Brand-new Deal 2012

ANNUAL REPORT 2011

For the Year ended March 31, 2011

ITOCHU Corporation

Contents

Brand-new Deal 2012

We named our new Medium-Term Management Plan “Brand-new Deal 2012” based on our resolve to reshape ITOCHU entirely, making a break from the past. The phrase combines “brand-new” meaning entirely fresh, with “new deal” meaning new strategies or initiatives, and we will aim to use this as ITOCHU’s new slogan.

Focusing on the new medium-term management plan, this annual report explains clearly business results for fiscal 2011, specific growth strategies going forward, and ITOCHU’s advantages, using diagrams and photographs. We hope *Annual Report 2011* furthers understanding of our company among investors and other stakeholders.

Our Mission and Values~The ITOCHU Group Corporate Philosophy~

ITOCHU Mission

Committed to the Global Good

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

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

ITOCHU Values

- Visionary
- Integrity
- Diversity
- Passion
- Challenge

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

Growth Model

Tireless Business Creation

Evolving into a Business-Creating Company

From intermediary to creator, from a single approach to a multifaceted approach—amid volatile business conditions, ITOCHU Corporation has tirelessly developed its unique growth model while constantly creating new businesses.

Discovering Markets and Creating Businesses

ITOCHU has developed its growth model flexibly in response to dramatic changes in the business conditions it faces—such as structural change in the global economy and increasingly borderless markets.

Traditionally, our business model has centered on businesses that are market intermediaries. In other words, businesses linking suppliers with users have accounted for the majority of operations.

Currently, we are looking for potential markets (business seeds) to actively build businesses ourselves going forward.

After identifying a market, in light of our expertise and experience as well as market characteristics, we will create businesses in optimal business areas that include raw material production, processing or manufacturing, wholesale and distribution, and retail.

Diversifying Participation Formats

When creating businesses, we will take into consideration market and business characteristics as well as earning opportunities and risks, and then participate in new areas in the most appropriate way and heighten our overall business coordination capabilities. Our options will include tie-ups with competitive partners, strengthening tie-ups and stabilizing businesses through capital investment, and participating in management or making companies into subsidiaries with a view to generating revenue synergistically or optimizing overall business.

Continuous Asset Replacement for Enhancing Asset Efficiency

Management risk grows as we increase our commitment to a market through business investment. In some cases, business projects may not produce the results we initially expected. We will always scrutinize the strategic relevance of each business investment and seek to replace assets continuously to maintain and enhance asset efficiency.

Traditional Intermediary Businesses

Raw material / Production

CGB (Grain Handling & Logistics Company in the U.S.)

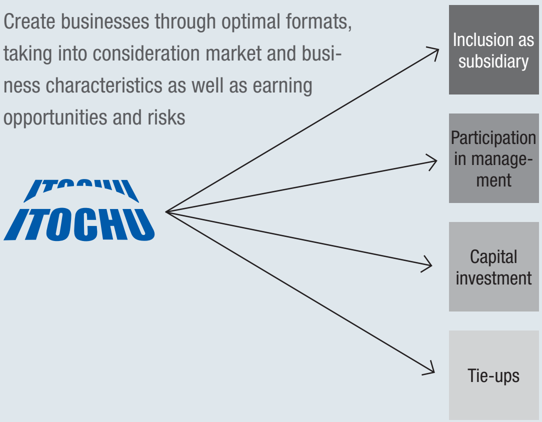
Mt. Newman JV Iron Ore Mines in Western Australia (Developing metals and mineral resources)

Processing / Manufacturing

Marubeni-Itochu Steel Inc. (Import / export and processing of steel products)

Methanol Plant in Brunei (Manufacture of methanol)

Diverse Participation Formats



Replacing Assets Continuously

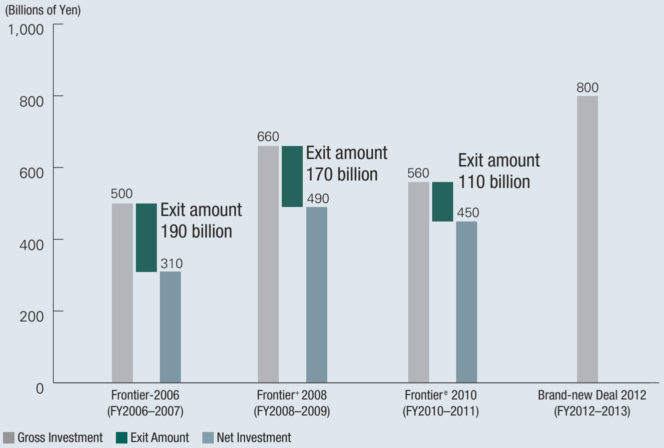


Image on page 5

1. NAMISA Iron Ore Mines in Brazil (Developing metals and mineral resources)
2. renoma (Brand business in China with Shanshan Group Co., Ltd.)
3. EGT (Grain Export Terminal on the West Coast in the U.S.)
4. Kwik-Fit (Tyre retail business in the U.K.)
5. CPV Keenan II LLC (Wind Power Generation Business in North America)
6. FamilyMart store in China (CVS business with the Ting Hsin International Group)
7. DEAN & DELUCA (Lifestyle brand business)

Create new businesses

Discover new market

Accumulate further resources and expertise
Increase market presence

Maximize business value by mobilizing comprehensive capabilities

Create new businesses by exploiting resources and expertise

Raw material / Production

Processing / Manufacturing

Pursuing Multifaceted Business Expansion

ITOCHU will expand its earning opportunities based on a multifaceted approach that develops businesses in upstream areas, enter downstream areas, extend product lineups, and expand businesses regionally, taking advantage of the knowledge, expertise, and market presence, garnered through the pursuit of added value in existing businesses. Continuously repeating this process will ensure that the ITOCHU Group's business portfolio constantly evolves to reflect market demand.

(For specific examples in each segment, please see the "The Growth Strategies" sections of "Division Companies" on pages 34 through 54.)

Market discovery

Wholesale / Distribution

Retail

Wholesale / Distribution

Automobile & Construction Machinery Division (Automobile trade & sales)

Stapleton's (Tyre Services) Ltd. (Wholesale and retail tyre business in the U.K.)

Retail

Paul Smith (Brand business)

FamilyMart store in Japan (CVS business in Japan)

1


renoma
renoma
PARIS

2

3


KwikFit

4

5


全家 FamilyMart
FamilyMart
我爱上海

6


DEAN & DELUCA
DEAN & DELUCA

7

Strengthening Profitability and Financial Base

Improvement of profitability
—Gross trading profit

2007–2011 average

¥985.8 Billion

2002–2006 average
¥608.8 Billion

* For fiscal year

Improvement of profitability
—Net income attributable to ITOCHU

2007–2011 average

¥169.4 Billion

2002–2006 average
¥47.8 Billion

* For fiscal year

Robust financial base
—NET DER

2011

1.4 Times

2002
5.8 Times

* As of March 31

Cash-generation capabilities
—Cash Flows from operating activities

2007–2011 average

¥242.2 Billion

2002–2006 average
¥176.6 Billion

* For fiscal year

Improvement of capital efficiency
—ROE

2007–2011 average

17.9 %

2002–2006 average
10.3 %

* For fiscal year

Enhancement of distribution of returns of stockholders
—Dividends

2007–2011 average

¥16.7

2002–2006 average
¥5.2

* For fiscal year

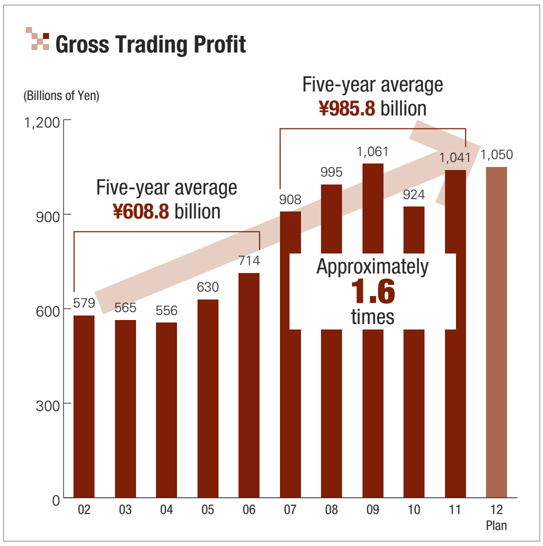
Strengthening Profitability and Financial Base

ITOCHU's earning capabilities, financial soundness, and capital efficiency have improved beyond recognition over the past 10 years.
We have completed preparations for shifting to a phase of even stronger growth.

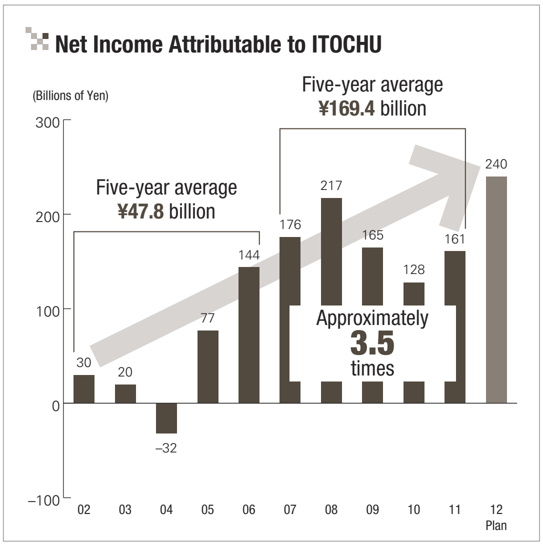
Improving Profitability

Growth Yardsticks—Gross Trading Profit and Net Income Attributable to ITOCHU

The past decade has seen ITOCHU's earning capabilities grow dramatically. ITOCHU has undergone a transformation since the late 1990s by reducing underperforming or inefficient assets while concentrating investment on growth areas—such as the Natural Resource / Energy-Related Sector and China—and areas in which it has strengths, such as the Consumer-Related Sector.



Years ended March 31

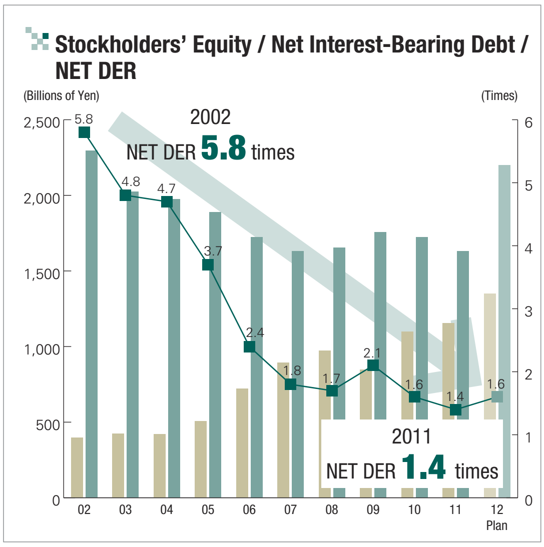


Years ended March 31

Building a Robust Financial Base to Proactively Seek New Opportunities

Financial Soundness Benchmark—NET DER

Establishing NET DER as an important indicator in financial soundness, ITOCHU has strengthened its financial position by the reduction of interest-bearing debt and increasing stockholders' equity through the accumulation of earnings. NET DER has improved significantly from more than 13.7 times in fiscal 1999 to a record low of 1.4 times in fiscal 2011. Even in phases of expanding investment, we will maintain and improve financial soundness by keeping NET DER between 1.5 times and 2.0 times.

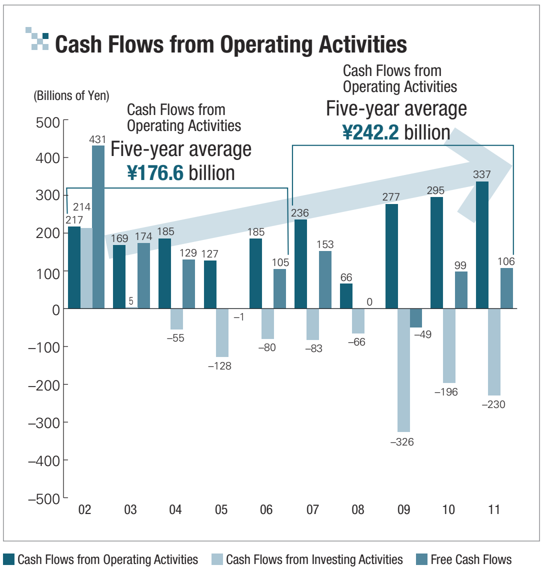


As of March 31

Cash-Generation Capabilities Support Aggressive Investment

Cash Flows from Operating Activities

ITOCHU has ensured cash flows from operating activities by accumulating earnings, monitoring the collection of receivables from customers stringently, and heightening the dividend payout ratios of equity-method affiliates. The resulting abundant cash flows have enabled recent major investment initiatives.

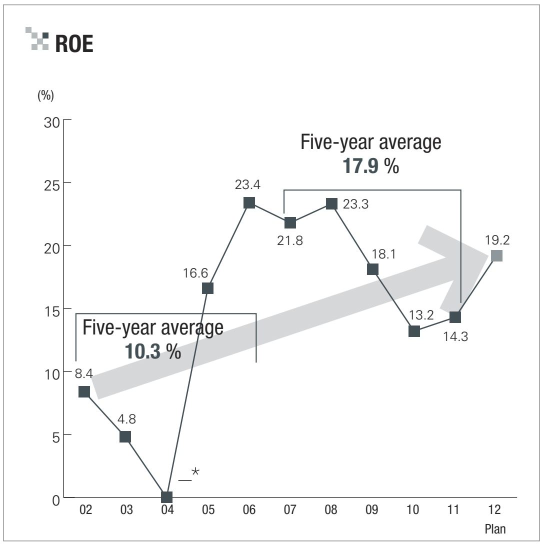


Years ended March 31

Improving Capital Efficiency

Capital Efficiency Benchmark—ROE

We have raised ROE by taking into account capital efficiency through the corporate-wide portfolio management. Having gone through an adjustment since the financial turmoil in fiscal 2009, ROE is expected to recover and once again rise above 15%. While enriching stockholders' equity, we intend to keep ROE high.



Years ended March 31

* Not available due to net loss

Enhancing Returns to Stockholders

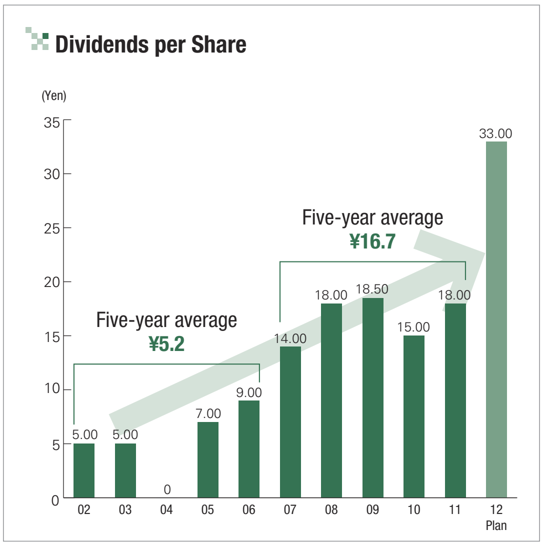
Dividends

Consistent and stable distribution of returns to stockholders has long been ITOCHU's basic policy. The new medium-term management plan increases the transparency of ITOCHU's stance on distribution of returns by setting out a dividend payout ratio.

Under this medium-term management plan, our annual dividend targets will be:

- a dividend payout ratio of 20% on net income attributable to ITOCHU up to ¥200.0 billion and
- a dividend payout ratio of 30% on the portion of net income attributable to ITOCHU exceeding ¥200.0 billion.

Based on this policy, for fiscal 2012 we plan to pay a full-year cash dividend of ¥33.0 per share, comprising an interim cash dividend and a year-end cash dividend.



Years ended March 31

Consolidated Financial Highlights

ITOCHU Corporation and Subsidiaries
Years ended March 31

	Millions of Yen					Increase (Decrease)	Millions of U.S. Dollars
	2011	2010	2009	2008	2007	2011/2010	2011
For the fiscal year:							
Revenue	¥ 3,649,671	¥ 3,416,637	¥ 3,419,061	¥ 2,859,853	¥ 2,646,037	6.8%	$ 43,893
Gross trading profit	1,041,291	924,366	1,060,521	994,547	907,511	12.6	12,523
Net financial expenses*1	6,770	3,562	5,582	(7,709)	(7,555)	90.1	82
Net interest expenses*2	(16,732)	(25,338)	(29,457)	(32,156)	(29,218)	(34.0)	(201)
Dividends received	23,502	28,900	35,039	24,447	21,663	(18.7)	283
Equity in earnings (losses) of associated companies	60,617	36,269	41,304	70,238	(20,069)	67.1	729
Net income attributable to ITOCHU	160,975	128,153	165,390	217,301	175,856	25.6	1,936
At fiscal year-end:							
Total assets	¥ 5,673,683	¥ 5,476,847	¥ 5,192,092	¥ 5,274,199	¥ 5,288,647	3.6	$ 68,234
Stockholders' equity	1,154,826	1,098,419	849,411	973,545	892,553	5.1	13,888
Net interest-bearing debt*3	1,633,219	1,726,073	1,756,764	1,654,532	1,630,928	(5.4)	19,642
Cash flows:							
Cash flows from operating activities	¥ 336,868	¥ 295,376	¥ 276,854	¥ 65,552	¥ 235,917	14.0	$ 4,051
Cash flows from investing activities	(230,420)	(196,318)	(326,033)	(65,774)	(83,394)	17.4	(2,771)
Cash flows from financing activities	52,905	(258,987)	258,322	(81,294)	(100,920)	(120.4)	636
Cash and cash equivalents at end of year	630,722	475,674	628,820	446,311	532,856	32.6	7,585
(Reference)							
Total trading transactions*4	¥11,392,589	¥10,306,799	¥12,065,109	¥11,729,082	¥11,556,787	10.5	$137,012
Adjusted profit*5	332,867	194,290	339,292	333,673	240,766	71.3	4,003

All figures are for fiscal years, which begin on April 1 of the years preceding and extend through March 31.
The Japanese yen amounts for the year ended March 31, 2011 have been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥83.15 = U.S.$1, the official rate of The Bank of Tokyo-Mitsubishi UFJ, Ltd., as of March 31, 2011.
*1 Net financial expenses = Net interest expenses + Dividends received
Calculation formula (Fiscal 2011: ¥ million): 6,770 = (16,732) + 23,502
*2 Net interest expenses = Interest income + Interest expense
Calculation formula (Fiscal 2011: ¥ million): (16,732) = 10,278 + (27,010)
*3 Net interest-bearing debt = Interest-bearing debt – Cash, cash equivalents and time deposits
Calculation formula (Fiscal 2011: ¥ million): 1,633,219 = 2,268,361 – 635,142
*4 Total trading transactions consist of sales with respect to transactions in which the companies act as principal and the total amount of transactions in which the companies act as agent.
*5 Adjusted profit = Gross trading profit + Selling, general and administrative expenses + Net financial expenses + Equity in earnings (losses) of associated companies
Calculation formula (Fiscal 2011: ¥ million): 332,867 = 1,041,291 + (775,811) + 6,770 + 60,617

	Yen (Unless otherwise specified)					Increase (Decrease)	U.S. Dollars
	2011	2010	2009	2008	2007	2011/2010	2011
Per share:							
Net income attributable to ITOCHU	¥ 101.84	¥ 81.09	¥ 104.64	¥ 137.46	¥ 111.19	25.6%	$ 1.22
Stockholders' equity	730.65	694.98	537.43	615.89	564.48	5.1	8.79
Cash dividends	18.0	15.0	18.5	18.0	14.0	20.0	0.22
Ratios:							
Gross trading profit ratio (%)	9.1	9.0	8.8	8.5	7.9		
ROA (%)	2.9	2.4	3.2	4.1	3.5		
ROE (%)	14.3	13.2	18.1	23.3	21.8		
Ratio of stockholders' equity to total assets (%)	20.4	20.1	16.4	18.5	16.9		
Net debt-to-equity ratio (NET DER) (times)	1.4	1.6	2.1	1.7	1.8		
Interest coverage (times)	10.7	5.3	7.2	6.2	6.6		

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

Summary of FY2011 Results

Gross trading profit

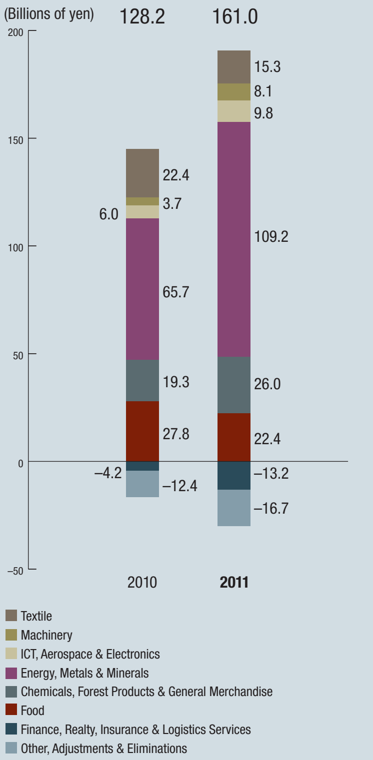
+12.6%

Net income attributable to ITOCHU

+25.6%

- Net income attributable to ITOCHU increased by ¥32.8 billion to ¥161.0 billion.
- Share of Net income attributable to ITOCHU by sector: Natural Resource/Energy-Related, 68% (¥109.2 billion), Consumer-Related, 30% (¥49.2 billion), and Others, 2% (¥2.6 billion).
- Losses from special factors in this fiscal year (after tax effect, net of related profits) includes affiliate-related losses of ¥41.4 billion(liquidation, fixed assets impairment, and impairment losses on investments and others), impairment losses on fixed assets and investments and others of ¥9.7 billion, and inventory-related and fixed-asset-related losses of ¥6.2 billion due to the Great East Japan Earthquake.
- ITOCHU stockholders' equity increased by ¥56.4 billion to ¥1,154.8 billion compared with the prev. FY end. Ratio of stockholders' equity to total assets recorded 20.4%. NET DER recorded 1.4 times.

Net Income Attributable to ITOCHU



Textile

Gross trading profit rose by 24.9%, or ¥25.6 billion, to ¥128.3 billion, due to the acquisitions of JAVA HOLDINGS CO., LTD., and LEILIAN CO., LTD. Net income attributable to ITOCHU decreased by 31.7%, or ¥7.1 billion, to ¥15.3 billion, as a result of sluggish market conditions in the fiscal year under review, the absence of the non-recurring gain recorded in the previous fiscal year, and losses on liquidation of a subsidiary in apparel-related businesses.

Machinery

Gross trading profit rose by 18.1%, or ¥7.8 billion, to ¥51.1 billion, due to a recovery in automobile transactions. Net income attributable to ITOCHU increased by 119.8%, or ¥4.4 billion, to ¥8.1 billion, because cost reductions offset valuation loss on marketable securities and lower equity in earnings of associated companies.

ICT, Aerospace & Electronics

Gross trading profit decreased by 1.8%, or ¥2.4 billion, to ¥134.0 billion, as a result of lower transactions in domestic ICT-related businesses. Net income attributable to ITOCHU was up by 63.6%, or ¥3.8 billion, to ¥9.8 billion, due to cost reductions and higher equity in earnings of associated companies.

Energy, Metals & Minerals

Gross trading profit rose by 49.8%, or ¥70.5 billion, to ¥212.1 billion, which reflected higher prices for mineral resources, oil, and gas. Net income attributable to ITOCHU was up significantly by 66.3%, or ¥43.6 billion, to ¥109.2 billion, due to an increase in gross trading profit in mineral resources, an increase in gain on property and equipment–net from the sale of coal interests, and higher equity in earnings of associated companies, which counteracted impairment losses on oil and gas assets in Australia and the United States.

Chemicals, Forest Products & General Merchandise

Gross trading profit rose by 7.5%, or ¥8.3 billion, to ¥118.3 billion, as a result of the higher prices for natural rubber and pulp and favorable transactions in chemicals, and higher tire sales transactions in Europe. Net income attributable to ITOCHU rose by 34.9%, or ¥6.7 billion, to ¥26.0 billion, because the increase in gross trading profit and higher equity in earnings of associated companies compensated for the absence of the previous fiscal year's gain on bargain purchase in acquisition of C.I. Kasei Co., Ltd.

Food

Gross trading profit remained approximately unchanged, edging up by 0.1%, or ¥0.4 billion, to ¥335.9 billion, because the increase in transaction volume for the food distribution sector counteracted inventory-related losses resulting from the Great East Japan Earthquake. Net income attributable to ITOCHU declined by 19.5%, or ¥5.4 billion, to ¥22.4 billion, as the increase in gross trading profit did not fully offset losses resulting from the Great East Japan Earthquake and lower equity in earnings of associated companies.

Finance, Realty, Insurance & Logistics Services

Gross trading profit rose by 6.2%, or ¥2.2 billion, to ¥37.9 billion, as a decrease in losses on real estate for sale valued using the lower-of-cost-or-market method and higher sales of condominiums compensated for the effect of making a real estate related subsidiary an equity method associated company in the previous fiscal year. Net loss attributable to ITOCHU was up by 210.7%, or ¥8.9 billion, to ¥13.2 billion, due to impairment losses on the common stock and preferred stock of Orient Corporation and restructuring of finance-related affiliates, which offset the increase in gross trading profit.

The Preparations are Complete, and ITOCHU is Now Ready to Proactively Seek New Opportunities.

