department

Number of Employees	
Consolidated*	7,541
Non-consolidated	294

Number of Subsidiaries and Associates	
Domestic	33
Overseas	45

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

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

Number of Employees	
Consolidated*	7,679
Non-consolidated	363

Number of Subsidiaries and Associates	
Domestic	73
Overseas	20

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

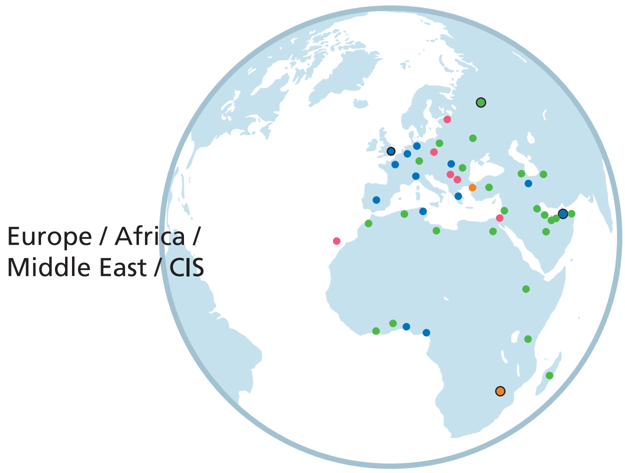
- Financial Markets Department
- Financial Investments Department
- Financial Services Business Department
- Insurance & Risk Solutions Department
- Construction & Realty Department No. 1
- Construction & Realty Department No. 2
- Osaka Construction & Realty Department
- Logistics Solution Department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

Number of Employees	
Consolidated*	2,750
Non-consolidated	289

Number of Subsidiaries and Associates	
Domestic	33
Overseas	25

* The numbers of employees, subsidiaries, and associates are as of March 31, 2009.
* The number of consolidated employees is based on actual working employees excluding temporary staff.

[Global Network]



North America / Latin America

North America
ITOCHU International Inc.
22nd and 23rd Floors, Bank of America Plaza, 335 Madison Avenue, New York N.Y. 10017, U.S.A.
Telephone : 1-212-818-8000
Facsimile : 1-212-818-8361
- New York, Chicago, San Francisco, Los Angeles, Washington, Houston, Portland, Vancouver, Mexico City

Latin America
ITOCHU BRASIL S.A.
Av. Paulista 37-19 andar, Vila Mariana, São Paulo CEP 01311-902, BRAZIL
Telephone : 55-11-3170-8501
Facsimile : 55-11-3170-8549
- São Paulo, Rio de Janeiro, Panama, Buenos Aires, Bogota, Santiago, Caracas, Quito
- San Salvador, Lima, Havana

Europe / Africa / Middle East / CIS

Europe
ITOCHU Europe PLC
The International Press Center,
76 Shoe Lane, London EC4A 3PJ, U.K.
Telephone : 44-20-7827-0822
Facsimile : 44-20-7583-1847
- London, Düsseldorf, Hamburg, Paris, Milano, Madrid, Athens, Budapest, Tunis
- Alger, Casablanca, Praha, Bucharest, Warszawa

Africa
ITOCHU Corporation, Johannesburg Branch
2nd Floor Block No. 9, Fourways Golf Park, Roos Street, Fourways, 2055, Johannesburg, SOUTH AFRICA
Telephone : 27-11-465-0030
Facsimile : 27-11-465-0635/0604
- Lagos, Douala
- Johannesburg
- Abidjan, Accra, Nairobi, Addis Ababa, Tananarive

Middle East
ITOCHU MIDDLE EAST FZE
LOB 12 - Office No. 119 & 121, P.O.Box 61422, Jebel Ali Free Zone, Dubai, U.A.E.
Telephone : 971-4-881-9026
Facsimile : 971-4-881-9027
- Dubai, Tehran
- Istanbul
- Cairo, Amman, Ankara, Riyadh, Damman, Kuwait, Muscat, Doha, Tripoli, Karachi, Islamabad, Abu Dhabi

CIS
ITOCHU Corporation, Moscow Office
Savvinskaya Office Building, 9th Floor, Savvinskaya Nab., 15, Moscow, 119435, RUSSIAN FEDERATION
Telephone : 7-495-961-1456
Facsimile : 7-495-961-1447/1448
- Moscow, Almaty, Kiev, Ashgabat, Tashkent, Baku

Oceania / China / Asia / Japan

Oceania
ITOCHU Australia Ltd.
Level 29, Grosvenor Place, 225 George Street, Sydney, N.S.W. 2000, AUSTRALIA
Telephone : 61-2-9239-1500
Facsimile : 61-2-9241-3955
- Sydney, Melbourne, Perth, Brisbane, Auckland
- Port Moresby

China
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[Bank List]

ITOCHU has financial transactions with the following banks.

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

Central & South America
Banamex S.A. Grupo Financiero Citigroup
Banco de Credito-Helm Financial Service

Europe & Africa
ABN AMRO Bank N.V.
Banca Nazionale del Lavoro
Barclays Bank PLC
Bayerische Hypo- und Vereinsbank AG
BNP Paribas
CALYON
Deutsche Bank
ING Bank N.V.
Intesa Sanpaolo S.p.A.
Investec Bank Limited
Rabobank Nederland
The Royal Bank of Scotland plc
Societe Generale
The Standard Bank of South Africa Limited
Standard Chartered Bank

Middle East
SAMBA Financial Group
Union National Bank

Oceania
Australia and New Zealand Banking Group Limited
Westpac Banking Corporation

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

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

Major Subsidiaries and Associated Companies

As of March 31, 2009

Textile Company

			Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Subsidiaries	Domestic		ITOCHU HOME FASHION CORPORATION	97.9	Manufacture and wholesale of home furnishings	2
			ROY-NE CO., LTD.	99.9	Manufacture and wholesale of woven and knitted products	3
			ITOCHU MODEPAL CO., LTD.	100.0	Manufacture and wholesale of apparel	3
			UNICO CORPORATION	100.0	Manufacture and wholesale of uniforms	3
			MAGASeek Corporation	64.4	Retail web site of fashion apparel by PC and mobile	3
		☐	BMI HOLDINGS CO., LTD.	100.0	Holding company of brand business	3
			JOI'X CORPORATION	100.0	Sale of men's apparel	7
			ITOCHU FASHION SYSTEM Co., Ltd.	100.0	Comprehensive consulting in the fashion industry	3
			RAIKA CO., LTD	100.0	Manufacture and wholesale of apparel	3
			CI Shopping Service Co., Ltd.	100.0	Sale of everyday items aimed at ITOCHU Group employees and families	3
			CI TEXTILE SERVICE CO., LTD.	100.0	Outsourcing of administrative duties for delivery and accounting	3
			SCABAL JAPAN Co., Ltd.	80.0	Importation and sale of SCABAL brand products	3
		☐	SANKEI CO., LTD.	90.5	Wholesale of garment materials	2
	Overseas		ITOCHU Textile Materials (Asia) Ltd. (Hong Kong S.A.R., China)	100.0	Wholesale of chemical fibers, filament yarns, and cotton yarns	3
			Prominent Apparel Ltd. (Hong Kong S.A.R., China)	100.0	Production control and wholesale of textile and apparel	3
		☐	PROMINENT (VIETNAM) CO., LTD. (Vietnam)	100.0	Quality control of textile and apparel	12
			TIANJIN HUADA GARMENT CO., LTD. (China)	100.0	Manufacture of uniforms	12
			UNIMAX SAIGON CO., LTD. (Vietnam)	80.0	Manufacture of uniforms	12
			ITOCHU TEXTILE (CHINA) CO., LTD (China)	100.0	Production control and wholesale of textile materials, fabrics, and apparel	12
Associates	Domestic		DEAN & DELUCA JAPAN Co., Ltd.	20.4	Operation of cafeteria chain and other new business	2
			JAVA HOLDINGS CO., LTD.	35.0	Holding company of retail of ladies' & kids' apparel brand	2
			RICHARD GINORI JAPAN CORPORATION	50.0	Import and sale of Richard Ginori and Pagnossin Group brand products	12
			AYAHA CORPORATION	33.5	Manufacture of tire cords, etc.	3
		☐	DESCENTE, LTD.	20.0	Manufacture and wholesale of sportswear, etc.	3
	Overseas		Thai shikibo co., ltd. (Thailand)	30.0	Manufacture of cotton yarn	12
			Paul Smith Group Holdings Limited (U.K.)	40.4	Holding company of Paul Smith Group	6
		☐	Shanshan Group Co., Ltd. (China)	28.0	Holding company of Shanshan Group, operating a textile business, electronic components, etc.	12

Machinery Company

			Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Subsidiaries	Domestic		ITOCHU Plantech Inc.	100.0	Export and import of small-to-medium-scale plant and equipment and domestic environmental and energy solution businesses	3
			IMECS Co., Ltd.	100.0	Ownership and operation of ships, chartering, ship machinery, second-hand ships, software development, and administration management of overseas shipping companies	3
			ITOCHU Automobile Corporation	100.0	Export/Import and inter-third trade of car parts	3
			ITOCHU CONSTRUCTION MACHINERY CO., LTD.	100.0	Sales and rental of construction machinery	3
			ITOCHU Sanki Corporation	100.0	Wholesale of industrial machinery	3
			ITOCHU SysTech Corporation*1	83.3	Wholesale of textile machinery	3
		☐	Ecosystem Japan Co., Ltd.	67.3	Sales and installation of photovoltaic systems and eco-sensitive products	3
	Overseas		I-Power Investment Inc. (U.S.A.)	100.0	Investment company in the power industry	12
			MCL Group Limited (U.K.)	100.0	Warehousing, retail, and financing of motor vehicles	12
			IM AUTOTRADE HOLDING G.m.b.H. (Austria)	100.0	Wholesale and inter-third trade of motor vehicles and motorcycles	12
			ITOCHU Automobile America Inc. (U.S.A.)	100.0	Retail, distribution, and trading of motor vehicles	12
			Auto Investment Inc. (U.S.A.)	100.0	Retail of motor vehicles	12
			PROMAX Automotive, Inc. (U.S.A.)	100.0	Third-party logistics services	12
			PT. SUZUKI Finance Indonesia (Indonesia)	70.0	Automobile finance company	12
			VEHICLES MIDDLE EAST FZCO (U.A.E.)	100.0	Trade finance for motor vehicles	12
			MULTIQUIP INC. (U.S.A.)	100.0	Distribution and manufacturing of light construction equipment and generators	12
			Solar Depot, LLC (U.S.A.)	100.0	Photovoltaic system integrator	12
			NAES Corporation (U.S.A.) *2	100.0	Power plant operation and maintenance services provider for independent power producers and utilities	12

*1 Formed on April 1, 2008, through the merger of ITOCHU Plamac Corporation and ITOCHU Texmac Corporation.
*2 On July 23, 2008, the name of North American Energy Services Inc., was changed to NAES Corporation.

			Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Associates	Domestic		Barracuda & Caratinga Investment Corporation	30.0	Investment in the project for the construction, ownership, and operation of deep sea oil & gas production facilities	12
			Malha Gas Investment Co., Ltd.	30.0	Investment in the project for the construction, ownership, and operation of gas pipelines	3
		□	YANASE & CO., LTD.	22.0	Sales and repair of automobiles	9
			ISUZU Network Co., Ltd.	25.0	Commercial vehicle life cycle business	3
			MYSTAR ENGINEERING CORP.	20.3	Maintenance services for high-tech equipment	3
			Century Leasing System, Inc. *	28.6	Diversified leasing business	3
	Overseas	□	American Renewables, LLC (U.S.A.)	49.0	Development company of renewable energy generation facilities	12
			Komatsu Southern Africa (Pty) Ltd. (Republic of South Africa)	20.0	Sales and service of construction machinery	3
		□	Greenvision Ambiente Photo-Solar S.R.L. (Italy)	43.0	Photovoltaic system integrator	12
		□	Enolia Solar Systems S.A. (Greece)	40.4	Photovoltaic system integrator	12

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

ICT, Aerospace & Electronics Company (formerly Aerospace, Electronics & Multimedia Company)

			Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Subsidiaries	Domestic		ITOCHU Techno-Solutions Corporation	52.6	Sales, maintenance, and support of computers and network systems; commissioned software development; information processing services	3
			Excite Japan Co., Ltd.	59.4	Internet information service	3
			ITOCHU ELECTRONICS CORP.	92.1	Full service interactive agency or digital marketing company, providing integrated digital marketing technologies and services including web site developments, online advertising, BPO services	3
			SPACE SHOWER NETWORKS INC.	51.0	Music channel on cable/satellite television	3
			NANO Media Inc.	51.3	Content publishing, mobile site operation, and application development	3
			ITC NETWORKS CORPORATION	60.7	Retail network of mobile phones	3
	Overseas		ITOCHU AirLease B.V. (Netherlands)	100.0	Lease of commercial aircraft	3
Associates	Domestic		JAMCO Corporation	33.3	Maintenance of aircraft and manufacture of aircraft interior	3
			SUNCALL CORPORATION	25.6	Manufacture and sales of optical communication devices, electronic devices, and assembly	3
		□	Medical Collective Intelligence Co., Ltd.	41.5	Marketing assistance to pharmaceutical companies	12
			Asurion Japan K.K.	33.3	Mobile insurance agency	12
		□	NTT Plala Inc.	20.1	Internet service provider and IPTV	3
			I-CAST, Inc.	36.7	Broadcast on telecommunication service	3

Energy, Metals & Minerals Company

			Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Subsidiaries	Domestic	■	ITOCHU ENEX CO., LTD.	52.2	Wholesale of petroleum products and gas	3
			ITOCHU Metals Corporation *	100.0	Import/Export and wholesale of non-ferrous/light metals, products, and steel scrap, development of recycle business	3
			ITOCHU Oil Exploration Co., Ltd.	100.0	Exploration and production of oil, gas, and other hydrocarbon resources	12
			ITOCHU Petroleum Japan Ltd.	100.0	Investment to the trading company of crude oil and petroleum products	3
		□	JB BioEnergy Inc.	100.0	Investment in projects of bioethanol in Brazil	12
	Overseas		ITOCHU Minerals & Energy of Australia Pty Ltd (Australia)	100.0	Investment and sales in projects of iron ore, coal, and bauxite mining, manufacture of alumina and oil exploration	3
			ITOCHU Petroleum Co., (Hong Kong) Ltd. (Hong Kong S.A.R., China)	100.0	International trade of uranium	12
			IPC EUROPE LTD. (U.K.)	100.0	International trade of crude oil and petroleum products	12
			ITOCHU Oil Exploration (Azerbaijan) Inc. (Cayman Islands, British West Indies)	100.0	Exploration and production of crude oil and gas	12
Associates	Domestic		Marubeni-Itochu Steel Inc.	50.0	Import/Export and wholesale of steel products	3
			NISSHO Petroleum Gas Corporation	25.0	Wholesale of LPG and petroleum products	3
			Japan Ohanet Oil & Gas Co., Ltd.	35.0	Exploration and production of gas and condensate	12
		□	Brazil Japan Iron Ore Corporation	47.7	Investment in projects of iron ore in Brazil	3
	Overseas		Chemoil Energy Limited (Hong Kong S.A.R., China)	37.5	International trade of petroleum products	12
			IPC (USA), Inc. (U.S.A.)	50.0	International trade of crude oil and petroleum products	12

*On April 1, 2008, the name of ITOCHU Non-Ferrous Materials Co., Ltd., was changed to ITOCHU Metals Corporation.

□ : Newly consolidated subsidiaries in the fiscal year ended March 2009

■ : Subsidiary changed from associates in the fiscal year ended March 2009

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month

Chemicals, Forest Products & General Merchandise Company

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Subsidiaries	Domestic	ITOCHU Kenzai Corp.	86.9	Wholesale of wood products and building materials	3
		Daishin Plywood Co., Ltd.	100.0	Manufacture of plywood	3
		ITOCHU Forestry Corp.	100.0	Landscaping, greenery development, and wastewater treatment systems	3
		ITOCHU Pulp & Paper Corp.	100.0	Wholesale of paper, paper boards, and various materials	3
		ITOCHU Ceratech Corp.	100.0	Manufacture and sale of ceramic raw materials and products	3
		ITOCHU Windows Co., Ltd.	66.0	Manufacture and sale of insulating glass	3
		ITR Corp.	100.0	Wholesale and retail of tires	3
		IFA Co., LTD.	100.0	Manufacture and wholesale of shoes and bags	3
		ILLUMS JAPAN CO., LTD.	85.0	Retail of Scandinavian modern design interior	2
		ITOCHU CHEMICAL FRONTIER Corporation	98.2	Wholesale of fine chemicals and related raw materials	3
		ITOCHU PLASTICS INC.	100.0	Development and wholesale of plastics and related products	3
		The Japan Cee-Bee Chemical Co., Ltd.	80.0	Manufacture and processing of metal pretreatment chemicals	3
		VCJ Corporation	80.0	Wholesale of DVD/video and plastic products for retailers	3
		Chemical Logitec Co., Ltd.	100.0	Management of chemical storage warehouses and transportation of chemicals and other cargos	3
		SHOWA ALUMINUM POWDER K.K.	85.1	Manufacture of aluminum paste	12
	Overseas	CIPA Lumber Co. Ltd. (Canada)	100.0	Manufacture of veneer	12
		Pacific Woodtech Corporation (U.S.A.)	100.0	Manufacture of LVL & I-Joist	12
		PrimeSource Building Products, Inc. (U.S.A.)	100.0	Wholesale of building materials	12
		PT. Aneka Bumi Pratama (Indonesia)	100.0	Processing of natural rubber	12
		Stapleton's (Tyre Services) Ltd. (U.K.)	100.0	Wholesale and retail of tires	12
		ITOCHU Plastics Pte., Ltd. (Singapore)	100.0	Wholesale of plastic resins	12
		Plastribution Limited (U.K.)	100.0	Wholesale of synthetic resins	12
		RUBBERNET (ASIA) PTE LTD. (Singapore)	80.0	Sale of crude rubber	12
		ITOCHU Chemicals America Inc. (U.S.A.)	100.0	Wholesale of chemical products and synthetic resins	12
		■ REMEJE PHARMACEUTICALS (CHINA) CO., LTD. (China)	70.0	Import, export, and wholesale of pharmaceuticals (Rx, OTC), supplements, and other healthcare goods in China	12
		ZHEJIANG YIPENG CHEMICAL CO., LTD. (China)	60.0	Manufacture of anhydrous fluoric acid	12
		Galleher Corporation (U.S.A.)	100.0	Wholesale of flooring materials	12
Associates	Domestic	Japan Brazil Paper and Pulp Resources Development Co., Ltd.	25.9	Investment in CENIBRA, one of the largest eucalyptus pulp manufacturers in Brazil	3
		DAIKEN CORPORATION	20.5	Manufacture of building materials and construction parts	3
		PPG-CI Co., Ltd.	49.0	Import and sale of float-glass	11
		TAKIRON Co., Ltd.	27.0	Manufacture of flat and corrugated plastic sheets	3
		C.I. KASEI Co., Ltd.	36.7	Manufacture of PVC pipe and film and related materials	3
		TOHO EARTHTECH, INC.	34.2	Exploration and production of natural gas and iodine	3
		Ningbo PTA Investment, Co., Ltd	35.0	Investment in manufacture of PTA in China	3
	Overseas	ALBANY PLANTATION FOREST COMPANY OF AUSTRALIA PTY. LIMITED (Australia)	28.4	Plantation of eucalyptus trees for papermaking	3
		SOUTH EAST FIBRE EXPORTS PTY. LTD. (Australia)	37.5	Manufacture of woodchip	12
		THAITECH RUBBER CORPORATION LTD. (Thailand)	33.0	Processing of natural rubber	12
		Siam Riso Wood Products Co., Ltd. (Thailand)	38.5	Manufacture of particle board	12
		NARENDRA PLASTIC PVT. LTD. (India)	29.9	Manufacture of plastics bags	3
		SUMIKA POLYMER COMPOUNDS (EUROPE) LTD. (U.K.)	25.0	Sale and manufacture of compound of plastic raw materials	12
		Shanghai Baoling Plastics Co., Ltd. (China)	22.6	Manufacture of plastic products	12
		Shanghai Jinpu Plastic Packaging Material Co., Ltd. (China)	30.0	Manufacture of polypropylene films	12
		Tetra Chemicals (Singapore) Pte. Ltd. (Singapore)	40.0	Sale and manufacture of MTBE (Methyl t-Butyl Ether)	12
		SUMIPEX (THAILAND) CO., LTD. (Thailand)	49.0	Manufacture of PMMA sheet	12
		NCT Holland B.V. (Netherlands)	40.0	Trading and distribution of the plastics materials based on Europe and Middle East	12
		BRUNEI METHANOL COMPANY SDN. BHD. (Brunei)	25.0	Manufacture of methanol in Brunei	12

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Food Company					
Subsidiaries	Domestic	ITOCHU Feed Mills Co., Ltd.	85.9	Manufacture and wholesale of compound feeds	3
		ITOCHU Rice Corporation	89.6	Wholesale of rice	3
		ITOCHU Sugar Co., Ltd.	100.0	Manufacture and processing of sugar and by-products	3
		I-FOODS Co., Ltd.	100.0	Import and wholesale of food materials	3
		Japan Nutrition Co., Ltd.	100.0	Manufacture and wholesale of feed and feed additive	3
		ITOCHU FRESH Corporation	100.0	Processing and wholesale of fish, meat, and agri-products	3
		Universal Food Co., Ltd.	98.0	Planning supply-chain management in food service business	3
		I-SQUARE Corporation	95.0	Wholesale of domestic agricultural products	3
		ITOCHU SHOKUHIN Co., Ltd.	51.7	Wholesale and distribution of foods	9
		Yayoi Foods Co., Ltd.	93.2	Manufacture of frozen prepared foods	3
		Family Corporation Inc.	100.0	Logistics services of frozen, chilled, and dry foods and sundries for convenience store chain, retailers, and food service business	3
		NIPPON ACCESS, INC.	69.8	Wholesale and distribution of foods	3
	Overseas	OILSEEDS INTERNATIONAL LTD. (U.S.A.)	100.0	Safflower oil manufacture	7
Associates	Domestic	Fuji Oil Co., Ltd.	25.7	Integrated manufacturer of cooking oil and soybean protein	3
		Japan Foods Co., Ltd.	35.0	Production of soft drinks	3
		AI Beverage Holding Co. Ltd.	20.0	Holding company of Chinese soft drink manufacturers	12
		Kumejima Sugar Co., Ltd.	34.8	Production and sales of raw sugar	6
		Prima Meat Packers, Ltd.	39.7	Production and marketing of meat, ham, sausage, and processed foods	3
		Yoshinoya Holdings Co., Ltd.	21.0	Operation of Gyu-don and other restaurant chain	2
		KI Fresh Access, Inc.	33.5	Distributor of fruits and vegetables	3
		FamilyMart Co., Ltd.	31.5	Operation of a convenience store chain, using the name FamilyMart, and a franchise system	2
		SHOW-WA Co., Ltd.	20.0	Wholesale of foods	3
	Overseas	PALMAJU EDIBLE OIL SDN. BHD. (Malaysia)	30.0	Refining of palm oil	12
		CGB ENTERPRISES, INC. (U.S.A.)	50.0	Handling of grain and operation of barges	5
		ASAHI BREWERIES ITOCHU (HOLDINGS) LIMITED (Hong Kong S.A.R., China)	40.0	Holding company of Chinese beer manufacturers	12
		P.T. ANEKA TUNA INDONESIA (Indonesia)	47.0	Production of canned and pouched tuna	12
		WINNER FOOD PRODUCTS LTD. (Hong Kong S.A.R., China)	26.0	Manufacture and wholesale of processed foods	12
		TAIWAN DISTRIBUTION CENTER CO., LTD. (Taiwan)	39.4	Wholesale of foods and sundries	12
Finance, Realty, Insurance & Logistics Services Company					
Subsidiaries	Domestic	ITOCHU Finance Corporation	99.1	Loan and other finance-related business	3
		ITOCHU Capital Securities, Ltd.	100.0	Structuring and distribution of fund of funds and other investment products	3
		FX PRIME Corporation	55.0	Online foreign exchange brokerage	3
		ITOCHU Property Development, Ltd.	100.0	Development and sale of housing (apartments, condominiums, and homes)	3
		ITOCHU HOUSING Co., Ltd.	100.0	Real estate agent and property consultant	3
		CENTURY 21 REAL ESTATE OF JAPAN LTD.	59.2	Headquarters of real estate franchise system	3
		ITOCHU Urban Community Ltd.	100.0	Operation and management of real estate property	3
		ITOPIA HOME Co., Ltd.	100.0	Planning and construction of homes	3
		ITOCHU Orico Insurance Services Co., Ltd.	65.0	Insurance agency	3
		I&T Risk Solutions Co.,Ltd.	62.8	Insurance broking services and risk consulting	3
		Naigai Travel Service Co., Ltd.	97.2	Travel agency	3
		■ TAKMA Capital Corporation *1	97.9	Asset management business	3
		AD Investment Management Co., Ltd.	68.0	Asset management company of Advance Residence Investment Corporation	3
	Overseas	ITOCHU Finance (Europe) PLC (U.K.)	100.0	Proprietary financial investment and development of new financial business in Europe	2
		ITOCHU Finance (Asia) Ltd. (Hong Kong S.A.R., China)	100.0	Proprietary financial investment and development of new financial business in Asia	2
		ITOCHU Financial Services, Inc. (U.S.A.)	100.0	Proprietary financial investment and development of new financial business in North America	12
		COSMOS SERVICES CO., LTD. (Hong Kong S.A.R., China)	100.0	Consulting and broking of insurance and reinsurance	3
		COSMOS SERVICES (AMERICA) INC. (U.S.A.)	100.0	Consulting and broking of insurance	12
		■ SIAM COSMOS SERVICES CO., LTD. (Thailand)	80.0	Consulting and broking of insurance	12
		EURASIA SPED Kft. (Hungary)*2	59.8	Transportation and warehousing	12
		Beijing Pacific Logistics Co., ltd. (China)	100.0	Logistics business in China	12
		Guangzhou Global Logistics Corp. (China)	57.7	Warehousing and trucking	12

*1 On April 1, 2009, the name of TAKMA Capital Corporation was changed to ITC INVESTMENT PARTNERS Corporation.
*2 On April 1, 2009, the name of EURASIA SPED Kft., was changed to EURASIA LOGISTICS LTD.
■ : Subsidiary changed from associates in the fiscal year ended March 2009

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Associates	Domestic	CENTRAL ENGINEERING & CONSTRUCTION Co., Ltd.	50.0	Engineering and ventilation construction	3
		MINAMI AOYAMA Apartment Co., Ltd.	27.8	Leasing and operation of rental residences	3
		Famima Credit Corporation	32.5	Credit card business	2
		POCKETCARD Co., Ltd.	23.4	Credit card business	2
		Orient Corporation	32.0	Consumer credit, credit card business	3
		Superex Corporation	21.9	Logistics center	3
		eGuarantee, Inc.	31.7	Integrated payment solutions through the eGuarantee for B2B marketplaces and financing providers	3
		i-LOGISTICS CORP.	49.9	Comprehensive logistics services	3
	Overseas	P.T. MALIGI PERMATA INDUSTRIAL ESTATE (Indonesia)	50.0	Development, sale, and management of industrial parks	12
		VIETNAM HI-TECH TRANSPORTATION CO., LTD. (Vietnam)	20.0	Port operation and inland transportation in Vietnam	12
		TING TONG (CAYMAN ISLANDS) HOLDING CORPORATION (Cayman Islands, British West Indies)	50.0	Management of logistics in China	12

Headquarters

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
	Domestic	Century Medical, Inc.	100.0	Wholesale of medical equipment and materials	3
		Healthcare-Tech Corporation	100.0	Distribution service for medical devices for hospitals	3
	Overseas	ITOCHU TREASURY CENTRE ASIA PTE. LTD. (Singapore)	100.0	Financial services	3
	Domestic	□ Goodman Co., Ltd.	36.8	Manufacturing and wholesale of medical equipment and devices	6
		□ Japan Medical Dynamic Marketing Inc.	30.0	Manufacturing and wholesale of medical equipment and devices	5

Headquarters, Overseas Trading Subsidiaries and their Subsidiaries

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

□: Newly consolidated subsidiaries in the fiscal year ended March 2009

Enhancing Corporate Value on the World Stage,
Frontier[e] 2010 Shaping the Future

Financial Section

Six-Year Summary

ITOCHU Corporation and Subsidiaries
Years ended March 31

	Millions of Yen						Millions of U.S. Dollars (Note 5)
Years ended March 31	2009	2008 As restated (Note 6)	2007 As restated (Note 6)	2006 As restated (Note 6)	2005 As restated (Note 6)	2004 As restated (Note 6)	2009
P/L (For the year):							
Revenue	**¥3,419,061**	¥2,859,853	¥2,646,037	¥2,217,393	¥1,990,627	¥1,738,636	**$34,807**
Gross trading profit	**1,060,521**	994,547	907,511	713,546	630,150	555,784	**10,796**
Net income (loss)	**165,390**	217,301	175,856	144,211	77,063	(32,378)	**1,684**
Per share (Yen and U.S. Dollars):							
Net income (loss) (Note 1)	**¥104.64**	¥137.46	¥111.19	¥ 91.15	¥ 48.70	¥ (20.47)	**$1.07**
Cash dividends	**18.5**	18.0	14.0	9.0	7.0	—	**0.19**
Stockholders' equity (Note 1)	**537.43**	615.89	564.48	457.93	321.59	266.76	**5.47**
Total trading transactions (Note 2)	**¥12,065,109**	¥11,729,082	¥11,556,787	¥10,456,727	¥9,562,614	¥9,509,374	**$122,825**
Adjusted profit (Note 3)	**339,292**	333,673	240,766	251,210	188,196	100,565	**3,454**
B/S (At year-end):							
Total assets	**¥5,192,092**	¥5,274,199	¥5,288,647	¥4,809,840	¥4,483,505	¥4,494,100	**$52,856**
Short-term interest-bearing debt	**628,792**	383,463	518,040	555,531	676,870	885,253	**6,402**
Long-term interest-bearing debt	**1,760,530**	1,720,939	1,647,589	1,670,937	1,669,834	1,676,657	**17,923**
Interest-bearing debt	**2,389,322**	2,104,402	2,165,629	2,226,468	2,346,704	2,561,910	**24,325**
Net interest-bearing debt	**1,756,764**	1,654,532	1,630,928	1,724,314	1,891,086	1,977,048	**17,885**
Long-term debt, excluding current maturities (including long-term interest-bearing debt)	**1,934,421**	1,895,088	1,795,333	1,762,103	1,750,815	1,757,313	**19,693**
Stockholders' equity	**849,411**	973,545	892,553	724,377	508,893	422,091	**8,647**
Cash flows (For the year):							
Cash flows from operating activities	**¥ 276,854**	¥ 65,552	¥ 235,917	¥185,147	¥ 126,624	¥184,780	**$ 2,818**
Cash flows from investing activities	**(326,033)**	(65,774)	(83,394)	(79,871)	(127,600)	(55,300)	**(3,319)**
Cash flows from financing activities	**258,322**	(81,294)	(100,920)	(85,193)	(125,342)	(79,695)	**2,630**
Cash and cash equivalents at end of year	**628,820**	446,311	532,856	477,707	452,934	579,565	**6,402**
Ratios:							
Gross trading profit ratio (%) (Note 4)	**8.8**	8.5	7.9	6.8	6.6	5.8	
ROA (%)	**3.2**	4.1	3.5	3.1	1.7	—	
ROE (%)	**18.1**	23.3	21.8	23.4	16.6	—	
Ratio of stockholders' equity to total assets (%)	**16.4**	18.5	16.9	15.1	11.4	9.4	
Net debt-to-equity ratio (times)	**2.1**	1.7	1.8	2.4	3.7	4.7	
Interest coverage (times)	**7.2**	6.2	6.6	5.7	5.7	2.7	
Common stock information (For the year):							
Stock price (Yen and U.S. Dollars):							
Opening price	**¥ 994**	¥1,174	¥1,014	¥ 541	¥466	¥287	**$10.12**
High	**1,337**	1,591	1,223	1,056	573	480	**13.61**
Low	**380**	804	837	484	403	231	**3.87**
Closing price	**478**	984	1,168	1,011	540	468	**4.87**
Market capitalization (Yen and U.S. Dollars in billions)	**758**	1,560	1,851	1,602	856	742	**7.71**
Trading volume (yearly, million shares)	**2,913**	2,928	1,969	1,580	1,533	1,304	
Number of shares of common stock issued (at year-end, 1,000 shares)	**1,584,890**	1,584,890	1,584,890	1,584,890	1,584,890	1,584,890	
Exchange rates into U.S. currency (Federal Reserve Bank of New York):							
At year-end	**¥ 99.15**	¥ 99.85	¥117.56	¥117.48	¥107.22	¥104.18	
Average for the year	**100.85**	113.61	116.55	113.67	107.28	112.75	
Range:							
Low	**110.48**	124.09	121.81	120.93	114.30	120.55	
High	**87.80**	96.88	110.07	104.41	102.26	104.18	
Number of employees (At year-end, consolidated)	**55,431**	48,657	45,690	42,967	40,890	40,737	

Note:
1. "Net income (loss) per share" and "Stockholders' equity per share" are calculated by using the weighted average number of shares issued and outstanding for the period.
2. "Total trading transactions" is presented in accordance with Japanese accounting practice and is not meant to present sales or revenue in accordance with U.S. GAAP.
3. Adjusted profit = Gross trading profit + Selling, general and administrative expenses + Net financial expenses + Equity in earnings of associated companies
4. "Gross trading profit ratio" is the percentage of "Gross trading profit" to "Total trading transactions."
5. The Japanese yen amounts for the year ended March 31, 2009 have been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥98.23=U.S.$1 (the official rate dated March 31, 2009 announced by The Bank of Tokyo-Mitsubishi UFJ, Ltd.).
6. Regarding the restatement for the previous fiscal years, please refer to Note 27 to Consolidated Financial Statements.

