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

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Six-Year Summary

ITOCHU Corporation and Subsidiaries
Years ended March 31

Years ended March 31	Millions of Yen 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)	Millions of U.S. Dollars (Note 5) 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	Billions of Yen 2008 As restated	Billions of Yen 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.

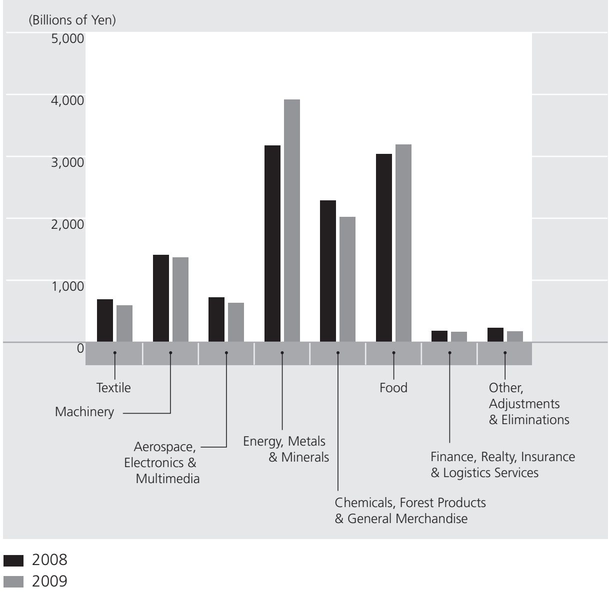
Machinery

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

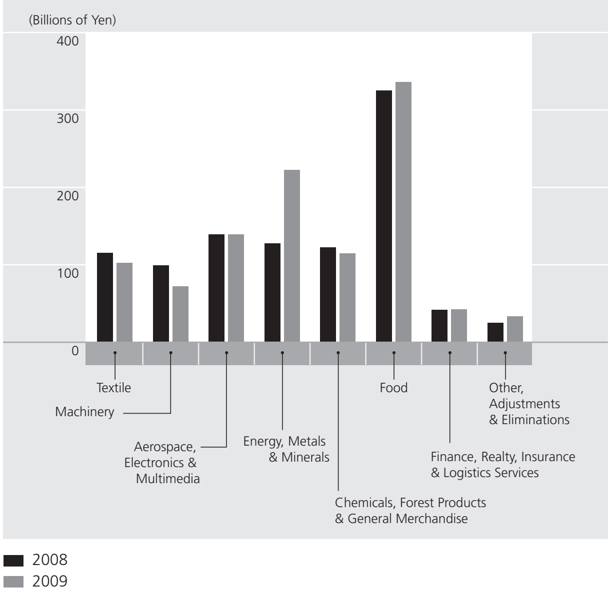
Trading transactions decreased by 12.3%, or ¥88.9 billion, to ¥633.8 billion (US$6,452 million), due to adoption of new sales system for domestic mobile phones sales business, absence of the previous major aircraft-related project, and low performances by domestic information technology related business. 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



* For Fiscal Years

Gross Trading Profit by Operating Segment



* For Fiscal Years

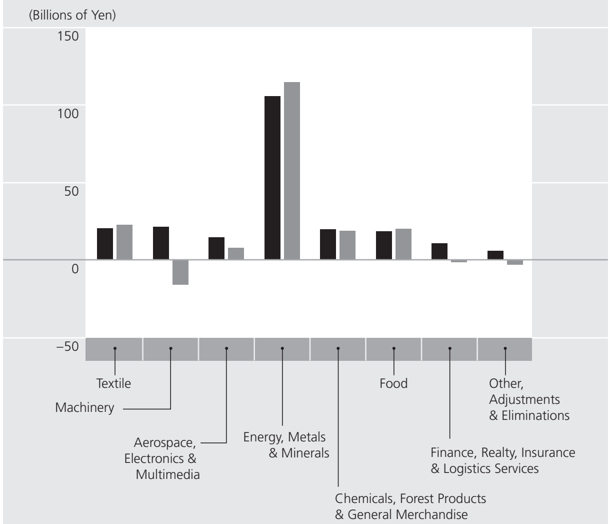
Energy, Metals & Minerals
Trading transactions decreased by 23.5%, or ¥746.5 billion, to ¥3,916.8 billion (US$39,873 million), due to the effect from acquisition of ITOCHU ENEX CO., LTD. and the rise of metal resource prices. Gross trading profit increased by 74.4%, or ¥94.8 billion, to ¥222.3 billion (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.