Since I became CEO in April 2010, I have worked to rapidly implement a wide range of reforms, centered on the theme of "strengthening our front-line capabilities." We have achieved the objective that we set out at the beginning of fiscal 2011—to resolve pending issues by the end of March 2011, and have laid the foundation for proactively seeking new opportunities.

Under Brand-new Deal 2012, the basic policies are to strengthen our front-line capabilities, proactively seek new opportunities, and expand our scale of operations. On that basis, the entire ITOCHU Group will work together to "Earn, Cut, Prevent."

We will do our utmost to meet the expectations of all of our stakeholders.

Masahiro Okafuji President & Chief Executive Officer

Great East Japan Earthquake

First, I would like to offer our deepest condolences to all those who suffered from the Great East Japan Earthquake.

We are praying for the earliest possible recovery for the disaster-stricken areas, and will do everything that we can to provide ongoing support for these areas.

At this point, the overall impact of the earthquake on ITOCHU's results in fiscal 2012 is expected to be minimal. However, the impact on our operations could be more significant if there is no improvement in sluggish domestic consumption and the current electricity shortages in Japan. Moving forward, we will maintain a close watch on the operating environment and implement appropriate responses as needed. If the situation changes, we will provide updates on the ITOCHU web site—http://www.itochu.co.jp/en/news/

ITOCHU—Moving to a New Growth Stage

Since the mid-1990s, ITOCHU has taken steps to improve its balance sheet, such as rigorously disposing of inefficient assets and reducing interest-bearing debt. As we strengthened our balance sheet, conditions in the markets for resources and energy began to improve around the mid-2000s, and we were able to build an earnings platform that can steadily generate profits of more than ¥100 billion a year. We have increased consolidated stockholders' equity more than threefold, from about ¥310 billion at the end of March 2001 to ¥1,150 billion at the end of March 2011. At the same time, we have reduced net interest-bearing debt by about ¥900 billion. Consequently, NET DER (net debt-to-equity ratio) improved substantially, from 8.0 times to 1.4 times. Through the rigorous pursuit of efficiency over the past 10 years, ITOCHU has dramatically improved its financial position.

On the other hand, over the same period, our total assets have increased by only a small margin of 6.0%.

During the 10-year span in which we were focused on reinforcing the strength of our balance sheet, the business environment around the world changed dramatically. In particular, China and other emerging countries have grown to become the engines of global economic growth. The robust demand from these countries for any and all kinds of goods, and the resulting rise in the price of natural resources, have had a major influence on the earnings of all general trading companies. This process of change in the external environment has given rise to an abundance of business opportunities, but the strict operational rules that we had adopted in the pursuit of efficiency ended up hindering our business activities. Consequently, I feel that we may have missed certain opportunities to acquire highly-profitable assets. I also believe that those operational rules were the reason for our relative lack of growth in total assets.

In the changing environment, "to maintain" means "to decay." Now, the financially-strengthened ITOCHU needs to make a transition to more aggressive management, taking on risk that we can reasonably handle and obtaining new sources of earnings. In fiscal 2011, we focused all of our capabilities on preparing for that new stage of growth.

Review of Frontier[e] 2010

"Don't carry pending issues over to the next fiscal year." This was the objective that we set out at the beginning of fiscal 2011, which was the final year of Frontier[e] 2010. Accordingly, we decided to aggressively accelerate the disposal or replacement of inefficient assets and to recognize resulting losses.

We decisively resolved pending issues and restructured or disposed of low-efficiency businesses. For example, we recognized impairment losses on Orient Corporation and other listed equity-method associated companies, and liquidated 41 affiliates that were unprofitable or had limited growth potential. Furthermore, we recognized valuation losses on marketable securities. Nonetheless, thanks to the higher-than-expected levels of natural resource and energy prices, we recorded net income attributable to ITOCHU of ¥161.0 billion, an increase of about ¥32.8 billion from fiscal 2010 and higher than our initial plans.

Stockholders' equity became ¥1,154.8 billion at the end of fiscal 2011, an increase of ¥56.4 billion from fiscal 2010, and NET DER, a key indicator of financial soundness, improved to 1.4 times.

Total new investments over the two years of the plan were about ¥560 billion on a gross basis. Due to asset replacement, our exit from existing investments totaled about ¥110 billion, so our net investment was about ¥450 billion. We achieved our objectives for both gross and net investment.

Overall, we fulfilled the objective that we set out at the beginning of fiscal 2011—to avoid carrying pending issues over to fiscal 2012—and also achieved the initial target for net income. Accordingly, I believe that we achieved satisfactory results. Also, we made investments in highly-profitable assets that will contribute to enhancing our earnings base without excessive concentration in any specific area.

In addition, we implemented a wide range of internal reforms. These reforms prepared the foundation for proactively seeking new opportunities in fiscal 2012 and thereafter.

Internal Reforms: Supporting Sales Activities

For the growth of a general trading company, nothing is more important than the customer. Brand business is a good example. The business requires investment in intangible assets, trademarks, and the calculation of brand value is based on how customers support the brand. In much the same way, natural resource businesses depend on relationships with the customers who purchase the natural resources, such as steelmakers. These relationships determine the effectiveness of the distinctive trading company business model—leveraging synergies between natural resource development and trade—and they make it feasible for trading companies to invest huge sums in equity interests in natural resource businesses.

In other words, strong businesses are those that keep their customers close. If we continue to provide what customers want, then our business opportunities will be unlimited.

Therefore, what is essential is to grasp customer needs through close, ongoing communications with them. I believe that this approach was the driving force behind ITOCHU's growth as a general trading company in a wide range of business areas.

The goal of our internal reforms is to return to this traditional approach, and to that end, we have revised the previous operational rules where the focus was on control over business departments, and have established an environment that aggressively supports sales activities.

Streamlining Operating Rules: Reallocating Management Resources to Seize More Business Opportunities

First, we decisively reduced the frequency of in-house meetings and the volume of materials used in meetings. New business is generated, not in the conference room, but on the front lines. The time required to prepare materials is time that could be better spent with customers. The substantial amount of time that was previously used by participating in in-house meetings and preparing materials can now be directed toward our customers and for business-creation opportunities.

The revision of our investment criteria was one facet of streamlining operating rules. These criteria, which had been the same for all Division Companies, have been subdivided into 40 categories by industry, enabling investment that is more closely attuned to the distinctive features of specific business areas. For example, as a result of this revision, it has become easier to invest in businesses where high profitability is not anticipated, but stable profits can be expected, such as infrastructure businesses. We are already seeing results from this revision. In fiscal 2011, we were able to move forward with some high-potential initiatives under the new investment criteria, such as the acquisition of interests in gas-fired power plants in the United States.

Moreover, in conjunction with the revised investment criteria, we also changed our method of calculating risk assets. The previous method, which was strictly focused on improving our financial position, was excessively conservative and treated all assets in the same manner. Accordingly, we revised the risk asset calculation method to reflect the distinctive features of specific assets, making it possible for us to track risk more effectively and to implement appropriate investment activities.

Fair Personnel and Compensation Systems: Working Together to Proactively Seek New Opportunities

Previously, under ITOCHU's pay-for-performance compensation system, compensation was based on the performance of individual employees and the results of the organizational unit in which they worked. In practice, however, this system ended up putting too much weight on unit results in a single fiscal year. Unit results are not always accurately reflected in a single year, and there were many cases in which initiatives originally launched by the previous employees of a unit only began to generate results years later. This resulted in questions of fairness when a single year's results were weighted very heavily in the compensation of employees who had just recently joined that organizational unit.

For example, there were major differences in the compensation of employees in the Energy, Metals & Minerals Company, which, in recent years, has been driving ITOCHU's earnings against a background of favorable market conditions, and employees in other Division Companies. These differences were not a fair reflection of the performance of individual employees. Also, from the perspective of effective allocation of personnel, rather than having top-rank employees

concentrated in units with strong results, we wanted to create a system in which all employees can work with high levels of motivation to support the future success of ITOCHU. Through the elimination of the organizational results evaluation system, we have improved the personnel compensation system so that now unit results are only a small factor in the compensation of individual employees. As a result, counterproductive sectionalism has disappeared, and we are returning to the traditional approach of trading companies—reaching beyond organizational boundaries and working together to provide what the customer wants.

Moreover, we have also revised our system for evaluating and promoting officers of our affiliates. Abandoning the system of uniform standards for all, we revised the mandatory retirement age system for officers so that highly capable officers can stay in their jobs for longer periods of time.

Organizational Reforms: Targeting Full Use of Management Resources and a Rigorous Focus on Front-Line Operations

As one facet of efforts to prepare the foundation for proactively seeking new opportunities, we also substantially revised our organization. In ITOCHU's first large-scale reorganization in 11 years, the seven Division Companies were streamlined into five Division Companies.

We have strengths in the consumer-related sector and the natural resource/energy-related sector. To further enhance earning power, we need to reinforce our businesses in these sectors, as well as in other areas. In particular, machinery is a sector in which business activities often generate opportunities in other areas. In accordance with this concept, we created the ICT & Machinery Company through the merger of the Machinery Company and the ICT, Aerospace & Electronics Company to achieve a scale of earnings that would enable flexible asset replacement. Moving forward, we will reallocate our personnel and other management resources to key growth areas.

Also, the Finance, Realty, Insurance & Logistics Services Company, which has had weak earnings in recent years, has been split into the Construction & Realty Division, Financial & Insurance Services Department, and Logistics Services Department—these new units do not belong to any specific Division Company. The Construction & Realty Division will establish a business model that can secure stable earnings through joint initiatives with leading partners in Japan and overseas. The Financial & Insurance Services Department and the Logistics Services Department, meanwhile, will work to strengthen their earning power and capabilities in their respective areas of specialty.

We also reorganized the headquarters administrative organizations. We consolidated the previous 16 administrative divisions into 11 divisions, thereby fostering increased administrative efficiency and strengthening administrative capabilities. In addition, functions that had been concentrated in headquarters, such as business accounting and control and credit control, have been shifted to the Division Companies. These reforms were implemented to ensure that administrative divisions also implement a rigorous focus on front-line operations and work together closely with business departments to foster "practical management" on the front-lines. I believe that, by strengthening the synergies between the "gas pedals" (business departments) and the "brakes" (administrative organizations), we will be able to make full use of both capabilities.

Through the various initiatives that I have described, we have created a system that will focus ITOCHU's full strengths on proactively seeking new opportunities. Next, I will provide an overview of our new medium-term management plan.

Medium-Term Management Plan—Brand-new Deal 2012

We selected the name Brand-new Deal 2012 to incorporate the concepts of "building a new ITOCHU Corporation" and "accelerating growth." The basic policies are as follows: Strengthen Our Front-Line Capabilities, Proactively Seek New Opportunities, and Expand Our Scale of Operations. With an entirely new spirit, officers and employees will work to achieve growth in profits and expansion in scale.

Committed to Achieving Our Quantitative Objectives

The plan covers the two-year period from April 2011 to March 2013. However, there are a number of areas of uncertainty about the future of the economic environment, and it is difficult to forecast natural resource prices. Consequently, the quantitative plan covers one year, fiscal 2012.

The plan calls for record-high results at each major level of profit on the income statement, with net income attributable to ITOCHU of ¥240.0 billion, an increase of 49.0% from fiscal 2011. Of course, we will not expand our scale of operations for its own sake, but will strictly follow our financial discipline to maintain financial soundness. By further increasing consolidated stockholders' equity and controlling interest-bearing debt, we will maintain consolidated NET DER at a sound level of about 1.6 times, and will basically balance risk assets and the risk buffer.

My philosophy is that plans should be achieved. It is ideal to exceed them. We will rigorously implement the three guiding principles—Earn, Cut, Prevent—and strive to meet, at least, the targets spelled out in the plan.

I believe that we have prepared the foundation for initiatives related to the "Earn" principle by resolving pending issues and liquidating low-efficiency businesses, thereby increasing the earning power of Division Companies, and by profit contribution of new projects. We will continue to step up initiatives related to the "Cut" principle. Our objective for the SG&A expenses to Gross trading profit ratio is a reduction of 10.0 percentage points over the two years of fiscal 2011 and 2012. In addition, the headquarters will step up its involvement in affiliates with especially high expenses.

Over the period from the bursting of Japan's bubble economy to the early 2000s, many Japanese companies recorded substantial losses, and ITOCHU was no exception. Subsequently, due to the ascendance of emerging countries, to rising prices for natural resources and energy, and to the decreasing importance of borders in the global economy, the external environment faced by management has shown increasing volatility. Given the large number of uncertain elements in our business environment, I think that we need to place a special emphasis on the "Prevent" principle, that is, on preventing losses. In addition to eliminating easy decision-making and focusing on profitability and future potential, we will invest in projects where we have knowledge, where we can take the initiative and demonstrate our capabilities, and where losses will be minimized even if the unexpected happens. When necessary, we will move rapidly to exit from investments.

Measures by Key Sector: Extend Strengths and Improve Weaknesses

Under the new plan, we have formulated the following measures by key sector: Aggressively Expand Business in China, Increase and Accumulate Assets in the Machinery-Related Sector, and Expand and Upgrade Business in the Natural Resources.

ITOCHU has already entered capital and business tie-ups with Shanshan Group Co., Ltd., one of China's leading conglomerates, and TING HSIN (CAYMAN ISLANDS) HOLDING CORP., a major food and distribution company in China and Taiwan. In China, where the economy is currently experiencing rapid growth, local companies like these are active in expanding their lines of business. Typically, joint ventures are limited to a single line of business, but if we can build strong relationships with this type of holding company, there will be diverse cooperative business opportunities as the partner's businesses grow. That is a major advantage of these types of relationships. ITOCHU has expanded these types of partnerships with leading companies into a broad range of business areas. In spring 2011, we concluded a comprehensive strategic alliance with the CITIC Group, a major Chinese government-run conglomerate. In addition to the financial services that we had already been developing with CITIC, we will now expand business activities to an extremely wide range of areas, including real estate, natural resource development, and the consumer-related sector.

Now, other general trading companies are also focusing on the China market, but ITOCHU moved ahead of them because we have had the longest history in China among the Japanese general trading companies. As I mentioned earlier, we have developed relationships of trust with leading companies. In addition, we have market knowledge that we have accumulated over our extensive history in China. We have more human resources who can conduct business in Chinese than any other general trading company. I am committed to maintaining our position as the strongest trading company in the China market and to expanding our competitive edge, and to that end, we have already made strategic preparations. Moving forward, we want to generate a steady stream of new business by leveraging ITOCHU's unique strengths to provide added value to partners and by serving as an intermediary between those partners and other Japanese companies.

In the Machinery-Related Sector, we will accumulate superior assets that generate stable earnings in such areas as IPP (independent power producer), infrastructure, and auto retail finance, through strong partnerships with leading companies. In addition, we will also focus on growth areas, such as lithium-ion batteries, renewable energy, and Life & Healthcare. In the United States, which is the world's largest renewable energy market, we are already moving forward with wind power projects in cooperation with General Electric Company.

In the Natural Resource-Related Sector, earnings tend to be susceptible to market fluctuations. However, from a long-term perspective, market conditions are expected to be supported by firm demand in emerging countries. Consequently, we continue to position this sector as a source of ongoing growth in our earnings, and we will strive to expand our businesses. Leveraging our strengths in trade, we will implement strategic initiatives with rapid decision-making that is prudent, yet bold.

In the oil and gas area, we will implement new investment with the objective of doubling our equity interests. We will also further strengthen our businesses in the areas of iron ore and coal, where we have the No. 2 position among general trading companies. We will take steps to expand our equity interests by steadily advancing follow-on investment in existing projects, as well as investment in new projects, not only in Australia but also in South America and other regions. Also, given the current state of technological innovation and environmental issues, there is a need for stable, long-term supplies of non-ferrous metals, including rare metals and rare earth metals. Accordingly, we will allocate resources to build an earnings platform in this area.

Of course, it goes without saying that we will continue to pay close attention to profitability. Even if the amount of the investment is comparatively large, we will aggressively move forward, within our financial capacity to manage projects, in the cases that projects have completed the exploration stage, or, even if projects are still in the exploration stage, we determine that we can increase the probability of success and reduce risk through cooperation with knowledgeable partners.

Investment Policy: Investing in Carefully-Selected Projects in Which We Can Take the Initiative

Over a two-year period, we are planning new investment of ¥800 billion on a gross basis. In comparison with the investment during the period covered by the previous medium-term management plan, this is an increase of about ¥240 billion. However, we will never accumulate investments just to meet a numerical target. We will invest in carefully-selected projects while maintaining a balance among sectors. On the other hand, we will continue to exit from projects in unprofitable areas and areas with poor growth prospects.

There are four business sectors under this plan: Consumer-Related Sector, Natural Resource / Energy-Related Sector, Machinery-Related Sector, and Chemicals, Real Estate, and Others Sector. Under the previous plan, the Machinery-Related Sector and Chemicals, Real Estate, and Others Sector were included in the "Other" category and handled in a uniform manner. However, in consideration of the distinct characteristics of these areas, we have decided that it is no longer appropriate to treat them as if they were all in the same category. In chemicals, our businesses are already in the top class in the industry, and in the Machinery-Related Sector, we expect strong growth. In conjunction with the measures in the new medium-term management plan, we reclassified the Machinery-Related Sector as an independent sector.

Policies for Overseas Operations: Discovering Business Opportunities Around the World

Under our policies for overseas operations, we recognize that there are many business opportunities, not only in emerging countries such as China, but in other countries and regions. Consequently, we will not limit ourselves to a particular set of focused countries and regions. For example, there is no doubt that India, another newly-emerging country, will be a huge consumer market in the future and will offer substantial business opportunities. Even in industrialized countries with mature economies, there is substantial room for ITOCHU to expand its business by leveraging its capabilities, management resources, and relationships with partners.

One example is our acquisition of the Kwik-Fit Group, the largest tire retailer in the United Kingdom. By integrating the knowledge, networks, and know-how of Kwik-Fit and Stapleton's (Tyre Services) Ltd., an ITOCHU subsidiary that is the largest tire wholesaler in the U.K., we will create substantial synergies and build an unshakeable position at the top of the tire distribution industry among general trading companies.

In this way, our strategy calls for discovering more profitable opportunities in markets around the world. To that end, the plan does not include geographical priorities. Rather, overseas business development will be advanced under the leadership of the Division Companies based on their individual strategies.

Strengthening Our Management Foundation: Cultivating Industry Professionals

We say that trading companies are made up of their people. Human resources are the greatest management asset of general trading companies, and cultivating them is the key to securing a competitive edge over the long-term. Accordingly, investing in human resources is one of our top priorities. For example, our per person spending on education and training places us in the top ranks, not only of general trading companies, but of all companies in Japan.

We have instituted a system for dispatching all young employees overseas. Under this system, we have not only conducted English training in the United States and other countries, but also instituted mandatory overseas study of Chinese.

If general trading companies are to maintain their strong presence in a variety of industries, they must provide capabilities that are not available from other companies and must offer added value that leverages their distinctive strengths. Language skills are one of those strengths.

Moving forward, we will step up our efforts to cultivate industry professionals in a wide range of areas.

We will not neglect our efforts to strengthen internal control systems, risk management, and corporate governance. In June 2011, two highly independent outside directors were appointed. Through advice and suggestions based on specialized knowledge and objective viewpoints, they will contribute to the further bolstering of ITOCHU's corporate governance.

Stockholder Returns: Meeting Expectations of Stockholders with a Clear Policy

For fiscal 2011, we paid ¥9 per share as an interim dividend, as well as a year-end dividend of ¥9 per share, for a full-year dividend of ¥18 per share. For fiscal 2012, we announced our dividend payout ratio, which had been an issue for ITOCHU. Specifically, under the current medium-term management plan, our annual dividend targets will be a dividend payout ratio of 20% on net income attributable to ITOCHU up to ¥200 billion, and a dividend payout ratio of 30% on the portion of net income attributable to ITOCHU exceeding ¥200 billion. In accordance with this policy, if net income attributable to ITOCHU reaches our target of ¥240 billion, dividends for fiscal 2012 will be ¥33 per share. We will endeavor to clearly meet the expectations of stockholders through increasing earnings.

Sustainable Growth: Aiming to be a Company that Fills an Essential Role

The key capabilities and roles of trading companies have changed with the times, developing overseas sales channels for superb products from Japan, or introducing first-rate products from overseas to Japan's consumers. However, there exist capabilities and roles that customers always expect us to provide. To sustain a competitive advantage, we need to continue to provide distinctive capabilities and added value in a variety of industries so that we are always needed by our customers. In addition, we must continue to take the initiative in markets.

Moreover, from a broader perspective, we need to continue to fulfill a role that is essential for society through our business activities as well. As shown by the Great East Japan Earthquake, there are many tasks that can be accomplished by companies, not by the government. In addition to direct support such as donations, companies have the duty and ability to provide support through their various business activities. To provide support that is ongoing and effective, however, it is necessary for a company to have a certain operational scale and strength. Expanding profits and contributing to society are not mutually contradictory by any means. Rather, I believe that they are in accord with the idea of being a company that fills an essential role through business activities.

I will manage ITOCHU in the determination that we will help to drive recovery and growth for Japan's economy.

In Closing

I have always been proud that ITOCHU, which originated from the traditions of the Ohmi merchants, is the strongest among trading companies not belonging to any of Japan's conventional industrial groups ("*Zaibatsu*"). As can be seen from our current strengths in the consumer-related sector, our founding business of textiles was closely linked with consumers. From that starting point, we expanded our areas of business into heavy industry and natural resource-related areas. ITOCHU's history is truly unique. What enabled us to grow in this way are the talents of each individual employee and the fact that we have distinct front-line capabilities of discovering and cultivating business opportunities. Accordingly, to recover the original strength of ITOCHU, I will continue to emphasize "strengthening front-line capabilities."

We are now facing a period of great change. It is necessary that we take the initiative and move boldly to drive future progress. I would like to assure our stockholders, investors, and other stakeholders that we are committed to making further progress in strengthening our front-line capabilities and creating a new stage of growth for ITOCHU.

FY2012-FY2013 Medium-Term Management Plan

Brand-new Deal 2012

Earn, Cut, Prevent

Basic Policies:

- Strengthen Our Front-line Capabilities
- Proactively Seek New Opportunities
- Expand Our Scale of Operations

Quantitative Plan

Billions of Yen

	FY2011 (results)	FY2012 (plan)
Gross Trading Profits	¥1,041.3	**¥1,050.0**
NET Income Attributable to ITOCHU	161.0	**240.0**
Total Assets	¥5,673.7	**¥6,400.0**
Net Interest-Bearing Debt	1,633.2	**2,200.0**
ITOCHU Stockholders' Equity	1,154.8	**1,350.0**
NET DER	1.41 times	**1.6 times**

Measures by Key Sector

China: Aggressively Expand Business

Strengthen initiatives with local strong partners

- Deepen relationships with Shanshan Group, Ting Hsin Holding, COFCO, CITIC, etc.