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

Figures in yen for the fiscal year ended March 31, 2009 ("Fiscal 2009" or "the fiscal year"), have been translated into U.S. dollars solely for the convenience of the reader based on the exchange rate of ¥98.23 = US$1, announced by The Bank of Tokyo-Mitsubishi UFJ, Ltd., on March 31, 2009.

OVERVIEW

In Fiscal 2009, ended March 31, 2009, economies worldwide saw the lending policies of financial institutions change dramatically from summer 2008 against the backdrop of a financial crisis triggered by the failures of major U.S. financial institutions. The resulting rapid fall-off in demand, centered on housing and automobiles, led to significant recession. In the United States, the pace of recession—which since the end of 2007 had been gradual and in-step with the ending of a housing construction boom—suddenly increased. Consequently, employment decreased rapidly. In Europe, recession deepened because of declining domestic demand and slumping exports. Meanwhile, China only saw mild recession thanks to an easing of monetary policy in response to rapidly falling exports. Buoyed by higher demand and flows of speculative capital into the primary commodities market, primary commodity prices continued upward until the beginning of July, only to decrease rapidly through to year-end and remain flat thereafter.

In Japan, unfavorable economic trends, stemming from declining capital investment and lackluster exports, worsened from the end of 2008 as exports plunged. As a result, among developed countries, Japan experienced the largest slump in production. Also, turmoil in international financial markets caused the Nikkei Stock Average to drop swiftly from September through to October 2008, although it rallied to the ¥8,000 level by fiscal year-end. At the same time, the yen strengthened against the U.S. dollar, appreciating to as much as US$1 = ¥87 in December, because of lower U.S. interest rates and reappraisal of the yen as a safe asset. By fiscal year-end, yen had weakened to above ¥95 as corrections accompanied calmer international financial markets. Further, in response to the seriousness of the recession the Bank of Japan lowered its policy interest rate from 0.5% to 0.1%.

The ITOCHU Group's Medium-Term Management Plan Frontier+ 2008, a two-year plan covering Fiscal 2008 and Fiscal 2009, calls on the Group to be more aggressive and sets out becoming *a global enterprise that is highly attractive to all stakeholders* as an overriding goal. To that end, the Group advanced key measures under three themes: Maintain a Global Perspective, Create New Initiatives, and Enhance Human Resources.

Specific achievements in Fiscal 2009, the final year of Frontier+ 2008, are as follows.

Consumer-related Sector

In Textile, ITOCHU took a stake in Shanshan Group Co., Ltd., a major business group in eastern China. Based on the partnerships fostered between ITOCHU and it, ITOCHU will expand business and create new businesses not only in the textile area but in a wide range of areas in China's market, which promises long-term, stable growth. In Japan, ITOCHU increased its ownership in DESCENTE, Ltd., making it an equity-method associated company. ITOCHU will further strengthen tie-ups in order to expand collaborations and businesses overseas and introduce new brands. Moreover, ITOCHU acquired SANKEI Co., Ltd., a leading garment accessories company.

In Food, ITOCHU executed a partial investment in TING HSIN (CAYMAN ISLANDS) HOLDING CORP., which is the holding company of the Ting Hsin Group, a major food product distributor in China and Taiwan. Based on that initiative, ITOCHU will drive to differentiate Ting Hsin and increase its corporate value by introducing ITOCHU's expertise in business management and quality improvement, including Japan's outstanding sophisticated systems for food product safety and traceability. At the same time, ITOCHU will develop a wide range of food-related businesses overseas, targeting the food product distribution markets in China and Taiwan. In addition, ITOCHU concluded an agreement on a comprehensive strategic partnership with China's largest food-related company COFCO Limited.

In Forest Products & General Merchandise, aiming to strengthen its business for medium density fiberboard (MDF)—likely to become increasingly common in Japan due to environmental considerations—ITOCHU established a subsidiary in New Zealand, DAIKEN NEW ZEALAND Limited, with Daiken Corporation and acquired an MDF plant.

Natural Resource Related Sector

Through a consortium between South Korea's largest steel company—POSCO—and a company collaboratively established by ITOCHU and five major Japanese steel producers—Brazil Japan Iron Ore Corporation—ITOCHU acquired a 16% stake in an iron ore producer and distributor—Nacional Minérios S.A.—which was previously a wholly owned subsidiary of major Brazilian steel producer Companhia Siderurgica Nacional (CSN). As well as securing the trading of iron ore to the Japanese steel producers and POSCO, as a member of the Korea-Japan Consortium, ITOCHU will build a long-term partnership with CSN.

In Energy, ITOCHU, Japan Energy Corporation, Osaka Gas Co., Ltd., Nissho Petroleum Gas Corp., and ITOCHU ENEX CO., LTD., reached a basic agreement on the restructuring and integration of LPG businesses and decided to establish JAPAN GAS ENERGY CORPORATION on April 1, 2009. In response to stagnant demand due to sudden import price rises and competition from other energy, with collaboration of the partners ITOCHU aims to rationalize and increase the efficiency of LPG businesses overall—from overseas procurement through to retail distributer—and build an LPG business group that can supply products efficiently and stably.

Other Sectors

In Media, ITOCHU underwrote a third-party allocation of new shares of NTT Plala Inc., which provides the Hikari TV online video distribution services, making it an equity-method associated company. ITOCHU will provide various supports to advance that company's development and thereby strengthen its optical-cable-network-based video distribution services businesses.

In Machinery, ITOCHU strengthened its partnership with Yanase & Co., Ltd., by underwriting the company's third-party allocation of new shares with a view to business expansion.

In Chemicals and Logistics Services, ITOCHU announced plans to make C.I. KASEI Co., Ltd., and i-LOGISTICS CORP. subsidiaries, which were executed in April 2009 by acquiring their shares through tender offer bids. By positioning those companies as the ITOCHU Group's core subsidiaries in their business areas, ITOCHU will step up business development, accelerate growth, and allocate resources efficiently.

In Finance, online foreign exchange brokerage FX Prime Corporation listed on JASDAQ. ITOCHU will continue providing customers with valuable investment information and a stable trading environment.

L-I-N-E-s, Prioritized Area for New Business Development (Note 1)

ITOCHU invested in Japan Medical Dynamic Marketing Inc. and Goodman Co., Ltd. The former is a manufacturer and distributor of orthopedic medical equipment and the latter is a manufacturer and distributor of medical equipment for cardiovascular internal medicine. In addition, ITOCHU concluded agreements on comprehensive business tie-ups with ITOCHU's subsidiary, Century Medical, Inc. Further, ITOCHU participated in bioethanol production and sales business in Brazil by taking a stake in Agroindustrial Santa Juliana of Brazil, which the Bunge Group owns, and establishing a joint venture company, Rimene Empreendimentos e Participacoes S.A., with the Bunge Group. Other initiatives included investment in solar power generation system integrators in various countries, such as Scatec Solar in Norway, Enolia Solar Systems S.A. in Greece, and Greenvision Ambiente Photo-Solar in Italy. Further, ITOCHU has decided to invent in Ecosystem Japan Ltd. and Solar Net in the United States. Through these investments, ITOCHU aims to build optimal and powerful sales networks and efficient distribution systems in the three main markets for solar power generation: Japan, the United States, and Europe.

Human Resources Strategy with a Global Perspective

With a view to *seeking, fostering, and fully drawing on the talents of personnel worldwide,* ITOCHU encouraged the acceptance of national staff from overseas offices at its Head Office and the promotion of national staff to management positions at overseas offices. Also, ITOCHU began establishing a program that is tasked with developing management personnel worldwide and which, therefore, not only targets employees at its head offices in Japan and but also national staff at overseas offices.

Note 1: L-I-N-E-s is an acronym referring to four business areas. "L" stands for life care, medical services, and health-related business; "I" for infrastructure, IT, LT, and FT infrastructure, and social infrastructure; "N" for new technology and materials, mainly biotechnology and nanotechnology; and "E" for environment and new energy, primarily bioethanol and solar power generation, while "s" stands for lateral synergies among business areas.

BUSINESS RESULTS FOR FISCAL 2009—COMPARISON BETWEEN FISCAL 2009 AND FISCAL 2008

Revenue (the total of "Sales revenue" and "Trading margins and commissions on trading transactions") increased by 19.6% or ¥559.2 billion to ¥3,419.1 billion (US$34,807 million) compared with the previous fiscal year, mainly due to the rise in prices of metal resources, as well as, an acquisition of ITOCHU ENEX CO., LTD., which was formerly accounted for by equity-method and became a consolidated subsidiary last October in Energy, Metals & Minerals; and the expansion of food distribution business in Food, while decreased in Textile due to market slowdown in textile raw materials, fabrics and apparels, and the effect from deconsolidation of several subsidiaries, despite the acquisition of SANKEI CO., LTD. last October; in Machinery caused by a decline in automobile sales beginning last autumn as a result of the worldwide sluggish market conditions; and also in Chemicals, Forest Products & General Merchandise due to the plunge in the chemical market beginning last autumn and the effect from deconsolidation of a U.S. subsidiary. In addition, the yen's appreciation compared with the previous fiscal year gave negative effects throughout all segments.

Gross trading profit increased by 6.6% or ¥66.0 billion to ¥1,060.5 billion (US$10,796 million) compared with the previous fiscal year, due to the rise in prices of metal resources and the expansion of sales volume of iron ore, as well as, the acquisition of ITOCHU ENEX CO., LTD. a consolidated subsidiary in Energy, Metals & Minerals; and the expansion of food distribution business in Food, offset by a decrease in Textile due to the market slowdown in raw materials, fabrics and apparels, and the effect from deconsolidation of several subsidiaries despite the acquisition of SANKEI CO., LTD.; a decrease in Machinery due to a decline in automobile sales as a result of the worldwide sluggish market conditions, a decrease in Chemicals, Forest Products & General Merchandise due to the plunge in the chemical market beginning last autumn and the effect from deconsolidation of a U.S. subsidiary.

Selling, general and administrative expenses increased by 6.2% or ¥44.7 billion to ¥768.1 billion (US$7,820 million) compared with the previous fiscal year, mainly due to the expansion of business and an increase in pension cost, as well as increases resulting from acquisitons of ITOCHU ENEX CO., LTD. and SANKEI CO., LTD., despite decreases in Textile and in Chemicals, Forest Products & General Merchandise due to the effect from the deconsolidation of subsidiaries.

Provision for doubtful receivables increased by ¥10.8 billion to ¥16.7 billion (US$170 million), compared with the previous fiscal year, mainly due to the provision of ¥10.8 billion for doubtful receivables from Machinery-related customers in Mongolia (refer to "Note 1").

Net interest expenses, that is, interest expense net of interest income, decreased by 8.4% or ¥2.7 billion to ¥29.5 billion (US$300 million) compared with the previous fiscal year, because of the reduction of interest payments due to the decline in the U.S. dollar interest rate.

Dividends received increased by 43.3%, or ¥10.6 billion, to ¥35.0 billion (US$357 million) compared with the previous fiscal year, mainly due to an increase in dividends from LNG-related investments. As a result, net financial income, or the total of net interest expenses and dividends received, was ¥5.6 billion (US$57 million), an improvement of ¥13.3 billion compared with the previous fiscal year.

Gain (loss) on investments–net decreased by ¥39.5 billion to a loss of ¥23.1 billion (US$235 million), due to the impairment losses reflecting declines in stock market prices, in addition to the decrease in realized gain on sales of investments and marketable securities.

Gain (loss) on property and equipment–net declined by ¥52.1 billion to a loss of ¥45.4 billion (US$462 million) mainly due to the loss from the withdrawal from the Entrada Oil/Natural Gas Field Development Project in the U.S. Gulf of Mexico (refer to "Note 2"), the impairment losses on fixed assets for some subsidiaries, and the absence of gains on sales of coal mining interests and building properties that were recorded in the previous fiscal year.

Other–net declined by ¥4.5 billion to a loss of ¥4.5 billion (US$46 million), due to the loss from the withdrawal from the Entrada Oil/Natural Gas Project (refer to "Note 2") despite the absence of impairment losses on goodwill in the previous fiscal year.

As a result, **Income before income taxes, minority interests and equity in earnings of associated companies** decreased by 25.8% or ¥72.3 billion to ¥208.3 billion (US$2,120 million).

Income taxes decreased by 39.9% or ¥48.4 billion to ¥72.8 billion (US$741 million) compared with the previous fiscal year.

Minority interests decreased by 7.6% or ¥0.9 billion to a loss of ¥11.4 billion (US$116 million) compared with the previous fiscal year.

Equity in earnings of associated companies decreased by 41.2% or ¥28.9 billion to ¥41.3 billion (US$421 million) compared with the previous fiscal year due to a decrease in the equity in earnings from Orient Corporation (hereafter "Orico"). In the previous fiscal year, a gain arising from the reverse split of preferred stock netted against an impairment loss of Orico common stocks (with net gain of ¥26.1 billion, refer to "Note 3") as well as impairment loss (¥10.8 billion) due to the remeasurement of the fair value of this business in this fiscal year, and the decrease in the equity in earnings from a steel-product-related associated company. These decrease were somewhat offset by increases in the equity in earnings from a new invested equity-method associated company in Textile and an existing pulp related associated company.

As a result, **Net income** decreased by 23.9% or ¥51.9 billion to ¥165.4 billion (US$1,684 million) compared with the previous fiscal year.

Total trading transactions based on Japanese accounting practice increased by 2.9% or ¥336.0 billion to ¥12,065.1 billion (US$122,825 million) compared with the previous fiscal year, mainly due to an increase in Energy, Metals & Minerals for the same reasons as those stated in "Revenue" and higher prices and sales volume increase in feed grains, oilseeds, oil and fats and expansion of food distribution business in Food; offset somewhat by decreases in Textile and Machinery for the same reasons as those stated in "Revenue" and in Chemicals, Forest Products & General Merchandise because of the effect from deconsolidation of several subsidiaries, the plunge in the chemical markets beginning last autumn, and a slowdown in domestic housing markets.

Note 1: Please refer to Regarding the Discovery of Delays in Collections of Receivables under Tri-Nation Trade Transactions and the Discovery of a Financial Assistance Scheme Disguised as Sales Transactions.

Note 2: For the details, please refer to Note 24 "Regarding Loss Relating to the Entrada Oil and Natural Gas Project in the U.S. Gulf of Mexico" to Consolidated Financial Statements.

Note 3: The following loss/gain related to the investment in Orico is included in the "Equity in earnings (losses) of associated companies," "Income taxes" and "Net income" of the consolidated results of Fiscal 2008.

1) Equity in earnings (gain of ¥52.2billion) and its tax effect (loss of ¥21.4 billion) recognized regarding exemption from obligation to redeem preferred stocks, which was brought by the reverse split of the preferred stocks in Orico.

2) Devaluation loss of ¥26.2 billion and its tax effect (gain of ¥10.7 billion) related to Orico common stocks held.

[Impact on Net income: gain of ¥15.4 billion]

Consolidated Statements of Income

	Billions of Yen			Millions of U.S. Dollars
Years ended March 31	2009	2008 As restated	Increase (Decrease)	2009
Revenue	¥ 3,419.1	¥ 2,859.9	¥ 559.2	$ 34,807
Cost of sales	(2,358.5)	(1,865.3)	(493.2)	(24,011)
Gross trading profit	1,060.5	994.5	66.0	10,796
Selling, general and administrative expenses	(768.1)	(723.4)	(44.7)	(7,820)
Provision for doubtful receivables	(16.7)	(6.0)	(10.8)	(170)
Interest income	16.3	17.8	(1.6)	165
Interest expense	(45.7)	(50.0)	4.3	(465)
Dividends received	35.0	24.4	10.6	357
Gain (loss) on investments–net	(23.1)	16.4	(39.5)	(235)
Gain (loss) on property and equipment–net	(45.4)	6.7	(52.1)	(462)
Other–net	(4.5)	0.0	(4.5)	(46)
Income before income taxes, minority interests and equity in earnings of associated companies	208.3	280.5	(72.3)	2,120
Income taxes	72.8	121.1	(48.4)	741
Income before minority interests and equity in earnings of associated companies	135.5	159.4	(23.9)	1,379
Minority interests	(11.4)	(12.4)	0.9	(116)
Equity in earnings of associated companies	41.3	70.2	(28.9)	421
Net income	¥ 165.4	¥ 217.3	¥ (51.9)	$ 1,684

Operating Segment Information

Years ended March 31	Billions of Yen 2009	2008 As restated	2007 As restated	Millions of U.S. Dollars 2009
Trading transactions (Note):				
Textile	¥ 589.6	¥ 690.7	¥ 806.5	$ 6,002
Machinery	1,370.2	1,407.8	1,566.5	13,949
Aerospace, Electronics & Multimedia	633.8	722.6	696.7	6,452
Energy, Metals & Minerals	3,916.8	3,170.3	3,020.0	39,873
Chemicals, Forest Products & General Merchandise	2,024.0	2,289.5	2,157.2	20,605
Food	3,188.4	3,036.8	2,828.9	32,458
Finance, Realty, Insurance & Logistics Services	167.3	182.1	221.7	1,703
Other, Adjustments & Eliminations	175.1	229.3	259.3	1,783
Total	¥12,065.1	¥11,729.1	¥11,556.8	$122,825
Gross trading profit:				
Textile	¥ 102.6	¥ 115.2	¥ 124.6	$ 1,045
Machinery	71.9	99.1	89.3	731
Aerospace, Electronics & Multimedia	138.9	139.0	133.5	1,414
Energy, Metals & Minerals	222.3	127.5	102.1	2,263
Chemicals, Forest Products & General Merchandise	114.3	122.6	126.2	1,163
Food	335.6	324.7	264.6	3,416
Finance, Realty, Insurance & Logistics Services	42.0	41.4	43.3	428
Other, Adjustments & Eliminations	33.0	25.1	23.9	336
Total	¥ 1,060.5	¥ 994.5	¥ 907.5	$ 10,796
Net income (loss):				
Textile	¥ 22.9	¥ 20.5	¥ 17.1	$ 233
Machinery	(15.5)	21.4	19.9	(157)
Aerospace, Electronics & Multimedia	8.0	14.6	11.2	82
Energy, Metals & Minerals	114.7	105.7	80.7	1,167
Chemicals, Forest Products & General Merchandise	19.0	19.7	24.8	194
Food	20.2	18.7	18.1	205
Finance, Realty, Insurance & Logistics Services	(1.2)	10.8	(28.3)	(12)
Other, Adjustments & Eliminations	(2.8)	6.0	32.4	(28)
Total	¥ 165.4	¥ 217.3	¥ 175.9	$ 1,684
Identifiable assets at March 31:				
Textile	¥ 360.4	¥ 364.3	¥ 401.8	$ 3,669
Machinery	639.9	709.7	652.9	6,515
Aerospace, Electronics & Multimedia	490.2	513.9	551.2	4,990
Energy, Metals & Minerals	1,016.6	916.6	781.4	10,349
Chemicals, Forest Products & General Merchandise	611.4	766.8	716.8	6,224
Food	1,054.1	1,064.8	1,070.7	10,731
Finance, Realty, Insurance & Logistics Services	381.8	420.5	524.9	3,887
Other, Adjustments & Eliminations	637.7	517.6	588.9	6,491
Total	¥ 5,192.1	¥ 5,274.2	¥ 5,288.6	$ 52,856

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

OPERATING SEGMENT INFORMATION

Business results by operating segment are as follows. ITOCHU reports them according to its Division Company system. Throughout, the volume (amounts) of trading transaction excluded inter-segment transactions.

Textile

Trading transactions decreased by 14.6%, or ¥101.1 billion, to ¥589.6 billion (US$6,002 million), mainly due to deconsolidation of some subsidiaries and market slowdown in raw materials, fabrics, and apparel, despite of the contribution from a new consolidated subsidiary. Gross trading profit decreased by 10.9%, or ¥12.6 billion, to ¥102.6 billion (US$1,045 million), mainly due to deconsolidation of some subsidiaries and market slowdown in raw materials, fabrics, and apparel, despite the contribution from a new consolidated subsidiary. Net income increased by 11.7%, or ¥2.4 billion, to ¥22.9 billion (US$233 million), due to contribution of a new invested equity-method associated company and a marked improvement in gain on investments and marketable securities, which offset lower gross trading profit. Identifiable assets decreased by 1.1%, or ¥3.9 billion, compared with the previous fiscal year-end, to ¥360.4 billion (US$3,669 million), primarily due to decreases in trade receivables, and sale of investments and marketable securities offset the effects from acquisition of a subsidiary.

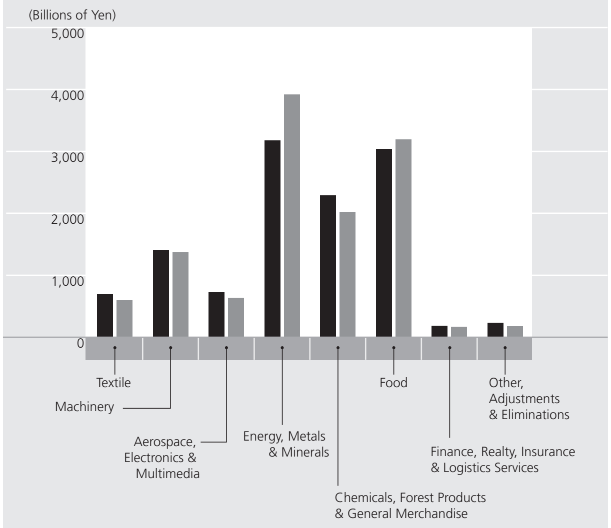
Machinery

Trading transactions decreased by 2.7%, or ¥37.6 billion, to ¥1,370.2 billion (US$13,949 million), due to decrease in automobile and construction machinery trading transactions which offset the effect from an increase of ship trading transactions. Gross trading profit decreased by 27.5%, or ¥27.3 billion, to ¥71.9 billion (US$731 million), mainly due to reduced automobile and construction machinery trading transactions due to falling demand and the effect on the automobile business of the depreciation of emerging countries' currencies, which offset increased ship trading transactions. The Division Company recorded a net loss of ¥15.5 billion (US$157 million), a decrease of 172.4%, or ¥36.8 billion, compared with net income of ¥21.4 billion recorded in the previous fiscal year. That loss resulted from a significant decrease in gross trading profit, the recognition of impairment losses on investments and marketable securities in automobile-related investment, and a deterioration in equity in earnings of associated companies. Identifiable assets decreased by 9.8%, or ¥69.8 billion, compared with the previous fiscal year-end, to ¥639.9 billion (US$6,515 million), which was mostly attributable to a decrease in trade receivables related to automobile and construction machinery business, and lower prices of listed marketable securities due to sluggish stock markets.

Aerospace, Electronics & Multimedia

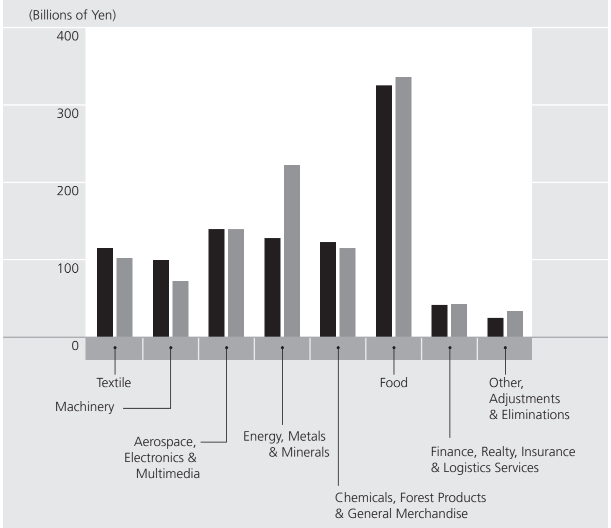
Trading transactions decreased by 12.3%, or ¥88.9 billion, to ¥633.8 billion (US$6,452 million), due to adoption of new sales system for domestic mobile phones sales business, absence of the previous major aircraft-related project, and low performances by domestic information technology related business. Gross trading profit decreased 0.1%, or ¥0.1 billion, to ¥138.9 billion (US$1,414 million), due to sales increase in domestic mobile phones business offset by decrease in airline-related business and domestic IT-related business. Net income decreased by 45.0%, or ¥6.6 billion, to ¥8.0 billion (US$82 million), due to increase in selling, general and administrative expenses and a reduction in gain on disposal of investments and marketable securities. Identifiable assets decreased by 4.6%, or ¥23.7 billion, compared with the previous fiscal year-end, to ¥490.2 billion (US$4,990 million), because of a reduction in advances to suppliers accompanying the delivery of major aircraft-related projects.

Total Trading Transactions by Operating Segment



■ 2008
■ 2009
* For Fiscal Years

Gross Trading Profit by Operating Segment



■ 2008
■ 2009
* For Fiscal Years

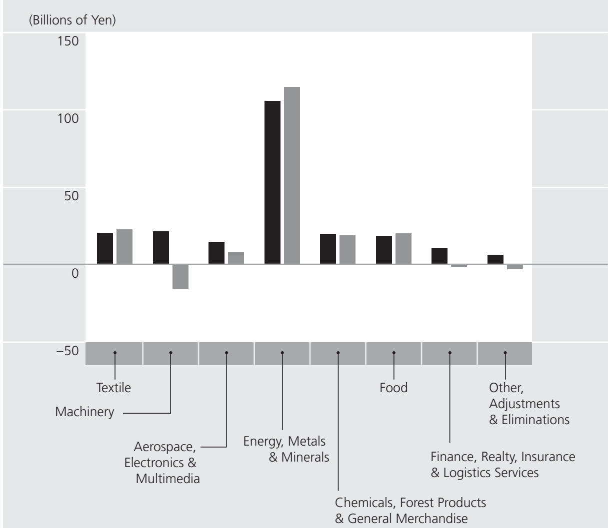
Energy, Metals & Minerals
Trading transactions decreased by 23.5%, or ¥746.5 billion, to ¥3,916.8 billion (US$39,873 million), due to the effect from acquisition of ITOCHU ENEX CO., LTD. and the rise of metal resource prices. Gross trading profit increased by 74.4%, or ¥94.8 billion, to ¥222.3 billion (US$2,263 million), due to the acquisition of ITOCHU ENEX CO., LTD. and higher metal resource prices offset by a decrease in trading transactions volumes of the oil fields owned. Net income increased by 8.5%, or ¥9.0 billion, to ¥114.7 billion (US$1,167 million), due to contribution of higher gross trading profit accompanying an increase in metal resource prices and an increase in dividends from the LNG-related investments, which offset the recognition of loss arising from the withdrawal from the Entrada Oil/Natural Gas Project. Identifiable assets increased by 10.9%, or ¥100.0 billion, compared with the previous fiscal year-end, to ¥1,016.6 billion (US$10,349 million), because of the acquisition of ITOCHU ENEX CO., LTD. and the new invested associated company which engages in iron ore production and wholesale business in Brazil despite the effect of decreases due to yen appreciation and falling of oil prices.

Chemicals, Forest Products & General Merchandise
Trading transactions decreased by 11.6%, or ¥265.5 billion, to ¥2,024.0 billion (US$20,605 million), stemming from a sharp drop in chemical prices from last autumn and a worse condition of housing market in Japan. Gross trading profit decreased by 6.8%, or ¥ 8.4 billion, to ¥114.3 billion (US$1,163 million), due to slumps in the markets for chemicals and housing since last autumn and deconsolidation of a subsidiary in U.S. despite steady performance by housing material business in North America. Net income decreased by 3.3%, or ¥0.7 billion, to ¥19.0 billion (US$194 million), due to impairment losses on fixed assets and the absence of gain on disposal of investments and marketable securities in the previous fiscal year, which offset an improvement in equity in earnings of associated companies. Identifiable assets declined 20.3%, or ¥155.4 billion, compared with the previous fiscal year-end, to ¥611.4 billion (US$6,224 million), due to a decrease in trade receivables that accompanied a worsening of the market for chemicals and a slump in housing market in Japan.

Food
Trading transactions increased by 5.0%, or ¥151.5 billion, to ¥3,188.4 billion (US$32,458 million), due to rise in sales volume from the expansion of the food distribution business and a rise in prices of feed grains and edible oil in the first half of this fiscal year. Gross trading profit increased by 3.4%, or ¥10.9 billion, to ¥335.6 billion (US$3,416 million), due to the expansion of food distribution business and an increase in feed grains trading transactions in the first half of this fiscal year. Net income increased by 8.2%, or ¥1.5 billion, to ¥20.2 billion (US$205 million), as increases in gross trading profit and equity in earnings of associated companies absorbed an impairment loss on investments and marketable securities held by subsidiaries and the absence of a gain on disposal of investments and marketable securities recorded in the previous fiscal year. Identifiable assets decreased by 1.0%, or ¥10.7 billion, compared with the previous fiscal year-end, to ¥1,054.1 billion (US$10,731 million), due to a decrease in food-related inventories.

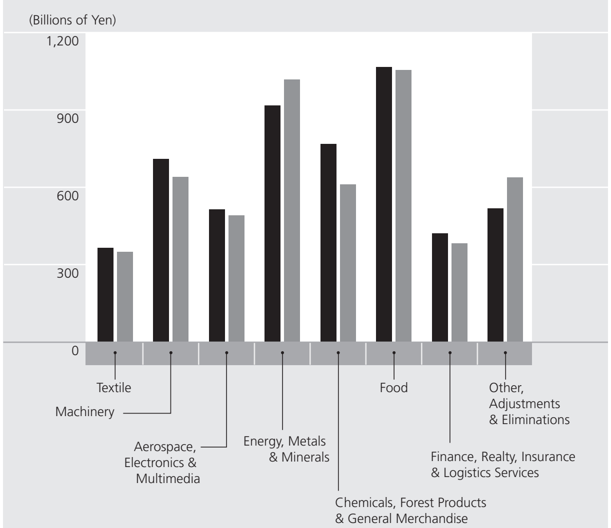
Finance, Realty, Insurance & Logistics Services
Trading transactions decreased by 8.1%, or ¥14.8 billion, to ¥167.3 billion (US$1,703 million), due to a decrease in sales of real estate inventory. Gross trading profit increased by 1.6%, or ¥0.7 billion, to ¥42.0 billion (US$428 million), due to the absence of a devaluation loss on residential real-estate business recorded in the previous fiscal year. This Division Company recorded a net loss of ¥1.2 billion (US$12 million), a decrease of ¥12.0 billion compared with net income of ¥10.8 billion recorded in the previous fiscal year. That

Net Income (Loss) by Operating Segment



2008
2009
* For Fiscal Years

Identifiable Assets by Operating Segment



2008
2009
* As of March 31

decline was due to the absence of a gain on capital restructuring (a gain on debt waiver) in a finance associated company recorded in the previous fiscal year as well as the recognition of an impairment loss on investment in that investment, and a worsened performance of financial asset management subsidiaries. Identifiable assets decreased by 9.2%, or ¥38.7 billion, compared with the previous fiscal year-end, to ¥381.8 billion (US$3,887 million), due to a decrease in fund management assets of financing subsidiaries.

Other, Adjustments & Eliminations

Trading transactions decreased by 23.6%, or ¥54.2 billion, to ¥175.1 billion (US$1,783 million). Gross trading profit increased by 31.5%, or ¥7.9 billion, to ¥33.0 billion (US$336 million), due to improvement in foreign currency exchange gain (loss) and equipment material subsidiary in North America. Net loss was ¥2.8 billion (US$28 million), a decrease by ¥8.8 billion, compared with net income of ¥6.0 billion recorded in the previous fiscal year. Despite increase in gross trading profit, that decrease was attributable to a deterioration of net interest expenses, and an increase in income tax expenses, in addition to increase in selling, general and administrative expenses such as pension cost. Identifiable assets increased by 23.2%, or ¥120.1 billion, compared with the previous fiscal year-end, to ¥637.7 billion (US$6,491 million), due to an increase in Cash and cash equivalents and Time deposits.

DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

A discussion and analysis of results of operations for Fiscal 2009 is as follows.

Descriptions of the outlook for Fiscal 2010 and later are forward-looking statements that are based on management's assumptions and beliefs, considering information currently available at the end of Fiscal 2009, and involve risks and uncertainties. Thus, factors that could cause actual results to differ materially from such statements include, without limitation, the factors in the following Risk Information and the other potential risk and uncertain factors.

ANALYSIS OF RESULTS OF OPERATIONS IN FISCAL 2009 AND OUTLOOK FOR FISCAL 2010

Revenue

In accordance with Emerging Issues Task Force 99–19, "Reporting Revenue Gross as a Principal versus Net as an Agent," ITOCHU and its subsidiaries present certain revenue transactions with corresponding cost of revenues on a gross basis in consolidated statements of income for transactions traded as a primary obligor in manufacturing, processing, and service rendering and for sales with general inventory risk before customer orders. Otherwise, ITOCHU and its subsidiaries present revenue on a net basis in consolidated statements of income.

In the fiscal year, ended March 31, 2009, "Sales revenue" on a gross basis was ¥2,821.6 billion (US$28,724 million) and "Trading margins and commissions on trading transactions" were ¥597.5 billion (US$6,083 million). Total revenue increased by 19.6% or ¥559.2 billion to ¥3,419.1 billion (US$34,807 million). Main unfavorable factors were a decrease due to appreciation of the yen compared with its level in the previous fiscal year; lower revenues from Textile due to the effect of deconsolidation of several subsidiaries and market slowdown in textile raw materials, fabrics, and apparels which offset the contribution from the acquisition of SANKEI Co., Ltd. last October; the effect in Machinery of sluggish automobile trading transactions beginning last autumn as a result of sluggish worldwide market conditions; and a decrease in Chemicals, Forest Products & General Merchandise due to sharp decline of the chemicals market beginning last autumn and the effect from deconsolidation of a U.S. subsidiary. Favorable factors included higher revenues in Energy, Metals & Minerals brought by the rise in prices of metal resources and the positive impact from the acquisition of ITOCHU ENEX CO., LTD. last October; and an increase in Food due to the expansion of food distribution business.