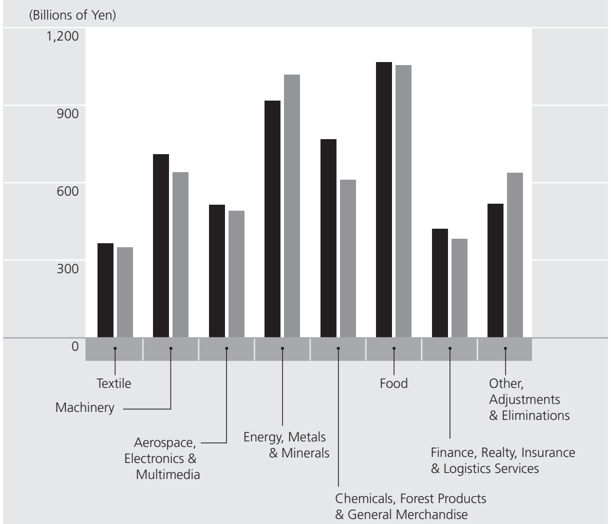
Finance, Realty, Insurance & Logistics Services
Trading transactions decreased by 8.1%, or ¥14.8 billion, to ¥167.3 billion (US$1,703 million), due to a decrease in sales of real estate inventory. Gross trading profit increased by 1.6%, or ¥0.7 billion, to ¥42.0 billion (US$428 million), due to the absence 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.

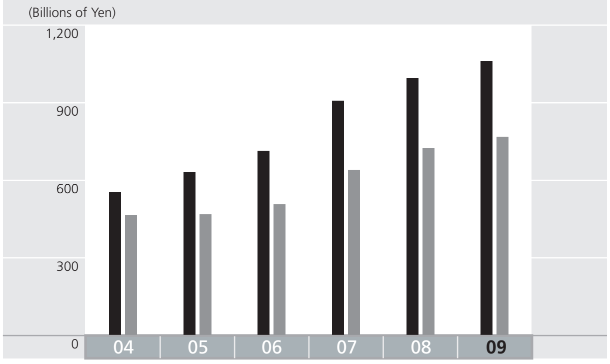
In the fiscal year, ended March 31, 2009, "Sales revenue" on a gross basis was ¥2,821.6 billion (US$28,724 million) and "Trading margins and commissions on trading transactions" were ¥597.5 billion (US$6,083 million). Total revenue increased by 19.6% or ¥559.2 billion to ¥3,419.1 billion (US$34,807 million). 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.

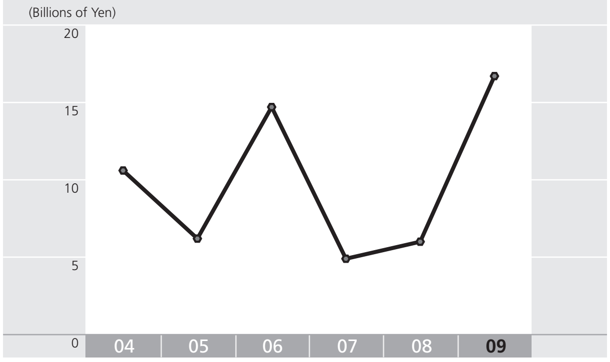
Selling, General and Administrative Expenses
Selling, general and administrative expenses increased by 6.2% or ¥44.7 billion to ¥768.1 billion (US$7,820 million), because of an increase caused by expansion of business, a rise in retirement benefit cost, and an increase accompanying the newly consolidation 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.

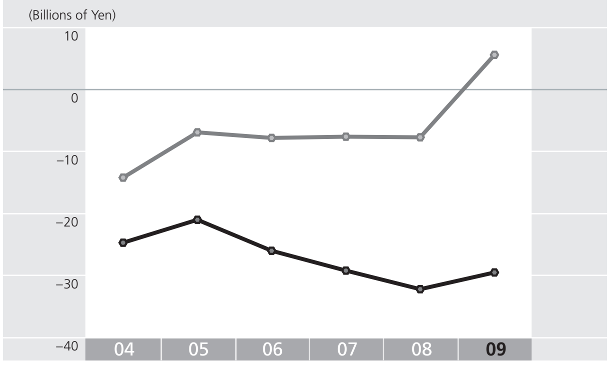
Further, dividends received increased by 43.3% or ¥10.6 billion to ¥35.0 billion (US$357 million), due to contribution of higher dividends from LNG-related investments and the dividends received from pipeline-related businesses.