Pursue promising China-related projects companywide

- Establish a China business promotion committee

Enhance human resources in China

Machinery-related: Increase and Accumulate Assets

Accumulate assets with stable earnings

- IPP, infrastructure business, auto retail finance

Bolster activities in growth fields

- Lithium-ion batteries, renewable energy, life and healthcare

Strengthen partnerships with leading companies

Select superior projects and tightly focused allocation of management resources

Natural Resources: Expand and Upgrade Business

Oil and Gas

- Make new investments targeting a two-fold increase in natural resource interests
- Bolster global trade development

Iron Ore / Coal

- Invest in project expansion in Australia and Brazil
- Participate in major new coal projects

Uranium / Non-ferrous metals / Biomass fuels

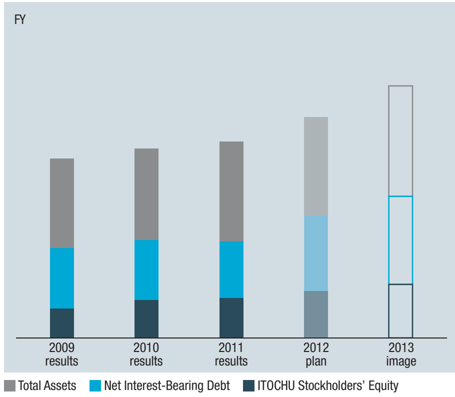
Investment Policies

Increasing Assets

- Continue to increase consolidated stockholders' equity beyond current level of more than ¥1 trillion; continue to increase financial foundation
- Achieve asset growth while maintaining financial soundness
- Implement tightly focused allocation of assets in each field while maintaining balance among four business sectors

Aggressive New Investment

- Over two-year period, planned investment of ¥800.0 billion on a gross basis
- Aggressively accumulate superior assets, expand scale of earnings and assets
- Continue to replace assets by exiting from low-efficiency investments



Consumer-Related Sector	Increase assets in China and other overseas markets and thereby increase stable earnings Planned new investment of **¥100.0 billion to ¥200.0 billion**
Natural Resource / Energy-Related Sector	Drive growth in companywide earnings by steadily increasing share to total assets Planned new investment of **¥350.0 billion to ¥450.0 billion**
Machinery-Related Sector	Implement focused reinforcement of earnings platform through expansion of assets with stable earnings Planned new investment of **¥100.0 billion to ¥200.0 billion**
Chemicals, Real Estate, and Others Sector	Implement methodical expansion in line with strategies for each segment Planned new investment of **¥50.0 billion to ¥150.0 billion**

Strategies for Affiliate Management

Implement tightly focused operational management

- Strengthen profit base through allocation of management resources in core and promising business
- Continue to liquidate and consolidate low-efficiency businesses

Prevent emergence of stagnant businesses and provide management support

- Improve the problem-solving abilities of administrative divisions and reinforce their commitment to the front lines

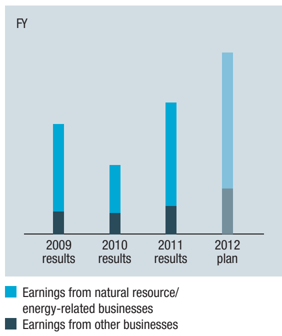
Strengthen Group cohesiveness

- Continue focusing on fair evaluation and assignment of top executives of affiliates

Policies for Overseas Operations

Quantitative objectives

- Establish stable profit base of more than ¥50.0 billion in sectors other than the natural resource / energy-related sector



Activity policies

- Advance overseas business development under leadership of each segment's operational front-lines
- In the consumer-related sector, cultivate powerful partners in countries, where strong economic growth is expected
- Enhance human resources in overseas blocks

Strengthen Management Foundation to Support a Commitment to Taking Assertive and Forward-looking Action

Cultivate "industry professionals," "strong human resources"

- Step up OJT by reinforcing leadership capabilities of section managers.
- Continue to enhance training program
- Provide appropriate opportunities and take other steps to upgrade the skills and capabilities of individual employees

Strengthen corporate governance

- Utilize highly independent outside directors
- Conduct appropriate, efficient operation of companywide meetings and committees, such as the board of directors, HMC, and internal committees

Optimize internal control / risk management

- Promote effective internal control system operated by front-lines
- Bolster compliance systems through an emphasis on priority areas
- Strengthen internal administration and auditing organizations overseas
- Revise asset limit management in specific business segments
- Undertake full-fledged construction of consolidated risk management system
- Introduce "stress tests" to quantitatively assess the potential risk under unexpectedly adverse market conditions

ITOCHU: Keeping the Lead in China

1972 **First** general trading company to obtain ratification for the resumption of Sino-Japanese trade

1979 **First** general trading company to establish a representative office in Beijing

1992 **First** general trading company to establish a local subsidiary, ITOCHU Shanghai Ltd

1972

In 1971, a mission led by ITOCHU's President & CEO at the time, Masakazu Echigo, visited China. The objective of the mission was to restore Sino-Japanese trade, which had been interrupted by the Cultural Revolution. The mission was a success, and ITOCHU took the lead over other Japanese companies when it obtained ratification for the resumption of Sino-Japanese trade in March 1972. This was about six months prior to the September 1972 normalization of diplomatic relations between Japan and China through the Joint Communique of the Government of Japan and the Government of the People's Republic of China. That door to the Chinese market was opened by visionary leadership that took the bold step of connecting the future of ITOCHU with the potential of China. We first opened a representative office in Beijing in 1979, and later established a local trading subsidiary in Shanghai. Subsequent milestones included obtaining approvals for an umbrella company and for a multinational company "regional headquarters." In tandem with the growth of China's economy, we steadily built a foundation for our businesses in China while maintaining our lead over other Japanese general trading companies. Sichuan, in midwestern China, is currently drawing widespread attention, but it was nearly a quarter of a century ago, in 1984, that ITOCHU took its first step into Sichuan with the establishment of a representative office.

How do we have an overwhelming presence in China? And how did we develop our competitive edge? The answers lie back in 1972.

Delegation to China, led by ITOCHU's President, Masakazu Echigo, in 1972

01

The ITOCHU Brand: Supported by Trust and Human Resources Developed Over 40 Years

In China, as in other countries, business is built based on relationships of trust. Especially in China, the starting point of building relationships of trust is developing an understanding of China's distinctive culture and values. Since we got our start in 1972, ITOCHU's presidents and other leaders have continued the tradition of working to deepen mutual understanding. As China turned toward economic reform and open relationships with other countries, and carefully introduced capital and technology from overseas, we took steps to reinforce our foothold while constantly respecting profit for China. In around 1978, when there was a problem of temporary suspension of plant contracts with Japan due to a shortage of foreign exchange reserves, ITOCHU worked to settle the situation as a coordinator, including making efforts to persuade Japanese companies to continue the contracts despite the difficulties. There is a Chinese proverb that says that when you drink water from a well, you should not forget who dug it. These words express the virtues of the people of China, who place a high value on history and moral obligation. ITOCHU often hears these words of praise in China, and we are proud of this demonstration of the trust that we have built up in China over many generations.

Over our extensive history in China, we have accumulated irreplaceable management resources—our people. For foreign companies developing business in China, required competencies include not only advanced Chinese language skills but also a deep understanding of China's history, culture, and customs. As ITOCHU grew together with China, we made a special effort to establish a team of professionals with those skills. Currently, we have a total of over 400 of these employees, by far the largest among general trading companies. Moreover, our workforce of locally hired employees—580 staff as of March 2011 (excluding staff of affiliates)—is also the largest among general trading companies. The locally hired employees, who have a keen sense of the local market, are also an important source of strength in advancing our business in China.

National staff at a training program

These two assets—relationships of trust established over many years and a superb workforce with deep knowledge of local business and personal relationships—are the components of the ITOCHU brand, the competitive edge that has made us the strongest Japanese general trading company in China.

The next section provides an overview of key words that indicate how ITOCHU is achieving the true value of its competitive edge.

1993 **First** general trading company to establish an umbrella company, ITOCHU (China) Holding Co., Ltd.

2005 **First** general trading company to obtain approval for multinational company "regional headquarters"

02

Building Partnerships with Leading Companies

In China, it is not easy for foreign companies to understand differences in consumer preferences and other market characteristics, in commercial practices, or in laws and regulations. Nor is it easy to establish business infrastructure, such as logistics and settlement systems. That is why ITOCHU reached the conclusion that to succeed rapidly and with a high probability, we needed to make alliances with partners who already have that business infrastructure. In particular, our strategy is centered on building partnerships with leading companies in each business area. In food, for example, TING HSIN (CAYMAN ISLANDS) HOLDING CORP., an equity-method affiliate of ITOCHU, is a leading food producer and distributor in China and Taiwan. The Ting Hsin International Group includes Tingyi (Cayman Islands) Holding Corp., which has No. 1 shares in many products, such as a dominant share of 41.6% of the market for instant noodles (volume basis). The Group also includes Ting Qiao (Cayman Islands) Holding Corp., which operates restaurant chains under the Dicos and Master Kong Chef's Table beef noodle brands, with more than 1,000 restaurants in operation. We have also concluded a comprehensive strategic partnership with state-owned COFCO Limited, China's largest company operating in the areas of provisions and food products. In textiles, we have concluded a comprehensive capital and business tie-up with Shanshan Group Co., Ltd. The members of the Shanshan Group include NINGBO SHANSHAN Group, which is a leader in apparel and brand retailing. We have also built strong partnerships with a range of other companies, such as the Youngor Group Co., Ltd., Qingdao Jifa Group Co., Ltd., and Dalian Yawen Underwear Co., Ltd. In 2011, we concluded an agreement of a Comprehensive Strategic Alliance with the CITIC Group, one of the China's largest government-run conglomerates. The results that we have achieved with these market leaders, which are centered on relationships of trust, have created a favorable cycle that generates further trust and achievements.

The Ting Hsin Group: An Overwhelming Market Presence

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

2.86 times Sales growth over the past five years	About **1.2** trillion Total market capitalization*2
41.6% Share of instant noodle market 	**54.1**% Share of tea beverage market 
24.1% Share of bottled water market 	

*1 Source: Tingyi, 2010 annual report

*2 Listed on Hong Kong Stock Exchange; as of the end of 2010

03 Expanding the Scope of Multifaceted Cooperative Initiatives

Currently in China, there are many companies that have wide-ranging portfolios of diverse business activities. For example, the Ting Hsin International Group is diversifying its businesses to retail and food services, centered on food manufacturing and distribution. The Shanshan Group has extended its business areas from its founding business of textiles to other areas, such as natural resources and energy, science and technology, and real estate. As a result, it has become a conglomerate with 100 subsidiaries. Our investment in the holding companies of these diversified enterprise groups generates significant advantages for the development of our business operations in China. These capital relationships were results of the relationship of trust that we had developed over many years.

We have accumulated substantial knowledge through business activities in a wide range of industry areas, and today we are not focused on single-purpose joint ventures, or “limited” cooperative initiatives. Rather, we are aggressively pursuing a wide range of cooperative initiatives, or “multifaceted” relationships with the corporate groups with which we are partnered, through their lead companies, in tandem with diversification of their businesses.

For example, we are taking steps to reinforce our relationship with the Shanshan Group in the area of textiles, through initiatives such as the development of fashion brands. In addition, in the area of science and technology, we are advancing our cooperative initiatives by joint investment with Toda Kogyo Corp. in Hunan Shanshan Advanced Material Co., Ltd., one of the China’s leading lithium ion battery cathode material manufacturers and a member of the Shanshan Group. Moreover, we are transcending divisional boundaries and extending the scope of our cooperative initiatives into such areas as outlet malls and other real estate development activities as well as the supply of parts used in the manufacture of solar panels.

At the signing ceremony with the Shanshan Group

Seeking for a new platform for this strategy of “wide-ranging” cooperative initiatives, ITOCHU has concluded an implementation of a Comprehensive Strategic Alliance with the CITIC Group. CITIC’s business areas are centered on finance and cover a vast range, real estate and infrastructure, construction-related businesses, natural resources and energy, manufacturing, information technology, trading, and services. The objective of this alliance is the generation of synergies in a wide range of these areas, by combining the financial approach by CITIC with its strength, with the commercial approach by ITOCHU from the perspectives of products and services, based on our expertise in a wide range of industries.

Business Ties between ITOCHU and the Shanshan Group

ITOCHU Corporation

ITOCHU Corporation 25%
ITOCHU (CHINA) CO., LTD.3%

Shanshan Group Co., Ltd.
A leading diversified corporate group in China made up of 97 companies
Representative: Zheng Yonggang
Established: June 1994
Location: Ningbo, Zhejiang Province
Net sales: 9.2 billion yuan
Capital: 220 million yuan
Number of employees: 14,031

NINGBO SHANSHAN CO., LTD.
Shanghai Stock Exchange Net sales: 2.9 billion yuan

24 other companies in finance, real estate, and logistics, etc.

47 textile-related companies

12 lithium-ion battery-related companies (cathode / anode materials and electrolyte solution, etc.)

13 other companies

Cooperative Initiatives with the Shanshan Group

As of the end of 2010


Brand business (le coq sportif)


Brand business (renoma)


Manufacturing lithium ion battery cathode material (Hunan Shanshan Advanced Material Co., Ltd.)


Procurement of solar panel parts


Real estate development (Outlet mall in Ningbo)

04 As an Organizer

ITOCHU utilizes a variety of methods to provide the capabilities and added value necessary in the management strategies of our partners, such as technology and marketing know-how, logistics, and know-how in business administration including internal control. In addition to providing our own capabilities, we also consider the optimal capital relationship with leading Japanese companies in each area and coordinate the interests between both parties. Thus, as an organizer that brings together various parties, we make full use of our own capabilities and strive to contribute to the success of each project.

Our partners in China already have established sales and raw material procurement channels. However, as the living standards and technical needs of consumers are changing rapidly, they would achieve substantial benefits from the assimilation of advanced manufacturing technologies, for differentiation from their competitors. These technologies include the hygiene control and quality control technologies of Japanese companies, which are the best in the world.

In the area of food, for instance, our mass-production bread business is a good example of this process. We are advancing the business through a three-party joint venture scheme that leverages the advanced manufacturing technologies and quality control know-how of Shikishima Baking Co., Ltd. (Pasco), the sales channels of the Ting Hsin International Group, and ITOCHU's raw material procurement capabilities. There are many examples of how ITOCHU has served as an intermediary in establishing joint ventures that contribute to business expansion of the Ting Hsin International Group and penetration to China market by our Japanese partners. These include beverage production with Asahi Breweries, Ltd, convenience store business with FamilyMart, beverage production and sales with Kagome Co., Ltd., and premix flour production and sales with Nippon Flour Mills Co., Ltd.

In the area of pharmaceuticals, in March 2011 Liaoning Chengda Co., Ltd., which has a pharmaceutical distribution subsidiary; Alfresa Holdings Corporation; and ITOCHU agreed on establishing comprehensive business ties. The objective of this alliance is to generate synergies between an about 780-store pharmacy chain, the largest in the northeastern region of China, and Japan's efficient and high value-added drug distribution.

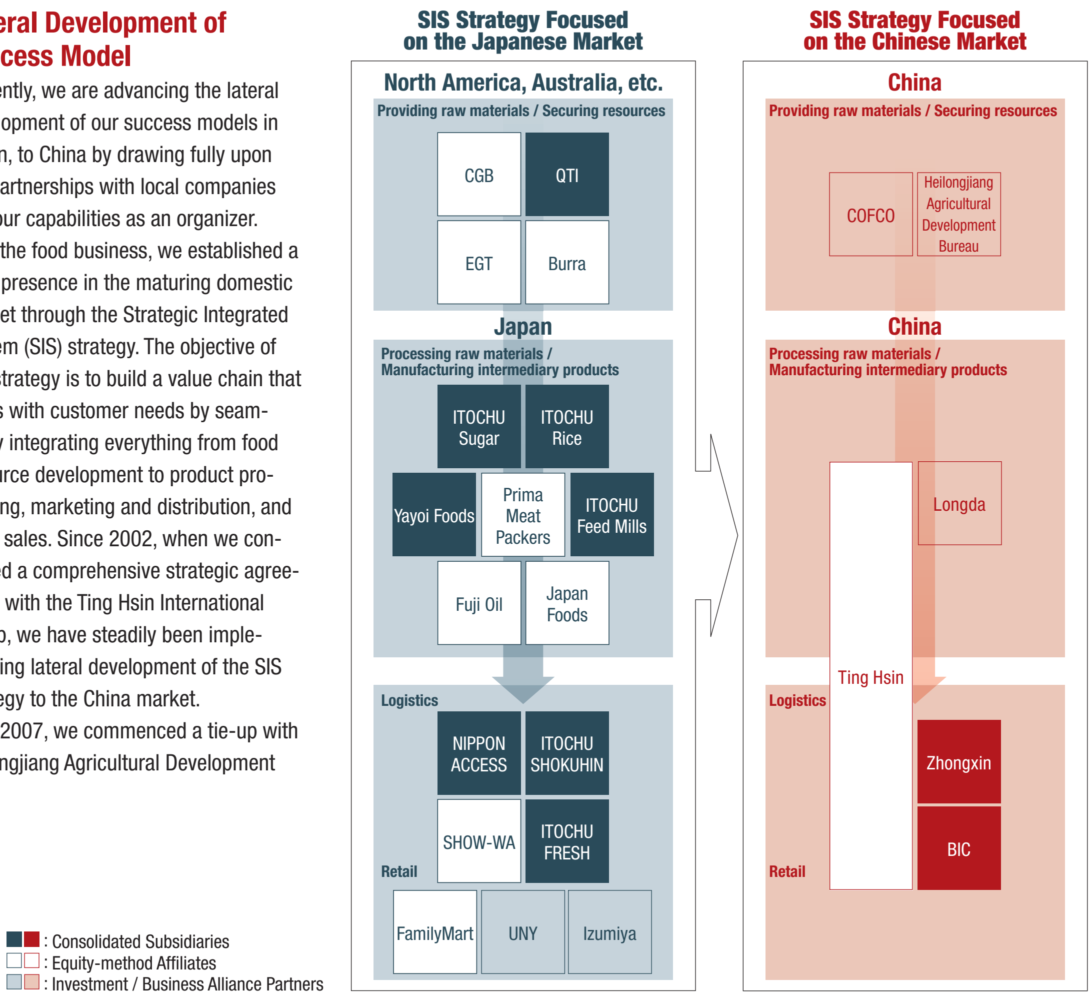
FamilyMart store in China

05 Lateral Development of Success Model

Currently, we are advancing the lateral development of our success models in Japan, to China by drawing fully upon our partnerships with local companies and our capabilities as an organizer.

In the food business, we established a solid presence in the maturing domestic market through the Strategic Integrated System (SIS) strategy. The objective of this strategy is to build a value chain that starts with customer needs by seamlessly integrating everything from food resource development to product processing, marketing and distribution, and retail sales. Since 2002, when we concluded a comprehensive strategic agreement with the Ting Hsin International Group, we have steadily been implementing lateral development of the SIS strategy to the China market.

In 2007, we commenced a tie-up with Heilongjiang Agricultural Development



Bureau, and in 2008, we started an alliance with COFCO Limited. In this way, we have established a foothold in upstream raw material procurement. In 2009, we enhanced our presence in midstream product processing by taking an equity position in Shandong Longda Meat Foodstuffs Co., Ltd. This company is a member of Longda Foodstuff Group Co., Ltd., a major producer of food products with which we have developed close relationships through a variety of joint initiatives, such as production of frozen vegetables. In addition, we have taken an equity position in TING HSIN (CAYMAN ISLANDS) HOLDING CORP., the holding company of the Ting Hsin International Group. As a result, we have achieved a foundation of “integration” extending from upstream to downstream in the world’s largest consumer market. The stable demand generated by this massive foundation will become a major force driving the momentum in our food business in China.

The next section provides the direction of our future strategies.

At the signing ceremony with the Ting Hsin International Group

06 Embracing Significant Change in Consumption Culture with 1.3 Billion Consumers

The 12th five-year plan indicates a shift in China’s growth driver from exports and investment in fixed assets to personal consumption. The curtain has opened on a new age in which the consumption culture with 1.3 billion consumers will undergo a transition from quantity to quality. With a focus on this structural change, ITOCHU has started to take on new challenges to expand our lead in the consumer-related sector.

In the textile business, to take the lead in the transformation of the consumption culture, we are actively advancing our downstream strategy.

In addition to advancing cooperative initiatives with the Shanshan Group, we are also taking steps to develop a new sales channel for brand products—non-store retailing, such as TV home shopping and e-commerce, which is expected to record strong growth.

In the food business, we are moving to the stage where we will reinforce our foundation. In order to respond to the expected substantial food demand with quality as well as quantity, we have positioned the securing of food resource supply bases as an important strategic priority. Accordingly, we are opening up and reinforcing supply bases on a global basis, centered on North America, Central and South America, and Australia. In August 2011, we plan to start operations at an export grain terminal (EGT) with the largest loading capacity on the west coast of the United States.

We are also preparing for responding to the growing concerns about food safety and security. Through our business alliance with Heilongjiang Agricultural Development Bureau and Heilongjiang Academy of Agricultural Sciences, we have established an integrated supply system for safe, secure agricultural products. This alliance adds cultivation management and a local inspection structure to the existing secondary and tertiary inspection structure at both processing and consuming locations.

Through an equity participation in a financial business firm under the CITIC

Farm in Heilongjiang Province

EGT: Grain Export Terminal on the West Coast in the U.S.

Business areas of the CITIC Group

CITIC Group

<Financial Business>
China CITIC Bank
CITIC Securities
CITIC Trust, etc.

<Non-financial businesses>
Real estate / Infrastructure
Energy / Natural resources
Manufacturing
IT / Media, etc.

Potential Areas of Future Cooperative Ventures

- Joint initiatives in retail finance, with a focus on the expanding middle-income class in China
- Advisory services related to Japan-China cross-border M&A transactions and the entry into China of Japanese companies
- Joint real estate development, operation, and fund activities, such as housing, office buildings, commercial facilities, and logistics facilities
- Joint initiatives in automobile-related operations, such as new automobile sales
- Joint initiatives in overseas resource development and the areas of new energy
- Joint initiatives in the consumer-related sector, with a focus on the expanding consumer market in China

Group, we have already commenced a Comprehensive Strategic Alliance with the group. Moving forward, we will consider joint efforts with CITIC in a wide range of business areas, such as retail finance and automobile-related businesses, with a view to expanding the middle income group in China.

Originally, our Chinese logistics businesses were mainly on trade between Japan and China. In the 1990s we started providing logistics services for Japanese companies expanding domestic businesses mainly in urban areas around the coastal regions of China. We established logistics companies in China such as Beijing Pacific Logistics Co., Ltd. (currently ITOCHU LOGISTICS (CHINA) CO., LTD.) which commenced providing third party logistics (3PL) services with "Japan-Standard" high quality at a reasonable cost.

In the 2000s, with domestic demand expanding rapidly, we set up a strategy of building a supply chain to accommodate the customers' business growth. In 2004, we acquired 50% of TINGTONG (CAYMAN ISLANDS) HOLDING CORP., a logistics subsidiary of the Ting Hsin International Group. We took the lead over other Japan's logistics companies in the directly-operated 3PL services by leveraging the nationwide logistics centers of TINGTONG LOGISTICS.

Currently, we are utilizing about 95 logistics centers in China to provide a supply chain that meets the needs of customers. Furthermore, leveraging our logistics centers, we are aiming to expand our business in rapidly growing regions, including in coastal regions, such as the Yangtze River Delta, the Pearl River Delta, and the Bohai Gulf; in the three northeastern provinces; and in the midwest, which has recorded dramatic growth as a consumer market over the past 10 years since the Campaign to Open Up the West was commenced.

Shanghai Anting logistics center of ITOCHU LOGISTICS (CHINA) CO., LTD.

07 A New Key Word for Growth: Environment

In the areas of increased energy efficiency and environmental measures, which are being implemented as a national policy, there are abundant opportunities for the creation of new business.

Conceptual drawing of Recycling Facility on Changxing Island

In the Dalian Changxing Island Harbor Industrial Zone, one of the China's national projects, large-scale development is underway as the primary area for the Northeastern China Regional Industrial Promotion Measures. At this industrial zone, we are stepping up our initiatives in the areas of environment and energy-conservation. In April 2010, we commenced sewage treatment operations through a joint venture with Suez Environment S.A., of France, one of the world's largest water and waste management businesses. Subsequently, in December 2010 we entered the area of integrated recycling operations when we began construction of a large-scale, integrated recycling and resources plant to handle steel, non-ferrous scrap, consumer electronics and home appliances, and plastics. By installing one of the most sophisticated facilities in the world using Japanese advanced environmental technologies, we will strive to make this plant a model in the area of recycling. We will also continue to take on challenges in this new growth area, such as extending the results achieved in the Dalian Changxing Island Harbor Industrial Zone to initiatives in other special economic zones.

08 A Firm Grip on the Lead

It has been 40 years since Mr. Echigo led the mission to China. We have maintained an ongoing commitment to the pioneering spirit, and have discovered a number of business opportunities in this huge market. We have inherited the spirit of contributing to the introduction of advanced technologies to China and China's economic development, rather than simply selling merchandise.

In recent years, there has been some attention paid to indications of deceleration in China's economic growth, but nonetheless China is still expected to surpass the United States as the world's largest economy in the near future. China will maintain its position as the engine of global economic growth. Under the new medium-term management plan, Brand-new Deal 2012, ITOCHU will more proactively seek new opportunities and strive to maintain its position as the strongest Japanese general trading company in China.

Special Feature-2

Customer-Focused Initiatives: Rapport and Reach

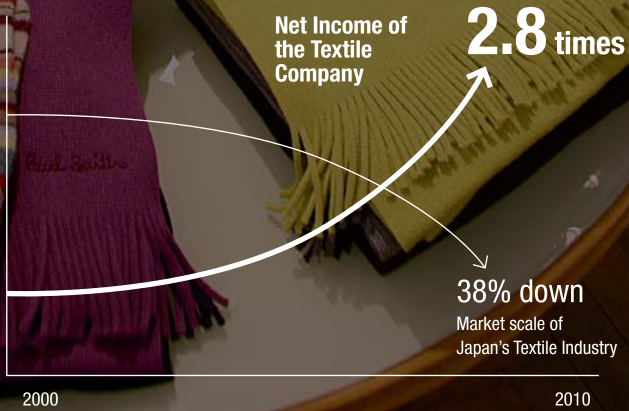
—Creating New Businesses in the Textile Area

Ongoing Commitment to Our Founding Business

From fiscal 2000 to fiscal 2010, the Textile Company recorded growth in net income attributable to ITOCHU of 2.8 times, while over the same period Japan's textile industry suffered a 38% contraction in market scale. (Yano Research Institute, Textile White Paper)

Hollowing out, old economy...

As Japan's industrial structure has changed, the domestic textile industry has developed an image as a sector in decline. Nonetheless, ITOCHU's Textile Company has continued to meet the needs of the times by adding value to products and services, and as a result we have recorded ongoing growth in global markets. While other large trading companies have almost given up on textiles, ITOCHU has maintained an unwavering commitment to its founding business. The starting point of that commitment is our rigorous customer focus. While the words "customer focus" might seem to be overused in today's business world, they are the starting point of our textile business.



01

Customer Focus: The Starting Point of Business Creation

In the 1970s, the textile industries in emerging countries began to grow, and the structure of Japan's textile industry shifted from a reliance on exports to a growing focus on domestic demand. Under such circumstances, there was an exhibition of fabric for tailor-made menswear which eventually led to the success of ITOCHU's textile business.

At the time, British woolen fabric was the classic example of a high-quality product. A large number of manufacturers of this fabric were relatively inflexible and set in their ways, and there was an abundance of plain fabrics that had no patterns and lacked individuality. The reason was the general preconception that it was men who were choosing the fabric. One day at the exhibition, a member of ITOCHU's sales staff, who also had the same preconception, casually watched the visitors. What he saw was a man sitting down while his wife and daughter selected fabrics, which they then showed to the man. He realized that in fact it was the women who were making the decisions even in choosing menswear fabrics, and he thought that "we can increase sales if we develop and launch menswear fabrics with brands that appeal to women." At that point, YSL (Yves Saint-Laurent) was already highly evaluated by Japanese women, and ITOCHU began contract negotiations with YSL. ITOCHU then began to import menswear fabrics under the YSL brand, which ITOCHU and YSL had jointly developed, and that brand became a major success. This was the starting point of our customer focus, which subsequently became the foundation for every step of the textile business. The salesman, who at the time was working in the Import Textiles department, is Mr. Okafuji, the current President & CEO of ITOCHU.