Gross Trading Profit

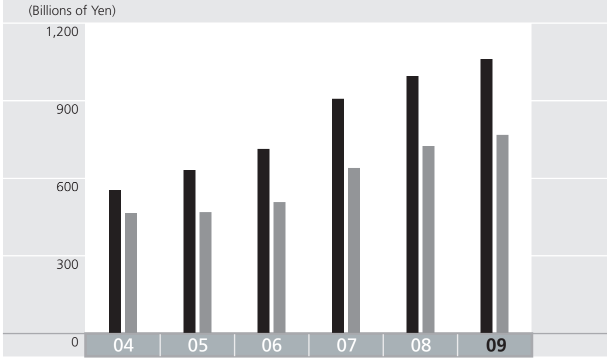
Gross trading profit increased by 6.6%, or ¥66.0 billion, to ¥1,060.5 billion (US$10,796 million). Negative factors consists of lower revenues in Textile due to the effect from deconsolidation of some subsidiaries and market slowdown in raw materials, fabrics, and apparels somewhat offset by the contribution from SANKEI Co., Ltd., a decrease in Machinery due to a decline in automobile sales as a result of the worldwide sluggish market conditions, a decrease in Chemicals, Forest Products & General Merchandise due to plunge of the chemicals market beginning the early autumn of 2008 and the effect from deconsolidation of a U.S. subsidiary. Positive factors included increase in Energy, Metals & Minerals due to an increase in mineral resources prices, higher sales volumes of iron ore, and the acquisition of ITOCHU ENEX CO., LTD.; and a rise in Food, which was attributable to the expansion of food distribution business.

Furthermore, the increase of Gross trading profit are to be analyzed as follows: contribution of new consolidated subsidiaries, including SANKEI Co, Ltd. and ITOCHU ENEX CO., LTD., was ¥50.9 billion, the effect from deconsolidation of consolidated subsidiaries resulted in a ¥22.7 billion decrease, and the effect from foreign currency rate changes resulted in a ¥46.3 billion decrease due to yen's appreciation during Fiscal 2009. Excluding those positive and negative factors, the increase in the gross trading profit of existing subsidiaries was ¥84.1 billion.

Selling, General and Administrative Expenses

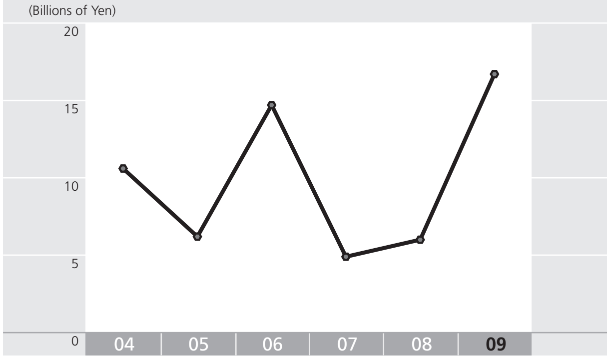
Selling, general and administrative expenses increased by 6.2% or ¥44.7 billion to ¥768.1 billion (US$7,820 million), because of an increase caused by expansion of business, a rise in retirement benefit cost, and an increase accompanying the newly consolidation of subsidiaries, including ITOCHU ENEX CO., LTD., offset decreases in Textile and

Gross Trading Profit; Selling, General and Administrative Expenses



■ Gross Trading Profit
■ Selling, General and Administrative Expenses
* For Fiscal Years

Provision for Doubtful Receivables



Provision for Doubtful Receivables

* For Fiscal Years

Chemicals, Forest Products & General Merchandise resulting from the effect from deconsolidation of some subsidiaries.

Also, the increase of Selling, general and administrative expenses may be explained as follows: the rise in retirement benefit cost was ¥6.8 billion, the increase due to newly consolidation of subsidiaries was ¥45.1 billion, the decrease due to deconsolidation of subsidiaries was ¥19.7 billion, and the effect from foreign currency rate changes resulted in a ¥16.1 billion decrease. Excluding those positive and negative factors, the increase in the expenses of existing subsidiaries was ¥28.6 billion.

Provision for Doubtful Receivables

Provision for doubtful receivables increased by ¥10.8 billion to ¥16.7 billion (US$170 million), which was related to the provision of ¥10.8 billion for doubtful receivables from Machinery-related customers in Mongolia (please refer to "Regarding the Discovery of Delays in Collections of Receivables under Tri-Nation Trade Transactions and the Discovery of a Financial Assistance Scheme Disguised as Sales Transactions").

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

Net financial income was ¥5.6 billion (US$57 million), an improvement of ¥13.3 billion compared with the previous fiscal year.

Net interest expenses, consisting of interest expense and interest income, improved by 8.4% or ¥2.7 billion to ¥29.5 billion (US$300 million). Interest income decreased by 8.8% or ¥1.6 billion as result of a decline in interest rates. However, interest expense decreased by 8.6% or ¥4.3 billion due to a fall of 0.31 percentage points in the average interest rate from 2.34% to 2.03%, stemming from lower interest rates.

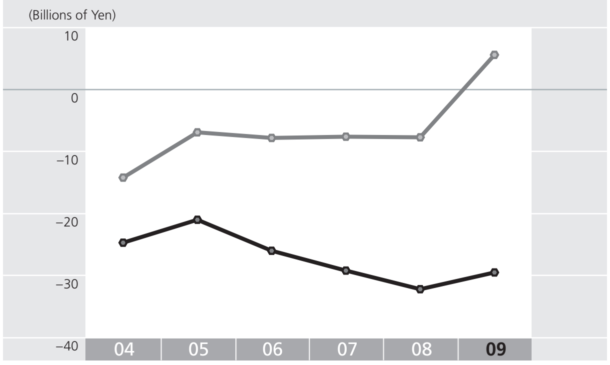
Further, dividends received increased by 43.3% or ¥10.6 billion to ¥35.0 billion (US$357 million), due to contribution of higher dividends from LNG-related investments and the dividends received from pipeline-related businesses.

Other Profit (Loss)

Gain (loss) on investments–net, was ¥23.1 billion (US$235 million), a deterioration of ¥39.5 billion compared with a ¥16.4 billion gain recorded in the previous fiscal year. That deterioration was caused by a decrease in gains on sales of investment securities and increase of impairment losses due to declines in stock market prices. Impairment losses on investment securities increased by ¥25.5 billion to ¥46.0 billion, while gains on sales of investment securities declined ¥13.9 billion to ¥22.9 billion.

Gain (loss) on property and equipment–net was ¥45.4 billion (US$462 million), a deterioration of ¥52.1 billion compared with a ¥6.7 billion gain recorded in the previous fiscal year. That deterioration was associated with the loss on the withdrawal from the Entrada Oil/Natural Gas Project (please refer to Note), recognition of impairment losses on fixed assets by some subsidiaries, and the absence of gain on disposal of coal mining interests and office buildings in the previous fiscal year. Impairment loss on fixed assets increased

Net Financial Expenses



Net Interest Expenses
Net Financial Expenses
* For Fiscal Years

Net Interest Expenses = Interest Income + Interest Expense
Net Financial Expenses = Net Interest Expenses + Dividends Received

by ¥39.0 billion, to ¥45.4 billion, and gain on disposal of fixed assets decreased by ¥13.1 billion to approximately zero.

Other-net was a loss of ¥4.5 billion (US$46 million), a ¥4.5 billion deterioration compared with the previous fiscal year. That worsening was attributable to the loss accompanying withdrawal from the Entrada Oil/Natural Gas Project (please refer to Note), which offset the favorable effect from both acquisitions of subsidiaries and the absence of impairment loss on goodwill recognized by subsidiaries in the previous fiscal year.

Income Taxes

Income taxes decreased by 39.9% or ¥48.4 billion to ¥72.8 billion (US$741 million), which was due to a ¥29.6 billion decrease resulting from a ¥72.3 billion decline in Income before income taxes, minority interests and equity in earnings of associated companies, and a deferred tax recognition regarding an loss with the special factors (please refer to "Business Results for Fiscal 2009—Comparison between Fiscal 2009 and Fiscal 2008") recorded in the previous fiscal year related to Orico.

Equity in Earnings of Associated Companies

Equity in earnings of associated companies decreased by 41.2%, or ¥28.9 billion to ¥41.3 billion (US$421 million). That decrease resulted from a decrease in equity in earnings of Orico due to the absence of a ¥26.1 billion net gain in the previous fiscal year (please refer to Note 3 in "Business Results for Fiscal 2009—Comparison between Fiscal 2009 and Fiscal 2008"), which was net gain of ¥26.1 billion brought by the reverse split of preferred stocks and the impairment loss of Orico common stocks, and recognition of a ¥10.8 billion impairment loss on investment as a result of a remeasurement of the fair value of this business in this fiscal year; and a decrease in equity in earnings of a steel product associated company, which offset increased equity in earnings due to a new invested associated company in Textile and increase in an existing pulp-related associated company.

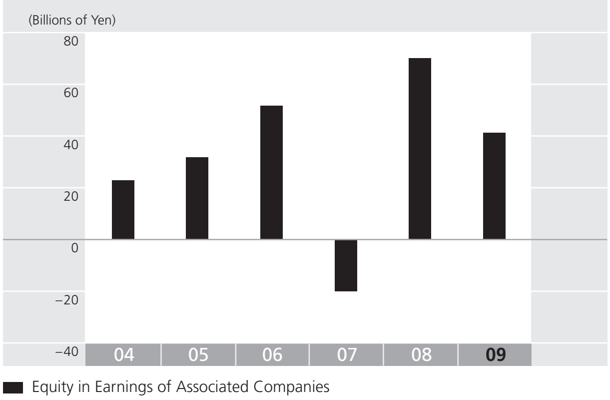
Further, the business results of major equity-method associated companies are included in Performance of Subsidiaries and Equity-Method Associated Companies, under Major Group Companies Reporting Profits or Major Group Companies Reporting Losses.

Adjusted profit

Adjusted profit (net of gross trading profit, selling, general and administrative expenses, net interest expenses, dividends received, and equity in earnings of associated companies and), increased by 1.7 % or ¥5.6 billion to ¥339.3 billion (US$3,454 million), due to contributions from new consolidated subsidiaries.

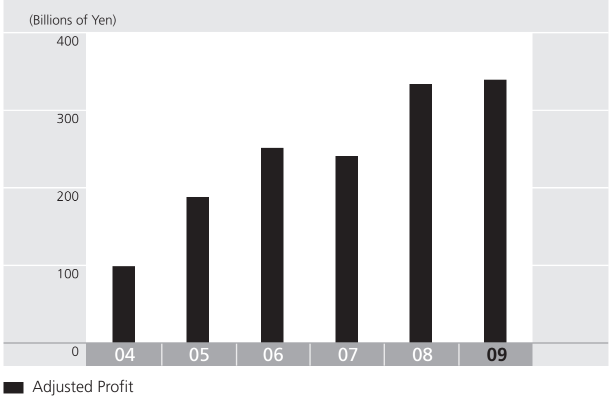
(Note) Please refer to Note 24 "Regarding Loss Relating to the Entrada Oil and Natural Gas Project in the U.S. Gulf of Mexico" to Consolidated Financial Statements.

Equity in Earnings of Associated Companies



* For Fiscal Years

Adjusted Profit



* For Fiscal Years

PERFORMANCE OF SUBSIDIARIES AND EQUITY-METHOD ASSOCIATED COMPANIES

The consolidated business results for Fiscal 2009 included the business results of 692 companies, comprising 469 consolidated subsidiaries (220 domestic and 249 overseas) and 223 equity-method associated companies (111 domestic and 112 overseas). The earnings or losses of those companies within the scope of consolidation are as follows.

Profits/Losses of Group Companies Reporting Profits/Losses

	Billions of Yen								
	2009			2008			Changes		
Years ended March 31	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total
Group companies excluding overseas trading subsidiaries*	¥198.1	¥(58.3)	¥139.7	¥197.0	¥(36.1)	¥160.9	¥ 1.1	¥(22.2)	¥(21.2)
Overseas trading subsidiaries	20.8	(0.5)	20.3	23.6	(0.5)	23.1	(2.8)	0.0	(2.8)
Total	¥218.9	¥(58.8)	¥160.1	¥220.6	¥(36.6)	¥184.0	¥(1.7)	¥(22.2)	¥(23.9)

* Includes tax effect regarding investment in Orico and loss from the Entrada Oil/Natural Gas Project.

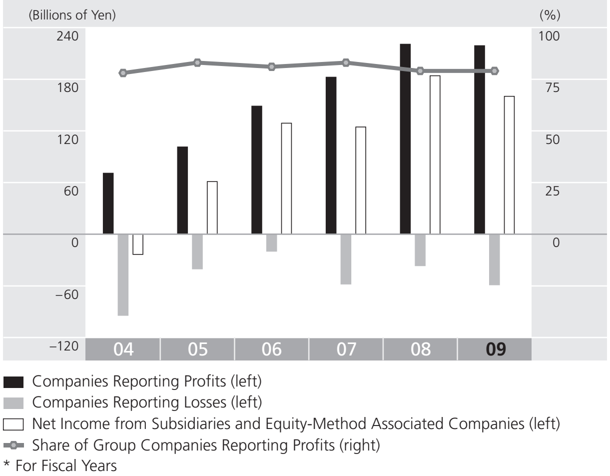
Share of Group Companies Reporting Profits

	2009			2008			Changes		
Years ended March 31	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
No. of companies reporting profits	274	273	547	226	269	495	48	4	(52)
No. of group companies	331	361	692	285	341	626	46	20	66
Share	82.8%	75.6%	79.0%	79.3%	78.9%	79.1%	3.5pts.	(3.3)pts.	(0.0)pts.

In Fiscal 2009, net income from subsidiaries and equity-method associated companies (aggregate profit / loss of subsidiaries and equity-method associated companies excluding overseas trading subsidiaries) declined by ¥21.2 billion to ¥139.7 billion. That decrease resulted from a deterioration in the performance of CIECO Energy (US) Limited due to its recognition loss related to withdrawal from the Entrada Oil/Natural Gas Project, which offset increased earnings from overseas natural resource development companies. Profits from overseas trading subsidiaries decreased by ¥2.8 billion to ¥20.3 billion, because lower earnings from the United States, Europe, and Singapore offset higher earnings from Australia.

The aggregate income from Group companies (subsidiaries, equity-method associated companies, and overseas trading subsidiaries) reporting profits decreased by ¥1.7 billion to ¥218.9 billion, reflecting lower earnings from the U.S. overseas trading subsidiaries. Meanwhile, the aggregate loss from Group companies reporting losses increased by ¥22.2 billion to ¥58.8 billion, as a result of a deterioration in the performance of CIECO Energy (US) Limited due to its recognition loss related to withdrawal from the Entrada Oil/Natural Gas Project. Further, the percentage of Group companies reporting profits (the number of Group companies reporting profits as a percentage of the number of companies included in consolidation) remained approximately the same, edging down from 79.1% to 79.0%.

Net Income from Subsidiaries and Equity-Method Associated Companies



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

Major Group Companies Reporting Profits

Years ended March 31	Shares	Net Income (Loss) *1 Billions of Yen 2009	2008	Reasons for Changes
Domestic Subsidiaries				
ITOCHU Petroleum Japan Ltd.	100.0%	¥ 5.0	¥ 3.6	Increase due to good performance in trading of crude oil/fuel oil
CIECO North Sea Ltd.	80.0	2.8	0.3	Increase due to higher annual-average-base crude oil prices and revision of U.K. tax regulation (extension of periods for recognizing decommission cost as taxable expense)
ITOCHU PLASTICS INC.	100.0	1.6	3.1	Decrease due to demand reduction in plastics demands, in addition to poor demand for materials for electric equipment
ITOCHU Metals Corporation	100.0	1.4	1.4	Decrease due to less demand in non-ferrous metals for automobiles, home electronics, and building materials
ITOCHU CHEMICAL FRONTIER Corporation	98.0	1.1	1.8	Decrease due to impairment loss on investments and marketable securities, demand reduction in raw materials (polymer and acrylic), and market price fall in chemicals
ITOCHU Finance Corporation	99.1	0.6	(7.0)	Increase due to gain on sales of investment securities and absence of impairment on investment in associated company recognized in the previous fiscal year
Overseas Subsidiaries				
ITOCHU Minerals & Energy of Australia Pty Ltd *2	100.0	71.2	38.5	Significant increase due to higher price in coal and iron ore as well as increased sales volume in iron ore
ITOCHU Oil Exploration (Azerbaijan) Inc.	100.0	26.1	33.4	Decrease due to an effect of entitlement reduction even with higher annual-average-base crude oil price
ITOCHU International Inc. *3	100.0	8.6	10.2	Decrease due to less profit in machinery business and decline in uranium market price despite increased housing material business and upturn in equipment material business
PrimeSource Building Products, Inc. *3	100.0	8.3	6.4	Increase due to reduction of SG&A expenses and increased efficiency through integration of distribution center
ITOCHU Australia Ltd. *2	100.0	3.0	1.9	Increase due to profit from ITOCHU Minerals & Energy of Australia Pty Ltd
ITOCHU (China) Holding Co., Ltd.	100.0	2.8	2.8	Almost the same level due to good business in chemicals (engineering plastic) offset by bad debt loss
ITOCHU Hong Kong Ltd. *4	100.0	2.3	2.5	Decrease due to decreased chemical trade caused by decline in market prices despite profit increase from finance-related business
CIECO Energy (UK) Limited	100.0	2.2	1.7	Increase due to higher annual-average-base crude oil price despite decreased production volume
ITOCHU Finance (Asia) LTD. *4	100.0	1.4	0.2	Increase due to increased dividends received resulting from gain on disposal of fund investment in China bloc
ITOCHU Petroleum Co., (Hong Kong) Ltd.	100.0	1.3	0.6	Profit improved due to implementation of uranium trade under advantageous contract conditions
ITOCHU Singapore Pte, Ltd.	100.0	1.0	1.6	Decrease in cement trade
Domestic Equity-method Associated Companies				
Marubeni-Itochu Steel Inc.	50.0	14.8	16.9	Decrease due to impairment loss on investments and marketable securities despite remained trading profit almost the same level
FamilyMart Co., Ltd.	31.0	5.3	4.9	Increase due to increased number of customers by introduction of "taspo" cards and good sales in ready-to-eat food
Japan Brazil Paper and Pulp Resources Development Co., Ltd	25.9	4.9	1.7	Increase due to reduction of production cost in Brazil resulting from Brazil Real's depreciation
AI Beverage Holding Co., Ltd.	20.0	1.7	1.7	Almost the same level as the previous fiscal year due to good performance in tea drink sales offset by the effect of yen's appreciation
Overseas Equity-method Associated Companies				
P.T. HEXINDO ADIPERKASA	22.5	0.7	0.2	Increase due to good performance in sales of large construction machinery

Major Group Companies Reporting Loss

Years ended March 31	Shares	Net Income (Loss) *1 Billions of Yen 2009	2008	Reasons for Changes
Domestic Subsidiaries				
I.C.S. Co., Ltd.	95.0%	¥ (2.6)	¥(0.8)	Worsened due to losses from restructuring premises, temporary shutdown effects, and disposal of some outlets
ITOCHU Kenzai Corp.	86.9	(1.0)	0.3	Decrease due to worsened business of manufacturing subsidiary resulting from poor domestic housing market, loss on fixed assets, and loss from sales of investment securities
Overseas Subsidiaries				
CIECO Energy (US) Limited	100.0	(22.4)	(1.4)	Significantly worsened due to loss from withdrawal of the Entrada Oil/Natural Gas Project
C.I. FINANCE (CAYMAN) LTD.	100.0	(3.0)	0.0	Worsened by low performance of fund asset management
MCL Group Limited	100.0	(2.5)	(2.6)	Deficit improved due to the absence of impairment loss of goodwill recognized in the previous fiscal year even with poor U.K. automobile market and recognized impairment loss on fixed assets
ITOCHU Automobile America Inc.	100.0	(1.6)	0.6	Worsened by poorer U.S. automobile market and impairment loss of goodwill
Galleher Corporation *3	100.0	(1.1)	(0.1)	Worsened by decreased sales due to sluggish U.S. housing market and recognized impairment loss of intangible fixed assets
ITOCHU Financial Services, Inc.	100.0	(1.0)	0.1	Worsened by low performance of fund asset management
ITOCHU Finance (Europe) PLC.	100.0	(0.9)	(0.1)	Worsened by low performance of fund asset management
Domestic Equity-method Associated Companies				
Orient Corporation	32.2	(2.7)	19.3	Worsened due to impairment loss recognition caused by its fair value remeasurement. (In the previous fiscal year, Orico recorded a gain arising from the reverse split of preferred stock netted against an impairment loss in its common stock.)
Yoshinoya Holdings Co., Ltd.	21.0	(1.5)	0.1	Impairment loss from remeasurement of the fair value of the business

*1 Net income (loss) figures are after adjusting to U.S. GAAP, which may be different from the figures that each company announces.
*2 The net income of ITOCHU Australia Ltd. includes 3.7% that of that of ITOCHU Minerals & Energy Australia Pty Ltd.
*3 The net income of ITOCHU International Inc. includes 80.0% of that of PrimeSource Building Products Inc., and 40.0% of that of Galleher Corporation.
*4 The net income of ITOCHU Hong Kong Ltd. includes 30.0% of that of ITOCHU Finance (Asia) LTD.

OUTLOOK FOR FISCAL 2010

Viewing the business environment of Fiscal 2010, Japanese economy is considered to partially recover from the plunge in the last half of the previous fiscal year due to implementation of the large simulative economic measures, but a complete recovery is not yet expected to be achieved. Regarding overseas economies, U.S. economy is expected to continue to be in serious conditions as a result of further dropping of capital investment due to worsened corporate profits though some effect may appear from the economic policies. Economy in Europe is also expected not to enter the recovery phase since drastic governmental financial actions cannot be expected due to increased fiscal deficit in addition to continuous decrease in private demand exists.

On the other hand, Chinese economy is expected to turn up resulting from domestic demand expansion since the effect of simulative economic measures from both sides of fiscal policy and monetary policy points of view is already in sight. The prospect of this worldwide recession triggered by the U.S. subprime loan problem is still uncertain, and ITOCHU consider that a careful attention is necessary to the trend of the world economy in general.

Under these circumstances, It is likely that ITOCHU and its subsidiaries will decrease year-on-year earnings centered on Energy, Metals & Minerals due to depreciation of price of natural resources.

MANAGEMENT POLICY FOR THE FUTURE

Looking over the business conditions that the ITOCHU Group will face, in Japan the setting in motion of large-scale economic stimulus measures will likely lead to an upturn from the dramatic slump in the second half of Fiscal 2009. However, that improvement is unlikely to become a full-fledged turnaround in business conditions. Overseas, in the United States, although economic stimulus measures promise benefits, tough economic conditions will probably continue as worsening corporate earnings further depresses capital investment. With private-sector demand continuing to shrink, Europe will probably not to achieve immediate economic recovery as growing fiscal deficits shackle aggressive public spending by governments. Meanwhile, China is seeing the fruits of fiscal and financial stimulus measures, and the country's economy seems to be trending upward on the back of growing domestic demand. With the outcome of the worldwide recession that the U.S. subprime loans problem initiated still uncertain, economic trends in the overall global economy will require careful ongoing monitoring.

Start of Frontier^{e} 2010 Medium-Term Management Plan

Given the above-mentioned conditions in Japan and overseas, the ITOCHU Group started a medium-term management plan, Frontier^{e} 2010—Enhancing Corporate Value on the World Stage, Shaping the Future—covering Fiscal 2010 and Fiscal 2011.

Frontier^{e} 2010 calls for balance sheet management to strengthen ITOCHU's financial position further and restore financial indicators to former levels together with expansion and improvement of earnings platforms that will enable stable growth. In light of significant changes in the global economy, ITOCHU's basic policy is to review foundations, continue to reform and take on challenges, and move forward steadily to become *a global enterprise that is highly attractive*. To achieve those goals, ITOCHU has set out the following four key measures.

First, ITOCHU will expand and improve earnings platforms by carefully selecting investments and replacing assets. ITOCHU will step up L-I-N-E-s initiatives to create future earnings mainstays, concentrating on the Life & Healthcare and Environment & New Energy areas. In the Environment & New Energy area, ITOCHU will give priority to initiatives in the areas of solar power generation, energy storage devices, and water resources. In accordance with its particularly strong focus on strengthening solar power generation businesses, ITOCHU established a new Solar Business Department as a head office sales organization. Further, ITOCHU continues to view the expansion and improvement of overseas earnings platforms to enable sustainable growth as a high-priority management measure. Accordingly, ITOCHU will develop businesses and achieve profitability in the non-resources area, focusing on the Consumer-Related sector. In Fiscal 2010, ITOCHU will curb net investment to between ¥100.0 billion and ¥150.0 billion by steadily replacing assets through withdrawal from businesses that it is no longer as meaningful to own while undertaking new investment of approximately ¥200.0 billion.

Second, ITOCHU will strengthen its financial position and upgrade risk management. By replenishing stockholders' equity and managing its balance sheet, ITOCHU will improve key financial ratios. Specifically, ITOCHU aims to restore net DER to less than two times by the end of Fiscal 2010. Also, ITOCHU will steadily respond to challenging financial conditions by further promoting use of Group Finance overseas in order to shift toward global capital management.

Third, ITOCHU will evolve management systems. Those efforts will involve continuing to advance corporate social responsibility initiatives and strengthening corporate governance while bolstering internal control for compliance and financial reports even further. In addition, ITOCHU will take the ITOCHU DNA Project—which began in Fiscal 2007 to improve operational efficiency and build internal control systems—from its design phase to its execution phase.

Fourth, ITOCHU will advance full-fledged implementation of its global human resources strategy. Positioning global human resources strategy at the center of its human resources strategy, ITOCHU will concentrate efforts on securing global human resources and fostering and creating group management human resources. ITOCHU will take concrete measures in keeping with its human resources strategy's basic aim of optimizing the entire Group on a worldwide basis.

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

Although business condition in the period of Frontier^{e} 2010, from Fiscal 2010 to Fiscal 2011, is likely to be extremely uncertain, ITOCHU will uphold the following basic policy.

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

For Fiscal 2010, ITOCHU plans to pay full-year cash dividends of ¥15.0 per share, comprising an interim cash dividend of ¥7.5 per share and a year-end cash dividend of ¥7.5 per share.

LIQUIDITY AND CAPITAL RESOURCES

Basic Funding Policy

The Company aims to ensure flexibility in funding in response to changes in financial conditions and take advantage of opportunities to lower its overall financing costs. Also, the Company seeks to diversify its funding sources and methods while endeavoring to find the optimum balance in its funding structure with enhancing the stability of its financing mainly by means of long-term funding. Further, the Company works to improve consolidated capital efficiency and funding structure by concentrating funding for domestic subsidiaries on Group Finance from the parent Company from the previous fiscal year. Moreover, the Company established Group Finance scheme in Asia and Europe for the funding of overseas subsidiaries in Fiscal 2009.

Regarding funding methods, the Company uses such indirect financing as bank loans and such direct financing as bond issuance. As to indirect financing, the Company maintains favorable and wide-ranging relationships with various financial institutions which enable it to raise funds required. As to direct financing, the Company registered a new issuance of bonds up to ¥300.0 billion, covering the two-year period from August 2007 to July 2009 in accordance with the bond-issuance registration system in Japan. Also, the Company undertakes funding through commercial paper to heighten capital efficiency and lower capital costs. ITOCHU Corporation, ITOCHU International Inc. in the United States, a treasury company in Singapore, and a finance subsidiary in the United Kingdom have registered a total of US$5.0 billion in a Euro Medium Term Note Programme (Euro MTN).

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

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

Interest-Bearing Debt

The Company raised funds stably despite global credit crunch caused by turmoil in financial markets in the fiscal year.

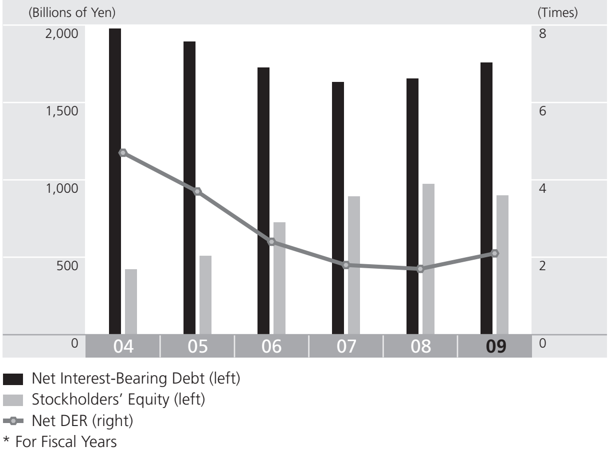
Thereby, interest-bearing debt as of March 31, 2009 increased by ¥284.9 billion to ¥2,389.3 billion (US$24,325 million) compared with the previous fiscal year-end. Net interest-bearing debt, after deducting cash and cash equivalents and time deposits, increased by ¥102.2 billion, to ¥1,756.8 billion (US$17,885 million). That, together with a decrease in stockholders' equity, led to a 0.4point deterioration in net DER (debt-to-equity ratio)from 1.7 times to 2.1 times compared with the previous fiscal year-end. The ratio of long-term interest-bearing debt to total interest-bearing debt was maintained at a high level although it decreased from 82% to 74% as a result of ensuring a stable funding structure by means of seeking long-term funding.

Details of interest-bearing debt as of March 31, 2009 and 2008 are as follows.

	Billions of Yen		Millions of U.S. Dollars
March 31	2009	2008	2009
Short-term debt:			
Short-term loans mainly from banks	¥ 453.2	¥ 264.5	$ 4,614
Commercial paper	84.9	43.0	865
Current maturities of long-term debt:			
Current maturities of long-term loans mainly from banks	81.9	72.0	834
Current maturities of debentures	8.7	4.0	89
Short-term total	628.8	383.5	6,402
Long-term debt (Note):			
Long-term loans mainly from banks, less current maturities	1,610.4	1,516.7	16,394
Debentures	150.2	204.2	1,529
Long-term total	1,760.5	1,720.9	17,923
Total interest-bearing debt	2,389.3	2,104.4	24,325
Cash and cash equivalents and time deposits	632.6	449.9	6,440
Net interest-bearing debt	¥1,756.8	¥1,654.5	$17,885

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

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



Financial Position

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

Total assets decreased 1.6%, or ¥82.1 billion, to ¥5,192.1 billion (US$52,856 million). That decline was mainly attributable to a decrease in Other investments due to a slumping stock market, a fall in product prices in Energy, Metals & Minerals and Chemicals resulting from a drop in oil prices, and lower Trade receivables in Chemicals, Forest Products & General Merchandise because of a weak domestic housing market, which offset an increase in Property and equipment, at cost—land, buildings, and machinery and equipment—stemming from the newly consolidated business in Textile, Machinery, and Energy, Metals & Minerals, an increase in Investments in and advances to associated companies that accompanied investment in an iron ore production and wholesale company, and higher cash and cash equivalents.

Stockholders' equity was down 12.8%, or ¥124.1 billion, to ¥849.4 billion (US$8,647 million), which was principally related to cash dividends, a significant deterioration in Foreign currency translation adjustment due to the appreciation of the yen, a decrease in unrealized holding gains on securities and a deterioration in Pension liability adjustments due to a slumping stock market, which counteracted net income. Further, the ratio of stockholders' equity to total assets decreased 2.1 percentage points, to 16.4%.

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

Cash and cash equivalents increased by ¥182.5 billion, to ¥628.8 billion (US$6,402 million).

Time deposits rose ¥0.2 billion, to ¥3.7 billion (US$38 million).

Trade receivables (less allowance for doubtful receivables) decreased by ¥281.7 billion, to ¥1,282.7 billion (US$13,058 million), due to lower trading transactions for Machinery, Energy, Metals & Minerals, and Chemicals, Forest Products & General Merchandise.

Inventories decreased by ¥22.0 billion, to ¥509.5 billion (US$5,187 million).

Advances to suppliers decreased by ¥9.1 billion, to ¥91.9 billion (US$935 million).

Other current assets declined ¥22.9 billion, to ¥235.0 billion (US$2,393 million), due to the collection of loans.

As a result, Total current assets declined ¥171.6 billion, to ¥2,938.2 billion (US$29,911 million).

Investments in and advances to associated companies were up ¥97.2 billion, to ¥754.1 billion (US$7,677 million), reflecting investment in an iron ore production and wholesale company.

Other investments declined ¥121.7 billion, to ¥426.1 billion (US$4,337 million), due to a decrease in unrealized holding gains on securities associated with a slumping stock market.

Other non-current receivables (less allowance for doubtful receivables) was down ¥1.7 billion, to ¥94.7 billion (US$964 million).

As a result, total investments and non-current receivables decreased ¥26.3 billion, to ¥1,274.8 billion (US$12,978 million).

Property and equipment, at cost (less accumulated depreciation) rose ¥47.8 billion, to ¥560.8 billion (US$5,709 million) , which was a consequence of an increase in land, buildings, and machinery and equipment due to the newly acquired subsidiaries in Textile, Machinery, and Energy, Metals & Minerals.

Goodwill and other intangible assets (less accumulated amortization) increased by ¥20.8 billion, to ¥168.7 billion (US$1,717 million), due to new investments.

Prepaid pension cost decreased by ¥29.0 billion, to ¥1.1 billion (US$11 million), because of a decrease in pension assets due to the fall in stock prices.

Deferred tax assets, non-current, rose ¥83.5 billion, to ¥136.4 billion (US$1,388 million), resulting from increases accompanying higher Pension liability adjustments and a decrease in Unrealized holding gains on securities and an increase accompanying recognition of loss due to withdrawal from the Entrada Oil/Natural Gas Project, which cancelled the effect of decreases accompanying the continued implementation of measures for reduction in deductible temporary differences through disposal of receivables, securities, and real estate. Net deferred tax assets rose ¥95.1 billion, to ¥158.5 billion (US$1,613 million).

Short-term debt increased by ¥230.7 billion, to ¥538.2 billion (US$5,479 million), because of fund raising aimed at increasing liquidity on hand in light of the recent uncertainty of the financial environment. (Please refer to "10. Short-term and Long-term Debt" in "Notes to Consolidated Financial Statements.")

Trade payables decreased by ¥243.6 billion, to ¥1,041.7 billion (US$10,605 million), because of a reduction of trading transactions for Machinery, Energy, Metals & Minerals, and Chemicals, Forest Products & General Merchandise.