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

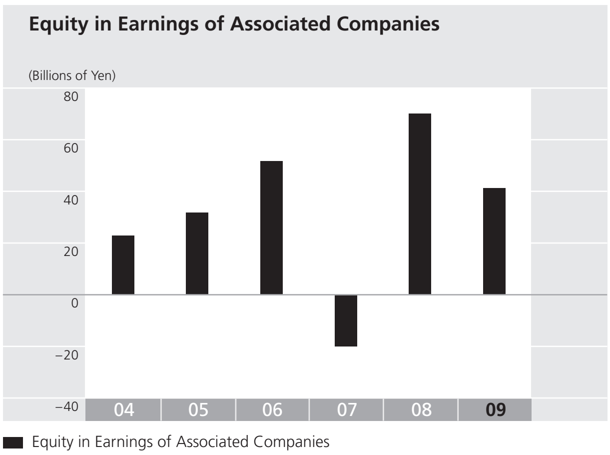
Equity in earnings of associated companies decreased by 41.2%, or ¥28.9 billion to ¥41.3 billion (US$421 million). That decrease resulted from a decrease in equity in earnings of Orico due to the absence of a ¥26.1 billion net gain in the previous fiscal year (please refer to Note 3 in "Business Results 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.

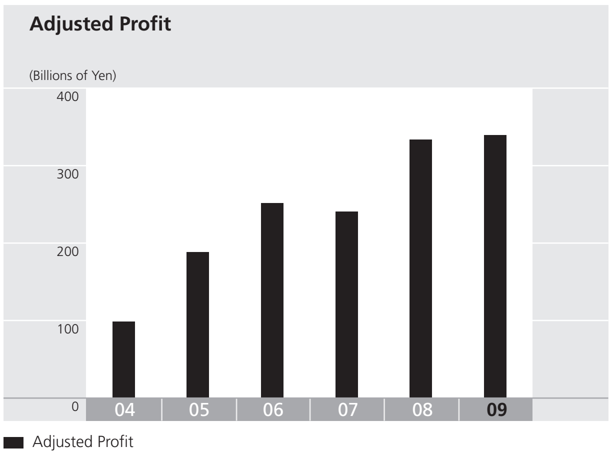
Adjusted profit

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.



* For Fiscal Years



* 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.

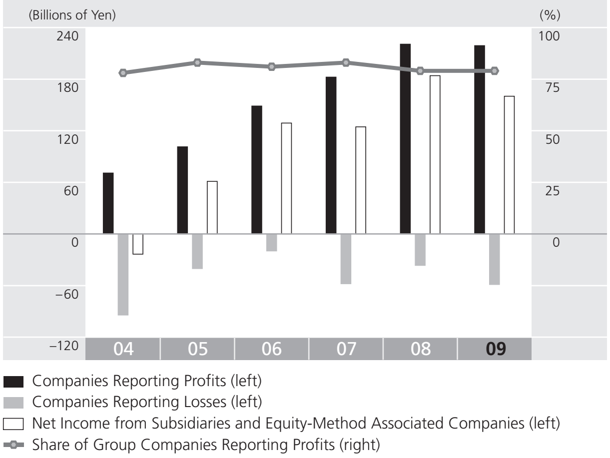
Share of Group Companies Reporting Profits

	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



* For Fiscal Years

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

Major Group Companies Reporting Profits

Years ended March 31	Shares	Net Income (Loss) *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.

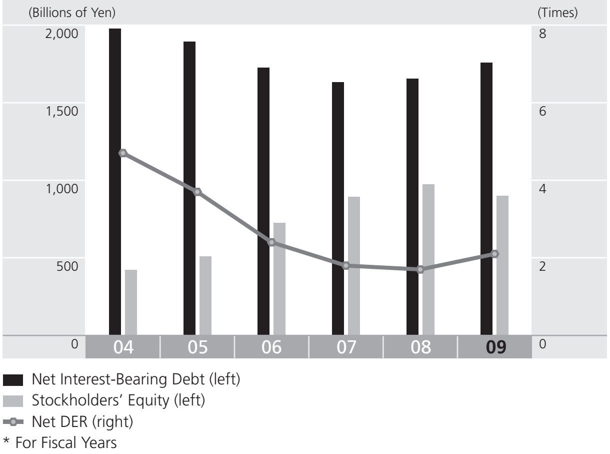
Thereby, interest-bearing debt as of March 31, 2009 increased by ¥284.9 billion to ¥2,389.3 billion (US$24,325 million) compared with the previous fiscal year-end. Net interest-bearing debt, after deducting cash and cash equivalents and time deposits, increased by ¥102.2 billion, to ¥1,756.8 billion (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**