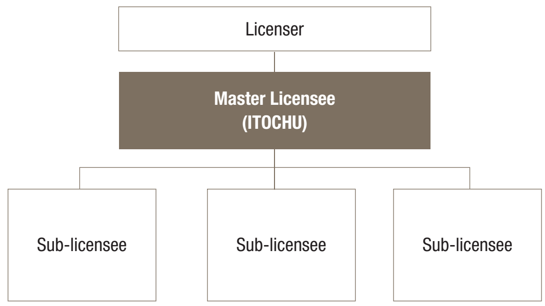
02

Market Expansion for Premium Goods

We continued to create new business models with a front-line focus.

In the 1980s, as a result of the rapid appreciation of the yen following the 1985 Plaza Accord, Japan's textile and apparel industries began to shift production sites to Asia and other regions. Consequently, the domestic textile industry gradually hollowed out. On the other hand, as the Japanese consumer market boomed, the market for luxury brands expanded. To meet growing needs for both quality and quantity, ITOCHU entered the licensing business. We acquired master licenses of brands and made alliances with companies that excelled in the products in each category, such as leading domestic manufacturers of apparel products, fashion goods, and accessories. In this way, we expanded our sources of earnings. It was at this point that we expanded into licensed brands and sports brands for mass merchandisers. We also moved forward aggressively with the introduction of major import brands, such as GIORGIO ARMANI, BVLGARI, and HUNTING WORLD.

License Model



03

More than Just Investors

Our business model continued to evolve, leading to the strong growth that was seen in the 2000s, as described above.

In the brand business, there is always a risk that contracts will be cancelled or terms will be modified by the ownership change of the brand, or by the brand holder's decision to establish independent operations in license management and other domestic activities. Cancellation of master-licensee contracts also adversely affects sub-licensee management. Accordingly, since about 1999 ITOCHU has taken steps to ensure stable commercial rights over the long term. We have acquired trademark rights, invested directly in domestic and overseas companies that hold brands, and concluded contracts that cover longer periods of time.

ITOCHU acquired a number of brands, such as HUNTING WORLD and CONVERSE. We took steps to increase brand value and maximize earnings while managing the increasing risk accompanied by these investments.

For example, when selecting a brand, we used our network all over the world, to make detailed research in the market, and introduced only marketable brands in Japan that have already gained a certain position in the market. As a result, we were able to reduce risk.

CONVERSE

Paul Smith

mila schön

LeSportsac

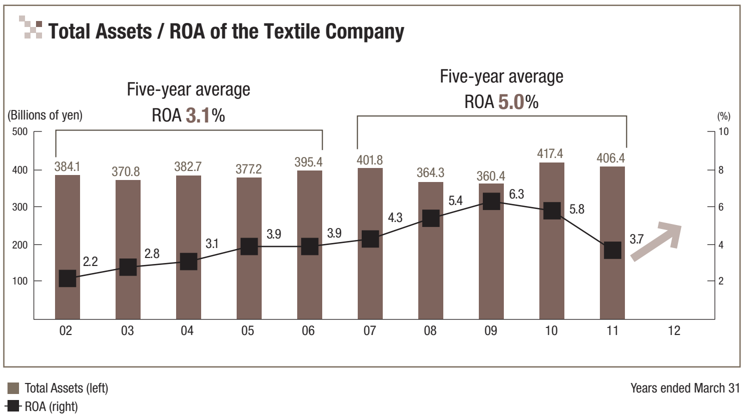
In brand management, first it is important to have an accurate understanding of each brand's positioning (consumer needs for each brand). Then, we comprehensively manage the entire merchandising function, including sales channels, product development, and promotions, in the most-appropriate approach suitable for each brand's positioning to establish the product market presence, and work to achieve sustainable growth in brand value. For example, with LeSportsac, we rigorously implement pricing and merchandising that match the brand positioning—a light, highly functional, energizing design. In the licensing business, we conduct integrated control of sales channels and brand image in order to prevent any damage to the brand value. Moreover, when introducing brands from overseas, we work together with the brand holder, customize the brand, if necessary, to meet the preferences of Japanese consumers, and build relationships that effectively mix high-prestige import products and licensed products. LANVIN and mila schön are good examples of this process.

To date, we have introduced more than 150 brands and increased their value through the above initiatives. In 2005, we took an equity position in Paul Smith, a British menswear brand. We steadily expanded its sales, and even in 2009, when the apparel industry was adversely impacted by the economic crisis, the brand recorded higher sales. This is a clear demonstration of the brand's strength. In addition, we acquired LeSportsac in 2006. Over the subsequent five years, its sales rose 1.7 times. These results of raising the value of brands that we have introduced generate a favorable cycle in which it is easier for us to attract new brands.

In this way, the Textile Company is not simply an investor. We are a merchandising company with operations that are based on a rigorous customer focus.

04 Another Key Factor Supporting Our Steady Advance

In addition to rapid growth in the brand business, there was another key factor behind the steady advance of ITOCHU's textile business in the 2000s. That was the strategic shift in our business portfolio toward downstream areas, by an early withdrawal from unprofitable and inefficient upstream and midstream businesses and by focused investment in downstream businesses. Through our long history in the textile business, we acquired spinning, weaving, and sewing plants in Japan and overseas. However, as certain business roles of those plants tapered off, we withdrew from production and replaced those assets with assets in the consumer-related sector in Japan and overseas, such as the brand business. In recent years, we have taken equity positions in companies with which we can generate synergies, such as womenswear companies LEILIAN CO., LTD., and JAVA HOLDINGS CO., LTD., as well as a garment accessories company, SANKEI CO., LTD.



The Textile Company's average total assets were ¥382.2 billion over the five years from March 31, 2001, to March 31, 2006, and were about the same, ¥391.0 billion, over the following five-year period from March 31, 2006, to March 31, 2011. However, as a result of the aggressive shift of managerial resources to downstream areas, its ROA improved significantly, rising from 3.1% to 5.0%.

05 Transcending the Boundaries of Textiles

With a focus on what the customer wants, we leveraged our brand business know-how and knowledge in the textile industry, in order to expand our business areas from apparel products to the entire area of lifestyle categories.

In 2003, for example, we invested in DEAN & DELUCA, a premium gourmet store in New York. We concluded a strategic alliance agreement with that company, and now we are backing up the overseas strategy of the DEAN & DELUCA brand. In 2010, we acquired a master license in Japan for Le Pain Quotidien, a premium bakery-restaurant from Belgium that is being developed globally. In this business, we are conducting store development that combines the know-how of our partners in such areas as product lineup and store presentation with our own know-how in brand management which we acquired through the brand business, such as in total image control and marketing control including store development.

In industrial textiles, we have positioned the Life & Healthcare business area as a new strategic area, which is expected to grow with Japan's aging population. In 2009, Watakyu Seimoa Corporation, which has a substantial share in the medical and welfare related services industry, became an equity-method affiliate. That company has 40 affiliates and is developing businesses in a wide range of areas, such as linen supply for hospitals and meal services for medical and welfare facilities. We are expanding our business with the company in a cross-divisional manner.

DEAN & DELUCA

Le Pain Quotidien

06 Focus on China

In 2008, China's retail apparel market surpassed Japan's to become the second largest in the world. For the textile business, China is positioned as the most important market. In particular, with a focus on its future potential as a consumer market, we are strengthening our downstream businesses, which operate close to the consumers. The development of our business activities in China is centered on the alliance with Shanshan Group Co., Ltd., which is the parent company of the NINGBO SHANSHAN Group, a leading company in apparel and brand retailing. Since 1993, we have established a long track record with the Shanshan Group, and since 2000 we have strengthened our relationship with the company through brand business development. In 2009, we strategically participated in their management by acquiring their shares, and since then we are improving their corporate value through the injection of our managerial resources. We are implementing cross-sectional cooperative initiatives in a wide range of areas, including apparel products and brand business area such as store development for StompStamp high-end children's wear stores and apparel brand ELLE. Moving ahead, we will continue to tie-up with China's leading companies.

In addition, we will expand sales channels. In 2010, we made an investment in TV home shopping major LuckyPai Ltd., thereby establishing a channel in China's TV home shopping market, which is rapidly growing at a rate of 30% a year. Also, we made a capital tie-up with Fortune Link (Global) Holdings Ltd., a Hong Kong e-commerce company, thereby entering the e-commerce market for brand products in China.

StompStamp

07 Rapport and Reach

ITOCHU has spelled out a new strategic direction for the textile business, which is expanding its operations around the world. We will transcend previous organizational boundaries and seamlessly combine the resources that we have accumulated through our operations in textile materials & fabrics, apparel products, and the brand business. At the same time, we will build a new business model in integrated trade flows and take steps to achieve wide-ranging, multifaceted expansion of our business activities. Under the above new strategy "Rapport and Reach," the starting point remains unchanged—customer focus.

TEXTILE COMPANY

In fiscal 2012, the Textile Company will proactively seek new opportunities. We will continue to strengthen alliances with our leading partners and expand our business areas, maintaining a consistent focus on adding value for our customers while remaining competitive.

Hitoshi Okamoto
President, Textile Company

Net Income Attributable to ITOCHU

Fiscal 2011
¥15.3 billion

Fiscal 2012 Plan
¥21.0 billion

Up 37.3%

Business Activities

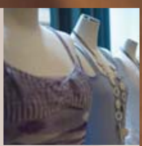
Textile Materials & Fabrics

We are active in a broad spectrum of business areas ranging from textile materials and fabrics made from natural and synthetic fibers to products such as denim, shirts, and casual wear. In these areas, we will continue our legacy as ITOCHU's founding business through the pursuit of adding value and the implementation of strategic global initiatives.

Industrial Textiles

This group is developing a wide range of businesses in areas extending from textiles for applications in automobiles, aircrafts, and electronics to textiles for furniture, window treatments and other interior design items and other lifestyle-related products. We are also expanding activities to the Life & Healthcare business area, such as linen supplies for hospitals and other health and welfare facilities.

Apparel Products



In all types of apparel, including men's wear, women's wear, innerwear, sportswear, and uniforms, ITOCHU provides high-quality products and develops businesses ranging from production to sales in order to meet our customers' diverse needs. In addition, while using capital resources efficiently and partnering with leaders in each area of business, we are working to further enhance the quality of our products and services.

Brand Business

We have established the No. 1 position in the industry by anticipating change and creating a business model that considers brands as a key initiative for growth. We are extending our business areas from a wide range of clothing, fashion goods, and accessories including luxury, casual, and sports brands, to the entire area of lifestyle categories, while implementing global development initiatives.

Main Products and Services

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

Hideo Nakanishi
Chief Operating Officer, Textile Material & Fabric Division

Yozo Kubo
Chief Operating Officer, Apparel Division

Masahiro Morofuji
Chief Operating Officer, Brand Marketing Division 1

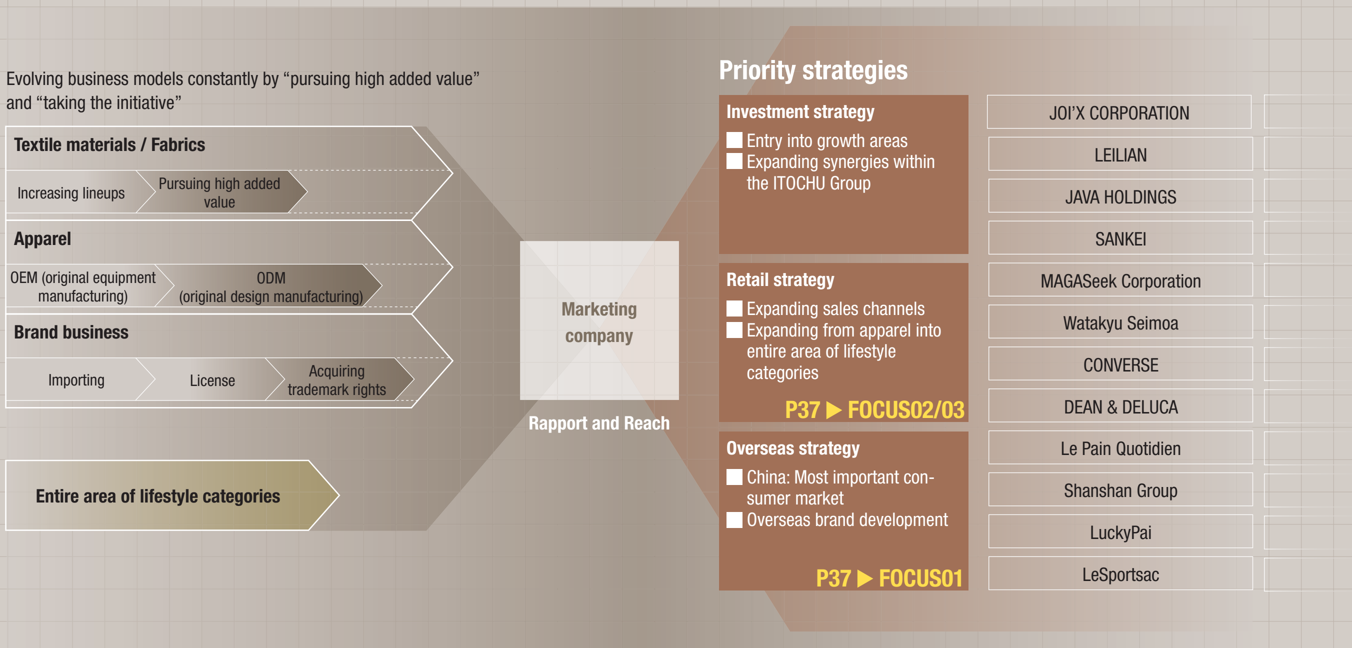
Kazunori Ishii
Chief Operating Officer, Brand Marketing Division 2

Organizational Structure

Textile Company

- Textile Material & Fabric Division
- Apparel Division
- Brand Marketing Division 1
- Brand Marketing Division 2

The Growth Strategies of the Textile Company



Rapport and Reach

The Textile Company has inherited the founding business of ITOCHU.

As a customer-focused marketing company, we have maintained a position as an industry leader utilizing a flexible business model that extends from textile materials to a diverse array of end products.

In Japan, by utilizing our expertise in developing brands, we are expanding further into the retail area, and broadening our business, from fashion and apparel to the entire area of lifestyle categories. Furthermore, we are developing businesses in the Life & Healthcare business area.

Moving forward, our activities in consumer-related businesses will be centered on China, which has an overwhelming presence as a major consumer market. Here, we will accelerate business development, including brand business and retail area initiatives with leading partners, and also accelerate business development using new sales channels, such as e-commerce and TV home shopping.

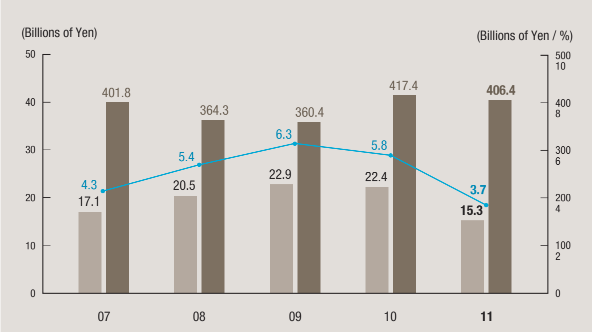
Overview of Fiscal 2011 Results

The Japanese domestic textile market continued to contract due to unseasonable weather such as a heat wave, and sales reductions in retailing caused by the Great East Japan Earthquake, which occurred near the end of the fiscal year. On the other hand, initiatives in China to expand internal demand had a positive effect, and consumer spending remained strong.

The Textile Division Company has positioned the rapidly growing China market as its most important region and has greatly increased the number of cooperative ventures with partner companies. ITOCHU has expanded the scope of its projects with Shanshan Group Co., Ltd., which extend across many of ITOCHU's Division companies. In addition to joint initiatives for the ELLE brand and retail store development for StompStamp high-end children's wear stores in fashion areas, other cooperative ventures extend to cathode materials for lithium-ion batteries and projects with real estate-related businesses. In addition, we have taken steps to open new sales channels, such as TV home shopping and e-commerce, through investments in LuckyPai (China) and Fortune Link (Hong Kong).

In fiscal 2011, with contributions from newly consolidated subsidiaries, gross trading profit increased 24.9%, to ¥128.3 billion. However, due to the absence of non-recurring gains reported in the previous fiscal year and to losses from the liquidation of a subsidiary this year, net income attributable to ITOCHU was down 31.7%, to ¥15.3 billion.

Net Income Attributable to ITOCHU / Total Assets / ROA



■ Net Income Attributable to ITOCHU (left)
■ Total Assets (above right)
-◆- ROA (%) (below right)

Business Results

Billions of Yen

	07	08	09	10	11
Gross trading profit	¥ 124.6	¥ 115.2	¥ 102.6	¥ 102.7	¥ 128.3
Equity in earnings of associated companies	1.5	2.0	3.6	8.0	5.9
Net income attributable to ITOCHU	17.1	20.5	22.9	22.4	15.3

Years ended March 31

Net Income from Major Group Companies

Billions of Yen

	07	08	09	10	11
ITOCHU Textile Prominent (ASIA) Ltd.	¥ 0.6	¥ 0.6	¥ 0.6	¥ 0.5	¥ 0.0
ITOCHU TEXTILE (CHINA) CO., LTD.	0.9	0.9	1.0	0.9	0.8
JOI'X CORPORATION	1.1	0.9	0.4	0.1	0.5

Years ended March 31

* For a more detailed analysis of results, please see pages 87 to 109, Management's Discussion and Analysis of Financial Condition and Results of Operations.

MESSAGE FROM THE DIVISION COMPANY PRESIDENT

As the only general trading company that keeps "textile" as an independent business segment, ITOCHU has made continued progress in textiles and fashion and built a strong industry presence. ITOCHU has distinctive strengths in the consumer-related sector, and competitive strengths and earning power that have help drive the Textile Company's growth. Its operations have been supported by the ongoing creation and reform of a business model that focuses on the customer with a commitment to the front-lines.

In fiscal 2012, the first year of Brand-new Deal 2012, we will be even more proactive, seeking new opportunities and work to expand the scope of our operations through investments. China will play an especially important role in these initiatives. In China, the middle class is growing rapidly, and as a result, the business environment is steadily developing in which consumers are increasingly looking for high value added products, the specialty of the Textile Company. We will further strengthen business and capital tie-ups with leading companies, and will take steps to build and expand a foundation for local sales. We will strive to lead the way among Japanese companies seeking to develop businesses in this market, and will work to expand business opportunities. The "non-store" retail market, including TV home shopping and e-commerce, is growing rapidly. We will work to bolster our businesses in these rapidly expanding retail channels, centered on two companies in which we invested in fiscal 2011.

We will also strive to further strengthen consolidated management. The Textile Company will aim to uncover new sales channels for Group companies, share know-how and managerial resources with our Group companies, and strengthen ties throughout the ITOCHU Group, in order to maximize earnings.

Moving forward, the Textile Company will maintain its customer focus and create new businesses. On that basis, we will provide ITOCHU's distinctive functions to create and add value, and maintain an indispensable presence for Group companies, business partners and consumers.

Hitoshi Okamoto

President, Textile Company

FOCUS

INITIATIVES TO IMPLEMENT OUR GROWTH STRATEGY

01 Brand Business and Retail Store Development with the Shanshan Group

In February 2009, ITOCHU entered a capital and business tie-up with the Shanshan Group. Working together, we are advancing a range of activities that extend throughout ITOCHU operations, including the production of cathode materials for lithium-ion batteries and the operation of outlet malls. In textiles, in September 2010 we introduced women's wear under the French brand ELLE and began developing stores in major cities in China, including Shanghai and Guangzhou, targeting fashion-oriented women between the age of 25 and 35. As of the end of March 2011, there were a total of 34 stores. We also moved ahead with StompStamp high-end children's wear stores, which originated in Japan. The first StompStamp store in China opened in Shanghai in December 2010. Targeting fashion-conscious families, these operations represent our entry into a new format, a shop that offers one-stop access to European and North American brands. Going forward, we will continue to accelerate brand development in China with leading local partners.

First StompStamp store in China (Shanghai)

ELLE shop (Guangzhou)

02 Entering TV Home Shopping and e-Commerce in China

Accompanying the growth of the consumer market in China, sales channels have begun to diversify. In August 2010, ITOCHU and the LOTTE Group in Korea, made a joint investment in LuckyPai Ltd., one of China's leading TV home shopping companies, with a strong network extending throughout the country. The TV home shopping market in China is very promising, with growth expected to be about 30% a year. In addition, in e-commerce, we invested in Fortune Link (Global) Holdings Ltd. in Hong Kong, in November 2010.

We will continue to utilize these new sales and distribution channels to further expand our operations in the consumer-related sector in China.

LuckyPai Ltd.


Studio at LuckyPai Ltd.

03 Expanding from Apparel to the Entire Area of Lifestyle Categories, Utilizing Our Expertise in Brand Business: Le Pain Quotidien

Following the introduction of DEAN & DELUCA, which we launched in 2003, in March 2010 we obtained an exclusive store license in Japan for Le Pain Quotidien, a premium bakery-restaurant, based in Belgium and expanding globally. In addition, we have also acquired exclusive import and sales rights and exclusive production and sales rights. Partnering with HOKKOKU Co., Ltd., we have launched this premium bakery-restaurant business. We opened the first Le Pain Quotidien restaurant in Japan in Tokyo Shiba Koen in January 2011. Moving forward we will steadily add new restaurants. Le Pain Quotidien's history dates back to 1990 when founding chef Alain Coumont opened a simple, elegant organic bakery-restaurant in Brussels, Belgium. Today, Le Pain Quotidien boasts a global network of 152 restaurants in 21 countries. In the future, the Textile Company will continue to introduce highly individual, topical lifestyle brands to the market.



First Le Pain Quotidien bakery-restaurant in Japan (Shiba Koen, Tokyo)

ICT & MACHINERY COMPANY

Created through the merger of two previous Division Companies, the ICT & Machinery Company made a new start this fiscal year. Moving forward, we will work to support ITOCHU's earnings by acquiring superior assets and building a stable earnings platform.

Toru Matsushima
President, ICT & Machinery Company

Net Income Attributable to ITOCHU

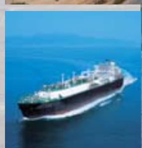
Fiscal 2011
¥18.0 billion

Fiscal 2012 Plan
¥25.0 billion

Up 38.9%

Business Activities

Plant Project & Marine



The Plant Project & Marine Division provides appropriate solutions for projects in a broad range of business areas, including large-scale plant projects in such areas as natural gas, petrochemicals, and electric power; social infrastructure, including railways, roads, bridges, and water resources; and ships. In recent years, the division has expanded into businesses related to the environment, as well as renewable and alternative energies. The division has also stepped up its investment in such areas as IPP.

Automobile & Construction Machinery

In automobiles, the Automobile & Construction Machinery Division is leveraging its global network and strong relationships with strategic partners to expand earnings throughout the range of automobile-related businesses, such as trade business, retail, auto retail finance, and parts manufacturing. In construction machinery, the division is working to expand its business in emerging countries.

Aerospace & Industrial Systems

In aerospace, the Aerospace & Industrial Systems Division offers one-stop solutions that cover an extensive range of areas, from aircraft trade to aircraft interior equipment. In industrial systems, the division is expanding its business to such areas as solar cells and lithium-ion batteries.

Information & Communication Technology

The Information & Communication Technology Division's business covers a broad range of areas, including IT services, Internet-related businesses, and mobile-related businesses. The division, which has industry-leading affiliates in each of its business fields, is focusing on expanding cloud services, mobile phone related business, and others. In addition, the division is also working to develop new fields of business, such as environmental IT and green technologies.

Life & Healthcare

Under the "medical value chain concept," the Healthcare Business Department is taking steps to expand the scope of its business in areas ranging from the distribution of medical devices in domestic and overseas markets to services for hospitals.