Due to associated companies decreased by ¥2.8 billion, to ¥16.6 billion (US$169 million), because of a reduction in deposits from associated companies. **Advances from customers** decreased ¥21.6 billion, to ¥96.8 billion (US$985 million), because of a decrease in trading transactions for Machinery. **Other current liabilities** declined ¥30.7 billion, to ¥192.7 billion (US$1,961 million).

As a result, Total current liabilities decreased by ¥65.0 billion, to ¥2,148.1 billion (US$21,868 million).

Reserves for Liquidity

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

Primary liquidity resources at the end of Fiscal 2009, the sum of cash, cash equivalents, time deposits (¥632.6 billion), and commitment line agreements (yen short-term: ¥100.0 billion, yen long-term: ¥300.0 billion, multiple currency short-term: US$500 million) was ¥1,081.7 billion (US$11,012 million), an increase of ¥181.7 billion compared with the previous fiscal year-end. The Company believes that this amount constitutes adequate reserves for liquidity since it is 3.0 times of the necessary liquidity amount (short-term interest-bearing debt and contingent liabilities due within three months), which amounted to ¥356.3 billion (US$3,627 million) as of March 31, 2009.

Secondary liquidity reserves (other assets that can be converted to cash in a short period of time) stood at ¥494.1 billion (US$5,030 million). When added to primary liquidity reserves, the total amount of liquidity reserves stood at ¥1,575.8 billion (US$16,042 million).

The Company has long-term commitment line agreements with financial institutions totaling ¥300.0 billion (US$3,054 million). As a result of the availability of this long-term commitment line, the Company has the intention and ability to undertake a long-term rollover of current maturities of long-term debt from financial institutions. The Company thus classified ¥199.9 billion (US$2,035 million) of current maturities of long-term debt as non-current liabilities on the consolidated balance sheet, which was part of ¥290.5 billion (US$2,957 million) in non-current liabilities with a maturity of one year or less based on loan contracts at the end of Fiscal 2009. However, the above calculation of the necessary liquidity amount was based on the repayment figure for loan contracts with a maturity of one year or less, not on the consolidated balance sheet figures.

Necessary Liquidity

	Billions of Yen		Millions of U.S. Dollars
March 31	2009	Necessary Liquidity	2009
Short-term interest-bearing debt	¥538.2	¥269.1 (538.2/6 months x 3 months)	$2,740
Current maturities of long-term interest-bearing debt	290.5*	72.6 (290.5/12 months x 3 months)	739
Contingent liabilities (Guarantees [substantial risk] for monetary indebtedness of equity-method associated companies and customers)	58.1	14.5 (58.1/12 months x 3 months)	148
Total		¥356.3	$3,627

* The figure is the total of current maturities of long-term debt (¥90.6 billion) in the Consolidated Balance Sheets and long-term commitment line with financial institutions (¥199.9 billion).

Primary Liquidity Reserves

	Billions of Yen	Millions of U.S. Dollars
	2009	
March 31	Liquidity Reserves	Liquidity Reserves
1. Cash, cash equivalents and time deposits	¥ 632.6	$ 6,440
2. Commitment line agreements	449.1	4,572
Total primary liquidity reserves	¥1,081.7	$11,012

Secondary Liquidity Reserves

	Billions of Yen	Millions of U.S. Dollars
	2009	
March 31	Liquidity Reserves	Liquidity Reserves
3. Available portion of over draft for ITOCHU parent	¥ 148.1	$ 1,508
4. Available-for-sale securities (Fair value on a consolidated basis)	184.5	1,878
5. Notes receivable	161.5	1,644
Total secondary liquidity reserves	¥ 494.1	$ 5,030
Total liquidity reserves	¥1,575.8	$16,042

Capital Resources

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

Cash and cash equivalents as of March 31, 2009 increased by 40.9% or ¥182.5 billion to ¥628.8 billion (US$6,402 million) compared with the previous fiscal year-end. This was mainly due to increasing liquidity on hand in light of the recent uncertainty of the financial environment.

Cash flows from operating activities for Fiscal 2009 recorded net cash-inflow of ¥276.9 billion (US$2,818 million). This was attributable to favorable operating revenue mainly in overseas natural resource-related business and food-related business.

Cash flows from investing activities for Fiscal 2009 recorded net cash-outflow of ¥326.0 billion (US$3,319 million). This was due to investment in iron ore production and wholesale business, increased capital expenditure in overseas natural resource development sector (Energy, Metals & Minerals) and investment in a new equity-method associated company in Machinery.

Cash flows from financing activities for Fiscal 2009 recorded net cash-inflow of ¥258.3 billion (US$2,630 million). This was related to increased capital demand mainly due to business expansion.

A summary of cash flows for the fiscal years ended March 31, 2009 and 2008 is as follows.

	Billions of Yen		Millions of U.S. Dollars
March 31	2009	2008 As restated	2009
Cash flows from operating activities	¥ 276.9	¥ 65.6	$ 2,818
Cash flows from investing activities	(326.0)	(65.8)	(3,319)
Cash flows from financing activities	258.3	(81.3)	2,630
Effect of exchange rate changes on cash and cash equivalents	(26.6)	(5.0)	(271)
Net increase (decrease) in cash and cash equivalents	182.5	(86.5)	1,858
Cash and cash equivalents at beginning of year	446.3	532.9	4,544
Cash and cash equivalents at end of year	¥ 628.8	¥446.3	$ 6,402

OFF-BALANCE-SHEET ARRANGEMENTS AND AGGREGATE CONTRACTUAL OBLIGATIONS

The Company and its subsidiaries issue various guarantees for indebtedness including bank loans to subsidiaries, equity-method associated companies and customers. Because the guaranteed borrowings of subsidiaries are included in the Company's consolidated financial statements, off-balance sheet guarantees are solely the total guarantees to equity-method associated companies and customers. The breakdown of guarantees as of March 31, 2009 and 2008 is as follows:

	Billions of Yen		Millions of U.S. Dollars
March 31	2009	2008	2009
Guarantees for equity-method associated companies:			
Maximum potential amount of future payments	¥ 62.9	¥ 81.2	$ 640
Amount of substantial risk	36.3	49.7	370
Guarantees for customers:			
Maximum potential amount of future payments	¥ 74.6	¥108.1	$ 759
Amount of substantial risk	51.6	64.7	525
Total:			
Maximum potential amount of future payments	¥137.5	¥189.3	$1,399
Amount of substantial risk	87.9	114.5	895

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

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

The following table shows the breakdown by maturity of repayment of short-term debt and long-term debt as well as payments under capital and operating leases.

	Billions of Yen				
	2009				
March 31	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Short-term loans payable	¥ 453.2	¥453.2	¥ —	¥ —	¥ —
Commercial paper	84.9	84.9	—	—	—
Long-term debt	2,025.1	90.6	510.0	553.8	870.6
(Capital leases including long-term debt)	(50.8)	(11.5)	(19.1)	(8.7)	(11.5)
Operating leases	108.6	26.4	29.0	17.9	35.3

	Billions of U.S. Dollars				
	2009				
March 31	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Short-term loans payable	$ 4,614	$ 4,614	$ —	$ —	$ —
Commercial paper	865	865	—	—	—
Long-term debt	20,616	923	5,193	5,637	8,863
(Capital leases including long-term debt)	(517)	(117)	(194)	(89)	(117)
Operating leases	1,105	269	295	182	359

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 their businesses. These risks include unpredictable uncertainties and may have significant effects on their future business and financial performance.

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

With respect to descriptions about future events, ITOCHU appropriately has determined its assumptions and estimates based on information currently available as of March 31, 2009.

(1) Corporate Result Risks Due to Macroeconomic Factors

ITOCHU Group involves a wide variety of business ranging from supply of raw materials to manufacturing and sale in each of their businesses areas. It conducts diverse types of commercial transactions such as purchase and sale of products in the domestic market, import/export trade between overseas affiliates as well as development of energy, metal resources and mineral resources. To give an overview of Group's main areas of business, trade in machinery such as plants, autos and industrial machinery, trade in mineral resources, energy and chemical products, and investments in development are all largely dependent on economic trends in the world while the domestic economy has a relatively strong influence on the consumer and retail-related segments such as textiles and food. However, economic trends in the world have been more and more influential even on these consumer and retail-related segments as economic globalization proceeds. Furthermore, in North America, China, and Asia, which ITOCHU regards as priority areas, the Group has conducted business and trade in many business areas. Consequently, economic trends in the said regions have a possibility to seriously affect the operations of the Group.

Amid the still uncertain future about world-wide economic recessions triggered by the U.S. sub-prime loan issues, the Group will continue to conduct a careful business management paying sufficient attentions to changes in macroeconomics and business environment. However, the world economic trends in the future may lead to changes in exchange rates, interest rates, commodity prices, and stock prices; bankruptcy or worsened credit standing of customers; surfaced country risks; deteriorated pension plan assets; or restricted financing activities, which can seriously affect the financial position and results of operations of the Group.

(2) Market Risk

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

Foreign Exchange Rate Risk

ITOCHU Group is exposed to foreign exchange rate risk related to transactions in foreign currencies due to their significant involvement in import/export trading. ITOCHU is working to manage the Group's foreign currency balance based on independently specified criteria such as contract amount, debt and liabilities, and short/long-term, as well as setting limits on foreign exchange rate risk. ITOCHU is also working to minimize foreign exchange rate risk using derivative transactions such as forward exchange contracts and currency swap contracts. However, ITOCHU cannot guarantee a complete avoidance of such foreign exchange rate risk by utilizing these hedging techniques.

Since ITOCHU is engaged in businesses involving foreign currencies with a number of overseas trading subsidiaries and other overseas group companies, the figures in Japanese yen on its consolidated balance sheets are also exposed to the risk of stockholders' equity fluctuation through the accounting for foreign currency translation adjustments resulting from translation gains or losses. This translation risk has no impact on the performance of the business itself conducted in foreign currencies. In addition, a long period is generally needed to recover the cost of investments. Accordingly, ITOCHU does not hedge the translation risk, as the effectiveness provided by hedging is considered to be limited.

Interest Rate Risk

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

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

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

Commodity Price Risk

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

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

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

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

Stock Price Risk

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

(3) Credit Risks

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

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

(4) Country Risk

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

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

(5) Investment Risk

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

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

Besides, in Fiscal 2009, the impairment loss is recognized from the Entrada Oil/Natural Gas Project. For further information, please refer to Note 24 "Regarding Loss Relating to the Entrada Oil and Natural Gas Project in the U.S. Gulf of Mexico."

(6) Risks Due to Impairment Loss on Fixed Assets

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

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

(7) Risks Due to Fund Raising

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

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

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

(9) Risks Due to Deferred Taxes

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

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

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

(10) Risks Due to Competition

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

(11) Risks Associated with Significant Lawsuits

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

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

(12) Risks Associated with Compliance

Risks Related to Laws and Regulations

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

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

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

Besides, in the fiscal year ended March 31, 2009, a part of receivables under the tri-nation trade transactions of heavy machinery and equipment for Mongolia was delayed in collections, and the result of the investigation of these transactions revealed that some of the tri-nation trade transactions were in fact financial assistance scheme disguised as sales transactions without involving actual delivery of the products. Therefore, the disguised transactions were reversed and corrected as financial transactions (loan transactions). Associated with this correction, the reversal transactions have been conducted for the items retroactively to be restated to the previous financial statements. To prevent the recurrence of these cases, ITOCHU has implemented measures 1) to strengthen each transaction control, 2) to implement personnel reassignment periodically and strictly, and 3) to educate all employees to be thoroughly aware of compliance. For further information, please refer to "Regarding the Discovery of Delays in Collections of Receivables under Tri-nation Trade Transactions and the Discovery of a Financial Assistance Scheme Disguised as Sales Transactions."

Risks Related to the Environment

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

(13) Risks Associated with Information Systems and Information Security

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

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

(14) Natural Disaster Risk

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

CRITICAL ACCOUNTING POLICIES

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

Evaluation of Investments

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

For the impairment of non-marketable securities, judgment of an other-than-temporary decline is conducted after a comprehensive consideration of the magnitude of the decrease in terms of net asset value, the financial conditions of the invested companies, and the outlook for their future performance. For the impairment of marketable investments in equity-method investees, in accordance with U.S. Accounting Principles Board Opinions ("APB") No.18, as is the case for impairment of long-lived assets, the Company and its subsidiaries judge whether or not a price decrease is other than temporary not only by measuring the magnitude of the decrease in market value but also comprehensively considering the possibility of collection based on the estimated future cash flows generated from the investment. The management of the Company believes that these investment evaluations are rational. However, difference in estimates such as estimated future cash flows due to unforeseen changes in business conditions may impair the value of investments and have a material impact on the Company's consolidated financial statements.

Provision for Doubtful Receivables

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

Deferred Income Taxes

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

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

Impairment of Long-Lived Assets

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

Goodwill and Other Intangible Assets

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

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

Cost of Retirement and Severance Benefits

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

NEW ACCOUNTING PRONOUNCEMENTS

a. Fair Value Measurements

In September 2006, SFAS 157, "Fair Value Measurements" was issued.

SFAS 157 provides definition of "fair value" and applies the approach of categorizing fair value in accordance with three separate levels to reflect the degree of objectivity of estimates.

The effect of adoption of SFAS 157 on the Company and its subsidiaries' financial position and results of operations was immaterial.

b. Fair Value Option

In February 2007, SFAS 159, "Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of FASB Statement No. 115" was issued.

SFAS 159 permits companies to measure the balance of financial instruments at fair value as of the date of balance sheet. Entities can choose either to use a fair value measurement or previous methods by respective financial instrument under certain constrains.

The company and its subsidiaries adopted SFAS 159 on April 1, 2008, but have not elected the fair value option. Accordingly, the adoption of SFAS 159 had no impact on the consolidated financial statements.

c. Business Combination

In December 2007, SFAS 141 (R) "Business Combination (Revised 2007)" was issued.

SFAS 141 (R) entails a change in approach from previous "purchase method" to "acquisition method" that focus acquisition of control regarding business combinations.

Further, SFAS 141 (R) introduces the approach to recognize of goodwill as well as for non-controlling interests.

SFAS 141 (R) is effective for fiscal years beginning on or after December 15, 2008, and the effect on the Company and its subsidiaries' financial position and results of operations is currently under consideration. At present the effect cannot be reasonably estimated.

d. Non-controlling Interests in Consolidated Financial Statements

In December 2007, SFAS 160, "Non-controlling Interests in Consolidated Financial Statements—an amendment of ARB No. 51" was issued.

SFAS 160 changes minority interests, the previous designation, to non-controlling interests and adopts an approach of regarding non-controlling interests as a component of equity. Accordingly, the Company will change its presentation of consolidated financial statements. Further, purchases to increase interests or dispose of a portion of interests while maintaining control are capital transactions, and the Company will no longer recognize any gain or loss.

SFAS 160 is effective for fiscal years beginning on or after December 15, 2008 (that is, the fiscal year ending March 31, 2010), and the effect on the Company and its subsidiaries' financial position and results of operations is currently under consideration. At present the effect cannot be reasonably estimated.

e. Effective Date of Fair Value Measurements

In February 2008, FSP FAS 157-2 "Effective Date of FASB Statement No. 157" was announced.

FSP FAS 157-2 postpones the disclosure required by SFAS 157 of nonfinancial assets and nonfinancial liabilities that are measured at fair value on a nonrecurring basis to fiscal years beginning on or after November 16, 2008 (that is, the fiscal year ending March 31, 2010).

Pursuant to FSP FAS 157-2, the Company and its subsidiaries omit disclosure of nonfinancial assets and nonfinancial liabilities that are measured at fair value on a nonrecurring basis.

f. Employers' Disclosures about Postretirement Benefit Plan Assets

In December 2008, FSP FAS 132 (R)-1 "Employers' Disclosures about Postretirement Benefit Plan Assets" was announced.

FSP FAS 132 (R)-1 requires additional disclosure about pension assets, including investment policies, fair values of main asset categories, fair value evaluation methods, and risk concentrations.

FSP FAS 132 (R)-1 is effective from fiscal years ending after December 15, 2009 (that is, the fiscal year ending March 31, 2010).The effect of adopting FSP FAS 132 (R)-1 on the disclosure of the Company and its subsidiaries is currently under examination. However, it is believed that it will not affect the financial positions and business results of the Company and its subsidiaries.

REGARDING THE DISCOVERY OF DELAYS IN COLLECTIONS OF RECEIVABLES UNDER TRI-NATION TRADE TRANSACTIONS AND THE DISCOVERY OF A FINANCIAL ASSISTANCE SCHEME DISGUISED AS SALES TRANSACTIONS

At a Sales Section in its Machinery Company, ITOCHU discovered delays in the collections of receivables relating to certain tri-nation trade transactions in which ITOCHU purchased heavy machinery, mechanical equipment, and materials from overseas suppliers and sold them to users of these products in Mongolia. In response to that discovery, ITOCHU conducted an investigation into those trade transactions. As a result, ITOCHU discovered that certain tri-nation trade transactions accounted for as sales transactions did not involve the delivery of products and were actually a financial assistance scheme (loan transactions).

In the said transactions, ITOCHU purchased products and sold them to customers (hereafter, the said customers) on the condition that the said customers paid for the products within 360 days. Those products were mainly transported overland. ITOCHU received letters of credit (hereafter, L/C) issued by a bank in Mongolia that has a certain degree of creditworthiness and presented the relevant documents required by the L/C (such as invoices, receipts of products, and packing lists) together with a documentary bill of exchange to a Japanese bank for payment.

In Fiscal 2001, when a customer began to have difficulty paying ITOCHU, the manager of the said trade transactions began a financial assistance scheme that was disguised as sales transactions, which did not involve the actual delivery of products. In this way, clearly in violation of company rules, the manager sought to avoid the receivables becoming delinquent and maintain and increase transactions with the customer. That scheme expanded until the beginning of Fiscal 2009.

ITOCHU did not discover said trade transactions for years primarily for the following reasons.

1. The said trade transactions began as ordinary tri-nation trade transactions, but subsequently became trade transactions without the actual delivery of products.
2. For the said trade transactions, ITOCHU used L/C, which are a method of payment commonly used in tri-nation trade transactions. Identifying the said trade transactions was difficult because all of the required documents for tri-nation trade transactions were prepared in the same manner as for ordinary tri-nation trade transactions.
3. ITOCHU mistakenly assumed that the said trade transactions were proceeding smoothly based on untruthful explanations about the increases in the total trading volume related to the said trade transactions.

In response to the findings of the said investigation, among the said trade transactions accounted for as sales transactions, ITOCHU wrote off sales transactions that did not involve the delivery of products and that were actually a financial assistance scheme (loan transactions) and restated them as financial transactions (loan transactions). In accordance with that restatement, ITOCHU retroactively corrected financial statements and consolidated financial statements of prior fiscal years and filed corrected financial reports on January 28, 2009.

Moreover, ITOCHU investigated transactions similar to the said trade transactions to verify the actual delivery of products. However, excepting the said trade transactions, ITOCHU did not discover any transactions that did not involve the actual delivery of products.

As of May 31, 2009, the balance of receivables from the said customers was ¥22.9 billion. ITOCHU has collected ¥1.2 billion of the ¥24.1 billion balance of receivables that ITOCHU announced when it discovered this incident. ITOCHU is continuing efforts to collect the outstanding balance as soon as possible through a variety of methods, including measures to preserve receivables, the formulation of the said customers' repayment plans, the management of the said customers' capital status by ITOCHU, and the execution of legal measures.

ITOCHU established preventative measures, including strengthening the management of trade transactions, thorough rotation of human resources, and thorough compliance education, which it is currently implementing. In measures to strengthen the management of trade transactions, ITOCHU established a system of transaction review meetings to ensure rigorous management of transaction details. Each Division Company has begun holding transaction review meetings. ITOCHU will continue holding these meetings and extend them to major Group companies. Regarding the rotation of human resources, ITOCHU introduced a rule stipulating that, in principle, personnel should not perform the same duties for more than five years. Furthermore, if a situation temporarily arises whereby personnel perform the same duties for more than five years, ITOCHU will strengthen the management of trade transactions that these personnel are responsible for by holding transaction review meetings more frequently. As for thorough compliance education, ITOCHU will rigorously endeavor to heighten employees' compliance awareness by holding seminars based on actual examples of compliance violations and conducting different training for employees in different tiers.

Consolidated Balance Sheets

ITOCHU Corporation and Subsidiaries
As of March 31, 2009 and 2008

Assets	Millions of Yen 2009	Millions of Yen 2008 As restated (Note 27)	Millions of U.S. Dollars (Note 2) 2009
Current assets:			
Cash and cash equivalents (Notes 4 and 8)	¥ 628,820	¥ 446,311	$ 6,402
Time deposits (Note 8)	3,738	3,559	38
Short-term investments (Notes 4 and 8)	9,214	30,776	93
Trade receivables (Note 8):			
Notes	161,533	189,446	1,644
Accounts (Note 12)	1,135,031	1,390,770	11,555
Allowance for doubtful receivables (Note 6)	(13,869)	(15,781)	(141)
Net trade receivables	1,282,695	1,564,435	13,058
Due from associated companies	106,934	105,993	1,089
Inventories (Note 8)	509,503	531,534	5,187
Advances to suppliers	91,871	100,973	935
Prepaid expenses	29,817	29,797	303
Deferred tax assets (Note 15)	40,556	38,564	413
Other current assets (Note 20)	235,046	257,900	2,393
Total current assets	2,938,194	3,109,842	29,911
Investments and non-current receivables:			
Investments in and advances to associated companies (Notes 5, 8 and 13)	754,062	656,884	7,677
Other investments (Notes 4 and 8)	426,054	547,790	4,337
Other non-current receivables (Notes 8 and 12)	155,427	149,600	1,582
Allowance for doubtful receivables (Note 6)	(60,704)	(53,167)	(618)
Total investments and net non-current receivables	1,274,839	1,301,107	12,978
Property and equipment, at cost (Notes 7, 8, 12 and 17):			
Land	145,881	121,977	1,485
Buildings	336,630	303,790	3,427
Machinery and equipment	328,940	288,542	3,349
Furniture and fixtures	69,907	57,163	712
Mineral rights	60,245	85,396	613
Construction in progress	16,846	10,629	171
Total property and equipment, at cost	958,449	867,497	9,757
Less accumulated depreciation	397,675	354,480	4,048
Net property and equipment	560,774	513,017	5,709
Goodwill and other intangible assets (Note 9):			
Goodwill	87,560	77,710	891
Other intangible assets, less accumulated amortization	81,121	70,214	826
Total goodwill and other intangible assets	168,681	147,924	1,717
Prepaid pension cost (Note 13)	1,079	30,077	11
Deferred tax assets, non-current (Note 15)	136,389	52,875	1,388
Other assets (Note 20)	112,136	119,357	1,142
Total	¥5,192,092	¥5,274,199	$52,856

Refer to Notes to consolidated financial statements.

Liabilities and Stockholders' Equity	Millions of Yen 2009	Millions of Yen 2008 As restated (Note 27)	Millions of U.S. Dollars (Note 2) 2009
Current liabilities:			
Short-term debt (Notes 8 and 10)	¥ 538,161	¥ 307,446	$ 5,479
Current maturities of long-term debt (Notes 8 and 10)	90,631	76,017	923
Trade payables (Note 8):			
Notes and acceptances	134,591	152,041	1,370
Accounts	907,149	1,133,282	9,235
Total trade payables	1,041,740	1,285,323	10,605
Due to associated companies	16,618	19,382	169
Accrued expenses	125,062	135,430	1,273
Income taxes payable (Note 15)	45,472	46,898	463
Advances from customers	96,769	118,351	985
Deferred tax liabilities (Note 15)	983	908	10
Other current liabilities (Notes 12 and 20)	192,681	223,408	1,961
Total current liabilities	2,148,117	2,213,163	21,868
Long-term debt, excluding current maturities (Notes 8, 10, 11, 12 and 20)	1,934,421	1,895,088	19,693
Accrued retirement and severance benefits (Note 13)	54,697	19,602	557
Deferred tax liabilities, non-current (Note 15)	17,502	27,183	178
Commitments and contingent liabilities (Note 25)			
Minority interests	187,944	145,618	1,913
Stockholders' equity:			
Common stock (Note 18):			
Authorized: 3,000,000,000 shares; issued: 1,584,889,504 shares 2009 and 2008	202,241	202,241	2,059
Capital surplus (Note 18)	137,171	137,211	1,397
Retained earnings (Note 18):			
Legal reserve	13,183	10,373	134
Other retained earnings	783,699	652,757	7,978
Accumulated other comprehensive income (loss) (Notes 15 and 19):			
Foreign currency translation adjustments	(185,363)	(24,948)	(1,887)
Pension liability adjustments (Note 13)	(106,013)	(73,379)	(1,079)
Unrealized holding gains on securities (Note 4)	13,686	74,389	139
Unrealized holding losses on derivative instruments (Note 20)	(6,482)	(2,510)	(66)
Total accumulated other comprehensive loss	(284,172)	(26,448)	(2,893)
Treasury stock, at cost:			
4,374,899 shares 2009			
4,183,607 shares 2008	(2,711)	(2,589)	(28)
Total stockholders' equity	849,411	973,545	8,647
Total	¥5,192,092	¥5,274,199	$52,856

Consolidated Statements of Income

ITOCHU Corporation and Subsidiaries
Years ended March 31, 2009, 2008 and 2007

	Millions of Yen			Millions of U.S. Dollars (Note 2)
	2009	2008 As restated (Note 27)	2007 As restated (Note 27)	2009
Revenue (Notes 12, 17 and 20):				
Sales revenue	¥ 2,821,553	¥ 2,233,523	¥ 2,094,850	$ 28,724
Trading margins and commissions on trading transactions	597,508	626,330	551,187	6,083
Total trading transactions (Notes 5 and 17): 2009: ¥12,065,109 million ($122,825 million) 2008: ¥11,729,082 million 2007: ¥11,556,787 million				
Total revenue	3,419,061	2,859,853	2,646,037	34,807
Cost of sales (Note 20)	(2,358,540)	(1,865,306)	(1,738,526)	(24,011)
Gross trading profit (Note 17)	1,060,521	994,547	907,511	10,796
Selling, general and administrative expenses (Notes 9, 12 and 13)	(768,115)	(723,403)	(639,121)	(7,820)
Provision for doubtful receivables (Note 6)	(16,742)	(5,977)	(4,934)	(170)
Interest income	16,253	17,829	16,117	165
Interest expense (Note 20)	(45,710)	(49,985)	(45,335)	(465)
Dividends received	35,039	24,447	21,663	357
Gain (loss) on investments–net (Notes 3, 4 and 22)	(23,066)	16,384	46,850	(235)
Gain (loss) on property and equipment–net (Notes 7, 9 and 24)	(45,407)	6,675	(6,785)	(462)
Other–net (Notes 9, 14, 20 and 24)	(4,515)	14	2,225	(46)
Income before income taxes, minority interests and equity in earnings (losses) of associated companies (Note 15)	208,258	280,531	298,191	2,120
Income taxes (Notes 15 and 22):				
Current	95,573	91,922	80,261	973
Deferred	(22,816)	29,186	7,829	(232)
Total income taxes	72,757	121,108	88,090	741
Income before minority interests and equity in earnings (losses) of associated companies	135,501	159,423	210,101	1,379
Minority interests	(11,415)	(12,360)	(14,176)	(116)
Equity in earnings (losses) of associated companies (Notes 5 and 17)	41,304	70,238	(20,069)	421
Net income (Note 17)	¥ 165,390	¥ 217,301	¥ 175,856	$ 1,684

Total trading transactions are presented in accordance with Japanese accounting practice.

	Yen			U.S. Dollars (Note 2)
	2009	2008 As restated (Note 27)	2007 As restated (Note 27)	2009
Net income per common share (Note 16)	¥104.64	¥137.46	¥111.19	$1.07
Diluted net income per common share (Note 16)	¥103.94	¥127.71	¥111.19	$1.06

Refer to Notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

ITOCHU Corporation and Subsidiaries
Years ended March 31, 2009, 2008 and 2007

	Millions of Yen			Millions of U.S. Dollars (Note 2)
	2009	2008 As restated (Note 27)	2007 As restated (Note 27)	2009
Common stock (Note 18):				
Balance at beginning of year issued: 1,584,889,504 shares 2009, 2008 and 2007	¥ 202,241	¥ 202,241	¥202,241	$ 2,059
Balance at end of year 1,584,889,504 shares 2009, 2008 and 2007	¥ 202,241	¥ 202,241	¥202,241	$ 2,059
Capital surplus (Note 18):				
Balance at beginning of year	¥ 137,211	¥ 136,842	¥137,035	$ 1,397
Excess (deficit) arising from retirement of treasury stock	(40)	16	8	(0)
Increase (decrease) arising from group realignment between subsidiaries	—	353	(201)	—
Balance at end of year	¥ 137,171	¥ 137,211	¥136,842	$ 1,397
Retained earnings (Note 18):				
Legal reserve:				
Balance at beginning of year	¥ 10,373	¥ 7,423	¥ 5,667	$ 105
Transfer from other retained earnings	2,642	3,075	1,822	27
Redistribution arising from sale by parent of common stock of subsidiaries and associated companies	168	(125)	(66)	2
Balance at end of year	¥ 13,183	¥ 10,373	¥ 7,423	$ 134
Other retained earnings:				
Balance at beginning of year	¥ 652,757	¥ 466,094	¥307,822	$ 6,645
Net income	165,390	217,301	175,856	1,684
Cash dividends	(31,636)	(27,688)	(15,828)	(322)
Transfer to legal reserve	(2,642)	(3,075)	(1,822)	(27)
Redistribution arising from sale by parent of common stock of subsidiaries and associated companies	(168)	125	66	(2)
Deficit arising from retirement of treasury stock	(2)	—	—	(0)
Balance at end of year	¥ 783,699	¥ 652,757	¥466,094	$ 7,978
Accumulated other comprehensive income (loss) (Notes 4, 13, 15, 19 and 20):				
Balance at beginning of year	¥ (26,448)	¥ 81,863	¥ 72,889	$ (269)
Other comprehensive income (loss)	(257,724)	(108,311)	47,451	(2,624)
Adjustment to initially apply SFAS No.158	—	—	(38,477)	—
Balance at end of year	¥(284,172)	¥ (26,448)	¥ 81,863	$(2,893)
Treasury stock:				
Balance at beginning of year	¥ (2,589)	¥ (1,910)	¥ (1,277)	$ (27)
Net change in treasury stock	(122)	(679)	(633)	(1)
Balance at end of year	¥ (2,711)	¥ (2,589)	¥ (1,910)	$ (28)
Total	¥ 849,411	¥ 973,545	¥892,553	$ 8,647
Comprehensive income (loss):				
Net income	¥ 165,390	¥ 217,301	¥175,856	$ 1,684
Other comprehensive income (loss) (net of tax) (Notes 15 and 19):				
Net change in foreign currency translation adjustments during the year	(160,415)	(25,851)	26,704	(1,633)
Minimum pension liability adjustments (Note 13)	—	—	(772)	—
Pension liability adjustments (Note 13)	(32,634)	(32,044)	—	(332)
Net change in unrealized holding gains (losses) on securities during the year (Note 4)	(60,703)	(48,347)	25,047	(618)
Net change in unrealized holding gains (losses) on derivative instruments during the year (Note 20)	(3,972)	(2,069)	(3,528)	(41)
Total other comprehensive income (loss) (net of tax)	(257,724)	(108,311)	47,451	(2,624)
Total	¥ (92,334)	¥ 108,990	¥223,307	$ (940)

Refer to Notes to consolidated financial statements.

Consolidated Statements of Cash Flows

ITOCHU Corporation and Subsidiaries
Years ended March 31, 2009, 2008 and 2007

	Millions of Yen			Millions of U.S. Dollars (Note 2)
	2009	2008 As restated (Note 27)	2007 As restated (Note 27)	2009
Cash flows from operating activities:				
Net income	¥ 165,390	¥ 217,301	¥ 175,856	$ 1,684
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	64,988	71,569	56,383	661
Provision for doubtful receivables	16,742	5,977	4,934	170
(Gain) loss on investments–net	23,066	(16,384)	(46,850)	235
(Gain) loss on property and equipment–net	45,407	(6,675)	6,785	462
Equity in (earnings) losses of associated companies, less dividends received	(22,298)	(55,444)	39,849	(227)
Deferred income taxes	(22,816)	29,186	7,829	(232)
Minority interests	11,415	12,360	14,176	116
Change in assets and liabilities:				
Trade receivables	334,168	(162,395)	(106,162)	3,402
Due from associated companies	7,110	(2,666)	(35,766)	73
Inventories	(7,188)	(13,473)	(45,132)	(73)
Trade payables	(306,860)	(19,628)	124,636	(3,124)
Due to associated companies	(2,636)	(26,994)	(217)	(27)
Other–net	(29,634)	32,818	39,596	(302)
Net cash provided by operating activities	276,854	65,552	235,917	2,818
Cash flows from investing activities:				
Payments for purchases of property, equipment and other assets	(131,189)	(118,800)	(79,159)	(1,336)
Proceeds from sales of property, equipment and other assets	13,538	78,582	28,591	138
Increase in investments in and advances to associated companies	(191,239)	(53,267)	(44,581)	(1,947)
Decrease in investments in and advances to associated companies	16,874	38,495	33,578	172
Acquisitions of available-for-sale securities	(12,751)	(23,286)	(40,428)	(130)
Proceeds from sales of available-for-sale securities	15,108	19,779	35,705	154
Proceeds from maturities of available-for-sale securities	194	808	132	2
Acquisitions of held-to-maturities securities	—	—	(60)	—
Acquisitions of other investments	(56,516)	(54,844)	(78,070)	(575)
Proceeds from sales of other investments	25,964	35,492	45,791	264
Acquisitions of subsidiaries, net of cash acquired	5,722	—	(11,407)	58
Proceeds from sales of subsidiaries' common stock	4,564	9,684	5,877	46
Origination of other non-current loan receivables	(50,349)	(48,817)	(49,703)	(512)
Collections of other non-current loan receivables	34,799	52,666	48,309	354
Net (increase) decrease in time deposits	(752)	(2,266)	22,031	(7)
Net cash used in investing activities	(326,033)	(65,774)	(83,394)	(3,319)
Cash flows from financing activities:				
Proceeds from long-term debt	384,515	324,994	617,455	3,914
Repayments of long-term debt	(345,590)	(324,581)	(681,150)	(3,518)
Net increase (decrease) in short-term debt	256,101	(48,071)	(22,215)	2,607
Proceeds from minority interests through issuance of subsidiaries' common stock	2,118	1,082	6,244	22
Cash dividends	(31,636)	(27,688)	(15,828)	(322)
Cash dividends to minority interests	(7,067)	(6,352)	(4,805)	(72)
Net increase in treasury stock	(119)	(678)	(621)	(1)
Net cash provided by (used in) financing activities	258,322	(81,294)	(100,920)	2,630
Effect of exchange rate changes on cash and cash equivalents	(26,634)	(5,029)	3,546	(271)
Net increase (decrease) in cash and cash equivalents	182,509	(86,545)	55,149	1,858
Cash and cash equivalents at beginning of year	446,311	532,856	477,707	4,544
Cash and cash equivalents at end of year	¥ 628,820	¥ 446,311	¥ 532,856	$ 6,402
Supplemental disclosures of cash flow information:				
Cash paid during the year for:				
Interest	¥ 47,547	¥ 48,979	¥ 42,485	$ 484
Income taxes	101,250	94,312	65,744	1,031
Information regarding non-cash investing and financing activities:				
Withdrawal of plan assets (Note 13)	—	—	27,742	—
Non-monetary exchange of shares (Note 4):				
Fair market value of shares received	206	2,114	6,941	2
Costs of shares surrendered	208	598	3,451	2
Acquisitions of subsidiaries (Note 3):				
Fair value of assets acquired	345,678	—	233,512	3,519
Fair value of liabilities assumed	269,985	—	204,919	2,748
Acquisition costs of subsidiaries	75,693	—	28,593	771
Non-cash acquisition costs	42,330	—	13,877	431
Cash acquired	39,085	—	3,309	398
Acquisitions of subsidiaries, net of cash acquired	(5,722)	—	11,407	(58)

Refer to Notes to consolidated financial statements.

1. Nature of Operations

ITOCHU Corporation (the "Company") is a "sogo shosha" or general trading company. The Company and its subsidiaries purchase, distribute and market a wide variety of commodities, including raw materials, capital goods and consumer goods, whether for Japanese domestic trade, trade between Japan and other nations or trade between third-party nations.

The Company and its subsidiaries not only operate worldwide through trading in various commodities but also provide various services, such as financing arrangements for customers and suppliers, planning and coordinating industrial projects, functioning as an organizer and gathering extensive information. In addition, the Company and its subsidiaries operate in a wide range of business activities—developing market potential, providing services for logistics and transportation and for information and communications, engaging in construction, developing natural resources, investing in the growing high-technology and multimedia fields and promoting environmental protection.

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

(1) Basis of Financial Statements

The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates. The translation of Japanese yen amounts into U.S. dollar amounts for the year ended March 31, 2009 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥98.23 = U.S.$1 (the official rate as of March 31, 2009 announced by The Bank of Tokyo- Mitsubishi UFJ, Ltd.). The translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

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

(2) Summary of Significant Accounting Policies

a. Basis of Consolidation

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

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

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

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

b. Foreign Currency Translation

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

c. Cash Equivalents

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

d. Inventories

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

e. Marketable Securities and Other Investments

In accordance with SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities," the Company and its subsidiaries classify certain investments included in "Short-term investments" and "Other investments" by the ability and intent as held-to-maturity, trading or available-for-sale securities, and report held-to-maturity securities at amortized cost, trading securities at fair value with unrealized holding gains and losses included in earnings and available-for-sale securities at fair value with unrealized holding gains and losses included in "Accumulated other comprehensive income (loss)" in stockholders' equity on a net-of-tax basis. The cost of certain investments sold is determined using the moving-average cost method. The Company and its subsidiaries periodically review their investments for impairment to determine whether the fair value of held-to-maturity and available-for-sale securities has declined below cost and if such decline is believed to be other than temporary. If the decline in fair value is judged to be other than temporary, the cost basis of those securities is written down to fair value as a new cost basis. Whether the decline in value is other than temporary is determined by considering the severity (the extent to which fair value is below cost) and the duration (the period of time that a security has been impaired).

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

f. Investments in Associated Companies

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

g. Impaired Loans and Allowance for Doubtful Receivables

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

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

h. Long-lived Assets

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

i. Depreciation

Depreciation of property and equipment (including property leased to others) is computed principally by the unit-of-production method for mineral rights, and by the straight-line method or the declining-balance method for property and equipment other than land, construction in progress and mineral rights, using rates based upon the estimated useful lives of the related property and equipment (2 to 65 years for Buildings, 2 to 35 years for Machinery and equipment, 2 to 20 years for Furniture and fixtures).

j. Goodwill and Other Intangible Assets

In accordance with SFAS 141, "Business Combinations," the Company and its subsidiaries account for all business combinations using the purchase method. In accordance with SFAS 142, "Goodwill and Other Intangible Assets," the Company and its subsidiaries do not amortize goodwill but perform an impairment test at the reporting unit level at least on an annual basis and between annual tests if an event occurs or circumstances change that would indicate that it is more likely than not that the fair value of a reporting unit is below its carrying amount. An intangible asset with a definite useful life is amortized over its estimated useful life and is reviewed for impairment in accordance with SFAS 144. An intangible asset determined to have an indefinite useful life is not amortized but is instead periodically tested for impairment in the same manner as goodwill.

k. Oil and Gas Exploration and Development

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

l. Mining Operation

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

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

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

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

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

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

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

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

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

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

Trading Transactions
"Total trading transactions," as presented in the consolidated statements of income, is a measure commonly used by similar Japanese trading companies and represents gross transaction volume of the sales contracts in which the Company and its subsidiaries act as principal or agent. Total trading transactions in the consolidated statements of income are presented in accordance with Japanese accounting practice,

and are not meant as a substitute for sales or revenues in accordance with U.S. GAAP.

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

s. Income Taxes
The Company and its subsidiaries utilize an asset and liability approach to accounting for income taxes in accordance with SFAS 109, "Accounting for Income Taxes."

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to temporary differences between the tax basis of assets or liabilities and reported amounts in its financial statements, and net operating loss carry-forwards. Deferred tax assets or liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in earnings for the period that includes the enactment date. A valuation allowance is provided for the portion of a deferred tax asset for which it is more likely than not that a tax benefit will not be realized.

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

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

u. Comprehensive Income (Loss)
In accordance with SFAS 130, "Reporting Comprehensive Income," the Company and its subsidiaries report and present comprehensive income and loss and its components (revenues, expenses, gains and losses) in a full set of general-purpose financial statements. Comprehensive income and loss consists of not only net income or loss but also changes in foreign currency translation adjustments, pension liability adjustments, net unrealized holding gains and losses on certain investments in "Short-term investments" and "Other investments" and net unrealized holding gains and losses on derivative instruments, on a net-of-tax basis.

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

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

The Company and its subsidiaries meet the documentation requirements as prescribed by SFAS 133 and SFAS 138, which include a statement of its risk management objective and the strategy for undertaking various hedge transactions.

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

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

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

w. Issuance of Stock by Subsidiaries or Associated Companies

With respect to the issuance of shares to a third party by a subsidiary or an associated company, the resulting gain or loss arising from the change in the Company's relative ownership interest is recorded in earnings in the period when such shares are issued.

x. Classification of Mineral Rights

In accordance with EITF 04-2, "Whether Mineral Rights Are Tangible or Intangible Assets," FASB Staff Position ("FSP") SFAS 141-1 and SFAS 142-1, "Interaction of FASB Statements No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets," EITF Issue No. 04-2, "Whether Mineral Rights Are Tangible or Intangible Assets," and FSP SFAS 142-2, "Application of FASB Statement No. 142, Goodwill and Other Intangible Assets, to Oil- and Gas-Producing Entities," all mineral rights held by mining and oil- and gas- producing entities have been presented as tangible assets on the consolidated balance sheets.

y. Use of Estimates

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

(3) New Accounting Pronouncements

a. Fair Value Measurements

In September 2006, SFAS 157, "Fair Value Measurements" was issued.

SFAS 157 provides definition of "fair value" and applies the approach of categorizing fair value in accordance with three separate levels to reflect the degree of objectivity of estimates.

The effect of adoption of SFAS157 on the Company and its subsidiaries' financial position and results of operations was immaterial.

b. Fair Value Option

In February 2007, SFAS 159, "Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115" was issued.

SFAS 159 permits companies to measure the balance of financial instruments at fair value as of the date of balance sheet. Entities can choose either to use a fair value measurement or previous methods by respective financial instrument under certain constrains.

The company and its subsidiaries adopted SFAS 159 on April 1, 2008, but have not elected the fair value option. Accordingly, the adoption of SFAS 159 had no impact on the consolidated financial statements.

c. Business Combination

In December 2007, SFAS 141 (R) "Business Combination (Revised 2007)" was issued.

SFAS 141 (R) entails a change in approach from previous "purchase method" to "acquisition method" that focus acquisition of control regarding business combinations.

Further, SFAS 141 (R) introduces the approach to recognize of goodwill as well as for non-controlling interests.

SFAS 141 (R) is effective for fiscal years beginning on or after December 15, 2008, and the effect on the Company and its subsidiaries' financial position and results of operations is currently under consideration. At present the effect cannot be reasonably estimated.

d. Non-controlling Interests in Consolidated Financial Statements

In December 2007, SFAS 160, "Non-controlling Interests in Consolidated Financial Statements—an amendment of ARB No. 51" was issued.

SFAS 160 changes minority interests, the previous designation, to non-controlling interests and adopts an approach of regarding non-controlling interests as a component of equity. Accordingly, the Company will change its presentation of consolidated financial statements. Further, purchases to increase interests or dispose of a portion of interests while maintaining control are capital transactions, and the Company will no longer recognize any gain or loss.

SFAS 160 is effective for fiscal years beginning on or after December 15, 2008 (that is, the fiscal year ending March 31, 2010), and the effect on the Company and its subsidiaries' financial position and results of operations is currently under consideration. At present the effect cannot be reasonably estimated.

e. Effective Date of Fair Value Measurements

In February 2008, FSP FAS 157-2, "Effective Date of FASB Statement No. 157" was announced.

FSP FAS 157-2 postpones the disclosure required by SFAS 157 of nonfinancial assets and nonfinancial liabilities that are measured at fair value on a nonrecurring basis to fiscal years beginning on or after November 16, 2008 (that is, the fiscal year ending March 31, 2010).

Pursuant to FSP FAS 157-2, the Company and its subsidiaries omit disclosure of nonfinancial assets and nonfinancial liabilities that are measured at fair value on a nonrecurring basis.

f. Employers' Disclosures about Postretirement Benefit Plan Assets

In December 2008, FSP FAS 132 (R)-1 "Employers' Disclosures about Postretirement Benefit Plan Assets" was announced.

FSP FAS 132 (R)-1 requires additional disclosure about pension assets, including investment policies, fair values of main asset categories, fair value evaluation methods, and risk concentrations.

FSP FAS 132 (R)-1 is effective from fiscal years ending after December 15, 2009 (that is, the fiscal year ending March 31, 2010).The effect of adopting FSP FAS 132 (R)-1on the disclosure of the Company and its subsidiaries is currently under examination. However, it is believed that it will not affect the financial positions and business results of the Company and its subsidiaries.

(4) Reclassification

Certain reclassifications and changes have been made to prior year amounts to conform to the current year's presentation.

3. Business Combination

Acquisition of ITOCHU ENEX CO., LTD.

On October 1, 2008, the Company acquired ITOCHU ENEX CO., LTD. ("ITOCHU ENEX") by a reverse acquisition through a reorganization of petroleum trading and logistics business among the Company, ITOCHU Petroleum Japan Ltd. and ITOCHU ENEX. ITOCHU ENEX is mainly engaged in the wholesale of petroleum products and high-pressure gas and was an equity-method associated company (holding 39.1% of the voting shares), into a subsidiary As a result of the reorganization, ITOCHU ENEX succeeded the domestic, Japan-based import and export, sale of petroleum products (kerosene, gas oil and others) which had been previously conducted by the Company's Energy Trade Division ("the Petroleum Products Trade Business") and the petroleum products logistics businesses (such as chartering and operating of tankers, supplying marine fuels, operating petroleum storage tanks and trading lubricating oil), which had been conducted by the Company's subsidiary, ITOCHU Petroleum Japan Ltd ("the IPCJ Business").

As a consideration of the transfer of the Petroleum Products Trade Business and the IPCJ Business, the Company acquired an additional 13.1% of the voting shares of ITOCHU ENEX, by receiving an allotment and issuance of shares of common stock from ITOCHU ENEX. This transaction consists of a reverse acquisition, and as a result, the Company owned 52.2% of the voting shares of ITOCHU ENEX on October 1, 2008.

This business reorganization has centralized the petroleum product related businesses in ITOCHU ENEX, previously dispersed across Group companies. By this reorganization, the Company aims to establish and strengthen the Group's medium and long-term earnings platforms by increasing the efficiency and strength of those businesses while undertaking overseas trading transactions and investment even more aggressively.

The number of allotted shares was determined based on various factors including financial and asset profiles of ITOCHU ENEX, the Petroleum Products Trade Business and the IPCJ Business which were researched through due diligence processes by independent professionals and multi-faceted analysis using various valuation techniques (such as multiple method, discounted cash flow method and market average share price method) conducted by financial advisors. As a result, the Company received an allotment and issuance of 25,148,809 shares of common stock of ITOCHU ENEX, with a fair value of ¥14,385 million ($146 million).

The consolidated financial statement of income for the year ended March 31, 2009 include the results of operations of ITOCHU ENEX from the date of acquisition. The financial results also include the difference between (i) the decrease in the net assets of the Petroleum Products Trade Business and the IPCJ Business that ITOCHU ENEX succeeded and (ii) the fair value of the allotted shares, which resulted in as a gain of ¥5,154 million ($ 52 million) included in gain (loss) on investments–net, and the income tax-deferred of ¥2,113 million ($22 million).

In connection with the acquisition, ¥10,528 million ($107 million) was assigned to intangible assets subject to amortization. The intangible assets subject to amortization consist primarily of customer relationships of ¥7,895 million ($80 million) with an amortization period of five years.

The following table summarizes the estimated fair values of assets acquired and liabilities assumed at the date of acquisition.

	Millions of Yen	Millions of U.S. Dollars
	2009	2009
Current assets	¥ 164,611	$ 1,676
Property and equipment, at cost	61,809	629
Goodwill and other intangible assets, less accumulated amortization	10,528	107
Investments and other non-current assets	28,679	292
Fair value of assets acquired	¥ 265,627	2,704
Current liabilities	¥(144,623)	(1,472)
Non-current liabilities	(38,017)	(387)
Minority interests	(40,657)	(414)
Fair value of liabilities assumed	(223,297)	(2,273)
Acquisition costs of a subsidiary	¥ 42,330	$ 431

(Pro forma information)

The following table presents the unaudited pro forma results of operations, as if this acquisition had occurred on April 1, 2008 and 2007, respectively. The unaudited pro forma results of operations are for information purpose only and are not intend to represent what the Company's results of operations would have been if the acquisitions had actually occurred on those days.

	Millions of Yen		Millions of U.S. Dollars
	2009	2008	2009
Revenue	¥4,020,820	¥3,953,605	$40,933
Income before income taxes, minority interests and equity in earnings (losses) of associated companies	213,237	288,202	2,171
Net income	165,741	217,747	1,687

	Yen		U.S. Dollars
	2009	2008	2009
Basic net income per common share	¥104.86	¥137.74	$1.07
Diluted net income per common share	¥104.16	¥127.99	$1.06

Acquisition of SANKEI Co., Ltd.

On October 2, 2008, the Company acquired a 90.5% of the voting shares of SANKEI Co., Ltd. ("SANKEI"), which is mainly engaged in sales of garment accessories. The purchase price was ¥10,556 million ($107 million). The Company aims to invigorate OEM apparel businesses and dramatically grow businesses related to domestic production areas as well as overseas markets centered on China.

The purchase price was determined based on various factors, including SANKEI's financial and asset profile researched through due diligence processes by independent professionals and a thorough valuation analysis (using mainly discounted cash flow method) conducted by a financial advisor.

The consolidated financial statements for the year ended March 31, 2009 include the results of operations of SANKEI from the date of acquisition. In connection with the acquisition, ¥8,915 million ($91 million) was assigned to goodwill. The goodwill is not deductible for tax purposes and has been assigned to the Textile operating segment.

The following table summarizes the estimated fair values of assets acquired and liabilities assumed at the date of acquisition.

	Millions of Yen	Millions of U.S. Dollars
	2009	2009
Current assets	¥ 26,150	$ 266
Property and equipment, at cost	11,352	155
Goodwill and other intangible assets, less accumulated amortization	9,112	93
Investments and other non-current assets	7,484	76
Fair value of assets acquired	¥ 54,098	$ 550
Current liabilities	¥(41,647)	$(424)
Non-current liabilities	(1,291)	(13)
Minority interests	(604)	(6)
Fair value of liabilities assumed	(43,542)	(443)
Acquisition costs of a subsidiary	¥ 10,556	$ 107

Pro forma information for the above business combination has not been presented because the effects were not material to the consolidated financial statements.

Acquisition of Commonwealth Chesapeake Power Station

The Company engages in IPP businesses, mainly in North America, Asia, and the Near Middle east, and establishes the asset portfolio, through new investments, acquisitions and replacements of the assets.

On February 13, 2008, the Company acquired through a subsidiary Tyr Energy, Inc. (Fiscal year end: December), the entire interests of Commonwealth Chesapeake Power Station, New Church, State of Virginia, the United States ("Chesapeake"), and established a new subsidiary, Tyr Chesapeake, LLC, for which the Company owns 100% of the voting shares of Chesapeake. This acquisition is one part of the Company's asset portfolio in North America, which is expected to steady growth in demands of electric power in IPP business. The purchase price was ¥22,807 million ($232 million). By acquiring the interests, the Company aims to maximize the value of the invested assets by making the best use of expertise of the Group.

The purchase price was determined based on various factors, including Chesapeake's financial and asset profile researched through due diligence processes by independent professionals and a thorough valuation analysis (mainly using discounted cash flow method) conducted by a financial advisor.

The consolidated financial statements for the year ended March 31, 2009 include the results of operations of Chesapeake from the date of acquisition. In connection with the acquisition, ¥1,489 million ($15 million) was assigned to goodwill. The goodwill is not deductible for tax purposes and has been assigned to the Machinery operating segment.

The following table summarizes the estimated fair values of assets acquired and liabilities assumed at the date of acquisition.

The following table summarizes the estimated fair values of assets acquired and liabilities assumed at the date of acquisition.

	Millions of Yen	Millions of U.S. Dollars
	2009	2009
Current assets	¥ 361	$ 4
Property and equipment, at cost	23,133	235
Goodwill and other intangible assets, less accumulated amortization	1,489	15
Investments and other non-current assets	970	10
Fair value of assets acquired	¥25,953	$264
Current liabilities	¥ (9)	$ (0)
Non-current liabilities	(3,137)	(32)
Fair value of liabilities assumed	(3,146)	(32)
Acquisition costs of a subsidiary	¥22,807	$232

Pro forma information for the above business combination has not been presented because the effects were not material to the consolidated financial statements.

Acquisition of C.I. KASEI Co., Ltd.

On February 13, 2009, the Company decided at the meeting of the Board of Directors to acquire all of the shares of the common stock of C.I. KASEI Co., Ltd. ("C.I. KASEI"), which has been an equity-method associated company, through a tender offer. C.I. KASEI is mainly engaged in the manufacturing and sale of specialty films and packaging materials; decorative materials; agricultural materials and civil engineering materials; electric devices and industrial materials.

With this acquisition, the Company aims to raise its competitiveness in the synthetic resins processing business by expansion of the business area and strengthening their functions. The Comapny also intends to expand overseas businesses jointly with C.I. Kasei in order to increase overseas earning power and further improve efficiency by sharing management resources in the synthetic resins processing business area.

The tender offer closed on April 7, 2009, and the Company acquired an additional 56.5% of the voting shares by ¥8,061 million ($82 million).The Company's voting share increased to 92.5% and C. I. KASEI became a subsidiary.

Acquisition of i-LOGISTICS CORP.

On February 13, 2009, the Company decided at the meeting of the Board of Directors to acquire all of the shares of the common stock of i-LOGISTICS CORP. ("i-LOGISTICS"), which is mainly engaged in international and domestic logistics services, and has been an equity-method associated company, through a tender offer.

With this acquisition, the Company aims to further improve efficiency of management resources and heighten the competitiveness and functionality of logistics businesses.

The tender offer closed on April 9, 2009, and the Company acquired an additional 47.1%voting share by ¥5,055 million ($51 million). The Company's voting share increased to 94.9% and i-LOGISTICS became a subsidiary.

4. Marketable Securities and Investments

Debt and Marketable Equity Securities

Debt and marketable equity securities included in "Short-term investments" and "Other investments" consist of trading, available-for-sale and held-to-maturity securities. The cost, gross unrealized holding gains, gross unrealized holding losses and fair value of available-for-sale and held-to-maturity securities by major security type as of March 31, 2009 and 2008 were as follows:

	Millions of Yen			
	2009			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Current:				
Available-for-sale:				
Debt securities	¥ 6,084	¥ —	¥ —	¥ 6,084
Non-current:				
Available-for-sale:				
Equity securities	¥162,549	¥31,349	¥12,630	¥181,268
Debt securities	3,418	—	301	3,117
Total	165,967	31,349	12,931	184,385
Held-to-maturity:				
Debt securities	75	—	—	75
Total–Non-current	¥166,042	¥31,349	¥12,931	¥184,460

	Millions of Yen			
	2008			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Current:				
Available-for-sale:				
Debt securities	¥ 43,635	¥ —	¥ 10	¥ 43,625
Non-current:				
Available-for-sale:				
Equity securities	¥192,898	¥122,427	¥11,326	¥303,999
Debt securities	1,833	3	248	1,588
Total	194,731	122,430	11,574	305,587
Held-to-maturity:				
Debt securities	75	—	—	75
Total–Non-current	¥194,806	¥122,430	¥11,574	¥305,662

	Millions of U.S. Dollars			
	2009			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Current:				
Available-for-sale:				
Debt securities	$ 62	$ —	$ —	$ 62
Non-current:				
Available-for-sale:				
Equity securities	$1,655	$319	$129	$1,845
Debt securities	35	—	3	32
Total	1,690	319	132	1,877
Held-to-maturity:				
Debt securities	1	—	—	1
Total–Non-current	$1,691	$319	$132	$1,878

The carrying amounts of available-for-sale debt securities included in cash and cash equivalents in the consolidated balance sheets were ¥5,991 million ($61 million) and ¥43,372 million as of March 31, 2009 and 2008, respectively.

In addition to the securities listed above, the Company and its subsidiaries held trading securities carried at fair value of ¥9,121 million ($93 million) and ¥30,523 million as of March 31, 2009 and 2008, respectively. The portion of net trading gains and losses for the year that relates to trading securities still held at March 31, 2009, 2008 and 2007 were losses of ¥3,029 million ($31 million), gains of ¥2,014 million, and gains of ¥877 million, respectively. The impairment losses of the available for sales marketable securities in which declines in fair value below the amortized cost basis are other than temporary for the years ended March 31, 2009 and 2008 were ¥41,661million ($424 million), ¥16,078 million, respectively.

Securities with gross unrealized holding losses and the length of time that such individual securities have been in a continuous unrealized loss position as of March 31, 2009 were as follows:

	Millions of Yen					
	2009					
	Less than twelve months		Twelve months or longer		Total	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
Current:						
Available-for-sale:						
Debt securities	¥ —	¥ —	¥—	¥—	¥ —	¥ —
Non-current:						
Available-for-sale:						
Equity securities	¥64,558	¥12,630	¥—	¥—	¥64,558	¥12,630
Debt securities	2,847	301	—	—	2,847	301
Total–Non-current	¥67,405	¥12,931	¥—	¥—	¥67,405	¥12,931

	Millions of U.S. Dollars					
	2009					
	Less than twelve months		Twelve months or longer		Total	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
Current:						
Available-for-sale:						
Debt securities	$ —	$ —	$—	$—	$ —	$ —
Non-current:						
Available-for-sale:						
Equity securities	$657	$129	$—	$—	$657	$129
Debt securities	29	3	—	—	29	3
Total–Non-current	$686	$132	$—	$—	$686	$132

At March 31, 2009, the Company and its subsidiaries held the securities of 192 issuers with an unrealized holding loss in its available-for-sale portfolio. The unrealized losses on these securities, consisting primarily of customers of various industries, were due principally to the general decline in the stock market. The severity of decline in fair value below cost renged from 0.2% to 29.9% and the duration of the impairment was less than 9 months. As a result of evaluation of individual severity and duration of these securities and the prospects of the issuer, the Company and its subsidiaries concluded the fair value of these securities would recover in the near term. Based on that evaluation and the Company and its subsidiaries' intent and ability to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Company and its subsidiaries did not consider these investments to be other-than-temporarily impaired at March 31, 2009.

In accordance with EITF 91-5 "Nonmonetary Exchange of Cost-Method Investments," the Company and its subsidiaries recognized gains and losses on the exchange of its investment securities in connection with certain business combinations resulting in losses of ¥2 million ($0million) and gains of ¥1,516 million for the years ended March 31, 2009 and 2008, respectively, which are included in "Gain (loss) on investments–net" in the consolidated statements of income.

The contractual maturities of debt securities classified as available-for-sale and held-to-maturity as of March 31, 2009 were as follows:

	Millions of Yen		Millions of U.S. Dollars	
	Cost	Fair Value	Cost	Fair Value
Available-for-sale:				
Due within one year	¥6,084	¥6,084	$62	$62
Due after one year through five years	2,899	2,614	30	27
Due after five years through ten years	—	—	—	—
Due after ten years	519	503	5	5
Total	¥9,502	¥9,201	$97	$94
Held-to-maturity:				
Due within one year	¥ —	¥ —	$—	$—
Due after one year through five years	75	75	1	1
Due after five years through ten years	—	—	—	—
Due after ten years	—	—	—	—
Total	¥ 75	¥ 75	$ 1	$ 1

The gross realized gains and losses on sales of available for-sale securities for the years ended March 31, 2009, 2008 and 2007 were gains of ¥6,513 million ($66 million), ¥13,661 million and ¥22,692 million, and losses of ¥362 million ($4 million), ¥13 million and ¥66 million, respectively. The proceeds from sales of available-for-sale securities were ¥15,108 million ($154 million), ¥19,779 million and ¥35,705 million for the years ended March 31, 2009, 2008 and 2007, respectively.

Investments Other Than Debt and Marketable Equity Securities

Other investments include investments in non-traded and unaffiliated customers and suppliers and long-term deposits amounting to ¥241,594 million ($2,459 million) and ¥242,128 million as of March 31, 2009 and 2008, respectively.

The estimation of the corresponding fair values at those dates was not practicable, as the fair value of cost-method investments held by the Company and its subsidiaries are not readily determinable at each balance sheet date.

In case of the identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment, the Company would estimate the fair value of investments and recognize losses, if any, to reflect the other than temporary decline in the value of the investments. The carrying amounts of cost method investment were ¥134,874 million ($1,373 million), ¥120,138 million as of March 31, 2009 and 2008, respectively.

Additionally, investments with an aggregate carrying amount of ¥133,356 ($1,358 million) million at March 31, 2009 were not estimated fair value to reflect the other than temporary decline in the value of the investments.

5. Investments in and Advances to Associated Companies

Investments in and advances to associated companies as of March 31, 2009 and 2008 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2009	2008	2009
Investments in associated companies	¥741,448	¥630,958	$7,548
Advances to associated companies	12,614	25,926	129
Total	¥754,062	¥656,884	$7,677

Summarized financial information in respect of associated companies for the years ended March 31, 2009, 2008 and 2007 was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2009	2008	2009
Current assets	¥4,395,827	¥4,333,216	$44,750
Non-current assets, principally property and equipment	2,847,279	2,600,709	28,986
Total assets	¥7,243,106	¥6,933,925	$73,736
Current liabilities	¥3,209,734	¥3,343,920	$32,676
Long-term debt and others	2,602,637	2,525,498	26,495
Stockholders' equity	1,430,735	1,064,507	14,565
Total liabilities and stockholders' equity	¥7,243,106	¥6,933,925	$73,736

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
Total trading transactions	¥7,478,281	¥7,724,465	¥6,993,940	$76,130
Gross trading profit	1,171,982	1,071,167	1,007,512	11,931
Net income (loss)	156,367	412,725	(374,905)	1,592

Total trading transactions and purchases by the Company and its subsidiaries with associated companies for the years ended March 31, 2009, 2008 and 2007 were summarized as follows:

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
Total trading transactions	¥652,515	¥806,445	¥855,349	$6,643
Purchases	¥296,652	¥198,681	¥244,366	$3,020

Dividends received from associated companies for the years ended March 31, 2009, 2008 and 2007 were ¥19,006 million ($194 million), ¥14,794 million and ¥19,780 million, respectively.

The Company and its subsidiaries account for investments in associated companies (generally companies owned 20% to 50%) by the equity-method. Significant equity-method investees include Orient Corporation (32.0%), Century Leasing System, Inc. (28.6%), Marubeni-Itochu Steel Inc. (50.0%), Family Mart Co., Ltd. (31.5%) and Brazil Japan Iron Ore Corporation (47.7%). The percentages shown parenthetically in the above sentence are voting shares held by the Company and its subsidiaries at March 31, 2009.

The Company and its subsidiaries invest in associated companies which issue convertible preference stocks. The Company and its subsidiaries' shares of reported profits and losses might be diluted by possible conversions of those preference stocks, and accordingly there might be material effects in the results of operation of the Company and its subsidiaries.

Investments in the common stock of equity-method associated companies include marketable equity securities in the carrying amounts of ¥290,088 million ($2,953 million) and ¥319,582 million at March 31, 2009 and 2008, respectively. Corresponding aggregate quoted market values were ¥214,192 million ($2,181 million) and ¥264,207 million at March 31, 2009 and 2008, respectively.

The differences between the carrying amount of the investments in equity-method associated companies and the Company and its subsidiaries' equity in the underlying net assets of such equity-method associated companies were ¥199,229 million ($2,028 million) and ¥205,007 million at March 31, 2009 and 2008, respectively. The differences consist of certain fair value adjustments (net of taxes) at the time of the investments in equity-method associated companies and equity-method goodwill. The fair value adjustments are primarily attributed to land and intangible assets.

The Company recognized impairment losses of ¥10,752 million ($109 million) and ¥2,628 million ($27 million) on equity-method investments in Orient Corporation and Yoshinoya Holdings Co., Ltd., respectively, during the year ended March 31, 2009. The Company recognized an impairment loss of ¥26,170 million on investment in Orient Corporation during the year ended March 31, 2008. Considering discounted cash flow analysis prepared by third party appraisers and the quoted market price of equity-method investments, the Company recognized the difference between carrying amount and estimated fair value as impairment loss as the result of the judgment of an other-than-temporary decline. The above-mentioned impairment losses were included in "Equity in earnings (losses) of associated companies" in the accompanying consolidated statements of income.

6. Impaired Loans and Allowance for Doubtful Receivables

An analysis of the changes in the allowance for doubtful receivables for the years ended March 31, 2009, 2008 and 2007 was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
Balance at beginning of year	¥ 68,948	¥ 81,808	¥121,355	$ 702
Provision for doubtful receivables	16,742	5,977	4,934	170
Charge-offs	(14,858)	(15,797)	(47,560)	(151)
Other	3,741	(3,040)	3,079	38
Balance at end of year	¥ 74,573	¥ 68,948	¥ 81,808	$ 759

Note: "Other" consisted primarily of the effects due to changes in the number of consolidated subsidiaries and changes in translation adjustments.

The carrying amounts of impaired loans within the scope of SFAS 114 and the allowance for doubtful receivables related to those impaired loans as of March 31, 2009 and 2008 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2009	2008	2009
Impaired loans	¥75,458	¥68,264	$768
Allowance for doubtful receivables related to those impaired loans	¥59,704	¥51,167	$608

The recorded investment in the impaired loans, net of the allowance for doubtful receivables, is either secured by collateral or believed to be collectible.

The average amounts of impaired loans during the years ended March 31, 2009, 2008 and 2007 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
Average amounts of impaired loans	¥71,861	¥69,755	¥87,999	$732

The amounts of interest income recognized on the impaired loans for the years ended March 31, 2009, 2008 and 2007 were not significant.

7. Impairment of Long-lived Assets

The Company and its subsidiaries recognized impairment losses on long-lived assets of ¥43,242 million ($440 million), ¥5,932 million and ¥7,493 million for the years ended March 31, 2009, 2008 and 2007, respectively, which were included in "Gain (loss) on property and equipment–net" in the consolidated statements of income.

The impaired assets were primarily Mineral rights, Machinery and equipment in the Energy, Metals & Minerals operating segment and golf courses in the Finance, Realty, Insurance & Logistics Services operating segment for the year ended March 31, 2009. The impairments were generally due to the deterioration of earnings and expected cash flows. For a discussion, regarding the impairment losses on the Entrada Oil and Natural Gas Project in the U.S. Gulf of Mexico of ¥29,207 million ($297 million), refer to Note 24 "Regarding Loss Relating to the Entrada Oil and Natural Gas Project in the U.S. Gulf of Mexico." The impaired assets for the year ended March 31, 2008 were primarily golf courses in the Finance, Realty, Insurance & Logistics Services operating segment. The impairments were generally due to the deterioration of earnings of the golf courses. The impaired assets were primarily commercial land and buildings in the Finance, Realty, Insurance & Logistics Services operating segment for the year ended March 31, 2007. The impairments were generally due to the deterioration of earnings in relation to revisions of repair plans of buildings and changes to lease agreement conditions.