Main Products and Services

- Oil refineries; natural gas and petrochemical plants
- Power generation / transmission facilities
- Rolling stock / systems
- Sea water desalination & distribution / environmental related facilities
- Facilities related to renewable and alternative energy
- Project development, investment, operational management, and maintenance related to IPP / IWPP (independent power producer / independent water power producer) projects and other social / industrial infrastructure
- Ship trading, offshore equipments, ship charter and own-ship operation
- Automobiles
- Construction machinery
- Aircraft and in-flight equipment
- Air transportation management systems
- Space-related equipment
- Security equipment
- Industrial machinery
- Semiconductor equipment
- Electronic devices / electronics-related equipment
- IT solution business
- Internet services
- TV Home / Internet Shopping business
- Energy management business
- Venture investment & VC business
- Human resources / educational services
- Retail distribution & services of mobile equipment
- Communications and media business
- Medical devices and pharmaceuticals

Organizational Structure

ICT & Machinery Company

- Plant Project & Marine Division
- Automobile & Construction Machinery Division
- Aerospace & Industrial Systems Division
- Information & Communication Technology Division
- Healthcare Business Department

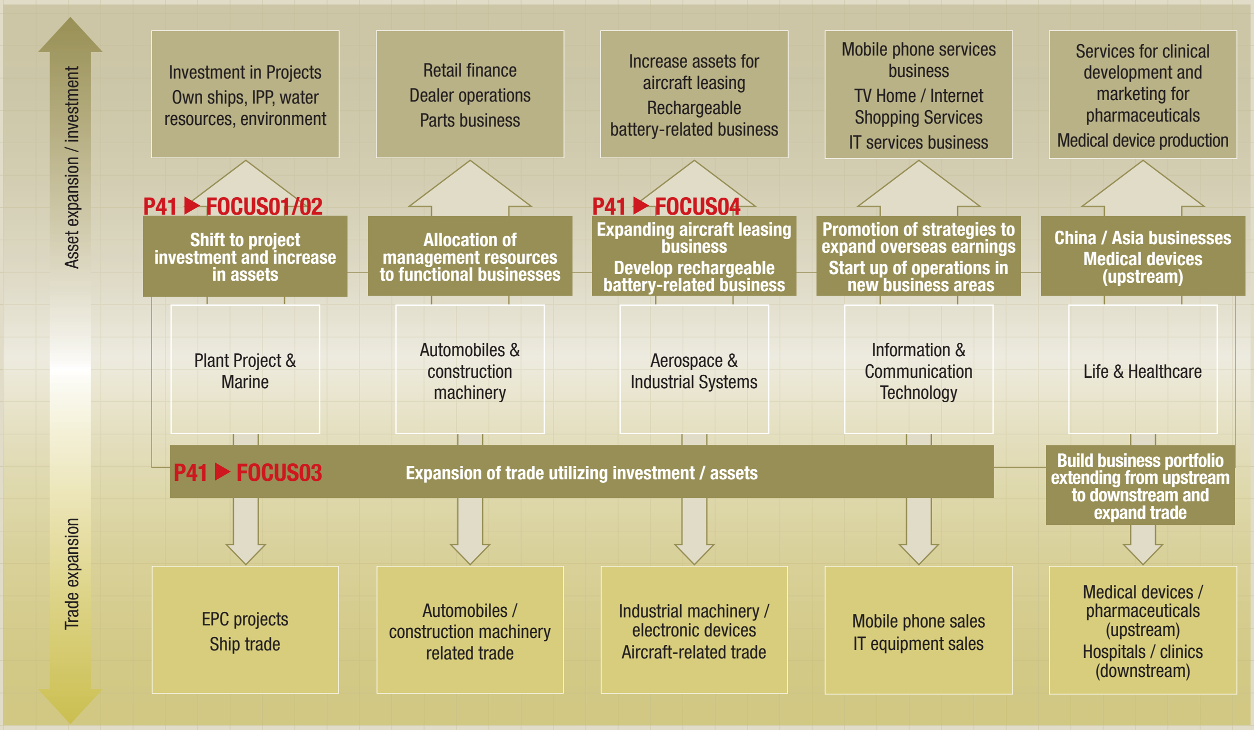
Masahiro Imai
Chief Operating Officer, Plant Project & Marine Division

Kazutaka Yoshida
Chief Operating Officer, Automobile & Construction Machinery Division

Nobuyuki Kasagawa
Chief Operating Officer, Aerospace & Industrial Systems Division

Takahiro Susaki
Chief Operating Officer, Information & Communication Technology Division

The Growth Strategies of the ICT & Machinery Company



The ICT & Machinery Company will aggressively acquire assets in the machinery-related sector, which is one of the four business sectors targeted for increased assets under the new medium-term management plan. We will acquire assets in infrastructure projects in the plant project & marine business, in retail finance in the automobile & construction machinery business, and in aircraft leasing in the aerospace business. At the same time, in growth business areas that will become future earnings bases, such as rechargeable battery-related operations and TV Home / Internet Shopping business, we will bolster and accelerate our operational initiatives. Moreover, we will strive to steadily expand our earnings from trade related / peripheral to acquired assets and investment. In Life & Healthcare, under the medical value chain concept, we will further expand trade in domestic and overseas markets.

Overview of Results in Fiscal 2011

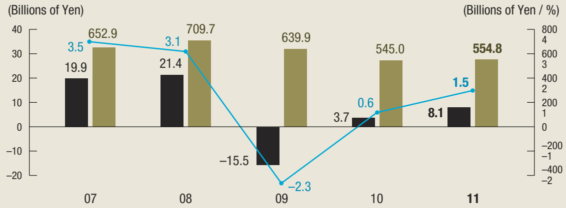
Overseas, marked growth was seen in infrastructure-related and renewable energy areas, centered on emerging countries. In addition, with further growth in the economies of emerging countries and recoveries in the economies of industrialized countries, automobile demand followed a recovery trend. In Japan, the penetration of smartphones grew at a rapid pace, and we benefited from the resulting pickup in the mobile phone market.

The former Machinery Company acquired assets that will offer stable earnings and be less susceptible to fluctuations in business conditions, such as assets in the areas of IPP in North America and renewable energy. In China, joint initiatives with local partners in such areas as transportation infrastructure were aggressively advanced.

The former ICT, Aerospace & Electronics Company liquidated unprofitable businesses and took steps to improve profitability, centered on media and Internet businesses and on civil aviation.

Net Income Attributable to ITOCHU / Total Assets / ROA

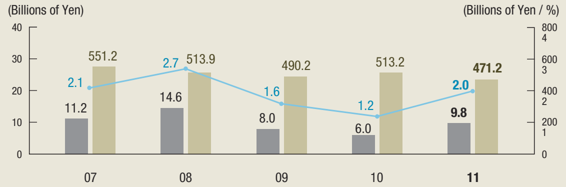
(formerly Machinery Company)



■ Net Income Attributable to ITOCHU (left) ■ Total Assets (above right) ROA (%) (below right)

Net Income Attributable to ITOCHU / Total Assets / ROA

(formerly ICT, Aerospace & Electronics Company)



■ Net Income Attributable to ITOCHU (left) ■ Total Assets (above right) ROA (%) (below right)

At the same time, a key focus was the shift of management resources to growth areas—such as the lithium-ion battery business and green technologies utilizing ICT—and to such growth markets as China.

In fiscal 2011, earnings were supported by a recovery in emerging country demand for automobiles and construction machinery, as well as by a strong performance in mobile phone related services. As a result, gross trading profit was up 3.0%, to ¥185.1 billion, and net income attributable to ITOCHU increased by 85.0%, to ¥18.0 billion.

Business Results

Billions of Yen

	07	08	09	10	11
Gross trading profit	¥ 222.8	¥ 238.1	¥ 210.7	¥ 179.7	¥ 185.1
(Machinery)	89.3	99.1	71.9	43.3	51.1
(ICT, Aerospace & Electronics)	133.5	139.0	138.9	136.4	134.0
Equity in earnings of associated companies	4.3	3.5	2.1	12.6	12.1
(Machinery)	5.8	4.8	1.8	10.5	8.2
(ICT, Aerospace & Electronics)	(1.5)	(1.2)	0.3	2.1	3.9
Net income attributable to ITOCHU	31.1	35.9	(7.4)	9.7	18.0
(Machinery)	19.9	21.4	(15.5)	3.7	8.1
(ICT, Aerospace & Electronics)	11.2	14.6	8.0	6.0	9.8

Years ended March 31

Net Income from Major Group Companies

Billions of Yen

	07	08	09	10	11
ITOCHU Automobile America Inc.	¥ 1.2	¥ 0.6	¥ (1.6)	¥ (1.0)	¥ 0.3
Century Tokyo Leasing Corporation	1.6	1.5	1.0	6.8	4.0
ITOCHU Techno-Solutions Corporation	7.4	8.1	6.9	6.8	6.3
ITC NETWORKS CORPORATION	1.8	1.7	1.6	1.6	1.4
Century Medical, Inc.	0.2	0.2	0.5	0.6	0.8

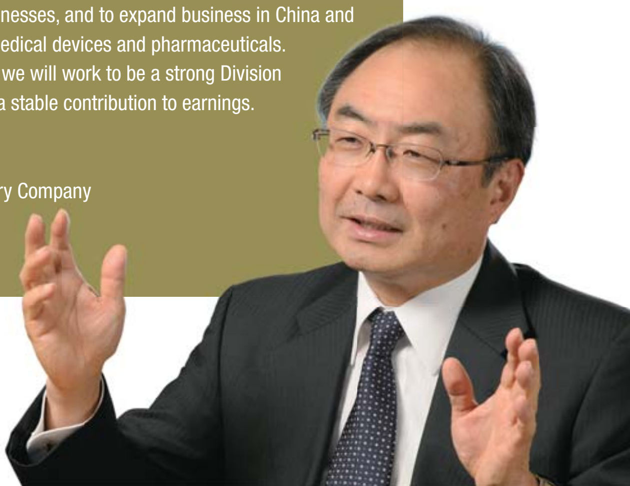
Years ended March 31

* For a more detailed analysis of results, please see pages 87 to 109, Management's Discussion and Analysis of Financial Condition and Results of Operations.

MESSAGE FROM THE DIVISION COMPANY PRESIDENT

From April 2011, we have made a new start as the ICT & Machinery Company. Created through the merger of the former Machinery Company and the former ICT, Aerospace & Electronics Company, we are ITOCHU's largest Division Company, with 780 managerial career track employees. In addition, the ICT & Machinery Company has been assigned a key role in Brand-new Deal 2012. We cover a wide range of business areas through the Plant Project & Marine Division, the Automobile & Construction Machinery Division, the Aerospace & Industrial Systems Division, the Information & Communication Technology Division, and the Healthcare Business Department. The industries served by these businesses encompass a range of different operating environments, and many of these areas hold great promise for the future. Leveraging our abundant resources, we will work to acquire superior assets and expand earnings, while aggressively replacing assets. Specifically, we will work to develop the wind power generation business through collaboration with leading partner companies; to make progress in overseas IPP operations, centered on North America; to enhance automobile-related operations, which have a broad value chain, to strategically expand information and communications-related businesses, to further advance rechargeable battery businesses, and to expand business in China and Asia in areas related to medical devices and pharmaceuticals. Through these initiatives, we will work to be a strong Division Company that can make a stable contribution to earnings.

Toru Matsushima
President, ICT & Machinery Company



FOCUS INITIATIVES TO IMPLEMENT OUR GROWTH STRATEGY

01 North American IPP

As part of our strategy to increase solid IPP assets in North America, together with CHUBU Electric Power Co., Inc., we acquired partial interests in five gas-fired power generation assets from Tenaska, Inc. This acquisition was made through our U.S. subsidiary Tyr Energy, Inc.

Moving forward, we will make full use of the know-how of the ITOCHU Group, including Tyr Energy's investment and operational administration functions, and work to enhance the value of the acquired assets.

Kiowa power plant

02 Wind Power Generation Business

We have entered into a collaboration and cooperation agreement with General Electric Company (GE) to identify co-investment opportunities in renewable energy worldwide. Together with GE, we made a joint investment in the CPV Keenan II wind farm in Oklahoma and the Shepherds Flat wind farm in Oregon, which will be the world's largest wind farm. At the CPV Keenan II wind farm, NAES Corporation, a U.S. subsidiary of ITOCHU, is providing operation and maintenance services.

Keenan II power plant

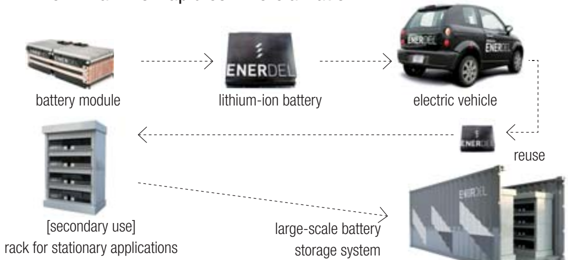
03 Infrastructure-Related Business in China

In cooperation with CSR Qingdao Sifang Locomotive & Rolling Stock Corporation Limited, an affiliate of China South Locomotive & Rolling Stock Corporation Limited, which is China's largest rolling stock manufacturer, we received a series of orders from Guangzhou Metro Corporation. Specifically, these orders comprise 196 linear subway cars for Line 6 and 192 linear subway cars for Line 5.

Subway car for Guangzhou Metro Line 6 (image)

04 Tie-up with the Largest Electric Power Holding Company in the United States in the Lithium-ion Energy Storage Device Business

In November 2010, ITOCHU Corporation and Duke Energy Corporation, a major U.S. electric power holding company, signed an agreement to collaborate in the areas of smart grids and renewable energy. As the first step, we have begun considering a business model under which lithium-ion batteries that have been used in electric vehicles for a certain period of time will be reused in home or commercial applications. In the state of Indiana, in the United States, we will test applications for these batteries and their influence on the existing power grid. For these tests, we will use electric vehicle lithium-ion batteries made by Ener1, Inc., a U.S. battery manufacturer in which we have invested. Working together with Duke Energy, we will aim for rapid commercialization.



Model for the reuse of lithium ion batteries

ENERGY, METALS & MINERALS COMPANY

Moving forward, the Energy, Metals & Minerals Company will work to expand its business by finding and acquiring highly profitable equity interests with a more aggressive approach, and by achieving further increases in earnings through synergies between natural resource development and trade.

Ichiro Nakamura
President, Energy, Metals & Minerals Company

Net Income Attributable to ITOCHU

Fiscal 2011
¥109.2 billion

Fiscal 2012 Plan
¥154.0 billion

Up 41.0%

Business Activities

Mineral Resources

We are developing mineral resources and conducting trade, such as iron ore and non-ferrous metals. The iron ore business, which holds highly profitable equity interests in western Australia and Brazil, is in the top ranks of general trading companies in equity interests and in trade for Japan.

Metal Products

We have built a strong network in the metal products business, centered on Marubeni-Itochu Steel Inc., and we are developing business in the sale and processing of steel products. Also, centered on ITOCHU Metals Corporation, we are advancing business in non-ferrous metals products and steel scrap and other recycling-related businesses.

Energy

We have built a supply chain that seamlessly links development of energy resources, such as oil and gas, with trade. The scope of our business places us in the top ranks of general trading companies.

New Energy & Coal

In coal, we are working to advance development of new projects and expand our equity interests. In new energy, we are moving forward with activities in a wide range of areas, such as the biomass and photovoltaic power generation / solar thermal power generation businesses.

Main Products and Services

- Iron ore
- Coal
- Aluminum
- Steel scrap
- Steel products
- Crude oil
- Petroleum products
- LPG
- LNG
- Nuclear fuel
- Bioethanol
- Natural gas
- Emission credits
- Biomass
- Solar power-related parts and products
- Solar power generation system integrator business
- Solar power generation / solar thermal power generation businesses

Organizational Structure

Energy, Metals & Minerals Company

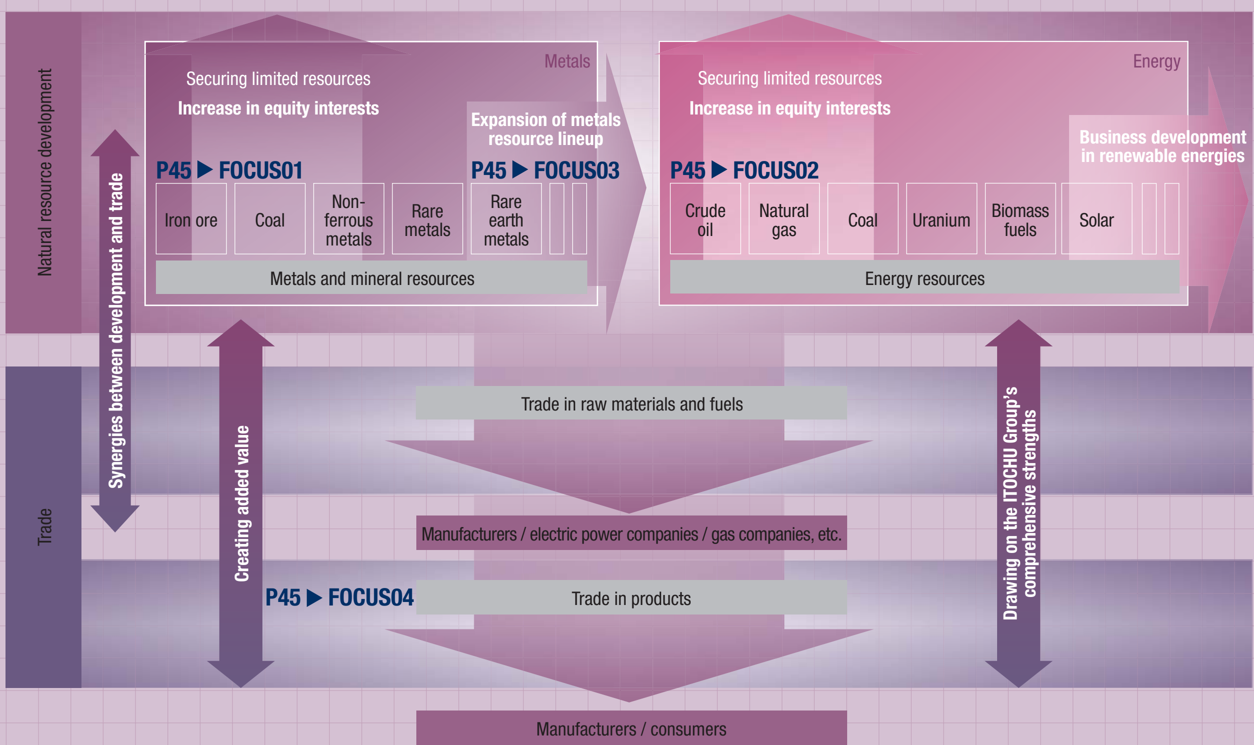
- Metals & Minerals Division
- New Energy & Coal Division
- Energy Division

Yutaka Washizu
Chief Operating Officer,
Metals & Minerals Division

Harutoshi Okita
Chief Operating Officer,
New Energy & Coal Division

Masanori Toyoshima
Chief Operating Officer,
Energy Division

The Growth Strategies of the Energy, Metals & Minerals Company



Demand for natural resources continues to grow in China and other emerging countries. In this environment, the Energy, Metals & Minerals Company is working to expand its equity interests in order to secure stable supplies of natural resources and energy. In addition, we are working to build value chains based on equity interests and to create added value in trade business by leveraging the ITOCHU Group's comprehensive strengths.

Moving forward, we will strive to secure non-ferrous metals, rare metals, rare earth metals, and other natural resources that have become increasingly difficult to procure in recent years. At the same time, in response to growing international concern with environmental problems, we will step up our activities in such areas as environmental businesses, including the trading of greenhouse gas emissions credits, as well as renewable energies, such as biomass and solar.

Overview of Results in Fiscal 2011

Against a background of economic growth in emerging countries, led by China, demand for metals, mineral resources, and energy increased. In the second half of the fiscal year, due to such factors as the chaos in the Middle East and the increase in financial market liquidity that started with quantitative easing in the United States, energy prices strengthened.

In iron ore, coal, and energy, we worked to advance trade business and to steadily meet growing demand. In addition, we implemented a range of forward-focused initiatives. These included follow-on investments in existing projects, acquisition of new projects, and participation in development projects, including non-ferrous metals and other mining projects as well as shale oil projects. In new energy and environment-related areas, we made an additional investment in a new uranium mine development project and launched an integrated recycling project in China.

In fiscal 2011, the Energy, Metals & Minerals Company recorded gross trading profit of ¥212.1 billion, an increase of ¥70.5 billion (49.8%) from the previous fiscal year. We recorded a loss due to impairment of oil and gas production and development projects in the United States and Australia. However, we also recorded an increase in gain on sales of property and equipment from the sale of coal interests and an increase in equity in earnings of associated companies. Net income attributable to ITOCHU recorded a substantial gain, rising by ¥43.6 billion (66.3%), to ¥109.2 billion.

Net Income Attributable to ITOCHU / Total Assets / ROA

Net Income Attributable to ITOCHU (left)
Total Assets (above right)
ROA (%) (below right)

Business Results

Billions of Yen

	07	08	09	10	11
Gross trading profit	¥ 102.1	¥ 127.5	¥ 222.3	¥ 141.6	¥ 212.1
(Metals & Minerals)	46.5	50.0	110.7	55.0	124.6
(Energy)	55.6	77.5	111.6	86.6	87.5
Equity in earnings of associated companies	27.1	25.5	24.7	9.2	28.5
Net income attributable to ITOCHU	80.7	105.7	114.7	65.7	109.2
(Metals & Minerals)	43.5	55.9	73.5	42.9	111.0
(Energy)	37.2	49.8	30.8	22.8	(1.8)

Years ended March 31

Net Income from Major Group Companies

Billions of Yen

	07	08	09	10	11
ITOCHU Metals Corporation	¥ 1.2	¥ 1.4	¥ 1.4	¥ 0.8	¥ 1.2
ITOCHU Minerals & Energy of Australia Pty Ltd	28.9	38.5	71.2	34.1	80.1
ITOCHU Oil Exploration (Azerbaijan) Inc.	21.2	33.4	26.1	6.9	11.8
ITOCHU PETROLEUM CO., (SINGAPORE) PTE. LTD.*2	5.1	3.6	5.0	0.8	0.0
Marubeni-Itochu Steel Inc.	16.8	16.9	14.8	2.7	6.8
Brazil Japan Iron Ore Corporation	—	—	0.0	4.0	12.9

Years ended March 31

*1 For a more detailed analysis of results, please see pages 87 to 109, Management's Discussion and Analysis of Financial Condition and Results of Operations.

*2 Figures for fiscal 2007 to fiscal 2009 are the figures for ITOCHU Petroleum Japan Ltd., a holding company.

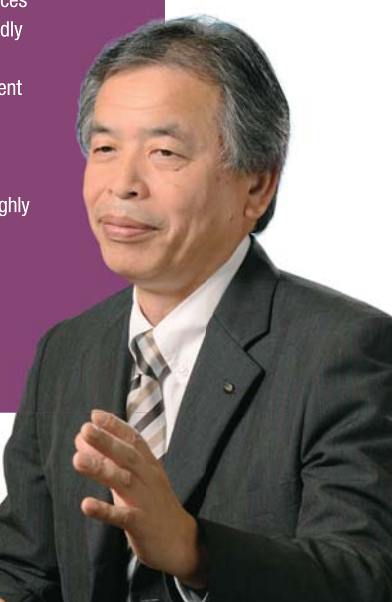
MESSAGE FROM THE DIVISION COMPANY PRESIDENT

Under Brand-new Deal 2012, to increase highly profitable equity interests, we will focus on proactively seeking new opportunities, and will work to expand earnings through synergies between natural resource development and trade. In this way, we will strive to continue to make a strong contribution to ITOCHU's companywide earnings.

With support from continued strong economic growth in emerging countries, demand for natural resources and energy is expected to remain firm. On the other hand, we must continue to carefully track the mineral resources and energy industries, where the operating environments change daily with many unstable elements. For example, the threat posed by such natural phenomenon as the torrential rains that occurred in Australia and the natural disaster that struck Japan have had major impacts on supply and demand for natural resources and energy. To contribute to the stable procurement of natural resources and energy and to the development of environment-friendly new energies, we will take a long-term perspective and strive to advance natural resource and energy development and trade in all regions of the world.

Making full use of the distinctive capabilities of a general trading company, the Energy, Metals & Minerals Company will target the achievement of results that are highly evaluated on both the supply and consumption sides.

Ichiro Nakamura
President, Energy, Metals & Minerals Company



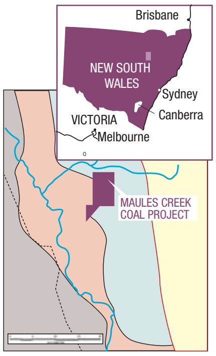
FOCUS INITIATIVES TO IMPLEMENT OUR GROWTH STRATEGY

01 Acquisition of Interest in Maules Creek Coal Project in Australia

Through ITOCHU Minerals & Energy of Australia Pty Ltd, an Australian subsidiary, we acquired a 15% interest in the Maules Creek Coal Project that is being developed by Aston Resources Limited, an Australian coal resource development company. At the same time, we also acquired an exclusive right to sell coal from the project to the Japanese market and a preferred right to sell coal to other markets. The coal reserves at the Maules Creek Coal Project are among the largest and highest-quality minable reserves in Australia. A feasibility study is currently underway. Aston Resources plans to start production of coal for coke making (semi-soft coking coal) and high-quality fuel coal in 2012.

MAULES CREEK COAL
MANAGED BY ASTON RESOURCES LIMITED

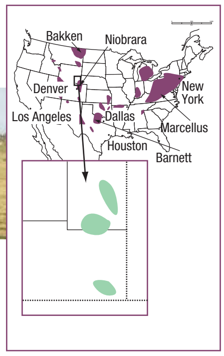
Maules Creek Coal Project Site



02 Participation in Niobrara Shale Oil Project in the United States

Through U.S. subsidiary JD Rockies Resources Limited, we have commenced participation in a shale oil development project. We acquired a 25% working interest in the emerging DJ Basin Niobrara, covering approximately 88,000 net acres of oil and gas leases pertaining to this deal located in the state of Wyoming, in the United States, from Fidelity Exploration & Production Company, a U.S. oil and natural gas company. Plans call for drilling and subsequent production to begin in 2011. We will continue to acquire quality energy resources to add to our balanced portfolio.

Niobrara Shale Oil Project Site



03 Integrated Recycling Operation at Dalian Changxing Island Harbor Industrial Zone in China

ITOCHU Corporation and two of its wholly owned subsidiaries—ITOCHU (China) Holding Co., Ltd., in China, and ITOCHU Metals Corporation—have established Dalian New Green Recycle & Resources Corporation. This integrated recycling operation, which is located in the Dalian Changxing Island Harbor Industrial Zone in China, handles recycling of steel, non-ferrous scrap, consumer electronic and home appliances, and plastics. As the only recycling company licensed by the Chinese government at Dalian Changxing Island Harbor Industrial Zone, the new company is planning to install one of the most sophisticated facilities in the world as well as Japanese advanced environmental technologies. We will continue to work on the establishment of the first ever Integrated Recycling Operation, seeking to be a model in this recycling industry in China.

Conceptual drawing of completed facility

04 Investment and Participation in Petroleum Products Downstream Business in Guam and Saipan

Through our subsidiary ITOCHU PETROLEUM CO., (SINGAPORE) PTE. LTD., we acquired newly allocated interest in IP&E Holdings, LLC, which comprises 25% of the equity after capital increase. IP&E, which acquired Shell's petroleum products retail business in Guam and Saipan in November 2009, has high presence on the business such as gasoline and diesel retail at service stations and fuel sale to commercial and aviation companies. As a part of our strategy in petroleum products trading, we have worked to diversify our sources of profits through participation in the overseas downstream business.

Board Meeting of IP&E Holdings, LLC

CHEMICALS, FOREST PRODUCTS & GENERAL MERCHANDISE COMPANY

We will aim to move up to the next stage by building a solid, stable earnings base and by cultivating new earnings drivers.

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

Net Income Attributable to ITOCHU

Fiscal 2011
26.0 billion

Fiscal 2012 Plan
30.0 billion

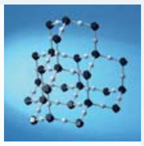
Up 15.4%

Business Activities

Forest Products & General Merchandise

The Forest Products & General Merchandise Division, which has adopted "the home and living" as its keywords, has established strong global value chains in a range of areas, such as building products & materials, pulp and paper, and rubber and tires. The division includes leading affiliates and is highly competitive in each of its areas of business. The building products & materials business, for example, has a strong market presence in North America and Japan, while the pulp and paper business has leveraged its cost competitiveness and sales capabilities to build leading market positions. The division's natural rubber handling and processing business is among the largest of any general trading company, and the tire business has established a global sales network.

Chemicals



The Chemicals Division is dedicated to expand its trade business in a wide range of products, such as basic chemicals, plastics, electronic materials, and pharmaceutical raw materials. In addition, the division plans to extend its business portfolio from upstream to downstream in various areas. With highly competitive affiliates, the division boasts industry-leading profitability. Also, the division is making steady progress in new areas of business, such as methanol production, materials for lithium-ion batteries, and pharmaceutical projects.

Main Products and Services

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

Tomofumi Yoshida
Chief Operating Officer,
Forest Products & General Merchandise Division

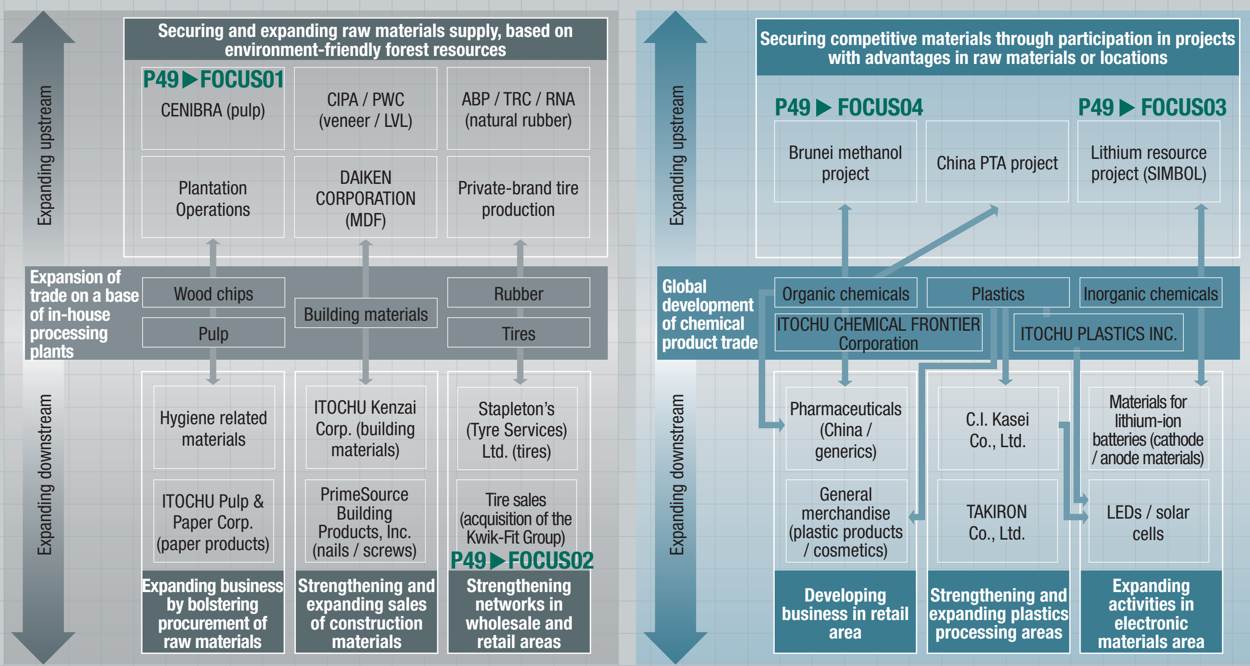
Yuji Fukuda
Chief Operating Officer,
Chemicals Division

Organizational Structure

Chemicals, Forest Products & General Merchandise Company

- Forest Products & General Merchandise Division
- Chemicals Division

The Growth Strategies of the Chemicals, Forest Products & General Merchandise Company



Forest Products & General Merchandise Division:
This division's basic strategy is "niche, low-tech, and dominant." Aiming to expand businesses that contribute to the environment, the division will expand its investment in upstream areas, such as the plantation-based production of materials for papermaking (pulp and wood chips) and the production of natural rubber. In addition, in midstream and downstream areas, the division will expand its investment in distributors, based on such areas as tires, building materials, and paper.

Chemicals Division:
Based on world-wide trading operations in the areas of organic chemicals, plastics, and inorganic chemicals, the division will advance projects in upstream areas to secure competitive resources. At the same time, in downstream areas the division will take steps to expand its business to bolster its supply chains, especially in the retail, plastics processing, and electronic materials areas.

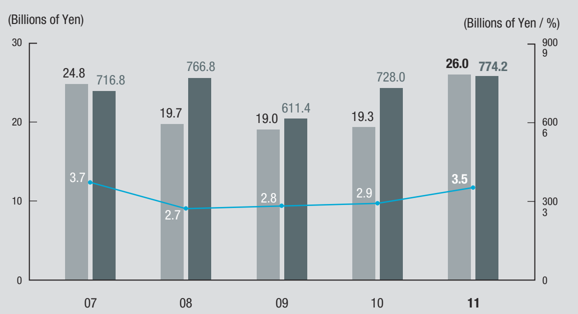
Overview of Results in Fiscal 2011

Demand for tires increased due to severe winter conditions in demand centers and to the expansion of low-priced product markets in China and South Korea. In addition, against a background of higher demand in emerging countries, natural rubber and pulp prices increased, and conditions in markets for petrochemical products and plastics were strong throughout the year.

The Chemicals, Forest Products & General Merchandise Company made steady progress with asset replacement, including the liquidation of five unprofitable/non-core companies, thereby reinforcing its earnings structure. In general merchandise, we moved ahead with a large-scale project in the overseas tire business, and in chemicals, we invested aggressively in materials related to lithium-ion batteries. In these ways, we made steady progress in planting seeds for the future.

In fiscal 2011, conditions in the markets for chemicals were favorable. In addition, natural rubber and pulp prices increased, and sales of tires rose. As a result, gross trading profit was up 7.5%, to ¥118.3 billion, and net income attributable to ITOCHU increased by 34.9%, to ¥26.0 billion.

Net Income Attributable to ITOCHU / Total Assets / ROA



■ Net Income Attributable to ITOCHU (left)
■ Total Assets (above right)
ROA (%) (below right)

Business Results

Billions of Yen

	07	08	09	10	11
Gross trading profit	¥ 126.2	¥ 122.6	¥ 114.3	¥ 110.1	**¥ 118.3**
(Forest Products & General Merchandise)	79.4	74.3	66.0	50.3	**54.8**
(Chemicals)	46.8	48.3	48.3	59.8	**63.6**
Equity in earnings of associated companies	2.3	2.0	2.9	1.6	**6.4**
Net income attributable to ITOCHU	24.8	19.7	19.0	19.3	**26.0**
(Forest Products & General Merchandise)	13.7	8.3	12.0	4.7	**11.5**
(Chemicals)	11.1	11.4	7.0	14.6	**14.5**

Years ended March 31

Net Income from Major Group Companies

Billions of Yen

	07	08	09	10	11
ITOCHU Kenzai Corp.	¥ 2.4	¥ 0.3	¥ (1.0)	¥ 0.2	**¥ 0.0**
ITOCHU Pulp & Paper Corp.	0.8	0.6	0.1	0.2	**0.2**
ITOCHU CHEMICAL FRONTIER Corporation	1.8	1.8	1.1	1.9	**2.0**
ITOCHU PLASTICS INC.	3.2	3.1	1.6	1.9	**2.2**

* For a more detailed analysis of results, please see pages 87 to 109, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Years ended March 31

MESSAGE FROM THE DIVISION COMPANY PRESIDENT

In fiscal 2011, we achieved a sharp year-on-year increase in net income, which rose from about ¥20.0 billion a year earlier to ¥26.0 billion. During the two years of Brand-new Deal 2012, we will strive to move up to the ¥30.0 billion level by building a stable earnings base through the further reinforcement of our trading business and asset replacement. In the areas of both general merchandise and chemicals, we will steadily establish new core businesses, thereby aiming to move our operations to the next level.

In general merchandise, we will target regions and areas in which we can generate synergies with businesses that we are developing overseas. In our tire business, we have acquired the Kwik-Fit Group, the largest U.K. tire retailer. The tire business now has the potential to join North American building materials and pulp as our third major earnings pillar.

In chemicals, we will focus on business areas in which we can add value by leveraging the knowledge that we have cultivated in existing trade businesses. One example is our business in materials related to lithium-ion batteries, which we have strengthened in recent years. In addition to the production of cathode and anode materials, we will take steps to secure upstream resources and expand business opportunities.

Under Brand-new Deal 2012, with a vision of "dramatic growth," we will aggressively take on business challenges.

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

FOCUS

INITIATIVES TO IMPLEMENT OUR GROWTH STRATEGY

01

Pulp Business

In upstream areas, our basic strategy is to secure raw materials, based on environment-friendly forest resources, and to expand trade against that background. In the pulp business, with eucalyptus pulp from CENIBRA, of Brazil, as our core cargo, we will expand our sales network, principally to China, Europe, and North America. In fiscal 2011, we had the highest transaction volume among the world's major pulp traders. Moving forward, we will expand investment to secure raw materials, and implement our strategy to become the world's No. 1 pulp trader.

CENIBRA plant and plantation

02

Tire Business

In downstream areas, we will step up our initiatives targeting the wholesale and retail areas in conjunction with stable raw materials procurement. We expanded investment in the tire business to further strengthen our existing global sales network. In particular, in the strategically important U.K. market, through Stapleton's (Tyre Services) Ltd., we expanded the wholesale business and increased the number of retail outlets. In addition, we acquired the Kwik-Fit Group, which is developing the retail tire sales business in Europe, based in the United Kingdom. Moving forward, expanding the wholesale and retail tire business in Russia and the United States is one of the most important strategies of the Forest Products & General Merchandise Division.

Kwik-Fit (image)

03

Securing Lithium Resources

Demand for lithium products is expected to grow rapidly as the use of electric vehicles and hybrid vehicles expands. Accordingly, to secure their supplies we made an investment in Simbol Mining Corp., a U.S. resource development company. Simbol Mining Corp. uses original technology to recover lithium from geothermal brine that has been used at geothermal power generation facilities in southern California. Simbol Mining Corp. is advancing the production of lithium compounds and is preparing for the start of commercial production within a few years. We have acquired comprehensive sales agent rights for Simbol Mining Corp.'s products in the Asian region, and will supply them in such markets as Japan, China, and South Korea.

Product image (lithium compound)

04

Methanol Project in Brunei

In a joint venture with MITSUBISHI GAS CHEMICAL COMPANY, INC., and Brunei National Petroleum Company Sdn. Bhd., we established BRUNEI METHANOL COMPANY SDN. BHD. Operations at the joint venture's plant, which commenced in April 2010, will have annual production of 850,000 tons of methanol. This project is located in the center of the rapidly growing Asian market, which will be a key asset in distribution. Through this joint venture, we will further enhance our global competitiveness in the methanol business.

Exterior view of plant

FOOD COMPANY

Aiming to be the leading food company in Japan, China, and Asia, we will accelerate the implementation of the global SIS (Strategic Integrated System (vertical integration from upstream area to downstream area)) strategy.

Yoshihisa Aoki
President, Food Company

Net Income Attributable to ITOCHU

Fiscal 2011
¥22.4 billion

Fiscal 2012 Plan
¥30.0 billion

Up 33.9%

Business Activities

Food Resources

With supply bases in North America, Asia, China, Australia, South America, and other regions, we procure a diverse range of food ingredients, including grains, fats and oils, sugar, coffee beans, and livestock products for trade with Japan as well as other countries.

Product Processing

In Japan, we are developing our businesses centered on affiliates processing raw materials and manufacturing intermediary products. Overseas, we are working to expand our businesses through investment in companies that manufacture products intended for the local market as well as for Japan.

Marketing and Distribution

Centered on comprehensive food distributors such as ITOCHU SHOKUHIN Co., Ltd., and NIPPON ACCESS, INC., our food wholesaling business is among the largest in Japan. We have established a strong competitive edge by enhancing our capabilities and implementing low cost operations, so that we can respond to diversifying needs.

Retail

The SIS strategy is the fundamental strategy of the Food Company. SIS starts with the needs of customers, and the information that we obtain from them is used as the basis for our business activities, from product development and manufacturing to the supply and procurement of ingredients. Through our comprehensive efforts in the retail sector—including capital and business tie-ups with FamilyMart Co., Ltd., UNY Co., Ltd., IZUMIYA Co., Ltd., and other retailers—we are creating a supply and demand system with customer needs as the starting point.

Main Products and Services

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

Isamu Nakayama
Chief Operating Officer,
Provisions Division

Naoto Chiba
Chief Operating Officer,
Fresh Food & Food
Business Solutions Division

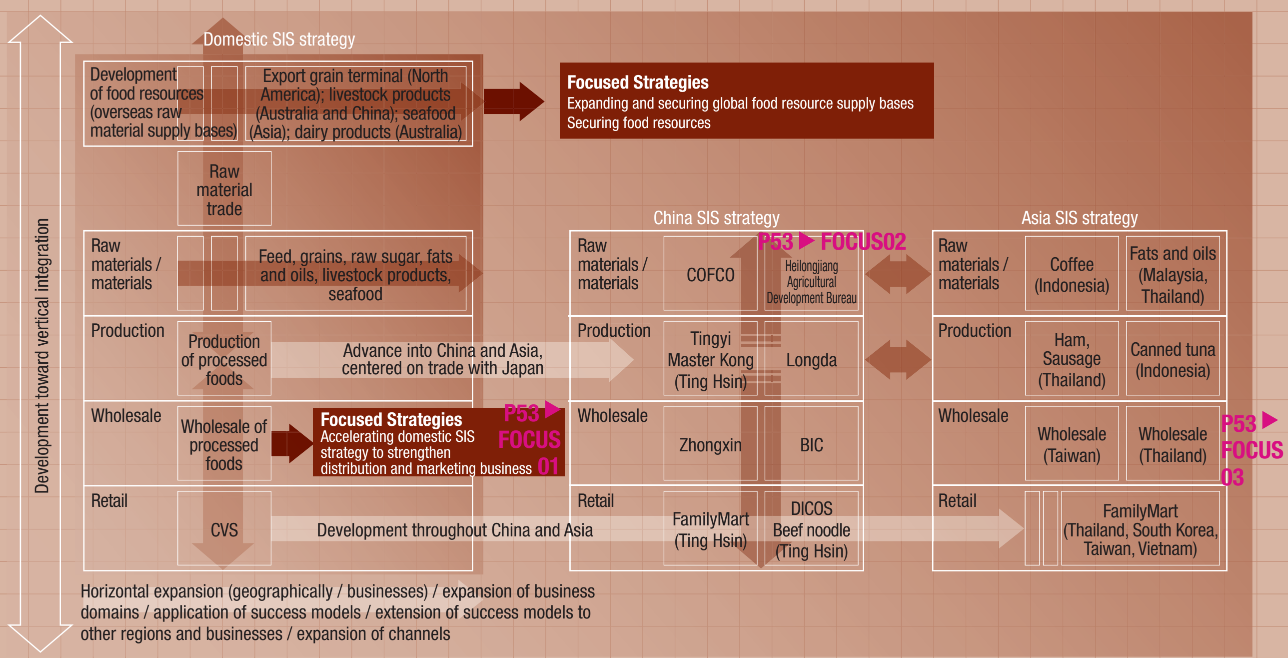
Masahiko Kameoka
Chief Operating Officer,
Food Products Marketing &
Distribution Division

Organizational Structure

Food Company

- Provisions Division
- Fresh Food & Food Business Solutions Division
- Food Products Marketing & Distribution Division
- China Business Development Department

The Growth Strategies of the Food Company



In the implementation of the domestic SIS strategy, we are further accelerating our initiatives, including capital and business alliances in the retail area and integration of Group companies in the distribution and marketing area. In addition to Japan, under Brand-new Deal 2012, one of our key measures remains the same, the implementation of the global SIS strategy, focusing on China and Asia. In China, we have made TING HSIN (CAYMAN ISLANDS) HOLDING CORP. our affiliate and implemented initiatives centered on strategic partnerships with such companies as Longda Foodstuff Group Co., Ltd., and COFCO Limited. In this way, we are building a foundation for the SIS strategy. In Asia, we will further advance and develop the SIS strategy, centered on the continued cultivation of existing projects and the implementation of joint initiatives with strategic partners. In particular, in countries around the world we will step up our efforts to secure and expand bases for the supply of food resources, which will be an important element in the implementation of the global SIS strategy.

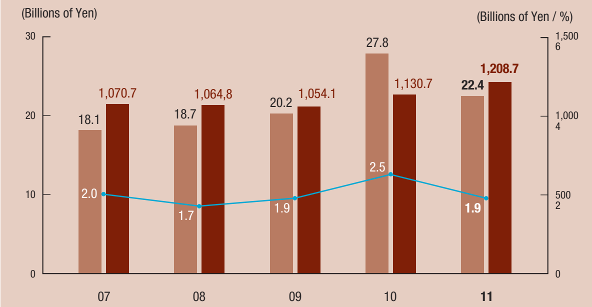
Overview of Results in Fiscal 2011

In fiscal 2011, consumer spending in Japan remained sluggish and competition in the domestic retail and distribution industries intensified further. On the other hand, consumer spending was firm in China and other Asian countries.

The Food Company approached the domestic trend toward accelerating industry reorganization as an opportunity and took steps to advance its food distribution strategy and to strengthen its operations in the area of fresh food materials. In distribution and marketing, four affiliates agreed to integrate their operations in order to further enhance their competitiveness. Overseas, we moved ahead with the global SIS strategy focusing on China and Asia. In China, we accelerated joint initiatives with leading local and Japanese partners.

In fiscal 2011, we recorded inventory losses due to the Great East Japan Earthquake, but due to such factors as increased transaction volume in food distribution-related areas, gross trading profit increased slightly from the previous fiscal year, to ¥335.9 billion. However, net income attributable to ITOCHU was down 19.5%, to ¥22.4 billion, due to the recording of losses from the Great East Japan Earthquake.

Net Income Attributable to ITOCHU / Total Assets / ROA



■ Net Income Attributable to ITOCHU (left)
■ Total Assets (above right)
◆ ROA (%) (below right)

Business Results

Billions of Yen

	07	08	09	10	11
Gross trading profit	¥ 264.6	¥ 324.7	¥ 335.6	¥ 335.5	¥ 335.9
Equity in earnings of associated companies	10.2	8.0	10.1	13.0	11.7
Net income attributable to ITOCHU	18.1	18.7	20.2	27.8	22.4

Years ended March 31

Net Income from Major Group Companies

Billions of Yen

	07	08	09	10	11
NIPPON ACCESS, INC.	¥ 2.4	¥ 2.6	¥ 3.7	¥ 4.5	¥ 4.7
ITOCHU SHOKUHIN Co., Ltd.	1.4	1.3	0.7	1.7	1.8
FamilyMart Co., Ltd.	4.7	4.9	5.3	4.7	4.0

Years ended March 31

* For a more detailed analysis of results, please see pages 87 to 109, Management's Discussion and Analysis of Financial Condition and Results of Operations.

MESSAGE FROM THE DIVISION COMPANY PRESIDENT

As under the previous medium-term management plan, under Brand-new Deal 2012 our management policy is to "aim to be the leading food company in Japan, China, and Asia." Our quantitative objectives include the achievement of ¥30.0 billion in net income in fiscal 2012, which is one year ahead of the original schedule. It is because of the difficult conditions that have followed the earthquake that we have challenged ourselves with this target. We will take steps to further accelerate the improvement of our earnings structure, striving to generate net income in fiscal 2014 of ¥40.0 billion, the amount originally slated for fiscal 2016. Our key measures will continue to center on "advancing the global SIS strategy in China and Asia," and "securing and expanding supply bases for food resources." For the SIS strategy, we are steadily reinforcing our foundation in China, centered on such partners as the Ting Hsin Group. Moving forward, we will also aggressively implement this strategy in other parts of Asia. In addition, to meet demand in the giant markets of China and Asia in the years ahead we believe that it will become increasingly important to secure and expand food resource supply bases. We consider foodstuffs to be a "resource," and through alliances with overseas partners, we will work to secure supply sources around the world, and to build a framework for the stable procurement of safe, secure food materials. On the other hand, we expect competition in Japan to intensify as the domestic market continues to shrink. In each area of business, we will work to implement thorough reforms targeting the enhancement of capabilities and the achievement of low-cost operations.

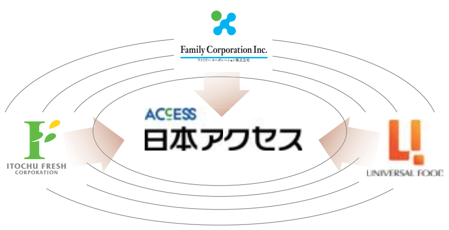
Yoshihisa Aoki
President, Food Company

FOCUS INITIATIVES TO IMPLEMENT OUR GROWTH STRATEGY

01 Integration of Four Food Distribution and Marketing Subsidiaries

In September 2010, discussions about a business restructuring were started by four of ITOCHU's food distribution and marketing subsidiaries—NIPPON ACCESS, INC., Family Corporation Inc., ITOCHU Fresh Corporation Inc., and Universal Food Co., Ltd. In December 2010, the four companies agreed to integrate their operations.

This business integration will help us ensure more tightly controlled, effective utilization of our management resources in the food distribution and marketing business, which plays a key role in the value chain under the Food Company's SIS strategy. With competition in the food distribution and marketing industry intensifying, the integration will help boost our competitiveness by expanding the scale of our operations and strengthening our capabilities in such areas as logistics and fresh foods. We expect the integration to lead to (1) enhancement of customer satisfaction, (2) expansion and improvement of our earnings platforms in the food distribution and marketing business, and (3) acceleration of the overseas expansion of our food distribution and marketing business.



NIPPON ACCESS chilled distribution center

02 Targeting Stable Supply of Agricultural Products in China

In June 2010, we signed two business alliance agreements, one with Heilongjiang Agricultural Development Bureau, which manages a vast national farm in Heilongjiang Province, one of China's leading producers of vegetables and food grains, and the other with Heilongjiang Academy of Agricultural Sciences, a specialist research organization for agricultural products.

Through these alliances, prior to shipping, vegetables and food grains produced at farms under the control of Heilongjiang Agricultural Development Bureau will be inspected for safety at facilities operated by Heilongjiang Academy of Agricultural Sciences. Through the addition of cultivation management and local inspection systems to the existing domestic and international marketing functions and distribution networks, we will work to build a stable supply system for safer, more-secure agricultural products and to further strengthen and advance the SIS strategy in China.

Exchange ceremony for business alliance agreements

Farm operated by Heilongjiang Agricultural Development Bureau

03 Entry into Food Distribution Business in Vietnam

In February 2011, we reached an agreement with PHU THAI GROUP JOINTSTOCK COMPANY (PTG), a leading distribution company in Vietnam, to invest in a new food distribution company.

PTG has a top-class distribution network that covers all areas of Vietnam. PTG handles a wide range of products, including foodstuffs, household products, and clothing and is also developing convenience store operations through a tie-up with FamilyMart. We have positioned Vietnam's food distribution market as a place for trade from the ASEAN region and as a consumer market that is expected to grow further. On that basis, we will take steps to build a cornerstone for food distribution. We will strive to move ahead of the expected inroads of other Japanese companies in Vietnam and to develop a food distribution network in Vietnam.

Exchange ceremony for joint-venture contract

DESIGNATED BUSINESS DIVISION / HEADQUARTERS BUSINESS ORGANIZATION

Kenji Okada
Chief Executive for Construction & Realty; Chief Executive for Financial & Insurance Services, Logistics Services

Construction & Realty Division

Overview of Operations

The Construction & Realty Division provides high-value-added solutions that leverage the distinctive strengths of a general trading company, such as an extensive network, information capabilities, and planning capabilities. Our activities, which are centered on real estate development related business utilizing real estate securitization schemes and residential business, include providing real estate consulting and brokerage services, private finance initiative (PFI) related services, and construction equipment and materials trading. We are also aggressively developing business overseas, principally in Asia.