The fair values of long-lived assets were primarily determined based on discounted cash flows or independent appraisals.

Impairment losses recognized for the years ended March 31, 2009, 2008 and 2007 by operating segment were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
Textile	¥ 105	¥ 56	¥ 425	$ 1
Machinery	936	62	206	9
Aerospace, Electronics & Multimedia	684	56	22	7
Energy, Metals & Minerals	36,222	—	—	369
Chemicals, Forest Products & General Merchandise	1,337	110	181	14
Food	1,245	886	514	13
Finance, Realty, Insurance & Logistics Services	2,706	4,635	6,145	27
Other, Adjustments & Eliminations	7	127	—	0
Total	¥43,242	¥5,932	¥7,493	$440

8. Pledged Assets

The following assets were pledged as collateral at March 31, 2009 and 2008:

	Millions of Yen		Millions of U.S. Dollars
	2009	2008	2009
Cash and cash equivalents and time deposits	¥ 535	¥ 285	$ 6
Short-term investments	133	70	1
Trade receivables	40,298	13,842	410
Inventories	21,592	4,076	220
Investments and non-current receivables	5,384	18,326	55
Property and equipment, at cost, less accumulated depreciation	28,495	29,725	290
Total	¥96,437	¥66,324	$982

Collateral was pledged to secure the following obligations at March 31, 2009 and 2008:

	Millions of Yen		Millions of U.S. Dollars
	2009	2008	2009
Short-term debt	¥17,199	¥ 9,789	$175
Long-term debt	27,881	15,703	284
Guarantees of contracts and others	2,479	8,086	25
Total	¥47,559	¥33,578	$484

In addition, acceptances payable were secured by trust receipts on merchandise and the proceeds from the sales thereof. Because of the large volume of import transactions, the amount of such pledged assets is not determinable.

Both short-term and long-term loans are generally made pursuant to agreements which customarily provide that, upon the request of the lender, collateral or guarantors (or additional collateral or guarantors) will be furnished with respect to the loans under certain circumstances and that the lender may treat any collateral, whether furnished for specific loans or otherwise, as collateral for present and future indebtedness to such lender. Several of the bank loan agreements also provide that the lending bank has the right to offset cash deposited with it against any debt (including debt arising out of contingent obligations) to the bank that has become due at stated maturity or earlier.

9. Goodwill and Other Intangible Assets

Intangible assets subject to amortization at March 31, 2009 and 2008 comprised the following:

	Millions of Yen				Millions of U.S. Dollars	
	2009		2008		2009	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Trademarks	¥ 37,596	¥(12,720)	¥ 41,469	¥(12,499)	$ 383	$(130)
Software	56,758	(33,052)	47,250	(26,688)	578	(336)
Other	40,390	(11,296)	25,902	(8,987)	411	(115)
Total	¥134,744	¥(57,068)	¥114,621	¥(48,174)	$1,372	$(581)

Intangible assets subject to amortization acquiring during the year ended March 31, 2009 totaled ¥31,640 million ($322 million), and consisted primarily of software of ¥10,977 million ($112 million) and customer relationships of ¥7,895 million ($80 million) that were acquired resulting from an acquisition of ITOCHU ENEX CO., LTD. The weighted average amortization period for software and the customer relationships that were acquired during the year ended March 31, 2009 was 5 years.

Impairment losses of intangible assets subject to amortization during the years ended March 31, 2009, 2008 and 2007 were ¥1,750 million ($18 million), ¥1,977 million and ¥169 million, respectively. The impairment losses during the year ended March31, 2009 mainly consisted of trademarks of ¥794 million ($8 million) and software of ¥575 million ($6 million). The impairment losses during the year ended March31, 2008 mainly consisted of customer contracts of ¥1,034 million, held by MCL Group Limited (U.K.), which operates warehousing, retail and financing of motor vehicles. The impairment losses of intangible assets subject to amortization were included in "Gain (loss) on property and equipment–net" in the consolidated statements of income.

The aggregate amortization expenses for intangible assets during the years ended March 31, 2009, 2008 and 2007 were ¥13,258 million ($135 million), ¥11,446 million and ¥12,578 million, respectively.

The estimated aggregate amortization expense for intangible assets for the next five years is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2010	¥14,017	$143
2011	11,895	121
2012	8,612	88
2013	6,521	66
2014	3,618	37

The carrying amount of intangible assets with indefinite useful lives which are therefore not subject to amortization comprised the following at March 31, 2009 and 2008:

	Millions of Yen		Millions of U.S. Dollars
	2009	2008	2009
Trademarks	¥1,079	¥1,576	$11
Unlimited land lease	906	110	9
Other	1,460	2,081	15
Total	¥3,445	¥3,767	$35

Intangible assets with indefinite useful lives which are not subject to amortization acquiring during the year ended March 31, 2009, totaled ¥1,180 million ($12 million), and mainly consisted of unlimited land lease of ¥883 million ($9 million).

Impairment losses of intangible assets with indefinite useful lives which are not subject to amortization during the years ended March31, 2009, 2008 and 2007 were ¥853 million ($9 million), ¥38 million and ¥546 million, respectively. The impairment losses during the year ended March31, 2009 mainly consisted of trademarks of ¥455 million ($5 million). The impairment losses for all years were included in "Gain (loss) on property and equipment–net" in the consolidated statements of income.

The changes in the carrying amounts of goodwill by operating segment during the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen								
	Textile	Machinery	Aerospace, Electronics & Multimedia	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other	Total
Balance at March 31, 2007	¥ —	¥ 6,759	¥34,764	¥1,064	¥11,284	¥20,434	¥1,835	¥ 3,746	¥79,886
Acquired	—	675	1,214	—	—	—	—	626	2,515
Impairment losses	—	(1,407)	—	—	(1,824)	—	—	—	(3,231)
Other changes (Note)	—	(974)	—	(44)	(953)	—	(10)	521	(1,460)
Balance at March 31, 2008	¥ —	¥ 5,053	¥35,978	¥1,020	¥ 8,507	¥20,434	¥1,825	¥ 4,893	¥77,710
Acquired	8,915	1,489	631	353	2,957	—	—	1,593	15,938
Impairment losses	—	(340)	—	—	—	—	—	—	(340)
Other changes (Note)	51	(1,211)	—	(254)	(3,048)	—	(42)	(1,244)	(5,748)
Balance at March 31, 2009	¥8,966	¥ 4,991	¥36,609	¥1,119	¥ 8,416	¥20,434	¥1,783	¥ 5,242	¥87,560

Note: "Other changes" primarily consists of translation adjustments, disposals and certain fair value adjustments resulting from business combinations.

	Millions of U.S. Dollars								
	Textile	Machinery	Aerospace, Electronics & Multimedia	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other	Total
Balance at March 31, 2008	$—	$ 51	$366	$10	$ 87	$208	$19	$ 50	$791
Acquired	91	15	6	4	30	—	—	16	162
Impairment losses	—	(3)	—	—	—	—	—	—	(3)
Other changes (Note)	0	(12)	—	(3)	(31)	—	(0)	(13)	(59)
Balance at March 31, 2009	$91	$ 51	$372	$11	$ 86	$208	$19	$ 53	$891

Note: "Other changes" primarily consists of translation adjustments , disposals and certain fair value adjustments resulting from business combinations.

As a result of testing for impairment of goodwill, impairment losses amounting to ¥340 million ($3 million), ¥3,231 million and ¥190 million, respectively, were recognized during the years ended March 31, 2009, 2008 and 2007. The impairment losses were included in "Other–net" in the consolidated statements of income. For the year ended March 31, 2008, an impairment loss in Machinery segment was recognized by the above-mentioned MCL Group Limited (U.K.), and an impairment loss in Chemicals, Forest Products & General Merchandise segment was recognized by Am-Pac Tire Distributions Inc. (U.S.A.) which operated wholesale and retail of tires.

10. Short-term and Long-term Debt

"Short-term debt" at March 31, 2009 and 2008 was as follows:

	Millions of Yen	Interest Rate	Millions of Yen	Interest Rate	Millions of U.S. Dollars
	2009		2008		2009
Short-term loans, mainly from banks	¥453,224	2.1%	¥264,462	5.1%	$4,614
Commercial paper	84,937	0.8%	42,984	0.7%	865

Note: The interest rates represent weighted average rates on outstanding balances at March 31, 2009 and 2008.

"Long-term debt" at March 31, 2009 and 2008 is summarized below:

	Millions of Yen		Millions of U.S. Dollars
	2009	2008	2009
Banks and financial institutions:			
Secured:			
Japan Finance Corporation, Japan Bank for International Cooperation, due 2008–2012, interest mainly 1.9%–4.4%	¥ 237	¥ 529	$ 2
Other, due 2008–2027, interest mainly 0.6%–16.5%	26,904	15,174	274
Unsecured:			
Due 2008–2025, interest mainly 0.1%–12.5%	1,659,585	1,569,948	16,895
Debentures:			
Secured bonds and notes:			
Issued in 2008, 1.92% Yen Bonds due 2010	496	—	5
Issued in 2008, 2.06% Yen Bonds due 2010	244	—	3
Unsecured bonds and notes:			
Issued in 1997, 2.45% Yen Bonds due 2009	10,000	10,000	102
Issued in 1998, 3.10% Yen Bonds due 2008	—	30,000	—
Issued in 1998, 3.00% Yen Bonds due 2008	—	10,000	—
Issued in 1999, 3.19% Yen Bonds due 2009	10,000	10,000	102
Issued in 2003, 0.79% Yen Bonds due 2008	—	15,000	—
Issued in 2003, 0.87% Yen Bonds due 2010	10,000	10,000	102
Issued in 2003, 1.14% Yen Bonds due 2008	—	10,000	—
Issued in 2004, 1.04% Yen Bonds due 2009	10,000	10,000	102
Issued in 2004, 1.30% / 2.55% Yen Bonds due 2014 (Note 1)	10,000	10,000	102
Issued in 2005, 1.46% Yen Bonds due 2012	10,000	10,000	102
Issued in 2006, 2.17% Yen Bonds due 2016	15,000	15,000	153
Issued in 2006, 2.09% Yen Bonds due 2016	10,000	10,000	102
Issued in 2007, 2.11% Yen Bonds due 2017	10,000	10,000	102
Issued in 2007, 2.02% Yen Bonds due 2017	10,000	10,000	102
Issued in 2007, 1.99% Yen Bonds due 2017	10,000	10,000	102
Issued in 2007, 1.90% Yen Bonds due 2017	10,000	10,000	102
Issued in 2008, 2.28% Yen Bonds due 2018	20,000	—	204
Issued in and after 1999, Medium-Term Notes, etc., maturing through 2013	8,060	15,131	82
Others	173,891	174,149	1,768
Total	2,014,417	1,964,931	20,508
SFAS 133 fair value adjustment (Note 2)	10,635	6,174	108
Total	2,025,052	1,971,105	20,616
Less current maturities	(90,631)	(76,017)	(923)
Long-term debt, less current maturities	¥1,934,421	¥1,895,088	$19,693

Note: 1. The bond, one-time callable, bears interest at the rate of 1.30% until November 25, 2009 then 2.55% from November 25, 2009 until the maturity date. The Company has a right to redeem the full amount of the outstanding balance on November 25, 2009.
2. SFAS 133 fair value adjustment: The amount of adjustment to record the fair value as of the balance sheet date for long-term debt which is hedged with derivatives, in accordance with SFAS 133.

Certain agreements with the Japan Finance Corporation, Japan Bank for International Cooperation ("JBIC") require the following:

(1) The Company applies all or a portion of its operating income or the proceeds from the sale of any debentures or common stock to the reduction of outstanding loans when JBIC believes that the Company is able to reduce such loans through increased earnings.

(2) JBIC may request that any proposed distribution of earnings be submitted to JBIC for review before presentation to the stockholders.

The Company has never received such a request and does not expect that any such request will be made.

The Company and certain subsidiaries have entered into interest rate swap agreements for certain long-term debt as a means of managing their interest rate exposure.

Reference is made to Note 8 "Pledged Assets" for a description of collateral and certain customary provisions of long-term and short-term bank loan agreements relating to collateral and other rights of such lenders.

The aggregate annual maturities of long-term debt after March 31, 2009 are as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2010	¥ 90,631	$ 923
2011	272,729	2,777
2012	237,274	2,416
2013	273,305	2,782
2014	280,464	2,855
2015 and thereafter	870,649	8,863
Total	¥2,025,052	$20,616

The Company has borrowing arrangements with many financial institutions and has entered into commitment line agreements with certain banks for working capital needs and stable funding. The amounts of the Japanese Yen facility available under such agreements aggregated ¥400,000 million, consisting of ¥100,000 million for short-term debt and ¥300,000 million for long-term debt, at March 31, 2009 and at March 31, 2008, respectively. The amount of the U.S. dollar facility of $500 million was held for short-term debt at March 31, 2009 and at March 31, 2008. The Company intends that the long-term commitment line agreements be used solely in support of refinancing the current maturities of long-term debt. Since the agreements demonstrate the Company's ability to refinance and the Company has expressed an intention to do so, the Company has classified ¥199,889 million ($2,035 million) and ¥232,385 million of the current maturities of long-term debt from current liabilities into non-current liabilities at March 31, 2009 and 2008, respectively. The ¥199,889 million ($2,035 million) is included in "2015 and thereafter." The Company has consistently refinanced the current maturities of long-term debt reclassified into non-current liabilities for more than five years. The short-term commitment agreements were unused at March 31, 2009 and 2008 respectively.

11. Asset Retirement Obligations

The Company and its subsidiaries account for asset retirement obligations, consisting of the costs related to dismantlement of facilities and mine reclamation, based on SFAS 143 and FIN 47. The asset retirement obligations are principally related to the costs of dismantlement of coal mining, iron-ore mining and crude oil drilling facilities. These liabilities are included in "Long-term debt, excluding current maturities" on the consolidated balance sheets.

The changes in asset retirement obligations for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2009	2008	**2009**
Balance at beginning of year	**¥21,568**	¥16,222	**$220**
Liabilities incurred	**2,054**	7,215	**21**
Liabilities settled	**(2,964)**	(1,562)	**(30)**
Accretion expense	**1,196**	1,210	**12**
Revisions to cost estimate	**1,913**	(758)	**19**
Other	**(7,174)**	(759)	**(73)**
Balance at end of year	**¥16,593**	¥21,568	**$169**

Note: "Other" mainly includes foreign currency translation adjustments.

In addition, the Company and its subsidiaries may have other obligations in the event of shutdown or removal of certain facilities intended for permanent use. The Company and its subsidiaries did not record liabilities for such obligations for which information sufficient to estimate is not available.

12. Leases

Lessor

The Company and its subsidiaries lease furniture and equipment for medical institutions, construction machinery and certain other assets, which are classified as direct financing leases under SFAS 13, "Accounting for Leases."

The components of the net investment in direct financing leases as of March 31, 2009 and 2008 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2009	2008	2009
Total minimum lease payments to be received	¥12,391	¥10,653	$126
Less unearned income	(1,832)	(1,823)	(19)
Estimated unguaranteed residual value	137	51	1
Less allowance for doubtful receivables.	(247)	(225)	(2)
Net investment in direct financing leases	¥10,449	¥ 8,656	$106

The schedule of future minimum lease payments to be received from direct financing leases for each of the five succeeding years and thereafter as of March 31, 2009 is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2010	¥ 4,095	$ 42
2011	2,928	30
2012	2,410	24
2013	1,761	18
2014	937	9
2015 and thereafter	260	3
Total	¥12,391	$126

The Company and its subsidiaries lease aircraft, real estate, construction machinery and certain other assets under operating leases. The cost and accumulated depreciation of the property held for lease by classes as of March 31, 2009 were as follows:

	Millions of Yen			Millions of U.S. Dollars		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Real estate	¥ 7,118	¥3,505	¥ 3,613	$ 72	$35	$ 37
Machinery and equipment	19,871	3,453	16,418	202	35	167
Others	6,826	1,146	5,680	70	12	58
Total	¥33,815	¥8,104	¥25,711	$344	$82	$262

The schedule of minimum future rentals on noncancelable operating leases for each of the five succeeding years and thereafter as of March 31, 2009 is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2010	¥ 7,019	$ 71
2011	4,238	43
2012	3,200	33
2013	2,444	25
2014	1,648	17
2015 and thereafter	2,462	25
Total	¥21,011	$214

Lessee

The Company and its subsidiaries lease buildings, industrial machinery and other machinery and equipment under capital leases. The cost and accumulated depreciation of such leased assets were ¥68,075 million ($693 million) and ¥26,089 million ($266 million), respectively, as of March 31, 2009 and ¥39,669 million and ¥16,116 million, respectively, as of March 31, 2008. The leased assets by classes as of March 31, 2009 were as follows:

	Millions of Yen			Millions of U.S. Dollars		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Buildings	¥25,353	¥12,095	¥13,258	$258	$123	$135
Machinery and equipment	26,399	9,742	16,657	269	100	169
Others	16,323	4,252	12,071	166	43	123
Total	¥68,075	¥26,089	¥41,986	$693	$266	$427

The components of the capital lease obligations as of March 31, 2009 and 2008 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2009	2008	2009
Total minimum lease payments	¥50,787	¥33,133	$517
Less amount representing interest	(4,824)	(4,967)	(49)
Capital lease obligations	¥45,963	¥28,166	$468

The schedule of future minimum lease payments for each of the five succeeding years and thereafter as of March 31, 2009 is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2010	¥11,457	$117
2011	10,731	109
2012	8,338	85
2013	5,536	56
2014	3,195	33
2015 and thereafter	11,530	117
Total	¥50,787	$517

The total of minimum sublease rentals to be received in the future under noncancelable subleases is ¥7,142 million ($73 million).

The Company and its subsidiaries lease aircraft, real estate and certain other assets under operating leases. The schedule of future minimum lease payments under noncancelable operating leases for each of the five succeeding years and thereafter as of March 31, 2009 is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2010	¥ 26,411	$ 269
2011	17,009	173
2012	11,958	122
2013	9,614	98
2014	8,294	84
2015 and thereafter	35,302	359
Total	¥108,588	$1,105

The total of minimum sublease rentals to be received in the future under noncancelable subleases is ¥7,449 million ($76 million). Total rental expenses under operating leases for the year ended March 31, 2009 were ¥26,473 million ($270 million). Sublease rental income for the year ended March 31, 2009 was ¥3,084 million ($31 million).

13. Retirement and Severance Benefits

The Company and certain subsidiaries have defined benefit pension plans (e.g., the Corporate Pension Fund ("CPF") and the Tax-Qualified Pension Plan) covering substantially all of their employees. Benefits under these pension plans are based on years of service and certain other factors, and plan assets are comprised primarily of marketable securities, debt securities and other interest bearing securities. In addition, the Company and certain subsidiaries have both unfunded retirement and severance plans, which provide lump-sum payment benefits to their employees and defined contribution plans.

Certain subsidiaries and associated companies participate in a multiemployer plan (ITOCHU Union Pension Fund).

On March 31, 2007, the Company and its subsidiaries adopted the recognition and related disclosure provisions of SFAS 158. SFAS 158 required the Company and its subsidiaries to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligation) of its pension plans on their consolidated balance sheet as of the end of the fiscal year. The actuarial loss and prior service credit are included in accumulated other comprehensive income (loss), net of tax.

The changes in the benefit obligations and fair value of the plan assets and the funded status of the plans were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2009	2008	2009
Change in projected benefit obligations:			
Projected benefit obligations at beginning of year	¥295,033	¥299,313	$3,003
Service cost	8,896	8,965	91
Interest cost	6,080	6,182	62
Plan participants' contributions	626	635	6
Net actuarial gain (loss)	1,990	(237)	20
Benefits paid from plan asset	(12,885)	(14,447)	(131)
Benefits paid by employer	(3,034)	(4,110)	(31)
Foreign currency translation adjustments	(4,922)	(249)	(50)
Acquisition	8,181	—	83
Settlement and curtailment	(5,112)	(827)	(52)
Other	(159)	(192)	(1)
Projected benefit obligations at end of year	294,694	295,033	3,000
Change in plan assets:			
Fair value of plan assets at beginning of year	305,508	363,745	3,110
Actual return (loss) on plan assets	(48,707)	(47,716)	(496)
Employer contributions	2,678	3,552	27
Plan participants' contributions	626	635	6
Benefits paid from plan assets	(12,885)	(14,447)	(131)
Translation adjustments	(4,271)	(214)	(43)
Acquisition	2,023	—	21
Settlement and curtailment	(3,896)	(47)	(40)
Fair value of plan assets at end of year	241,076	305,508	2,454
Funded status at end of year	¥ (53,618)	¥ 10,475	$ (546)

Amounts recognized in the consolidated balance sheets at March 31, 2009 and 2008 consisted of:

	Millions of Yen		Millions of U.S. Dollars
	2009	2008	2009
Prepaid pension cost	¥ 1,079	¥ 30,077	$ 11
Accrued retirement and severance benefits	(54,697)	(19,602)	(557)
	¥(53,618)	¥ 10,475	$(546)

Amounts recognized in accumulated other comprehensive income (loss), pre-tax, at March 31, 2009 and 2008 consisted of:

	Millions of Yen		Millions of U.S. Dollars
	2009	2008	2009
Net actuarial loss	¥204,126	¥156,505	$2,078
Prior service credit	(29,131)	(34,010)	(297)
	¥174,995	¥122,495	$1,781

The estimated amounts of net actuarial loss and prior service credit for the defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic pension cost for the next fiscal year are approximately ¥15,000 million ($153 million) (loss) and ¥5,000 million ($51 million) (gain), respectively.

The accumulated benefit obligations for all defined benefit plans as of March 31, 2009 and 2008 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2009	2008	2009
Accumulated benefit obligation	¥293,699	¥294,082	$2,990

Assumptions of projected benefit obligations and net periodic pension costs as of March 31, 2009 and 2008 were as follows:

	2009	2008
Weighted-average assumptions used to determine benefit obligations at the end of year:		
Discount rate	2.2%	2.3%
Rate of compensation increase	1.1–7.6%	1.0–6.0%
Weighted-average assumptions used to determine net periodic pension cost for the year:		
Discount rate	2.3%	2.1%
Expected long-term rate of return on plan assets	2.8%	2.6%
Rate of compensation increase	1.0–6.0%	1.1–7.5%

The prior service cost is amortized by the straight-line method over the average remaining service period of employees expected to receive related benefits. The net actuarial gain and loss is amortized by the straight-line method over the average remaining service periods.

The fair value of equity securities of subsidiaries and associated companies included in plan assets was ¥198 million ($2 million) and ¥6,572 million at March 31, 2009 and 2008, respectively.

The net periodic pension costs for retirement and severance benefits for the years ended March 31, 2009, 2008 and 2007 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
Service cost	¥ 8,896	¥ 8,965	¥ 9,171	$ 91
Interest cost	6,080	6,182	5,677	62
Expected return on plan assets	(7,992)	(8,724)	(9,036)	(81)
Amortization of unrecognized prior service cost	(5,490)	(5,700)	(5,333)	(56)
Amortization of unrecognized net actuarial loss	11,318	5,855	5,539	115
Settlement curtailment loss (gain)	(1,230)	(906)	(739)	(13)
Net periodic pension cost	¥11,582	¥ 5,672	¥ 5,279	$118

Total expenses related to pension plans for the years ended March 31, 2009, 2008 and 2007 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
Net periodic pension cost for defined benefit pension plans	¥11,582	¥5,672	¥5,279	$118
The amount of cost recognized for defined contribution pension plans	2,241	1,360	885	23
Total expenses for pension plans	¥13,823	¥7,032	¥6,164	$141

The amount of contribution to the multi employer plan (ITOCHU Union Pension Fund) was ¥5,442 million ($55 million) and ¥4,242 million for the years ended March 31, 2009 and 2008, respectively.

Plan assets of the Company and certain subsidiaries by asset category as of March 31, 2009 and 2008 and target allocation percentages were as follows:

	2009	2008	Target Allocation
Asset category:			
Equity securities	**38.2%**	45.1%	44.9%
Debt securities	**39.6**	33.7	42.3
Cash	**10.7**	9.6	4.4
Other	**11.5**	11.6	8.4
Total	**100.0%**	100.0%	100.0%

Note: "Other" mainly included life insurance company general accounts.

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

In addition, the Company determines its expected long-term rate of return considering the above investment policy, the expectations of future returns and historical returns on plan assets.

Cash Flow of the Company and Certain Subsidiaries: The Company and certain subsidiaries expect to contribute about ¥2,200 million ($22 million) to defined benefit pension plans in the year ending March 31, 2010.

The following benefit payments, which reflect expected future service, are expected to be paid:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2010	¥16,391	$167
2011	16,255	165
2012	16,169	165
2013	15,858	161
2014	15,571	159
2015–2019	71,733	730

14. Foreign Exchange Gains and Losses

Net foreign exchange losses of ¥3,290 million ($33 million), losses of ¥631 million and gains of ¥2,153 million for the years ended March 31, 2009, 2008 and 2007, respectively, were included in "Other–net" in the consolidated statements of income.

15. Income Taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which in the aggregate result in a normal income tax rate of approximately 41%.

Foreign subsidiaries are subject to income taxes of the countries where they operate.

Effective for the year ended March 31, 2003, the Company adopted a consolidated taxation system.

A reconciliation between the normal income tax rate and the effective income tax rate for the years ended March 31, 2009, 2008 and 2007 is as follows:

	2009	2008	2007
Normal income tax rate	**41.0%**	41.0%	41.0%
Expenses not deductible for tax purposes	**2.3**	1.3	0.9
Difference of tax rates for foreign subsidiaries	**(8.6)**	(4.3)	(2.4)
Tax effect on dividends received	**2.9**	0.9	(1.3)
Valuation allowance	**(0.9)**	(0.5)	(3.4)
Tax effect on investments in equity-method associated companies	**(2.4)**	6.0	(6.5)
Other	**0.6**	(1.2)	1.2
Effective income tax rate	**34.9%**	43.2%	29.5%

Amounts provided for income taxes for the years ended March 31, 2009, 2008 and 2007 were allocated as follows:

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
Income taxes	**¥ 72,757**	¥121,108	¥ 88,090	**$ 741**
Other comprehensive (income) loss	**(58,348)**	(56,018)	17,571	**(594)**
Adjustment to initially apply SFAS No. 158	**—**	—	(25,623)	**—**
Total income tax (benefit) expense	**¥ 14,409**	¥ 65,090	¥ 80,038	**$ 147**

Significant components of deferred tax assets and liabilities at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2009	2008	2009
Deferred tax assets:			
Inventories, property and equipment	¥ 101,484	¥ 92,219	$ 1,033
Allowance for doubtful receivables	17,232	11,952	175
Net operating loss carryforwards	27,383	15,291	279
Accrued retirement and severance benefits	60,672	40,273	618
Marketable securities and investments	95,265	88,011	970
Other	48,995	44,193	499
Total deferred tax assets	351,031	291,939	3,574
Less valuation allowance	(69,252)	(61,138)	(705)
Deferred tax assets–net	281,779	230,801	2,869
Deferred tax liabilities:			
Accrued retirement and severance benefits	(44,282)	(45,640)	(451)
Marketable securities and investments	(15,561)	(54,591)	(158)
Undistributed earnings	(33,202)	(28,121)	(338)
Property, equipment and other intangible assets	(18,637)	(20,542)	(190)
Other	(11,637)	(18,559)	(119)
Total deferred tax liabilities	(123,319)	(167,453)	(1,256)
Net deferred tax assets	¥ 158,460	¥ 63,348	$ 1,613

Net changes in the valuation allowance for the years ended March 31, 2009, 2008 and 2007 were an increase of ¥8,114 million ($83 million), an increase of ¥4,833 million and a decrease of ¥335 million, respectively.

The amount of undistributed earnings of foreign subsidiaries for which no deferred tax liability has been provided aggregated ¥244,215 million ($2,486 million) and ¥238,686 million at March 31, 2009 and 2008, respectively. Most of the undistributed earnings of domestic subsidiaries are not considered to be a taxable temporary difference under present Japanese tax laws. It is not practicable to determine the deferred tax liability for undistributed earnings of foreign subsidiaries.

Net operating loss carryforwards are available to reduce future income taxes. If not utilized, such operating loss carryforwards expire as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
Within 1 year	¥ 948	$ 10
Within 2 years	1,231	13
Within 3 years	14,776	150
Within 4 years	3,211	33
Within 5 years	15,028	153
After 5 to 10 years	19,715	201
After 10 to 15 years	840	8
After 15 years	14,592	148
Total	¥70,341	$716

"Income before income taxes, minority interests and equity in earnings (losses) of associated companies" for the years ended March 31, 2009, 2008 and 2007 comprised the following:

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
The Company and its domestic subsidiaries	¥ 68,236	¥145,754	¥187,659	$ 695
Foreign subsidiaries	140,022	134,777	110,532	1,425
Total	¥208,258	¥280,531	¥298,191	$2,120

"Income taxes" for the years ended March 31, 2009, 2008 and 2007 comprised the following:

	Millions of Yen									Millions of U.S. Dollars		
	2009			2008			2007			2009		
	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total
The Company and its domestic subsidiaries	¥41,010	¥(16,656)	¥24,354	¥51,513	¥32,272	¥ 83,785	¥47,901	¥ 8,920	¥56,821	$418	$ (169)	$249
Foreign subsidiaries	54,563	(6,160)	48,403	40,409	(3,086)	37,323	32,360	(1,091)	31,269	555	(63)	492
Total	¥95,573	¥(22,816)	¥72,757	¥91,922	¥29,186	¥121,108	¥80,261	¥ 7,829	¥88,090	$973	$(232)	$741

The Company and its subsidiaries adopted the provisions of FIN No. 48 on April 1, 2007. As a result of the implementation of FIN No. 48, the Company and its subsidiaries recognized unrecognized tax benefit of ¥4,544 million, however no adjustment of consolidated retained earnings as of the beginning of Fiscal 2008 was recognized.

A reconciliation of the beginning and ending total gross unrecognized tax benefits for the years ended March 31, 2009 and 2008, respectively, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2009	2008	2009
Balance at beginning of year	¥1,747	¥ 4,544	$18
Additions based on tax positions related to the current year	17	236	0
Additions for tax positions of prior years	837	14	8
Reductions for tax positions of prior years	(3)	(2,144)	(0)
Reductions as a result of a lapse of the applicable statute of limitations	(27)	(153)	(0)
Settlements	(1,083)	(661)	(11)
Effects on foreign currency translation	(362)	(89)	(4)
Balance at end of year	¥1,126	¥ 1,747	$11

Of the ending balances of ¥1,126 million ($11 million) in 2009 and ¥1,747 million in 2008, ¥802 million ($8 million) and ¥1,328 million, respectively, represents the amount of benefits that, if recognized would favorably affect the effective tax rate.

Although the Company and its subsidiaries believe its estimates and assumptions of unrecognized tax benefits are reasonable, uncertainty regarding the final determination of tax audit settlements and any related litigation could affect the effective tax rate in the future periods.

Based on each of the items of which the Company and its subsidiaries are aware at March 31, 2009, no significant changes to the unrecognized tax benefits are expected within the next twelve months.

The Company and its subsidiaries recognize interest and penalties accrued related to unrecognized tax benefits in Income taxes in the consolidated statements of income. Both interest and penalties accrued as of March 31, 2009 and 2008, and interest and penalties included in income taxes for the year ended March 31, 2009 and 2008 are not material.

The Company and its subsidiaries file income tax returns in Japan and various foreign tax jurisdictions. In Japan, the Company and its subsidiaries understand that regular income tax examinations by the tax authority through Fiscal 2008 have been substantially finished. However according to the income tax regulation in Japan, Japanese tax authority still holds the right to execute income tax examination for the years on and after fiscal year of 2003. Moreover, the Company and its subsidiaries might be subject to income tax examinations by each jurisdiction's tax authority for certain years based on each tax regulation.

16. Net Income Per Share

The reconciliation of the numerators and denominators of the basic net income per share computations for the years ended March 31, 2009, 2008 and 2007 was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
Numerator:				
Net income	¥165,390	¥217,301	¥175,856	$1,684
Effect of dilutive securities:				
Convertible preferred stock	(1,106)	(15,411)	—	(12)
Diluted net income	¥164,284	¥201,890	¥175,856	$1,672

	Number of Shares		
	2009	2008	2007
Denominator:			
Weighted-average number of common shares outstanding	1,580,579,472	1,580,878,959	1,581,543,157

	Yen			U.S. Dollars
	2009	2008	2007	2009
Basic net income per common share	¥104.64	¥137.46	¥111.19	$1.07
Diluted net income per common share	¥103.94	¥127.71	¥111.19	$1.06

The number of common shares and convertible preference shares issued by associated company outstanding decreased as a result of a reverse stock split for the year ended March 31, 2008. Thus diluted net income per share for the year ended March 31, 2007 has adjusted retroactively. As a result, diluted net income per share for the year ended March 31, 2007 was not presented since antidiluted effect.

17. Segment Information

The Company and its subsidiaries are engaged in a wide range business activities, such as worldwide trading operations of various commodities, financing for customers and suppliers, organizing and coordinating industrial projects and investing in natural resource development, advanced technology, information and multimedia.

The Company and its subsidiaries have introduced a division company system and information on operating segments is prepared and presented according to this system. This system is regularly used for decisions in operations, including resource allocations, and evaluations by the management.

The operating segments of the Company and its subsidiaries are as follows:

Textile

The Textile segment is engaged in all stages from rough material, thread and textile to the final products for garments, home furnishing and industrial materials. This segment performs production and sales on a worldwide scale. In addition, the segment promotes brand businesses, development of high technology and retail operations of TV and Internet shopping.

Machinery

The Machinery segment is engaged in diverse business activities ranging from projects in plants, bridges, railways and other infrastructures to automobiles, ships, industrial machinery and other items. This segment also conducts business in water resources and environment-related equipment as well as activities related to renewable and alternative energy.