Overview of Results in Fiscal 2011

In fiscal 2011, following the global financial slump, the condominium business began to follow a course of recovery. Nonetheless, a full-scale recovery was not reached in real estate securitization and other areas. In this environment, we worked to build new business models that can secure stable earnings. In real estate securitization, we strengthened our financial position through a capital increase at Advance Residence Investment Corporation, and advanced asset replacement to reinforce our earning power. Overseas, we achieved the listing of a private placement fund specializing in BTS (build-to-suit)-type logistics facilities, and in China we moved forward with the development of commercial facilities.

In fiscal 2011, partially due to favorable conditions in the residential market, gross trading profit was up ¥2.5 billion, or 15.4%, to ¥18.7 billion. Net income attributable to ITOCHU was up ¥1.1 billion, or 69.0%, to ¥2.7 billion, partially due to the sale of real estate overseas.

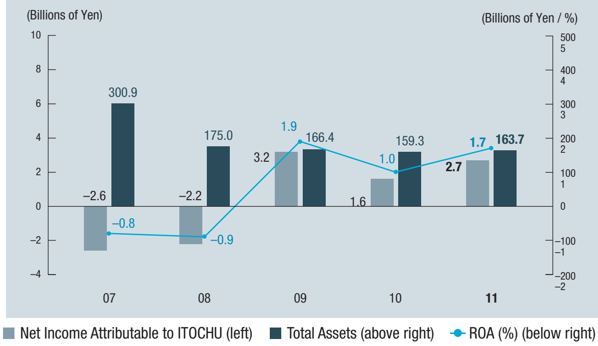
Operating Strategy under Brand-new Deal 2012

We will work to expand our earnings by leveraging our strengths as the construction and real estate arm of a general trading company. Specifically, we will take steps to reinforce our earnings platform in the domestic market and implement full-scale development of overseas real estate business.

Domestic: In Japan, we will strive to expand earnings by increasing assets in real estate securitization and condominium businesses and by strengthening the capabilities of our affiliates.

Overseas: In Asia, centered on China, we will focus on building new business models by enhancing the promotional organizations at our overseas bases and bolstering our tie-ups with local and domestic partners.

Net Income Attributable to ITOCHU / Total Assets / ROA



Business Results

Billions of Yen

	07	08	09	10	11
Gross trading profit	¥ 22.9	¥ 19.9	¥ 19.8	¥ 16.2	**¥ 18.7**
Net income attributable to ITOCHU	(2.6)	(2.2)	3.2	1.6	**2.7**

Years ended March 31

Net Income from Major Group Companies

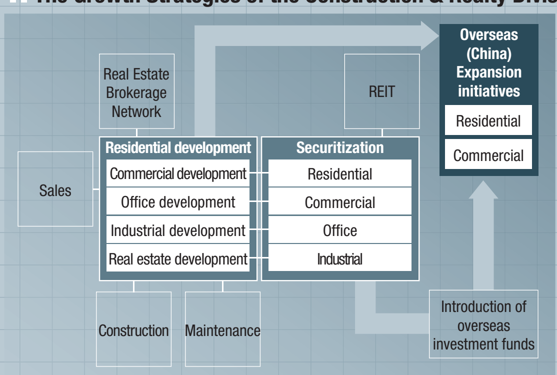
Billions of Yen

	07	08	09	10	11
ITOCHU Property Development, Ltd.	¥ 0.7	¥ (4.4)	¥ 0.3	¥ 0.5	**¥ 1.7**

Years ended March 31

* For a more detailed analysis of results, please see pages 87 to 109, Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Growth Strategies of the Construction & Realty Division



The Construction & Realty Division conducts real estate businesses, centered on the development capabilities of ITOCHU Corporation and ITOCHU Property Development, Ltd.

We also have the facilities management capabilities of ITOCHU Urban Community Ltd., the real estate sales capabilities of ITOCHU HOUSING Co., Ltd., the residential development and reform capabilities of ITOHPIA HOME Co., Ltd., the real estate brokerage network of CENTURY 21 REAL ESTATE OF JAPAN LTD., and the construction and engineering capabilities of CENTRAL ENGINEERING & CONSTRUCTION Co., Ltd. Leveraging these capabilities, we have actively developed homes, commercial facilities, office buildings, and industrial facilities, and advanced real estate securitization, centered on Advance Residence Investment Corporation, a J-REIT.

Moving forward, we will utilize the real estate development know-how that we have accumulated in Japan and overseas investment funds to expand our businesses to overseas real estate markets, centered on China.

Nobuyuki Kizukuri
Chief Operating Officer, Construction & Realty Division

Environment-Friendly Condominium Concept: CREVIA MO+ECO

In the construction and real estate area, condominium developer ITOCHU Property Development, Ltd., is advancing CREVIA MO+ECO as the new standard concept in environment-friendly condominiums.

MO+ECO Logo

MO+Eco. 1:
[More Efficient]
We achieve comfortable energy conservation through the proactive use of water- and energy-saving equipment in the condominium.

MO+Eco. 2:
[More Environment Friendly]
Through such measures as the utilization of sunlight and rainwater and the use of plants for greening, we will propose condominiums that are more friendly to the environment.

MO+Eco. 3:
[More Comfortable]
We provide more comfortable residences that facilitate environment-friendly lifestyles with more convenience and fun.

Rather than simply increasing the energy-saving functionality of residences, we take steps to make energy conservation activities fun, and provide residences making forward-looking use of energy conservation devices in easy-to-use formats.

Headquarters Business Organization
Financial & Insurance Services Department / Logistics Services Department

Prior to the April 2011 organizational changes, the Financial & Insurance Services Division and the Logistics Services Division were part of the Finance, Realty, Insurance & Logistics Services Company. Following the organizational changes, these two divisions were reorganized into the Headquarters business organization not belonging to any specific Division Company, and renamed the Financial & Insurance Services Department and the Logistics Services Department, respectively. This step was taken to strengthen the operational capabilities and rapidly improve the earnings of the two departments.

Overview of Results in Fiscal 2011

In fiscal 2011, the Financial & Insurance Services Division expanded its retail finance business in major cities in China. In addition, the division started reinsurance broking business in Singapore, and worked to further strengthen the business in Asia.

The Logistics Services Division strengthened its alliance with ITOCHU LOGISTICS CORP., and opened a large-scale logistics center in Shanghai in order to enhance its logistics business in China.

Gross trading profit in fiscal 2011 was ¥19.2 billion, about the same as in the previous fiscal year. However, net loss attributable to ITOCHU worsened by ¥10.1 billion, to ¥15.9 billion. This was mainly due to impairment losses on stocks of Orient Corporation as well as the restructuring losses of finance-related affiliates.

Operating Strategy under Brand-new Deal 2012

In financial services, we will develop our businesses focusing on China and Asia. In early fiscal 2012, we formed a comprehensive strategic alliance with the CITIC Group, and as the first step we acquired 25% of CITIC International Assets Management Limited (CIAM). CIAM operates debt/equity financing business for growth companies and businesses in China and the asset management business. On the other hand, in existing businesses, United Asia Finance Limited, which conducts retail finance business in Hong Kong and mainland China, has grown significantly, with net income reaching around US$100 million in fiscal 2011. CENTURY TOKYO LEASING CHINA CORPORATION, a joint venture with Century Tokyo Leasing Corporation also has gradually expanded the scope of their business activities. In addition, consumer finance business in Thailand and the United Kingdom has contributed to our profits.

In Japan, we will pursue stable earnings from Orient Corporation, which posted significant impairment losses in fiscal 2011, and from POCKETCARD Co., Ltd. which acquired Famima Credit Corporation.

In insurance services, we will pursue stable earnings through insurance agency business in Japan and reinsurance business overseas. In addition, under circumstances where insurance has been drawing attention due to the Great East Japan Earthquake, we will strengthen our insurance know-how and work to expand our earnings. Specifically, we will continue working with reinsurance fund business, in which we invested in fiscal 2010. Moreover, as the first Japan-affiliated firm registered as a Lloyd's broker, we have built one of the largest insurance broker networks among Japanese companies, in such regions as the United Kingdom and Asia. With the use of this network, we also focus on reinsurance brokering business for large projects in machinery, natural resources and energy business worldwide and in rapidly growing Asian countries.

In logistics services, through integrated management with ITOCHU LOGISTICS CORP., which became a subsidiary in July 2009 through a take over bid, we strengthened our consolidated management foundation as ITOCHU Logistics Group. We will expand earnings by leveraging our capabilities in ITOCHU Group through the close cooperation with ITOCHU LOGISTICS CORP., enhancing third-party logistics (3PL) business, and accelerating overseas development.

Overseas, especially in China we will pursue further earnings mainly from ITOCHU LOGISTICS (CHINA) CO., LTD., and TINGTONG (CAYMAN ISLANDS) HOLDING CORP., and will enlarge the logistics business in other emerging countries in Asia.

Comprehensive Strategic Alliance with the CITIC Group

We formed the comprehensive strategic alliance with the CITIC Group, a state-owned company in which the Chinese government holds 100% stakes. The CITIC Group is one of China's largest conglomerates with a wide range of business activities. By cooperating in pursuit of synergies in a wide range of business areas through this strategic alliance, CITIC and ITOCHU will further expand and develop mutual businesses, and provide more competitive services in Chinese businesses.

The meeting between CITIC Chairman Chang Zhenming and ITOCHU President & CEO Masahiro Okafuji prior to the signing ceremony.

Headquarters, Administrative Organizations

CFO

A Message from the CFO (Chief Financial Officer)

After more than 10 years of initiatives to strengthen our financial position, we succeeded in improving our net debt-to-equity ratio (NET DER) to 1.41 times at the end of March 2011. Accordingly, under Brand-new Deal 2012, we have made a major shift in our focus going forward. We are now proactively seeking new opportunities, but there will be no change in our policy of paying rigorous attention to financial soundness. Specifically, we will maintain NET DER of less than 2 times and aim to achieve a credit rating of "A" from overseas credit rating agencies. To that end, we must take steps to build a solid balance sheet. For example, we will need to increase the probability of generating earnings from our sales and investment activities, which will be re-energized through our focus on proactively seeking new opportunities. We will also need to further bolster stockholders' equity.

In fiscal 2011, prior to the start of Brand-new Deal 2012, we revised our method of calculating risk assets, and our investment criteria. Risk assets are the maximum losses that could occur in the future for all assets on the balance sheet as well as for off-balance-sheet transactions. Our basic policy is that risk assets are balanced with the risk buffer. Also, in deciding whether or not to move ahead with investment projects, we calculate the present value, reflecting the risk of fluctuations in future cash flows. Now, we have revised these calculation and decision-making methods, resulting in an approach that better reflects actual conditions. (For more details, please see the following page.) Through these policies, we will strive to maximize earnings by building an asset portfolio that follows clear financial discipline and maintaining financial soundness.

Furthermore, with a higher level of stockholders' equity, we will need to increase the emphasis on ROE in portfolio management. Accordingly, we will manage our portfolio with consideration for ensuring that newly acquired assets offer a level of profitability that is sufficient from the perspective of ROE. Also, even though we are planning a record high level of new investment, we will pay continual attention to the soundness of free cash flow.

As suggested by the key word "Prevent," we will work to reinforce and optimize internal control and risk management on a Group-wide basis. Specifically, in the development of internal control systems for financial reporting, we will strive to build a system in which the front-lines—Division Companies and affiliates—play a more central role in evaluation and improvement initiatives. In addition, as our overseas earnings increase, we will strengthen our internal control systems for overseas subsidiaries and affiliates.

Under Brand-new Deal 2012, we are emphasizing proactively seeking new opportunities, but this does not mean that we are stepping back from the key word "Prevent." In the past, we have tended to control business departments by mechanically applying uniform rules. However, as we implement initiatives to strengthen our front-line capabilities, we will transition to an approach that entails developing a deep knowledge of each project, grasping its essential qualities, and sharing that understanding with business departments, thereby deriving the best solutions. This type of approach will require the judgment of professionals with expertise, and overall optimization viewpoint. As the "engine" becomes stronger, it will be necessary to increase the performance of the "brakes" for coping with enlarged potential risks. By effectively combining these two functions, we will strive to support the sustainable growth of ITOCHU.

Tadayuki Seki
CFO

Organizational Structure

CFO

- Finance Division
- General Accounting Control Division
- Global Risk Management Division

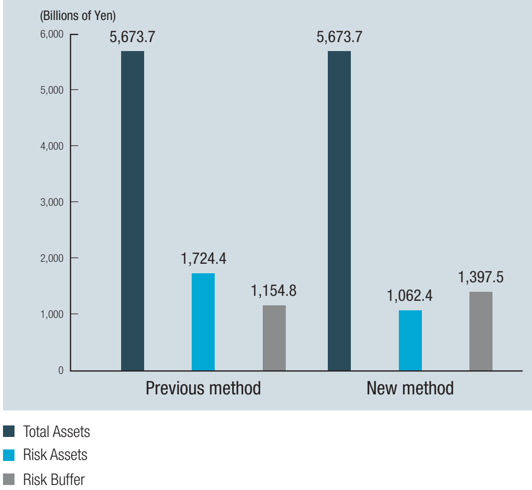
Revision of Risk Asset Calculation Method

With the objective of securing management stability and soundness, since fiscal 2001 we have used risk assets (Note 1) as an indicator for the implementation of risk capital management. When the risk asset indicator was first introduced, our top priority was to improve our balance sheet by reducing inefficient assets, and accordingly the risk weight was set conservatively. As a result, we took steps that substantially strengthened our balance sheet, such as increasing stockholders' equity and improving our NET DER. In this way, we laid the foundation for a transition to a new stage of growth. Consequently, we recently made substantial revisions to our risk asset calculation method for the first time in 10 years. We have shifted to a method that is better reflecting actual conditions in the measurement of risk assets. Specifically, we (1) revised the risk weight, which was overly conservative, (2) considered the effects of diversification, and (3) revised the definition of the risk buffer. (Note 2)

Calculated with the new formula, our risk assets at the end of fiscal 2011 were within the limits of the risk buffer, and we had the leeway to invest in new projects. We believe that it is desirable to balance risk assets and the risk buffer. Moving forward, we will implement appropriate risk control while maintaining a focus on the balance between risk assets and the risk buffer, even when risk assets increase due to investment in profitable projects.

(Note 1) Risk assets = maximum amount of the possible future loss from assets
= risk capital (asset book value, etc.) multiplied by the risk weight for each asset
(Note 2) The new method was officially introduced from fiscal 2012.

Risk Assets at the Fiscal 2011 Year-End



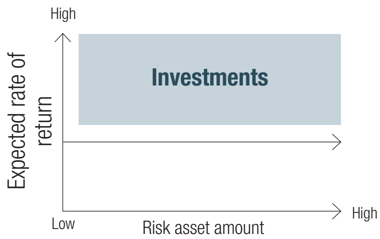
Changes under the new method
(1) Revision of overly conservative risk weight
(2) Consideration for effects of diversification
(3) Revision of risk buffer definition

Definition of risk buffer (RB)
Previous formula: RB = consolidated stockholders' equity
New formula: RB = consolidated stockholders' equity + noncontrolling interest

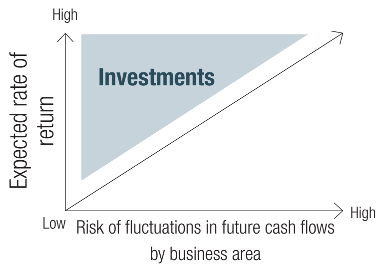
Revision of Investment Criteria

In fiscal 2011, prior to the start of our new medium-term management plan, Brand-new Deal 2012, we revised our investment criteria. Previously, with the objective of strictly weeding out low return investments and improving asset efficiency on a company-wide basis, we made investment decisions by using risk assets and the uniform hurdle rate for all business areas. This policy had the desired effect. We were able to substantially improve our balance sheet and lay the foundation for proactively seeking new opportunities. Accordingly, to enable us to build an appropriate investment portfolio in a new stage of growth, we revised the investment criteria. Specifically, in making investment decisions, cash flow based on carefully considered business plans is discounted to the present value using a hurdle rate that reflects individual countries and business areas, and this amount is compared to the amount of the investment. As a result of this revision, we can now make investment decisions that take into account the specific characteristics of each project.

Previous approach
Use of the uniform hurdle rate for all projects



New approach
Use of different hurdle rate for each business area



CSO

A Message from the CSO (Chief Strategy Officer)

How best to allocate funds, personnel, and other management resources among business segments is one of the most important management tasks in a general trading company.

April 2011 saw ITOCHU implement a major reorganization of its Division Companies for the first time in 11 years. We reduced the number of Division Companies from seven to five. Also, we extensively reformed the administrative organizations in order to strengthen their functions—decreasing the number of headquarters administrative divisions from 16 to 11. Moreover, aiming to position business accounting and control operations and credit control operations nearer to front-line operations, we incorporated them into Division Companies. The aim of those organizational changes was to optimize the use of management resources.

Economic conditions and industrial structures are changing dynamically. In light of our strengths and the distinctive features of our business portfolio, we will constantly check whether our organizations and personnel deployment are optimal. How we deploy management resources will affect competitiveness. Bearing this in mind, we will continue seeking optimal solutions going forward.

Another key task is to “Expand Our Scale of Operations,” one of the basic policies of our new medium-term management plan Brand-new Deal 2012. While maintaining financial soundness, we aim to increase the scale of earnings and assets steadily through disciplined expansion of operations.

To this end, stepping up initiatives overseas is critical. We will develop and cultivate profitable businesses and thereby accumulate superior assets overseas, not only in China where we put an emphasis on under Brand-new Deal 2012 but in the Machinery-Related or Natural Resource-Related Sectors.

In order to implement such strategies, Division Companies will take the lead in overseas business development more than ever before. In principle, vertically integrated Division Companies organized by product category will advance strategies worldwide. At the same time, we will effectively integrate the lateral functions of overseas blocs with these strategies.

On the other hand, I believe that establishing and using lateral functions is crucial if we are to realize comprehensive capabilities as a general trading company.

Newly established under the direct control of the President & CEO, the Research & Business Development Division will identify potential highly profitable projects and, if necessary, coordinate among Division Companies for lateral business initiatives that span multiple Division Companies or for projects in new business areas not yet assigned to a Division Company. Further, I want to add impetus to particularly important projects through top-down management and direction as the CSO.

Koji Takayanagi
CSO

Organizational Structure

CSO

- Corporate Planning & Administration Division
- Domestic Offices
- Overseas Offices

Comments from Overseas Regional Headquarters

North America

Eiichi Yonekura
President & CEO,
ITOCHU International Inc.

In fiscal 2011, we exited from underperforming businesses and also participated in new ventures such as a wind power generation project. In fiscal 2012, while the pace of economic recovery is expected to remain moderate, we will continue to reform our management structure and remain firmly committed to restructuring our earnings base by expanding our scale in a disciplined manner. We are aggressively pursuing investment opportunities uniquely available in North America, in the new fields in which we have experience and expertise. United in our resolve to grow and prosper, we are poised to move boldly into a new era.

Latin America

Masaki Hayashi
C.E.O. for
Latin America

The Latin America region is steadily gaining importance as a supplier of various natural resources and food. From a global perspective, we are aggressively focusing on such areas as minerals, forestry, bio-ethanol, and agricultural products. At the same time, buoyed by rapidly growing domestic demand in the region, we are aiming to create new earning sources through trading and investments in such business areas as social infrastructure, automobiles, industrial plants, chemicals, medical equipment, and telecommunications.

Europe

Takeshi Kumekawa
Chief Executive for
European Operation

In Europe, rapid growth is not expected due to the handling of the fiscal crisis in southern Europe and the austerity measures to enhance fiscal soundness. Nonetheless, external demand, such as demand associated with economic growth in emerging countries, will have a positive effect, and ongoing growth is anticipated, albeit on a small scale.

In this setting, we will implement investment in such business areas as the development of environment-friendly renewable energy, IPP (independent power producer) projects, and consumer-related business areas.

Africa

Tomoyuki Akamatsu
Chief Executive for
Africa

Africa as a continent, has been increasingly gaining importance as a supply base of natural resources. Africa is also drawing attention as a giant consumer market with a population of 800 million, which is expected to continue its growth trend. Our policy is to "build a portfolio that will strongly support ITOCHU's long-term sustainable growth," and to achieve this objective, we will implement initiatives with a focus on the acquisition of natural resource interests, such as participation in platinum mine development in South Africa.

Middle East

Hiroyuki Tsubai
CEO for the
Middle East

The Middle East, which is being shaken by waves of democratization and political considerations, is at a turning point of historical significance. After the rioting and reforms, we expect to see the emergence of a Middle East that is simultaneously a source of supply for energy resources, a production site for high-value-added chemical products, and a major market for consumer goods. We are doing our utmost to enhance the social/economic foundation in the Middle East region, which is on the verge of realizing a major transformation.

Oceania

Tatsuo Fujino
CEO for Oceania

With commodity prices on the rise, economic conditions in Oceania are favorable. While the recent appreciation of the Australian dollar will require close observation, Oceania will continue to play an important role as a natural resource supply base. Our priority will be to focus on our iron ore and coal business, and at the same time we will strive for further development of our food and forestry resources-related business, as well as infrastructure development projects such as water and railway.

East Asia

Shuichi Koseki
CEO for ITOCHU
East Asia Bloc

East Asia is an important market that drives growth in the global economy. In particular, China Strategy is one of the most important parts in ITOCHU's medium-term management plan. In addition to expanding Chinese domestic demand-related trading business, we will also further strengthen the cooperation with local conglomerates and further promote promising projects on a companywide level. At the same time, we will continue to reinforce our human resources.

ASEAN & South West Asia

Junichi Sasaki
CEO for ASEAN &
South West Asia Bloc

With support from the steady economic growth in the ASEAN and South West Asia region, and from the stable political situation in each of the region's countries, our results have been favorable in recent years. I believe that this trend will continue. Moving forward, we will focus on advancing infrastructure projects in partnership with solid local companies, consumer-related businesses targeting expansion in internal demand, and natural resource development businesses.

CIS

Takahiko Motani
C.O.O. for CIS

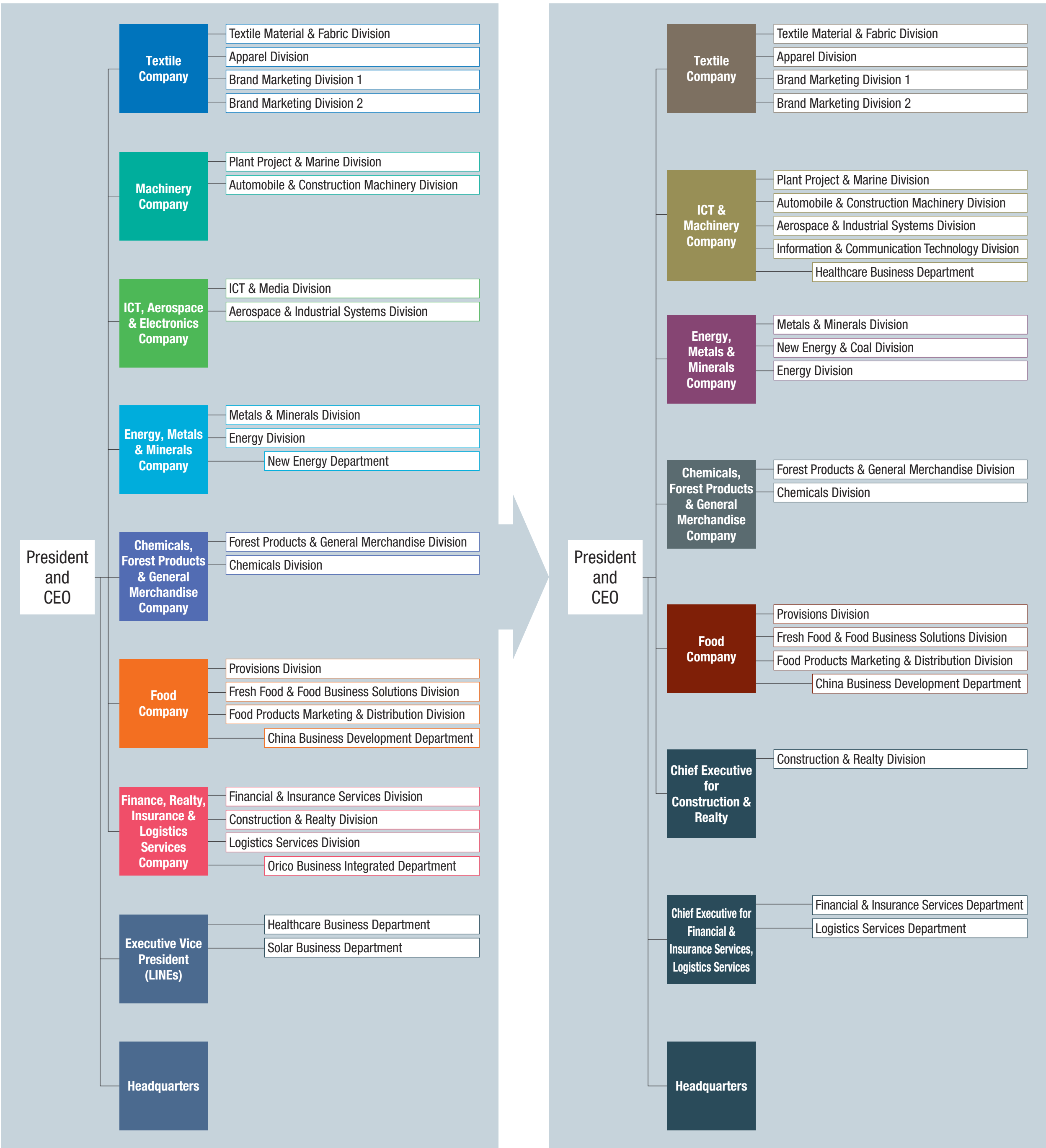
The CIS countries, which are rich in resources such as oil, coal, uranium, and grain, have again followed a course of accelerating economic growth, with support from rising commodity prices. In this setting, consumption is also growing rapidly. We will step up our focus on natural resources business. In addition, we will work to expand our consumer-related businesses as well as businesses related to the supply of machinery and raw materials, which are indispensable for industrial regeneration and infrastructure development.