Aerospace, Electronics & Multimedia

The Aerospace, Electronics & Multimedia segment is engaged in business activities involving IT-related systems/provider business, Internet service business, high-tech venture investment, mobile phone sales/contents distribution, video distribution/service business (broadcast-related, etc.) and aircraft and related equipment.

Energy, Metals & Minerals

The Energy, Metals & Minerals segment is engaged in metal and mineral resource development, processing of steel products, environmental business including trading in greenhouse gas emissions, and trading in iron ore, coal, pig iron and ferrous raw materials, non-ferrous and light metal and steel products in Japan and overseas. Also the segment is engaged in energy resource development and trading in crude oil, oil products, gas and nuclear fuels both domestically and abroad.

Chemicals, Forest Products & General Merchandise

The Chemicals, Forest Products & General Merchandise segment is engaged in business activities involving various consumer products such as lumber, pulp, paper, rubber, tire, cement and ceramic, and in basic chemicals, fine chemicals, plastics and inorganic chemicals.

Food

The Food segment pursues efficient-oriented operations from production and distribution to retail in all areas of food from raw materials to finished products both domestically and abroad.

Finance, Realty, Insurance & Logistics Services

The Finance, Realty, Insurance & Logistics Services segment is engaged in structuring and sales of financial products, agency, broker and consulting services of insurance and reinsurance. In addition, this segment is engaged in third party logistics, warehousing, trucking, international intermodal transport and developments and operations of real estate.

Management evaluates segment performance based on several factors such as net income (loss) determined in accordance with U.S. GAAP.

In addition, management utilizes internally developed management control methods for the purpose of internal operating decisions.

Intersegment transactions are priced with reference to prices applicable to transactions with unaffiliated parties.

There have been no trading transactions with a single major external customer (10% or more of total) for the years ended March 31, 2009, 2008 and 2007.

Information concerning operations in different operating segments for the years ended March 31, 2009, 2008 and 2007 was as follows:

	Millions of Yen								
	2009								
	Textile	Machinery	Aerospace, Electronics & Multimedia	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other, Adjustments & Eliminations	Consolidated
Trading transactions:									
Unaffiliated customers and associated companies	¥589,596	¥1,370,207	¥633,766	¥3,916,776	¥2,024,015	¥3,188,363	¥167,254	¥175,132	¥12,065,109
Transfers between operating segments	618	1,541	3,793	557	19,927	460	9	(26,905)	—
Total trading transactions	¥590,214	¥1,371,748	¥637,559	¥3,917,333	¥2,043,942	¥3,188,823	¥167,263	¥148,227	¥12,065,109
Gross trading profit	¥102,626	¥ 71,854	¥138,859	¥ 222,263	¥ 114,277	¥ 335,606	¥ 42,042	¥ 32,994	¥ 1,060,521
Equity in earnings (losses) of associated companies	¥ 3,602	¥ 1,759	¥ 307	¥ 24,710	¥ 2,949	¥ 10,073	¥ (2,880)	¥ 784	¥ 41,304
Net income (loss)	¥ 22,898	¥ (15,457)	¥ 8,026	¥ 114,695	¥ 19,025	¥ 20,185	¥ (1,212)	¥ (2,770)	¥ 165,390
Identifiable assets at March 31	¥360,431	¥ 639,939	¥490,159	¥1,016,596	¥ 611,375	¥1,054,127	¥381,800	¥637,665	¥ 5,192,092
Depreciation and amortization	¥ 3,341	¥ 6,341	¥ 7,340	¥ 25,405	¥ 4,514	¥ 10,297	¥ 1,119	¥ 6,631	¥ 64,988

	Millions of Yen								
	2008								
	Textile	Machinery	Aerospace, Electronics & Multimedia	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other, Adjustments & Eliminations	Consolidated
Trading transactions:									
Unaffiliated customers and associated companies	¥690,690	¥1,407,760	¥722,625	¥3,170,281	¥2,289,521	¥3,036,830	¥182,068	¥229,307	¥11,729,082
Transfers between operating segments	609	677	4,275	322	18,937	279	111	(25,210)	—
Total trading transactions	¥691,299	¥1,408,437	¥726,900	¥3,170,603	¥2,308,458	¥3,037,109	¥182,179	¥204,097	¥11,729,082
Gross trading profit	¥115,236	¥ 99,120	¥138,952	¥ 127,464	¥ 122,640	¥ 324,665	¥ 41,381	¥ 25,089	¥ 994,547
Equity in earnings (losses) of associated companies	¥ 2,039	¥ 4,752	¥ (1,233)	¥ 25,463	¥ 2,017	¥ 7,951	¥ 29,595	¥ (346)	¥ 70,238
Net income (loss)	¥ 20,500	¥ 21,350	¥ 14,583	¥ 105,716	¥ 19,677	¥ 18,657	¥ 10,828	¥ 5,990	¥ 217,301
Identifiable assets at March 31	¥364,349	¥ 709,708	¥513,870	¥ 916,571	¥ 766,790	¥1,064,825	¥420,501	¥517,585	¥ 5,274,199
Depreciation and amortization	¥ 3,419	¥ 5,444	¥ 6,394	¥ 34,272	¥ 4,307	¥ 9,577	¥ 1,894	¥ 6,262	¥ 71,569

	Millions of Yen								
	2007								
	Textile	Machinery	Aerospace, Electronics & Multimedia	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other, Adjustments & Eliminations	Consolidated
Trading transactions:									
Unaffiliated customers and associated companies................	¥806,535	¥1,566,514	¥696,708	¥3,019,987	¥2,157,198	¥2,828,861	¥221,720	¥259,264	¥11,556,787
Transfers between operating segments...	609	602	3,388	613	7,900	404	1,682	(15,198)	—
Total trading transactions..............	¥807,144	¥1,567,116	¥700,096	¥3,020,600	¥2,165,098	¥2,829,265	¥223,402	¥244,066	¥11,556,787
Gross trading profit........	¥124,640	¥ 89,301	¥133,513	¥ 102,114	¥ 126,187	¥ 264,617	¥ 43,285	¥ 23,854	¥ 907,511
Equity in earnings (losses) of associated companies...	¥ 1,513	¥ 5,826	¥ (1,468)	¥ 27,077	¥ 2,302	¥ 10,213	¥ (66,037)	¥ 505	¥ (20,069)
Net income (loss)	¥ 17,105	¥ 19,929	¥ 11,203	¥ 80,705	¥ 24,772	¥ 18,089	¥ (28,302)	¥ 32,355	¥ 175,856
Identifiable assets at March 31.................	¥401,792	¥ 652,896	¥551,210	¥ 781,432	¥ 716,775	¥1,070,743	¥524,851	¥588,948	¥ 5,288,647
Depreciation and amortization	¥ 4,551	¥ 4,682	¥ 6,842	¥ 19,433	¥ 4,884	¥ 8,019	¥ 1,638	¥ 6,334	¥ 56,383

	Millions of U.S. Dollars								
	2009								
	Textile	Machinery	Aerospace, Electronics & Multimedia	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other, Adjustments & Eliminations	Consolidated
Trading transactions:									
Unaffiliated customers and associated companies................	$6,002	$13,949	$6,452	$39,873	$20,605	$32,458	$1,703	$1,783	$122,825
Transfers between operating segments...	6	16	38	6	203	5	0	(274)	—
Total trading transactions..............	$6,008	$13,965	$6,490	$39,879	$20,808	$32,463	$1,703	$1,509	$122,825
Gross trading profit........	$1,045	$ 731	$1,414	$ 2,263	$ 1,163	$ 3,416	$ 428	$ 336	$ 10,796
Equity in earnings (losses) of associated companies...	$ 37	$ 18	$ 3	$ 252	$ 30	$ 102	$ (29)	$ 8	$ 421
Net income (loss)	$ 233	$ (157)	$ 82	$ 1,167	$ 194	$ 205	$ (12)	$ (28)	$ 1,684
Identifiable assets at March 31.................	$3,669	$ 6,515	$4,990	$10,349	$ 6,224	$10,731	$3,887	$6,491	$ 52,856
Depreciation and amortization	$ 34	$ 64	$ 75	$ 259	$ 46	$ 105	$ 11	$ 67	$ 661

Note: 1. Total trading transactions are presented in accordance with Japanese accounting practice.
2. "Other, Adjustments & Eliminations" includes trading transactions, gross trading profit, equity in earnings (losses) of associated companies, net income (loss), identifiable assets not allocated to the specified operating segments in domestic and foreign areas, eliminations and adjustments, etc.

Geographic Information

Information concerning operations in different countries for the years ended March 31, 2009, 2008 and 2007 was as follows:

	Millions of Yen				
	2009				
	Japan	United States	Australia	Other	Consolidated
Revenue	¥2,158,827	¥558,512	¥200,592	¥501,130	¥3,419,061

	Millions of Yen				
	2009				
	Japan	Australia	United States	Other	Consolidated
Long-lived assets	¥347,773	¥102,631	¥52,683	¥57,687	¥560,774

	Millions of Yen				
	2008				
	Japan	United States	Australia	Other	Consolidated
Revenue	¥1,614,289	¥615,610	¥124,542	¥505,412	¥2,859,853

	Millions of Yen				
	2008				
	Japan	Australia	United States	Other	Consolidated
Long-lived assets	¥267,091	¥133,526	¥44,578	¥67,822	¥513,017

	Millions of Yen				
	2007				
	Japan	United States	Australia	Other	Consolidated
Revenue	¥1,589,735	¥575,654	¥116,723	¥363,925	¥2,646,037

	Millions of U.S. Dollars				
	2009				
	Japan	United States	Australia	Other	Consolidated
Revenue	$21,977	$5,686	$2,042	$5,102	$34,807

	Millions of U.S. Dollars				
	2009				
	Japan	Australia	United States	Other	Consolidated
Long-lived assets	$3,541	$1,045	$536	$587	$5,709

Note: "Revenue" is attributed to countries based on the location of the assets producing such revenue.

18. Common Stock, Capital Surplus and Retained Earnings

On May 1, 2006, the Corporate Law in Japan superseded various laws covering the regulation of companies (Chapter II of the Commercial Code; Law for Special Provisions for the Commercial Code concerning Audits; Limited Liability Company Law. Hereafter referred to as "Commercial Code prior to revision").

The Corporate Law states that upon issuance of new shares, at least 50% of the amount raised will be credited to the common stock account, unless otherwise specified in the Law.

The Corporate Law in Japan provides that upon payment of dividends, an amount equal to 10% of the paid dividends must be appropriated as additional paid-in capital (a component of capital surplus) or as legal reserve (a component of retained earnings) depending on the equity account charged upon the payment of such dividends until the total aggregate amount of additional paid-in capital and legal reserve equals 25% of the common stock.

The Corporate Law provides that there is a limit to the amount that can be distributed as dividends and the amount available for the purchase of treasury stocks. This amount is based on the amount recorded in the Company's statutory standalone financial statements in accordance with the financial accounting standards of Japan. The adjustments included in the accompanying consolidated financial statements to conform with U.S. GAAP, but not recorded in the statutory standalone financial statements, have no effect on the determination of the available balance as dividends or the purchase of treasury stocks under the Corporate Law. The amount available as dividends or the purchase of treasury stocks under the Corporate Law was ¥211,498 million as of March 31, 2009, provided however this figure might change by such as purchase of treasury stocks thereafter.

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

The Corporate Law also provides for companies, provided so resolved by the Board of Directors, to dispose of treasury stock, or to purchase it as prescribed in their articles of incorporation. The amount of treasury stock so purchased must be within the limits previously described as determined by the Corporate Law.

The Corporate Law 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 tock account.

At the June 29, 2000 shareholders' meeting of the Company, held under the Commercial Code prior to revision, the shareholders approved a proposal to eliminate the Company's accumulated deficits of ¥109,799 million from the Company's books of account by a transfer from capital surplus as permitted by the Commercial Code prior to revision. Because the Company's accumulated deficits in the U.S. GAAP consolidated financial statements on that date was not significantly different from the Company's books of account, the Company reflected the deficit reclassification entry on its books of account when preparing the consolidated financial statements, following private company's practices in the United States of America. The balance of consolidated retained earnings at March 31, 2009 would have been ¥687,083 million, including a legal reserve of ¥13,183 million, had the Company not eliminated the accumulated deficits.

19. Other Comprehensive Income (Loss)

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments were as follows:

	Millions of Yen		
	2009		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities	¥(160,412)	¥ 431	¥(159,981)
Reclassification adjustments for gains and losses realized upon sale or liquidation of investments in foreign entities	(434)	—	(434)
Net change in foreign currency translation adjustments during the year	(160,846)	431	(160,415)
Pension liability adjustments:			
Amount arising during the year on pension liability adjustments	(48,456)	19,246	(29,210)
Reclassification adjustments for gains and losses realized in net income	(5,814)	2,390	(3,424)
Net change in pension liability adjustments during the year	(54,270)	21,636	(32,634)
Unrealized holding gains and losses on securities:			
Amount arising during the year on available-for-sale securities	(129,235)	48,623	(80,612)
Reclassification adjustments for gains and losses realized in net income	33,478	(13,569)	19,909
Net change in unrealized holding gains and losses on securities during the year	(95,757)	35,054	(60,703)
Unrealized holding gains and losses on derivative instruments:			
Amount arising during the year on derivative instruments for cash flow hedges	(4,735)	1,384	(3,351)
Reclassification adjustments for gains and losses realized in net income	(464)	(157)	(621)
Net change in unrealized holding gains and losses on derivative instruments during the year	(5,199)	1,227	(3,972)
Other comprehensive income (loss)	¥(316,072)	¥58,348	¥(257,724)

	Millions of Yen		
	2008		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities	¥ (26,509)	¥ 14	¥ (26,495)
Reclassification adjustments for gains and losses realized upon sale or liquidation of investments in foreign entities	644	—	644
Net change in foreign currency translation adjustments during the year	(25,865)	14	(25,851)
Pension liability adjustments:			
Amount arising during the year on pension liability adjustments	(54,908)	22,885	(32,023)
Reclassification adjustments for gains and losses realized in net income	(30)	9	(21)
Net change in pension liability adjustments during the year	(54,938)	22,894	(32,044)
Unrealized holding gains and losses on securities:			
Amount arising during the year on available-for-sale securities	(82,362)	32,889	(49,473)
Reclassification adjustments for gains and losses realized in net income	2,568	(1,442)	1,126
Net change in unrealized holding gains and losses on securities during the year	(79,794)	31,447	(48,347)
Unrealized holding gains and losses on derivative instruments:			
Amount arising during the year on derivative instruments for cash flow hedges	(3,542)	1,605	(1,937)
Reclassification adjustments for gains and losses realized in net income	(190)	58	(132)
Net change in unrealized holding gains and losses on derivative instruments during the year	(3,732)	1,663	(2,069)
Other comprehensive income (loss)	¥(164,329)	¥56,018	¥(108,311)

	Millions of Yen		
	2007		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities	¥ 26,093	¥ 2	¥ 26,095
Reclassification adjustments for gains and losses realized upon sale or liquidation of investments in foreign entities	609	—	609
Net change in foreign currency translation adjustments during the year	26,702	2	26,704
Minimum pension liability adjustments	(1,153)	381	(772)
Unrealized holding gains and losses on securities:			
Amount arising during the year on available-for-sale securities	64,150	(27,857)	36,293
Reclassification adjustments for gains and losses realized in net income	(19,058)	7,812	(11,246)
Net change in unrealized holding gains and losses on securities during the year	45,092	(20,045)	25,047
Unrealized holding gains and losses on derivative instruments:			
Amount arising during the year on derivative instruments for cash flow hedges	(3,921)	1,401	(2,520)
Reclassification adjustments for gains and losses realized in net income	(1,698)	690	(1,008)
Net change in unrealized holding gains and losses on derivative instruments during the year	(5,619)	2,091	(3,528)
Other comprehensive income (loss)	¥ 65,022	¥(17,571)	¥ 47,451

	Millions of U.S. Dollars		
	2009		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities	$(1,633)	$ 4	$(1,629)
Reclassification adjustments for gains and losses realized upon sale or liquidation of investments in foreign entities	(4)	—	(4)
Net change in foreign currency translation adjustments during the year	(1,637)	4	(1,633)
Pension liability adjustments:			
Amount arising during the year on pension liability adjustments	(493)	196	(297)
Reclassification adjustments for gains and losses realized in net income	(59)	24	(35)
Net change in pension liability adjustments during the year	(552)	220	(332)
Unrealized holding gains and losses on securities:			
Amount arising during the year on available-for-sale securities	(1,316)	495	(821)
Reclassification adjustments for gains and losses realized in net income	341	(138)	203
Net change in unrealized holding gains and losses on securities during the year	(975)	357	(618)
Unrealized holding gains and losses on derivative instruments:			
Amount arising during the year on derivative instruments for cash flow hedges	(48)	14	(34)
Reclassification adjustments for gains and losses realized in net income	(5)	(2)	(7)
Net change in unrealized holding gains and losses on derivative instruments during the year	(53)	12	(41)
Other comprehensive income (loss)	$(3,217)	$593	$(2,624)

20. Derivative Instruments and Hedging Activities

The Company and its subsidiaries are exposed to a variety of risks in relation to their ongoing business activities. The Company and its subsidiaries utilize certain derivative instruments principally to manage the following risks.

Foreign Exchange Rate Risk
The Company and its subsidiaries have assets and liabilities that are exposed to foreign exchange rate risks. In order to reduce the risks, mainly for exchange between U.S. dollar and Japanese yen, the Company and its subsidiaries use foreign exchange contracts, currency swap agreements, and currency option contracts (hereafter collectively referred to as "currency derivatives").

Interest Rate Risk
The Company and its subsidiaries reduce risk related to fluctuations in the fair value of loan receivables/payables in which the Company and its subsidiaries agree to receive/pay interest on fixed rate basis, and risk related to fluctuations in future cash flows due to future fluctuations in interest rates by using interest rate swap agreements and interest rate option agreements (hereafter collectively referred to as "interest rate derivatives").

Commodity Price Risk
The Company and its subsidiaries reduce risk related to fluctuations in prices of marketable commodities by using futures, forward contracts, commodity swap agreements, and commodity option agreements (hereafter collectively referred to as "commodity derivatives").

Moreover, the Company and its subsidiaries hold currency derivatives, interest rate derivatives, and commodity derivatives for trading purposes.

SFAS 133 requires that all derivatives be recognized as assets or liabilities at fair value in balance sheets. Further, SFAS 133 requires that changes in the fair value of derivative instruments that are designated and qualified as fair value hedges be recognized in earnings or losses together with changes in the fair value of the corresponding hedged items. In addition, SFAS 133 requires that changes in the fair value of derivative instruments that are designated and qualified as cash flow hedges be recognized in accumulated other comprehensive income (loss) (AOCI). Also, SFAS 133 requires that these amounts be reclassified into earnings or losses in the same period as the hedged items affect earnings or losses.

In accordance with SFAS 133, the Company and its subsidiaries designate derivatives owned by them as hedging instruments in accordance with the following manner:

Currency Derivatives
Currency derivatives held to hedge foreign exchange rate risk regarding unrecognized firm commitments are designated as a fair value hedge, and currency derivatives to minimize fluctuation of cash flow of forecasted transactions caused by foreign exchange rate changes are designated as a cash flow hedge. As of March 31, 2009, the total principal amount of currency derivatives that were designated and qualified as fair value hedges was ¥49,299 million (US$502 million); the total principal amount of currency derivatives that were designated and qualified as cash flow hedges was ¥9,472 million (US$96 million); and the total principal amount of currency derivatives that were not designated or not qualified as hedging instruments was ¥220,448 million (US$2,244 million).

Interest Rate Derivatives
Interest rate derivatives that hedge risk related to fluctuations in the fair value of loan receivables/payables on fixed interest rate basis are designated as fair value hedge. Interest rate derivatives that hedge risk related to fluctuations in cash flows due to future fluctuations in interest rates are designated as cash flow hedges. As of March 31, 2009, the total notional amount of interest rate derivatives that were designated and qualified as fair value hedges was ¥537,555 million (US$5,472 million); the total notional amount of interest rate derivatives that were designated and qualified as cash flow hedges was ¥1,185,926 million (US$12,073 million); and the total notional amount of interest rate derivatives that were not designated or not qualified as hedging instruments was ¥252,300 million (US$2,568 million).

Commodity Derivatives
Commodity derivatives held for hedging of commodity price risk in unrecognized firm commitments and inventories are designated as a fair value hedge, and commodity derivatives to minimize fluctuation of cash flow of forecasted transactions due to commodity price changes are designated as a cash flow hedge. As of March 31, 2009, the total principal amount of commodity derivatives that were designated and qualified as fair value hedges was ¥32,073 million (US$327 million); the total principal amount of commodity derivatives that were designated and qualified as cash flow hedges was ¥1,819 million (US$19 million); and the total principal amount of commodity derivatives that were not designated or not qualified as hedging instruments was ¥114,640 million (US$1,167 million).

The fair values of derivative instruments as of March 31, 2009, were as follows.

(1) Derivatives Designated as Hedging Instruments under SFAS133

	Millions of Yen		Millions of U.S. Dollars	
	2009		2009	
	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives
	Fair Value	Fair Value	Fair Value	Fair Value
Currency derivatives	¥ 367	¥ 1,897	$ 4	$ 19
Interest rate derivatives	10,751	7,773	109	79
Commodity derivatives	1,177	1,072	12	11
Total	¥12,295	¥10,742	$125	$109

(2) Derivatives Not Designated as Hedging Instruments under SFAS133

	Millions of Yen		Millions of U.S. Dollars	
	2009		2009	
	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives
	Fair Value	Fair Value	Fair Value	Fair Value
Currency derivatives	¥ 4,346	¥1,631	$ 44	$17
Interest rate derivatives	81	151	1	2
Commodity derivatives	9,074	7,697	92	78
Other	0	1	0	0
Total	¥13,501	¥9,480	$137	$97

As for balance sheet location for those items, asset derivatives were included in Other current assets and Other assets, and liability derivatives were included in Other current liabilities and Long-term debt, excluding current maturities.

The Company and its subsidiaries adopted the guidance in FSP FAS 133-1 and 45-4, "Disclosures about Credit Derivatives and Certain Guarantees" and disclose the information regarding gains and losses related to derivative instruments required by SFAS 161 "Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133" for the fourth quarter of FY2009 only.

Gains and losses related to derivative instruments for the three months ended March 31, 2009 (hereafter caused "the fourth quarter of FY2009") were as follows.

(1) Derivatives in SFAS133 Fair Value Hedging Relationships

		Millions of Yen	Millions of U.S. Dollars
		2009	2009
	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative
Currency derivatives	Other–net	¥ 3,070	$ 31
Interest rate derivatives	Interest expense	(1,751)	(18)
Commodity derivatives	Trading margins and commissions on trading transactions	1,722	18
Total		¥ 3,041	$ 31

The amount of hedge ineffectiveness and the net gain or loss excluded from the assessment of hedge effectiveness was not material for the fourth quarter of FY2009.

The amount of firm commitments that are no longer qualified as fair value hedges was not material for the fourth quarter of FY2009.

(2) Derivatives in SFAS133 Cash Flow Hedging Relationships

	Millions of Yen			Millions of U.S. Dollars	
	2009			2009	
	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)
Currency derivatives	¥ 656	Other–net	¥3,881	$ 7	$39
Interest rate derivatives	195	Interest expense	606	2	6
Commodity derivatives	337	Cost of sales	(21)	3	(0)
Total	¥1,188		¥4,466	$12	$45

The amount of hedge ineffectiveness and the net gain or loss excluded from the assessment of hedge effectiveness was not material for the fourth quarter of FY2009.

A net gain (pre-tax) of ¥4,497 million (US$46 million) in AOCI at March 31, 2009, is expected to be reclassified into earnings within the next 12 months.

As of March 31, 2009, the maximum length of time over which the Company and its subsidiaries hedge their exposure to variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was approximately 35 months.

The amount of net gain or loss reclassified from AOCI into earnings or losses because it was probable that forecasted transactions would not occur was not material for the fourth quarter of FY2009.

(3) Derivatives Not Designated as Hedging Instruments under SFAS133

		Millions of Yen	Millions of U.S. Dollars
		2009	2009
	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative
Currency derivatives	Trading margins and commissions on trading transactions	¥ (290)	$ (3)
	Other–net	193	2
Interest rate derivatives	Other–net	57	0
Commodity derivatives	Trading margins and commissions on trading transactions	8,311	85
Other	Other–net	(12)	(0)
Total		¥8,259	$84

The Company and its subsidiaries have various derivative instruments and as such are exposed to credit losses in the event of non-performance by counterparties. The Company and its subsidiaries seek to minimize credit risk by entering into contracts only with major counterparties and avoiding concentration on specific counterparties or groups of counterparties. The policies of the Company and its subsidiaries prescribe monitoring of creditworthiness and exposure on a counterparty-by-counterparty basis. Further, the Company and its subsidiaries do not have derivative agreements that require immediate settlement nor provision of collateral required by any downgrade of their credit ratings. In addition, there are no material things to be mentioned regarding disclosure of credit derivatives in which the Company and its subsidiaries are involved as the seller.

21. Fair Value Measurements

(1) Fair Value Measurements

The Company and its subsidiaries adopted SFAS 157 from the fiscal year ended March 31, 2009.

SFAS 157 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. SFAS 157 also establishes a hierarchy for inputs used in measuring fair value and requires that each fair value be categorized into one of the following 3 levels based on its observability of input.

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 adopted FSP FAS 157-2 and therefore has not applied SFAS 157 for non-financial assets and non-financial liabilities (such as goodwill and other tangible assets, long-lived assets and asset retirement obligations) remeasured in the financial statements at fair value on a non-recurring basis.

(a) Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Company and its subsidiaries' assets and liabilities that are measured at fair value on a recurring basis consist primarily of trading securities, available-for-sale securities, derivative assets and derivative liabilities.

The following table provides information by level for assets and liabilities that were measured at fair value on a recurring basis at March 31, 2009.

	Millions of Yen			
	2009			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	¥ —	¥ 5,991	¥ —	¥ 5,991
Trading securities	—	—	9,121	9,121
Available-for-sale securities	179,459	1,755	3,264	184,478
Derivative assets	3,531	22,265	—	25,796
Liabilities:				
Derivative liabilities	¥ 1,776	¥18,446	¥ —	¥ 20,222

	Millions of U.S. Dollars			
	2009			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$ —	$ 61	$ —	$ 61
Trading securities	—	—	93	93
Available-for-sale securities	1,827	18	33	1,878
Derivative assets	36	227	—	263
Liabilities:				
Derivative liabilities	$ 18	$188	$ —	$ 206

The following table provides the changes in Level 3 items for the fiscal year ended March 31, 2009.

	Millions of Yen		Millions of U.S. Dollars	
	2009		2009	
	Trading Securities	Available-for-sale Securities	Trading Securities	Available-for-sale Securities
Beginning balance	¥ 29,754	¥2,125	$ 303	$ 22
Total gains or losses (realized/unrealized)	(3,847)	(64)	(39)	(1)
Included in earnings	(3,847)	—	(39)	—
Included in other comprehensive income (loss)	—	(64)	—	(1)
Purchases, issuances and settlements	(14,750)	1,203	(150)	12
Effect of exchange rate changes	(2,036)	—	(21)	—
Ending balance	9,121	3,264	93	33
The amount of total gains or losses (in Gain (loss) on investments–net for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at March 31, 2009	¥ (3,029)	—	$ (31)	—

The Company and its subsidiaries use the following valuation techniques for the assets and liabilities that are measured at fair value on a recurring basis.

The cash equivalents that are measured at fair value on a recurring basis consist primarily of commercial papers with original maturities of 3 months or less. The Company and its subsidiaries measure their fair value using the quoted market prices and classify them as level 2.

The trading securities and available-for-sale securities primarily consist of marketable securities that are listed on exchanges and alternative investments. Marketable securities that are listed on exchanges are measured using quoted market prices. When quoted prices in active markets in which transactions occur with sufficient frequency are available, they are included in Level 1. On the other hand, instruments that are measured at quoted prices in markets in which there are relatively few transactions are included in Level 2. Level 3 items consist of other investments such as alternative investments (classified as trading securities or available-for-sale securities by holding purposes), which are measured at fair value using unobservable inputs of investees' specific fundamentals including estimated future cash flows, as well as referring to index data available in active markets as of the fiscal year end.

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

(b) Financial Assets Measured at Fair Value on a Nonrecurring Basis

The following table provides information by level for financial assets that were measured at fair value during the year ended March 31, 2009 on a nonrecurring basis.

	Millions of Yen		Millions of U.S. Dollars	
	2009		2009	
	Level 3	Total	Level 3	Total
Assets:				
Non-marketable investments (Note 1)	¥ 1,518	¥ 1,518	¥ 15	¥ 15
Investments in associated companies (Note 2)	48,460	48,460	493	493

Note 1: The Company and its subsidiaries recognized impairment of non-marketable equity securities as the fair values were below the carrying amounts, and the decline in fair values was considered to be other than temporary. The amount of impairment loss recognized was ¥4,377 million ($45 million) (pre-tax). Their fair values are measured as a result of consideration of various unobservable inputs which were available to the Company and its subsidiaries, including expectation of future income of the investees, net asset value of the investees, and material unrealized losses to be considered in assets and liabilities held by the investees.

Note 2: The Company recognized impairment of investment in associated companies as the fair values were below the carrying amounts and the decline in fair values was considered to be other than temporary. The amount of impairment loss recognized was ¥13,380 million ($136 million) (pre-tax). Their fair values were measured primarily using future cash flow projection of the investees, with consideration of other factors such as the quoted market price of the investee, if available. Measurement using future cash flow projection of the investee was based upon unobservable inputs which were available to the Company and its subsidiaries. The Company and its subsidiaries utilized these inputs confirming that these inputs were based upon the Company's best estimates as of the measurement date and also verified rationality of the measured amounts through review by independent professional advisors.

(2) Fair Value of Financial Instruments

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

The Company and its subsidiaries are engaged in transactions with numerous counterparties to ensure that there are no significant concentrations of credit risk with any individual counterparty or group of counterparties.

The carrying amounts, and estimated fair values for the purpose of the disclosure requirements of SFAS 107 "Disclosures about Fair Value of Financial Instruments" and valuation techniques for other non-current receivables and advances to associated companies and long-term debt as of March 31, 2009 and 2008 were as follows (for fair value of Short-term investments and Other investments, and for fair value of asset/liability derivatives, please refer to "4. Marketable Securities and Investments" and "20. Derivative Instruments and Hedging Activities" respectively):

	Millions of Yen				Millions of U.S. Dollars	
	2009		2008		2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:						
Other non-current receivables and advances to associated companies (less allowance for doubtful receivables)	¥ 107,337	¥ 109,035	¥ 122,359	¥ 123,020	$ 1,093	$ 1,110
Financial liabilities:						
Long-term debt (including current maturities)	¥2,025,052	¥2,016,519	¥1,971,105	¥1,971,892	$20,615	$20,529

Valuation Techniques for Fair Values of Other Non-current Receivables and Advances to Associated Companies:
The fair values of Other non-current receivables and advances to associated companies are estimated based on the present value of future cash flows discounted using the current rates of loans or receivables with similar terms, conditions and maturities being offered to borrowers or customers with similar credit ratings.

Valuation Techniques for Fair Values of Long-term Debt:
The fair values of Long-term debt are based on the present value of future cash flows discounted using the current borrowing rates of similar to debt instruments having comparable maturities.

The carrying amounts of current financial assets other than marketable securities and current financial liabilities are usually the same as their fair values because of the short maturity.

22. Issuance of Stock by Subsidiaries or Associated Companies

FX PRIME Corporation, a consolidated subsidiary, which is engaged in online foreign exchange brokerage, issued 1,250,000 shares of common stock in a public offering to third parties on September 18, 2008, coincident with its listing on the JASDAQ market. The offering price per share was ¥1,100 and the total amount of the issuance was ¥1,375 million ($14 million). This issuance decreased the Company's ownership of the subsidiary from 81.5% to 69.3%.

The offering price per share of the issuance was in excess of the Company's carrying value per share of the subsidiary stock. The issuance of these shares was regarded as a sale of a part of the Company's interest in the subsidiary and the Company recognized a gain of ¥555 million ($6 million) for the year ended March 31, 2009, which is included in "Gain (loss) on investments–net." The Company recognized ¥228 million ($2 million) of deferred tax liability on the recognized gain which is included in "Income taxes–Deferred."

Excite Japan Co., Ltd., a consolidated subsidiary, which is engaged in Internet information service, issued 4,700 shares to third parties in August 2006. The offering price per share was ¥423,700 and the total amount of the issuance was ¥1,991 million. This issuance decreased the Company and its subsidiaries' ownership of the subsidiary from 65.9% to 60.8%. The offering price per share of the issuance was in excess of the Company's carrying value per share of the subsidiary stock. The issuance of these shares was regarded as a sale of a part of the Company and its subsidiaries' interest in the subsidiary and the Company and its subsidiaries recognized a gain of ¥862 million for the year ended March 31, 2007, which is included in "Gain (loss) on investments–net." The Company and its subsidiaries recognized ¥353 million of deferred tax liability on the recognized gain which is included in "Income taxes–Deferred."

MAGASeek Corporation, a consolidated subsidiary, which is engaged in Internet retail sales of fashion apparel, issued 2,000 shares of common stock in a public offering to third parties on November 28, 2006, coincident with its listing on the Mothers market of the Tokyo Stock Exchange. The offering price per share was ¥467,500 and the total amount of the issuance was ¥935 million. The issuance decreased the Company's ownership of the subsidiary from 84.8% to 76.6%. In December 2006, the subsidiary issued an additional 500 shares at ¥467,500 per share, or ¥234 million in total, in order to facilitate the settlement of shares offered through over-allotment. This issuance decreased the Company's ownership of the subsidiary from 65.9% to 64.4%.

The offering price per share of both issuances was in excess of the Company's carrying value per share of the subsidiary stock. The issuance of these shares was regarded as a sale of a part of the Company's interest in the subsidiary and the Company recognized a gain of ¥1,024 million for the year ended March 31, 2007, which is included in "Gain (loss) on investments–net." The Company recognized ¥420 million of deferred tax liability on the recognized gain which is included in "Income taxes–Deferred."

Chemoil Energy Limited, an associated company, which is engaged in international trade of petroleum products, issued 160,172,000 shares of common stock in a public offering to third parties on December 14, 2006, coincident with its listing on the Singapore Stock Exchange. The offering price per share was $0.45 and the total amount of the issuance was $72,077 thousand. The issuance decreased the Company and its subsidiaries' ownership of the associated company from 50.0% to 43.6%.

In December 2006, the associated company also issued an additional 33,720,000 shares at $0.45 per share, or $15,174 thousand in total, in order to facilitate the settlement of shares offered through over-allotment. The issuance decreased the Company and its subsidiaries' ownership of the associated company from 38.5% to 37.5%.

The offering price per share of both issuances was in excess of the Company's carrying value per share of the associated company stock. The issuance of these shares was regarded as a sale of a part of the Company and its subsidiaries' interest in the associated company and the Company and its subsidiaries recognized a gain of ¥3,176 million for the year ended March 31, 2007, which is included in "Gain (loss) on investments–net." The Company and its subsidiaries recognized ¥763 million of deferred tax liability on the recognized gain which is included in "Income taxes–Deferred."

eGuarantee, Inc., an associated company, which is engaged in integrated payment solutions for B2B marketplaces and financing providers, issued 1,000 shares of common stock in a public offering to third parties on March 8, 2007, coincident with its listing on the JASDAQ market. The offering price per share was ¥187,000 and the total amount of the issuance was ¥187 million. The issuance decreased the Company and its subsidiaries' ownership of the associated company from 48.3% to 45.9%.

The offering price per share of the issuance was in excess of the Company's carrying value per share of the associated company stock. The issuance of these shares was regarded as a sale of a part of the Company and its subsidiaries' interest in the associated company and the Company and its subsidiaries recognized a gain of ¥69 million for the year ended March 31, 2007, which is included in "Gain (loss) on investments–net." The Company and its subsidiaries recognized ¥28 million of deferred tax liability on the recognized gain which is included in "Income taxes–Deferred."

23. Variable Interest Entities

The Company and its subsidiaries have involvement in certain businesses, such as ocean plying vessels, property development, and providing loans to third parties, which are conducted through special purpose entities. The Company and its subsidiaries retain variable interests through loans, guarantees, and equity investments in these special purpose entities, which are classified as variable interest entities under FIN 46 (R).

In accordance with FIN 46 (R), the Company and its subsidiaries determine those entities as variable interest entities, in which both of the following conditions are met: (i) The Company and its subsidiaries have exposure in form of loans, investments or guarantees and the Company and its subsidiaries have rights or obligations to take benefits or risks that arise from changes in the assets or liabilities held by those entities; (ii) Those entities do not have sufficient capital to cover the risk associated with them or the holders of the equity investment at risk lack of the control of them, at the beginning of involvement.

In addition, the Company and its subsidiaries consider the contractual relationships with each variable interest entity, and decide that they are deemed to be the primary beneficiary of the variable interest entity if they are to absorb more than half of the losses expected to arise from a variable interest entity. Even if no party absorbs more than half of expected losses, if the Company and its subsidiaries receive more than half of the expected residual returns, the Company and its subsidiaries are deemed to be the primary beneficiary of those variable interest entities.

The Company and its subsidiaries believe that there are no variable interest entities where the Comapny and its subsidiaries actually undertake any support, or it is likely to do so in the future, although contractually they have no obligation. In addition, at the end of the fiscal year a reconsideration of contractual relationships with existing variable interest entities resulted in no change in assessments of whether or not the Company and its subsidiaries were the primary beneficiary.

As of the end of the fiscal year, among variable interest entities, those in which the Company and its subsidiaries are the primary beneficiary were principally entities undertaking real estate development businesses. Quantitative information regarding those entities is as follows.

	Millions of Yen	Millions of U.S. Dollars
	2009	2009
Cash and cash equivalents	¥ 1,165	$ 12
Inventories	10,757	109
Other	1,191	12
Total Assets	¥13,113	$133
Total current liabilities	¥ 1,276	$ 13
Long-term debt, excluding current maturities	7,330	74
Total stockholders' equity	4,507	46
Total liabilities and stockholders' equity	¥13,113	$133

Note: "Other" mainly includes property and equipment, at cost. Further, most inventories were pledged as collateral, mainly to secure long-term debt.

The total assets of variable interest entities in which the Company and its subsidiaries were the primary beneficiary amounted to ¥7,296 million as of March 31, 2008. Further, the creditors or beneficial interest holders of those entities do not have recourse to the general credit of the Company and its subsidiaries.

The Company and its subsidiaries have variable interest entities for which the Company and its subsidiaries are not the primary beneficiary established for ocean plying vessels businesses and real estate development businesses. The aggregated amounts of the assets associated with entities in which the Company and its subsidiaries have significant variable interests which are recognized in the consolidated balance sheet are as follows.

	Millions of Yen	Millions of U.S. Dollars
	2009	2009
Due from associated companies	¥13,364	$136
Other current assets	313	3
Total current assets	¥13,677	$139
Investments in and advances to associated companies	¥ 7,628	$ 78
Other non-current receivables	3,756	38
Total assets	¥25,061	$255

The total assets and the maximum exposure to loss to the Company and its subsidiaries as a result of their involvement in variable interest entities in which the Company and its subsidiaries are not the primary beneficiary but have significant variable interests were ¥464,492 million ($4,729 million) and ¥41,995 million ($428 million), respectively as of March 31, 2009 and ¥577,671 million and ¥39,513 million, respectively as of March 31, 2008. The major difference between the maximum exposure to loss and the recorded consolidated balance sheet amounts was guarantees.

The maximum exposure to loss includes investment, loans, and guarantees. The calculation of maximum exposure to loss is based on assessments of the involvements of the Company and its subsidiaries considering various factors including the contractual relationships with such variable interest entities.

24. Regarding Loss Relating to the Entrada Oil and Natural Gas Project in the U.S. Gulf of Mexico

The Company recognized a loss from to an equity interest in the Entrada oil and natural gas field, Garden Banks Block 738, 782, 785, 826, 827, owned by CIECO Energy Entrada LLC, which is a wholly owned subsidiary of the Company through CIECO Energy (US) Limited, a wholly owned subsidiary of the Company. The Company decided to withdraw completely from the project at the end of its licensing period because it was unable to prepare an economically viable development plan or divest the equity interest to third parties. As a result, the Company recognized a loss of ¥36,274 million ($369 million) for the year ended March 31, 2009. The loss consisted of a ¥29,207 million ($297 million) impairment loss related to mineral rights, machinery, and equipment held by CIECO Energy (US) Limited included in "Gain (loss) on property and equipment–net" and a ¥7,067 million ($72 million) impairment loss owing to estimated additional expenditure and unrecoverable cost that was expected to be recovered by production of the development project included "Other–net" in the consolidated statements of income.

25. Commitments and Contingent Liabilities

The Company and its subsidiaries enter into purchase contracts for certain items, principally energy, machinery and chemical materials, either at fixed or at variable prices. In most cases, these contracts are matched with counterparty sales contracts. The outstanding purchase contracts amounted to ¥1,421,451 million ($14,471 million), and ¥2,175,550 million at March 31, 2009 and 2008, respectively. The deliveries are at various dates through 2026.

The Company and its subsidiaries also had long-term financing commitments aggregating ¥109,317 million ($1,113 million) and ¥60,473 million at March 31, 2009 and 2008, respectively, for loans and investments in equity capital.

The Company and its subsidiaries issue various guarantees for indebtedness of equity-method associated companies and customers. The guarantees are principally for monetary indebtedness by third parties to enhance their credit standings. If a guaranteed party fails to fulfill its obligation, the Company and its subsidiaries would be required to execute payments. The maximum potential amount of future payments and the amount of substantial risk at March 31, 2009 and 2008 are summarized below:

	Millions of Yen		
	2009		
	Guarantees for Monetary Indebtedness	Other Guarantees	Total
Guarantees for equity-method associated companies:			
Maximum potential amount of future payments	¥ 50,622	¥12,280	¥ 62,902
Amount of substantial risk	24,341	11,983	36,324
Guarantees for customers:			
Maximum potential amount of future payments	56,230	18,327	74,557
Amount of substantial risk	33,719	17,846	51,565
Total:			
Maximum potential amount of future payments	¥106,852	¥30,607	¥137,459
Amount of substantial risk	58,060	29,829	87,889

	Millions of Yen		
	2008		
	Guarantees for Monetary Indebtedness	Other Guarantees	Total
Guarantees for equity-method associated companies:			
Maximum potential amount of future payments	¥ 68,422	¥12,770	¥ 81,192
Amount of substantial risk	37,450	12,293	49,743
Guarantees for customers:			
Maximum potential amount of future payments	93,266	14,859	108,125
Amount of substantial risk	50,714	14,000	64,714
Total:			
Maximum potential amount of future payments	¥161,688	¥27,629	¥189,317
Amount of substantial risk	88,164	26,293	114,457

	Millions of U.S. Dollars		
	2009		
	Guarantees for Monetary Indebtedness	Other Guarantees	Total
Guarantees for equity-method associated companies:			
Maximum potential amount of future payments	$ 515	$125	$ 640
Amount of substantial risk	248	122	370
Guarantees for customers:			
Maximum potential amount of future payments	572	187	759
Amount of substantial risk	343	182	525
Total:			
Maximum potential amount of future payments	$1,087	$312	$1,399
Amount of substantial risk	591	304	895

The amount of substantial risk at March 31, 2009 and 2008 represents the actual amount of liability incurred by the guaranteed parties within the pre-determined guaranteed limits established under the guarantee contracts. The amounts that might be recovered from third parties have been excluded in determining the amount of substantial risk.

The carrying amount of the liability recognized for guarantees was ¥807 million ($8 million) and ¥1,031 million at March 31, 2009 and 2008, respectively. The Company guarantees housing loans of its employees and those of certain subsidiaries as a part of the benefit program. These guarantees are included in the above guarantees. If the employees default on a payment, the Company would be required to make payments under the contracts. The maximum potential amounts of future payments under the contracts were ¥8,779 million ($89 million) and ¥9,879 million at March 31, 2009 and 2008, respectively. No provisions relating to the guarantees have been recorded in the consolidated financial statements.

Including those guarantees, the Company controls credit exposure provided for equity-method associated companies and other customers than its group companies by assessment of creditability in advance and periodical monitoring of circumstances of customers as follows.

For credit lines provided for equity-method associated companies, the Company recognizes them as risk exposure to be controlled with other risks related to investment in affiliates, and monitors circumstances of their operation time to time. Accordingly, for the undertaking of guarantees for equity-method associated companies, any guarantee is undertaken only after an assessment by the affiliate control departments which are independent of business departments handling management of the said companies. Further, for any guarantee credit line, the Company sets an appropriate credit limit and an expiration date. Moreover, regular reviews are performed individually at least once a year in order to check the business circumstances and efficiency of the investment. For guarantees undertaken for equity-method associated companies as of March 31, 2009, the Company does not expect any significant contingency which might lead to demands of performance on guarantees nor increase of guarantee amount due to deterioration of management conditions of equity-method associated companies.

For credit line provided for customers other than the Company's group companies, the Company sets an appropriate credit limit together with an expiration date item by item equivalent to the creditworthiness of each customer in advance by the credit control departments that are independent of business departments. Accordingly, the Company regularly monitors the condition of credit limits and the situation of collection of receivables, and reviews time to time the situation of overdue receivables. For guarantees undertaken for customers other than the Company's group companies as of March 31, 2009, there have not been any significant contingency which might lead to demands of performance on guarantees.

The amounts that might be recovered from third parties have been excluded from determining the maximum potential amount of future payments. The recoverable amounts were ¥40,553 million ($413 million) and ¥51,549 million at March 31, 2009 and 2008, respectively.

Guarantees with the longest term for indebtedness of equity-method associated companies and customers issued by the Company and its subsidiaries expire on June 30, 2036.

The major equity-method associated companies and customers and the substantial risk of the related guarantees for monetary indebtedness at March 31, 2009 and 2008 were as follows:

	Millions of Yen	Millions of U.S. Dollars		Millions of Yen
	2009			2008
Sakhalin Oil and Gas Development Co., Ltd.	¥14,305	$146	Sakhalin Oil and Gas Development Co., Ltd.	¥18,391
Ningbo Mitsubishi Chemical Co., Ltd.	6,162	63	Famima Credit Corporation	7,469
AI Beverage Holding Co. Ltd.	4,869	50	Ningbo Mitsubishi Chemical Co., Ltd.	6,876
Japan Brazil Paper and Pulp Resources Development Co., Ltd.	3,688	38	Japan Brazil Paper and Pulp Resources Development Co., Ltd.	5,150
Famima Credit Corporation	3,163	32	Baku-Tbilisi-Ceyhan Pipeline Finance B.V.	4,595
Consolidated Grain & Barge Co.	2,945	30	AI Beverage Holding Co. Ltd.	4,572
MOON RISE SHIPPING CO., S.A.	1,622	17	Rabigh Arabian Water and Electricity Company	4,418
Zhejiang Zhongpeng Chemical Company Limited	1,525	16	STAR CHANNEL, INC.	4,077
BEIJING BEER ASAHI CO., LTD.	1,355	14	Consolidated Grain & Barge Co.	3,004
Asahi Breweries Itochu (Holdings) Limited	982	10	Japan Ohanet Oil & Gas Co., Ltd.	2,051

The Company and its subsidiaries were contingently liable in the amounts of ¥172 million ($2 million) and ¥1,097 million for the trade notes receivable endorsed to suppliers in the settlement of accounts payable and discounted trade notes receivable on a recourse basis with banks at March 31, 2009 and 2008, respectively. The amounts of export bills of exchange discounted with banks in the ordinary course of business were ¥65,978 million ($672 million) and ¥78,119 million at March 31, 2009 and 2008, respectively.

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

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

26. Subsequent Events

The Company issued 1.49% Yen Bonds due 2014 in Japan in an aggregate amount of ¥25,000 million ($255 million) on May 25, 2009, in accordance with an approved resolution of the Board of Directors held on June 20, 2008.

At the ordinary general meeting of shareholders held on June 24, 2009, the Company was authorized to pay a cash dividend of ¥8.0 ($0.08) per share, or a total of ¥12,654 million ($129 million) to shareholders of record on March 31, 2009. The effective date of the dividend payment is June 25, 2009.

27. Restatement of Financial Statements

Regarding certain tri-nation trade transactions in which the Company purchased heavy machinery, mechanical equipment and materials (the products) from overseas suppliers and sold them to customers in Mongolia, the Company determined that certain of the transactions were in substance financial assistance schemes (loan transactions) even though the legal form was a sales transaction with no actual delivery of the products.

In accordance with SFAS 154 "Accounting Changes and Error Corrections," the Company has restated the accompanying consolidated financial statements for previous fiscal years as a correction of an error. In particular the cumulative effect of ¥2,439 million (decrease) at April 1, 2006 was reflected as an adjustment to "Other retained earnings: Balance at beginning of year" at April 1, 2006 in the Consolidated Statements of Stockholders' Equity.

The effects of the restatement were as follows:

	Millions of Yen			
	2008		2007	
	As previously reported	As restated	As previously reported	As restated
Consolidated Balance Sheets:				
Trade receivables:				
Accounts	¥1,391,211	¥1,390,770		
Net trade receivables	1,564,876	1,564,435		
Other current assets	242,103	257,900		
Total current assets	3,094,486	3,109,842		
Deferred tax assets, non-current	49,452	52,875		
Total assets	5,255,420	5,274,199		
Trade payables:				
Accounts	1,133,683	1,133,282		
Total trade payables	1,285,724	1,285,323		
Other current liabilities	199,302	223,408		
Total current liabilities	2,189,458	2,213,163		
Retained earnings:				
Other retained earnings	657,683	652,757		
Total stockholders' equity	978,471	973,545		
Total liabilities and stockholders' equity	5,255,420	5,274,199		
Consolidated Statements of Income:				
Revenue:				
Trading margins and commissions on trading transactions	¥ 627,687	¥ 626,330	¥ 552,352	¥ 551,187
Total revenue	2,861,210	2,859,853	2,647,202	2,646,037
Gross trading profit	995,904	994,547	908,676	907,511
Other–net	833	14	3,099	2,225
Income before income taxes, minority interests and equity in earnings (losses) of associated companies	282,707	280,531	300,230	298,191
Income taxes:				
Deferred	30,078	29,186	8,665	7,829
Total income taxes	122,000	121,108	88,926	88,090
Income before minority interests and equity in earnings (losses) of associated companies	160,707	159,423	211,304	210,101
Net income	218,585	217,301	177,059	175,856
Net income per common share (Yen)	¥138.27	¥137.46	¥111.95	¥111.19
Diluted net income per common share (Yen)	128.52	127.71	111.95	111.19
Consolidated Statements of Stockholders' Equity:				
Retained earnings:				
Other retained earnings:				
Balance at beginning of year	¥469,736	¥466,094	¥310,261	¥307,822
Net income	218,585	217,301	177,059	175,856
Balance at end of year	657,683	652,757	469,736	466,094
Total stockholders' equity	978,471	973,545	896,195	892,553
Comprehensive income:				
Net income	218,585	217,301	177,059	175,856
Total comprehensive income	110,274	108,990	224,510	223,307
Consolidated Statements of Cash Flows:				
Cash flows from operating activities:				
Net income	¥ 218,585	¥ 217,301	¥ 177,059	¥ 175,856
Adjustments to reconcile net income to net cash provided by operating activities:				
Deferred income taxes	30,078	29,186	8,665	7,829
Change in assets and liabilities:				
Trade receivables	(162,053)	(162,395)	(106,945)	(106,162)
Trade payables	(19,939)	(19,628)	125,348	124,636
Other–net	30,611	32,818	37,628	39,596

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
ITOCHU Corporation:

We have audited the accompanying consolidated balance sheets of ITOCHU Corporation and subsidiaries (the "Company") as of March 31, 2009 and 2008, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended March 31, 2009 (all expressed in Japanese yen). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion in accordance with attestation standards established by the American Institute of Certified Public Accountants on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of ITOCHU Corporation and subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13 to the consolidated financial statements, effective March 31, 2007, the Company changed its method of accounting for defined benefit pension and other postretirement plans to conform to Financial Accounting Standards Board Statement No. 158.

As discussed in Note 27 to the consolidated financial statements, the accompanying consolidated balance sheet as of March 31, 2008 and the consolidated statements of income, stockholders' equity, and cash flows for the years ended March 31, 2008 and 2007 have been restated.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 12, 2009, except for Note 26, as to which the date is June 24, 2009

NOTE TO READERS:
Notwithstanding the second paragraph of the Independent Auditors' Report, Deloitte Touche Tohmatsu ("DTT") has performed an audit of management's report on internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act of Japan. A translated copy of management's report on ICFR along with a translated copy of DTT's report is included within this annual report as information for readers.

Internal Controls Over Financial Reporting in Japan

The Financial Instruments and Exchange Act in Japan ("the Act") requires the management of Japanese public companies to annually evaluate whether internal controls over financial reporting ("ICFR") are effective as of each fiscal year-end and to disclose the assessment to investors in "Management Internal Control Report." The Act also requires that the independent auditors of the financial statements of these companies report on management's assessment of the effectiveness of ICFR in an Independent Auditors' Report ("indirect reporting"). Under the Act these reports are required for fiscal years beginning on or after April 1, 2008.

We have thus evaluated its internal controls over financial reporting as of March 31, 2009 in accordance with "The Standards and Practice Standards for Management Assessment and Audit of Internal Control Over Financial Reporting" published by the Business Accounting Council.

As a result of conducting an evaluation of internal controls over financial reporting in the fiscal year ended March 31, 2009, we concluded that its internal control system over financial reporting as of March 31, 2009 was effective and reported such in its Management Internal Control Report.

Our Independent Auditors, Deloitte Touche Tohmatsu, performed an audit of the Management Internal Control Report under the Act.

An English translation of the Management Internal Control Report and the Independent Auditors' Report filed under the Act is attached on the following pages.

ITOCHU Corporation

NOTE TO READERS:

Following is an English translation of management's report on internal control over financial reporting ("ICFR") filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

There are differences between management assessment of ICFR under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the attestation standards established by the American Institute of Certified Public Accountants ("AICPA").

In management assessment of ICFR under FIEA, there is detailed guidance on the scope of management assessment of ICFR such as quantitative guidance on business location selection and/or account selection. In management assessment of ICFR under the attestation standards established by the AICPA, there is no such detailed guidance. Accordingly, based on the quantitative guidance which provides an approximate measure for the scope of assessment of internal control over business processes, we used a measure of more than two thirds of revenue and gross trading profit for the selection of significant locations and business units. We included in the scope of assessment, at the selected significant locations and/or business units, business processes relating to revenue, gross trading profit, accounts receivable, inventories, and investments as significant accounts that may have a material impact on the business objectives of the Company.

(TRANSLATION)

1. [Matters relating to the basic framework for internal control over financial reporting]

Eizo Kobayashi, President & Chief Executive Officer and Tadayuki Seki, Chief Financial Officer are responsible for designing and operating effective internal control over financial reporting of our company (the "Company") and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "The Standards and Practice Standards for Management Assessment and Audit of Internal Control Over Financial Reporting" published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that material misstatements may not be completely prevented or detected by internal control over financial reporting.

2. [Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures]

The assessment of internal control over financial reporting was performed as of March 31, 2009, 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 ("entity-level controls") and based on the results of this assessment, we selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method associated companies, from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts on financial reporting based upon four key financial figures: "Revenue", "Gross trading profit", "Total assets" (for equity-method associated companies, carrying amount of investments in associated companies), and summation of "Income before income taxes, minority interests and equity in earnings of associated companies" and "Equity in earnings of associated companies" before elimination of inter-company transactions for the year ended March 31, 2009. The Company and 152 consolidated subsidiaries and equity-method associated companies (the "152 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 152 entities, we reasonably determined the required scope of assessment of internal controls over business processes.

(Note) The 152 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 152 entities, however we included major special purpose entities into the scope of assessment. Regarding entities other than the 152 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 38 entities as "significant locations and/or business units". We verified that combined revenue and gross trading profit of in-scope entities exceeded two thirds of totals for the year ended March 31, 2009. We included in the scope of assessment, at the selected significant locations and/or business units, business processes relating to revenue, gross trading profit, accounts receivable, inventories, and investments as significant accounts that may have a material impact on the business objectives of the Company.

3. [Matters relating to the results of the assessment]

As a result of the assessment described above, as of the end of this fiscal year, we concluded that the Company's internal control over financial reporting was effectively maintained.

4. [Remarks]

We have nothing to be reported as remarks.

5. [Points to be noted]

We have nothing to be reported as points to be noted.

NOTE TO READERS:

Following is an English translation of the Independent Auditors' Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

There are differences between an audit of internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the attestation standards established by the American Institute of Certified Public Accountants ("AICPA").

In an audit of ICFR under FIEA, the auditors express an opinion on management's report on ICFR, and do not express an opinion on the Company's ICFR directly. In an audit of ICFR under the attestation standards established by the AICPA, the auditors express an opinion on the Company's ICFR directly. Also in an audit of ICFR under FIEA, there is detailed guidance on the scope of an audit of ICFR, such as quantitative guidance on business location selection and/or account selection. In an audit of ICFR under the attestation standards established by the AICPA, there is no such detailed guidance. Accordingly, based on the quantitative guidance which provides an approximate measure for the scope of assessment of internal control over business processes, we used a measure of more than two thirds of revenue and gross trading profit for the selection of significant location and business units. The auditors included in the scope of assessment, at the selected significant locations and/or business units, business processes relating to revenue, gross trading profit, accounts receivable, inventories, and investments as significant accounts that may have a material impact on the business objectives of the Company.

(TRANSLATION)

INDEPENDENT AUDITORS' REPORT

(filed under the Financial Instruments and Exchange Act of Japan)

June 24, 2009

To the Board of Directors of ITOCHU Corporation.

Deloitte Touche Tohmatsu

Designated Partner,
Engagement Partner,
Certified Public Accountant: Yoshitsugu Oba

Designated Partner,
Engagement Partner,
Certified Public Accountant: Masahiro Ishizuka

Designated Partner,
Engagement Partner,
Certified Public Accountant: Koichi Okubo

[Audit of Financial Statements]

Pursuant to the first paragraph of Article 1932 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated balance sheet and the related consolidated statements of income, stockholders' equity and cash flows, and consolidated supplementary schedules of ITOCHU Corporation and subsidiaries for the fiscal year from April 1, 2008 to March 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ITOCHU Corporation and subsidiaries as of March 31, 2009, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America (refer to "Basis of presenting consolidated financial statements").

[Audit of Internal Control over Financial Reporting]

Pursuant to the second paragraph of Article 1932 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of ITOCHU Corporation and subsidiaries as of March 31, 2009.
The Company's management is responsible for designing and operating effective internal control over financial reporting and preparing its report on internal control over financial reporting. Our responsibility is to express an opinion on management's

report on internal control over financial reporting based on our audit. There is a possibility that material misstatements will not completely be prevented or detected by internal control over financial reporting.

We conducted our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control over financial reporting is free of material misstatement. An audit includes examining, on a test basis, the scope, procedures and results of assessment of internal control made by management, as well as evaluating the overall presentation of the management's report on internal control over financial reporting. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of ITOCHU Corporation and subsidiaries as of March 31, 2009 is effectively maintained, presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Our firm and the engagement partners do not have any financial interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Law.

(The above represents a translation, for convenience only, of the original report issued in the Japanese language.)

Supplemental Oil and Gas Information (Unaudited)

The Company and its subsidiaries' oil and gas exploration, development and production activities are conducted through subsidiaries and associated companies in offshore and onshore areas of the U.K. North Sea, America, Africa, and the area of Caspian Sea and Pacific Rim. Supplementary information on the subsidiaries and associated companies presented below is prepared in accordance with the requirements prescribed by SFAS No. 69, "Disclosure about Oil and Gas Producing Activities," as of March 31, 2009, 2008 and 2007:

The Company and its subsidiaries have changed the method of presentations from this annual report. Accordingly, reclassifications have been made to prior year amounts.

Table 1: Capitalized Costs Relating to Oil and Gas Producing Activities

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
Unproved oil and gas properties	¥ 18,884	¥ 29,285	¥ —	$ 192
Proved oil and gas properties	152,189	194,357	153,897	1,550
Subtotal	¥171,073	¥223,642	¥153,897	$1,742
Accumulated depreciation, depletion, amortization and Valuation allowance	(78,448)	(96,059)	(76,481)	(799)
Net capitalized costs	¥ 92,625	¥127,583	¥ 77,416	$ 943
The Company's share of associated companies' net capitalized costs	¥ 5	¥ 4	¥ —	$ 0

Table 2: Costs Incurred in Oil and Gas Property Acquisition, Exploration and Development Activities

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
Acqiusition of proved properties	¥17,615	¥26,076	¥ —	$179
Acqiusition of unproved properties	—	30,541	—	—
Exploration costs	1,685	2,253	—	17
Development costs	32,658	19,061	16,231	333
Total costs incurred	¥51,958	¥77,931	¥16,231	$529
The Company's share of associated companies' costs of property acquisition, exploration and development	¥ 30	¥ 959	¥ —	$ 0

Table 3: Results of Operations for Producing Activities

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	2009
Revenues:				
Sales to unaffiliated companies	¥ 21,082	¥21,543	¥16,359	$ 214
Sales to affiliated companies	52,924	73,310	61,349	539
Total Revenues	¥ 74,006	¥94,853	¥77,708	$ 753
Expenses:				
Production costs	¥ 13,185	¥18,680	¥32,617	$ 134
Exploration expenses	28	1,376	—	0
Depreciation, depletion, amortization and valuation allowances	52,415	23,106	13,533	534
Income tax expenses	19,285	22,689	13,231	196
Total Expenses	¥ 84,913	¥65,851	¥59,381	$ 864
Results of operations from producing activities (excluding corporate overhead and interest costs)	¥(10,907)	¥29,002	¥18,327	$(111)
The Company's share of associated companies' result of operations from producing activities	¥ (30)	¥ (955)	¥ —	$ (0)

Table 4: Reserve Quantity Information

In accordance with U.S. GAAP, the following table describes proved oil reserves and changes for the years ended March 31, 2009, 2008 and 2007 and proved gas reserves and changes for the years ended March 31, 2009 and 2008.

	Crude Oil (Millions of Barrels)			Natural Gas (Billions of Cubic Feet)	
	2009	2008	2007	**2009**	2008
Proved developed and undeveloped reserves:					
Beginning of year	**70**	80	81	**31**	—
Revision of previous estimates	**8**	(1)	7	**(8)**	—
Extensions and discoveries	**0**	—	—	**0**	—
Purchases	**—**	2	—	**—**	34
Production	**(7)**	(11)	(8)	**(3)**	(3)
End of year	**71**	70	80	**20**	31
Proved developed reserves–end of year	**20**	27	30	**17**	24

Table 5: Standardized Measure of Discounted Future Net Cash Flows and Changes therein Relating to Proved Oil and Gas Reserves

In accordance with U.S. GAAP, a standardized measure of discounted future net cash flows relating to the proved reserve quantities is based on prices and costs at the end of the year, currently enacted tax rates and a 10% annual discount rate. The oil activities' standardized measure of discounted future net cash flows includes the full committed costs of development and operation for the asset under the Production Sharing Agreement.

On the other hand, revenues are registered only in relation to the currently estimated proved reserves stated in Table 4 (Reserve Quantity Information). Estimates of proved reserve quantities may change over time as new information becomes available. Consequently, the information provided here does not represent management's estimate of the Company and its subsidiaries' expected future cash flows or value of the proved reserves.

(1) Standardized Measure of Discounted Future Net Cash Flows

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	**2009**
Future cash inflows	**¥ 257,718**	¥ 776,530	¥ 503,577	**$ 2,623**
Future production costs	**(127,055)**	(193,027)	(79,680)	**(1,293)**
Future development costs	**(68,566)**	(97,195)	(68,518)	**(698)**
Future income tax expenses	**(18,214)**	(194,185)	(132,929)	**(185)**
Undiscounted future net cash flows	**43,883**	292,123	222,450	**447**
10% annual discount for estimated timing of cash flows	**(17,177)**	(117,591)	(88,826)	**(175)**
Standardized measure of discounted future net cash flows	**¥ 26,706**	¥ 174,532	¥ 133,624	**$ 272**

(2) Details of Changes for the Year

	Millions of Yen			Millions of U.S. Dollars
	2009	2008	2007	**2009**
Discounted future net cash flows at April 1	**¥ 174,532**	¥133,624	¥145,902	**$ 1,777**
Sales and transfer of oil and gas produced, net of production costs	**(58,310)**	(75,125)	(47,948)	**(593)**
Development costs incurred	**13,352**	16,375	13,990	**136**
Purchases of reserves	**—**	22,584	—	**—**
Net changes in prices, development and production costs	**(187,112)**	118,773	(31,949)	**(1,905)**
Extensions, discoveries and improved recovery, less related costs	**(467)**	3,607	—	**(5)**
Revisions of previous quantity estimates	**(18,887)**	(19,260)	22,036	**(192)**
Accretion of discount (10%)	**29,215**	21,352	22,956	**297**
Net changes in income taxes	**95,293**	(39,648)	6,386	**970**
Difference of foreign exchange rates	**(20,910)**	(7,750)	2,251	**(213)**
Discounted future net cash flows at March 31	**¥ 26,706**	¥174,532	¥133,624	**$ 272**

Corporate Information

As of March 31, 2009

Company Name:

ITOCHU Corporation

Founded:

1858

Incorporated:

1949

Common Stock:

¥202,241 million

Tokyo Head Office:

5-1, Kita-Aoyama 2-chome,
Minato-ku, Tokyo 107-8077, Japan
Telephone: 81 (3) 3497-2121
Facsimile: 81 (3) 3497-4141

Osaka Head Office:

1-3, Kyutaromachi 4-chome,
Chuo-ku, Osaka 541-8577, Japan
Telephone: 81 (6) 6241-2121

Homepage:

http://www.itochu.co.jp/main/index_e.html

(Investor Information)
http://www.itochu.co.jp/main/ir/index_e.html

Offices:

Domestic: 15
Overseas: 139

Number of Employees:

Consolidated*: 55,431
Non-consolidated: 4,175

*The number of consolidated employees is based on actual working employees excluding temporary staff.

Stock Information

As of March 31, 2009

Transfer Agent of Common Stock:

The Chuo Mitsui Trust & Banking Co., Ltd.

Stock Listings:

Tokyo, Osaka, Nagoya, Fukuoka, Sapporo

General Meeting of Stockholders:

June 24, 2009

Number of Common Stock Issued:

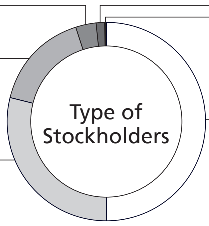
1,584,889,504

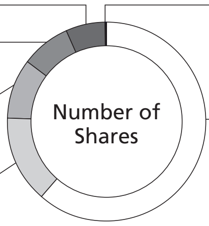
Number of Stockholders:

113,305

Breakdown of Stockholders:

% (Number of Stockholders)





Major Stockholders:

Stock holders	Number of stocks held (1,000 shares)	Stock holding ratio (%)
Japan Trustee Services Bank, Ltd. (trust account)	120,414	7.60
Japan Trustee Services Bank, Ltd. (trust account 4G)	110,749	6.99
The Master Trust Bank of Japan, Ltd. (trust account)	93,608	5.91
Mitsui Sumitomo Insurance Co., Ltd.	48,650	3.07
Nippon Life Insurance Company	41,057	2.59
Tokio Marine & Nichido Fire Insurance Co., Ltd.	39,797	2.51
NIPPONKOA Insurance Co., Ltd.	39,748	2.51
Asahi Mutual Life Insurance Company	27,530	1.74
Mizuho Corporate Bank, Ltd.	20,703	1.31
Sumitomo Mitsui Banking Corporation	20,667	1.30

Shaping the Future

ITOCHU Corporation

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