Headquarters, Administrative Organizations
CSO

Organizational Changes of Division Companies

As of April 1, 2011, the Division Companies were reorganized.

- The Machinery Company and the ICT, Aerospace & Electronics Company were merged into the ICT & Machinery Company.
- The Finance, Realty, Insurance & Logistics Services Company was abolished.
- The Financial & Insurance Services Division was reorganized into a Headquarters business organization and renamed the Financial & Insurance Services Department.
- The Logistics Services Division was reorganized into a Headquarters business organization and renamed the Logistics Services Department.
- The Construction & Realty Division was reorganized as a division not belonging to a Division Company.
- The Healthcare Business Department was transferred to the ICT & Machinery Company.
- The Solar Business Department was transferred to the Energy, Metals & Minerals Company.



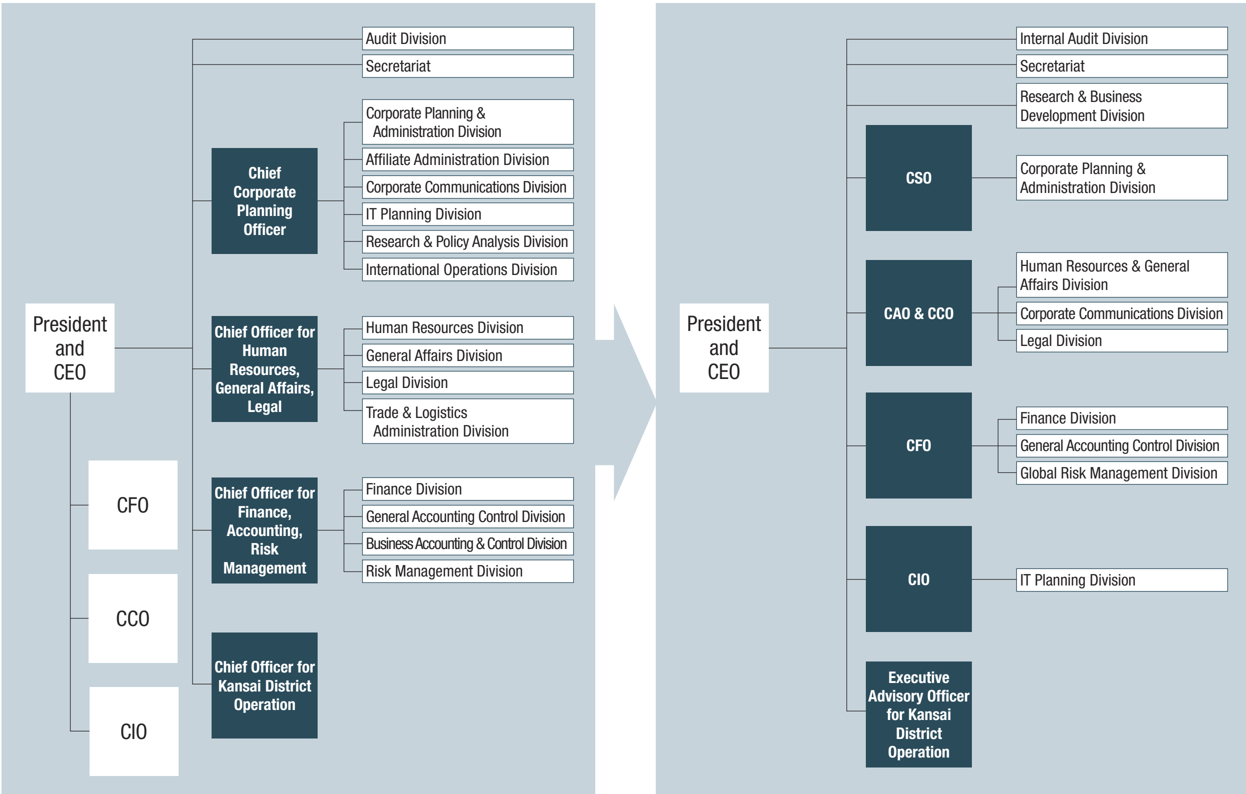
Changes of Administrative Organizations (Headquarters)

As Companywide administrative divisions, the headquarters administrative organizations support the operations of the entire Group.

On April 1, 2011 (and partly on May 1, 2011), the previous 16 headquarters administrative divisions were reorganized into 11 divisions. Under the new organization, the previous positions of Chief Corporate Planning Officer; Chief Officer for Human Resources, General Affairs, Legal; and Chief Officer for Finance, Accounting, Risk Management were discontinued. In their place, the administrative divisions now operate under the CSO, the CAO & CCO, the CFO, or the CIO. The objective of the reorganization of administrative divisions by function was to strengthen operations and further develop expertise as well as to enhance the optimum placement of human resources. In addition, the objective of the consolidation of similar functions operated by different divisions was to eliminate duplication of functions and increase efficiency.

At the same time, to enhance a sense of unity between the administrative organizations and business departments and strengthen business support functions, business accounting control operations and credit control operations used to be conducted by Headquarters administrative divisions were transferred to the Division companies.

CSO: Chief Strategy Officer   CAO: Chief Administrative Officer   CCO: Chief Compliance Officer   CFO: Chief Financial Officer   CIO: Chief Information Officer



Organizations reporting directly to the President & CEO

There are three organizational units that report directly to the President & CEO. The Internal Audit Division conducts internal audit and evaluation of internal control related to financial reporting. The Secretariat conducts secretarial affairs for directors. The Research & Business Development Division conducts companywide development of new businesses and innovative technology business as well as research regarding domestic and overseas trends in politics, economy, industry and trade, and reporting the information for management.

CSO

The CSO is responsible for corporate strategy, including overseas strategy, administrative reforms, and the establishment and operation of crisis management systems. In addition, the CSO also oversees the Corporate Planning & Administration Division, overseas branches, and domestic offices and branches.

CAO & CCO

The CAO & CCO is responsible for human resources policy, public relations strategy, and the establishment and operation of compliance systems. In addition, the CAO & CCO also oversees the Human Resources & General Affairs Division, the Corporate Communications Division, and the Legal Division.

CFO

The CFO is responsible for financial strategies, balance sheet control and risk management, and the establishment and operation of internal control systems related to financial reporting. In addition, the CFO also oversees the Finance Division, the General Accounting Control Division, and the Global Risk Management Division.

CIO

The CIO is responsible for overall IT strategy and for evaluation of IT investment and expenses. In addition, the CIO also oversees the IT Planning Division.

CAO & CCO

A Message from the CAO & CCO (Chief Administrative Officer and Chief Compliance Officer)

To earn the trust of stakeholders, ITOCHU must not only continue to achieve profit growth over the medium to long term but also implement sound business activities and contribute to society.

In particular, the strict compliance with laws and regulations is the most basic element in business. Accordingly, ITOCHU has formulated a variety of measures to increase compliance awareness throughout the Group. All organizational units have introduced Monitor & Review surveys as a tool for periodically checking the current status of compliance, and utilize a PDCA (plan–do–check–act) cycle. In addition, we have formulated a list of laws and regulations by industry and prepared a manual with detailed explanations of and methods for dealing with major laws and regulations. Moreover, we conduct a variety of compliance training throughout the year, and are working to enhance the awareness of all employees.

Under Brand-new Deal 2012, as one facet of initiatives to strengthen our front-line capabilities, we aim to establish a highly effective compliance system through a focus on the front-lines and a risk-based approach. Also, overseas, we have identified key regions and affiliates, and are taking steps to understand the issues and to provide guidance and support that reflects the characteristics of each region and company.

On the other hand, ITOCHU conducts business activities in a wide range of areas all over the world. We believe that for such a global company to realize sustained growth, it is necessary to contribute to international community through initiatives targeting social issues, such as environmental problems. Based on this understanding, ITOCHU implements CSR on a Groupwide basis from the perspectives of both the risks and the opportunities related to business activities. We are working to advance environment-friendly businesses that generate growth opportunities. At the same time, using an ISO 14001 environmental management system, we evaluate the environmental impact of the products that we handle. We are working to minimize the environmental risks that are associated with our business activities.

In implementing measures for sustained corporate growth, human resources constitute the most important managerial resource. The development of human resources is one of key issues for sustained expansion. We will continue to implement measures to strengthen our human resources capabilities, with a focus on careers and diversity, as well as our global human resources strategy. We will advance the development and utilization of human resources who can contribute to both higher profits and the realization of a sustainable society on the basis of global standpoint.

ITOCHU will continue working to fulfill its corporate philosophy of "committed to the global good," to maintain the trust of society, and to remain a company that fulfills an essential role in the society.

Yoshio Akamatsu
CAO & CCO

Organizational Structure

CAO & CCO

- Human Resources & General Affairs Division
- Corporate Communications Division
- Legal Division

Participation in UN Global Compact

In April 2009, we joined the United Nations Global Compact. In the compliance of the Compact's 10 principles, in the areas of human rights, labour, environment, and anti-corruption, we will continue to meet the requirements from various stakeholders of the international community.

THE GLOBAL COMPACT
WE SUPPORT

CSR Report 2011

On pages 63 to 66 of this annual report, we identify and outline issues that are especially important in achieving sustained increases in corporate value in consideration of our business characteristics as a general trading company.

ITOCHU's wide range of CSR-related initiatives is introduced in the ITOCHU Corporation CSR Report 2011 and on the CSR page of ITOCHU's web site.

Compliance

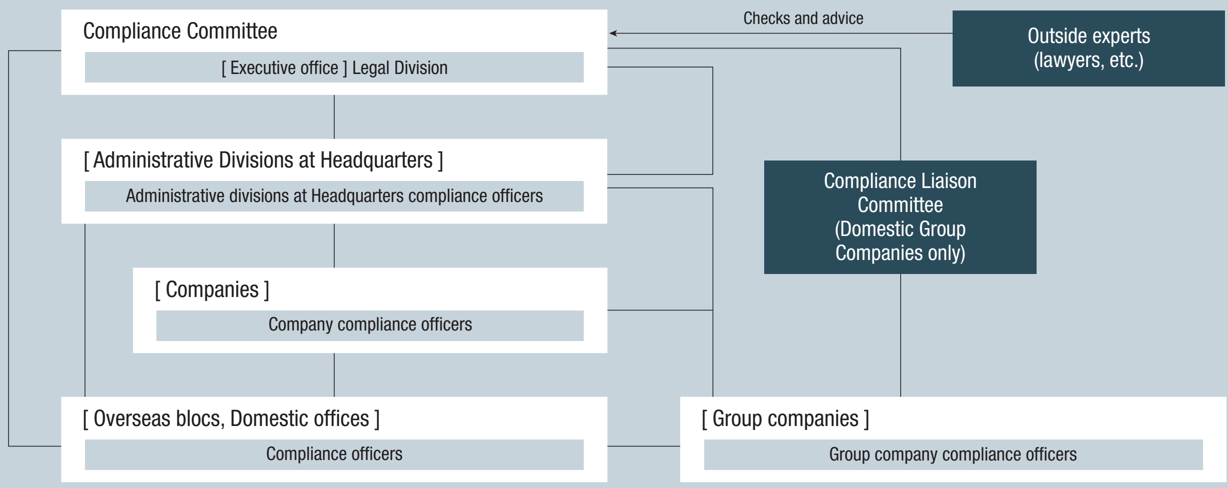
The ITOCHU Group's Compliance System

The ITOCHU Group has compliance officers in each organization within Headquarters and at all Group companies in Japan and overseas. These compliance officers are building frameworks to enhance compliance, conducting education and training, responding to individual cases, and implementing any other necessary measures based on directives and support from Headquarters and respective Division Companies as well as consideration of business characteristics, operational formats, and local laws.

In addition, we conduct simultaneous companywide Monitor & Review surveys every six months. While checking the progress in implementing compliance measures at all organizations in ITOCHU Group through these surveys and various other methods, the ITOCHU Group is making a concerted effort to enhance and upgrade its compliance advancement systems.

In fiscal 2011, we prepared the Compliance Handbook, which covers the rules that must be obeyed by each employee, distributed it to all employees, and checked their understanding of it through e-learning. In addition, for key organizations, such as overseas operations and Group companies, we are implementing activities with a focus on system operation such as on-site guidance with the objective of ascertaining actual front-line conditions and identifying risks. Based on trends in former incidences of compliance violations and the findings of the Monitor & Review surveys, we are formulating individual compliance reinforcement measures tailored to each Division Company, and these measures are steadily being implemented. Moreover, drawing on actual incidents, we implemented meticulous education and training programs geared to employees in different tiers. Moving forward, we will further advance these policies and measures, and continue to focus on compliance reinforcement with an emphasis on overseas operations and Group companies.

Compliance Structure



Initiatives for Comprehensive Import, Export, and Logistics Control

ITOCHU is continuously bolstering its import, export, and logistics control to ensure the appropriate and efficient execution of trade and logistics—the cornerstone of a general trading company's operations.

In comprehensive security and trade control, in addition to compliance with laws and statutory regulations pertaining to the Foreign Exchange and Foreign Trade Act, we have formulated and are enforcing systematic, comprehensive internal regulations with the objective of facilitating harmony with international society and management of global security risks.

In addition, in order to implement correct import and export procedures, including customs declarations, we are supporting rigorous customs compliance by implementing a range of initiatives based on in-house management regulations, such as in-house customs monitoring and training regarding customs evaluations.

Under these import and export control initiatives, through effective utilization of information technology tools, we are working to accumulate import- and export-related data and at the same time to facilitate control that is more advanced and more efficient.

Key Issues for Ongoing Growth

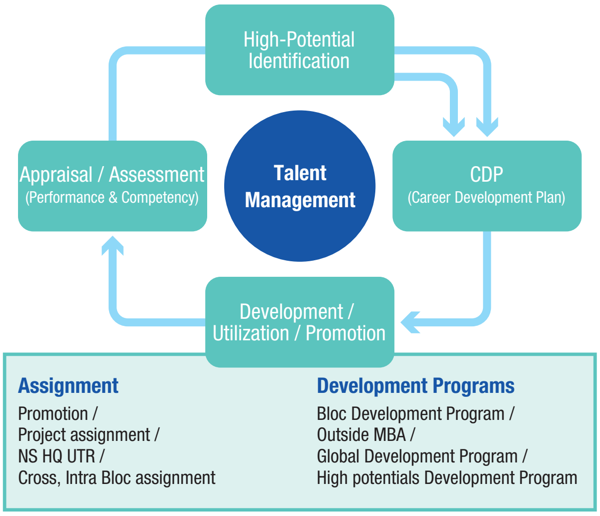
Employee Relations

Human Resource Development Supporting the Seek of New Opportunities

Human resources is what supports the stable, ongoing growth of ITOCHU Corporation. Our human resource development activities are available to employees throughout the Group, both domestically and in overseas blocs. Based on each employee's work experience and abilities, we strive to help them develop into professionals who play an active role in their business field and to provide them with the skills necessary to manage business on a global level.

Through individual evaluations and feedback, and by providing valuable job experience via on-the-job training (OJT), we help to cultivate the motivation and willingness of employees to increase their career opportunities within the Group. To further support employee self-development, we not only provide skills and knowledge through training but also actively support career development. We will continue to invest substantially in our human resources, while at the same time promoting human resource development which is proactively led by the front lines.

Talent Management Process



Establishment of Systems to Advance Overseas Development

Given that the importance of overseas markets is greater than ever before, we will take measures to further increase the number of expatriate employees, who support the success in overseas development.

We will construct a system that fully supports employees that work around the world and their families so that they can live positively, healthily, and safely overseas. We have already established a system that gives full support to all expatriate employees in the event of accidents, disasters, or other emergencies. However, we plan to step up the development of workplace environments and support systems that facilitate the work of expatriate employees.

In addition, in order to promote aggressive expansion of business in China, one of the measures in the medium-term management plan, it is essential to reinforce Chinese human resources. Last year, we launched a new "Short term Chinese & other language training" program, which is designed to dispatch all Headquarters junior staff overseas, mainly to China to study Chinese or other languages of developing countries. We will further enhance our current competitive advantage by promoting the reinforcement measures focused on the Chinese market.

Global Human Resources Strategy Enters a New Stage

Since fiscal 2008, ITOCHU has been promoting a global human resources strategy in order to maximize the value of human resources and optimize the talent development of the Group on a global basis.

By fiscal 2011, the Company had created a common global platform, including standardized evaluation items and a global human resources database. From fiscal 2012, focusing on individual employees, we will strengthen human resources strategy implementation in core overseas markets such as China and Asia in order to secure, develop, and optimize personnel that will contribute to business development worldwide.

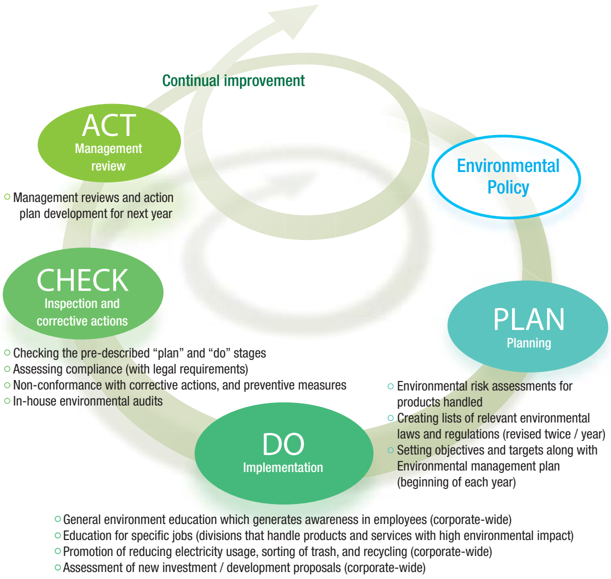
Acquired "Kurumin" Mark Certification

ITOCHU Corporation has been expanding and improving its system for both male and female employees that supports efforts to maintain a good balance between work and child care or nursing care. As of July 2011, we received "Kurumin" mark certification, which the Tokyo Labour Bureau awards to companies in recognition of their active support for raising the children of the next generation. ITOCHU will continue to create an environment that enables employees to remain motivated and fulfilled by their work.

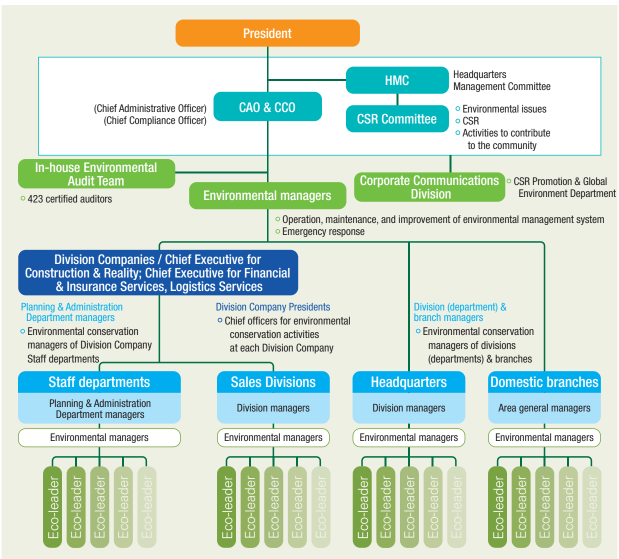
Environmental Management System

In 1997, ITOCHU became the first trading company to introduce an EMS (environmental management system) based on ISO 14001, and we continue to work to improve our EMS. The system's objectives are to comply with environmental laws and regulations and to take precautionary approaches to any environmental pollution. Specifically, the system controls and manages targets for preventing environmental risk through a yearly PDCA (plan-do-check-act) cycle of setting the targets; evaluating and analyzing progress; and acting to achieve the targets, under the ITOCHU Environmental Policy.

Environmental Management System



Environmental Management Organization



Precautionary Approach to Environmental Risks

In addition to evaluating environmental risks of the products we handle, we also work to identify the impact on the global environment by the business activities of the Group as a whole. To that end, we are making efforts to take precautionary approach to environmental risks by the business activities of the whole Group, including Group companies.

Evaluation of the Environmental Risks of Products Handled

We handle a wide and diverse range of products on a global scale. We thus carry out our original environmental impact evaluations, because we believe that it is vital to evaluate the relationship of these products with the global environment. We use a so-called LCA*-based analysis method at all stages of product life cycle from procurement of raw materials, production, and use through disposal of products. If the evaluation shows that the impact on the global environment by particular products exceeds predetermined benchmarks, then we create manuals and the concrete procedures to manage transactions of these products.

* LCA (Life-cycle assessment) is a method that evaluates the environmental impact of products at all stages of their life cycle, from production, distribution and use through disposal and recycling or reuse.

Fact-Finding Investigations of Group Companies

We began fact-finding investigations of our Group companies after several of them received complaints about environmental pollution from their surrounding neighborhoods in 2001. We analyze about 200 of our roughly 400 Group companies (as of March 31, 2011) with relatively higher levels of impact on the global environment, and implement fact-finding investigations on about 20 of them per year. The evaluation is made using the Q&As between auditors and management, inspections of plants, warehouses, and other facilities; surveys of wastewater released into rivers, and assessments of compliance with environmental laws and regulations.

Inspecting the management of parts containing regulated substances, at our Auto Parts Distribution Center in the United States

Inspecting the segregation of post-manufacturing materials at a brewery in China into valuable materials and waste

Supply Chain Management

Basic Stance on Supply Chain Management

For ITOCHU developing business all over the world, consideration for human rights, labor, and the environmental problems in the supply chain is an important CSR issue for the sustainability of the entire planet.

This is also a top priority issue from the perspectives of avoiding reputation risk, which can affect our own corporate value. We take action to prevent human rights, labor, environmental, and other problems in the supply chains in which we are involved, and when a problem is found, we strive to improve it through dialogue with the suppliers. We established the "ITOCHU Corporation CSR Action Guidelines for Supply Chains" in order to ensure that these actions are carried out, and we remain committed to the implementation of these guidelines.

CSR Survey of Supply Chains

In order to check the status of our various suppliers, we conduct surveys with a method suited to the characteristics of the goods of each Division Company, along with mandatory questions on the nine items in our CSR Action Guidelines for Supply Chains.

In addition to the nine items covering human rights, labor, and environmental issues, we added further items specific to each Division Company. For example, we added check items for forest conservation for lumber, pulp & paper business of the Forest Products & General Merchandise Division; product safety items for the Food Company; and items on protection of intellectual property for the Textile Company. Each Division Company selects target suppliers and creates a survey plan based on such parameters as high-risk countries, products handled, and transaction amounts by referring to the criteria of the FTSE4Good Index. Sales representatives or locally assigned ITOCHU employees of each Division Company visit the suppliers, and survey them by means of interviews or questionnaires.

We will continue to conduct surveys while reviewing and modifying our survey methods. From fiscal 2011, we have extended similar initiatives to the suppliers of our overseas offices and Group companies.

Number of Suppliers Each Division Company Surveyed (FY2009-FY2011)

FY	2009	2010	2011
Total	261	300	*374
Textile	17	28	24
Machinery	12	17	15
Energy, Metals & Minerals	8	11	14
Chemicals, Forest Products & General Merchandise	149	133	193
Food	57	93	105
Finance, Realty, Insurance & Logistics Services	18	18	23

* includes 21 suppliers of overseas offices and 24 suppliers of group companies

Overview of CSR Surveys in Fiscal 2011

In fiscal 2011, we conducted a survey, targeting not only suppliers of ITOCHU Corporation but also suppliers of overseas offices and Group companies. As a result, we surveyed 374 companies, including 21 suppliers of overseas offices and 24 suppliers of Group companies. No serious problems requiring immediate response were found in the survey results. We also found that the survey results were more focused this time on the key points, thanks to increased understanding by the employees conducting the surveys, and we received feedback that participants had seen improvement due to the continuation of the surveys.

We are committed to continually increasing our employees' awareness in our daily business and to improving the CSR of our suppliers by continuing these surveys and dialogue with suppliers.

Sample Checklist for a Supply Chain Survey [Food Company]

Supplier:
ITC Unit in charge:
Prepared by:

Supplier Checklist / Guide

	Check Item (reference) / Guide	Check	Comments
1	The company has a policy or system for **compliance with laws and regulations**, and implements them. (ITC CSR checklists)		
2	The company guarantees **the rights of freedom of association and collective bargaining**. (ILO International Labor Standards - Fundamental Principles and Rights at Work)		
3	The company does not practice **forced labor or inhumane treatment** (ILO International Labor Standards - Fundamental Principles and Rights at Work)		
4	The company does not practice **child labor**. (ILO International Labor Standards - Fundamental Principles and Rights at Work)		
5	The company does not practice **discrimination in hiring and employment**. (ILO International Labor Standards - Fundamental Principles and Rights at Work)		
6	The company has taken measures to protect **occupational health and safety**. (ILO International Labor Standards)		
7	The company observes the national (host country) laws and regulations regarding **working hours**. (ILO International Labor Standards)		
8	The company observes the national laws and regulations regarding **minimum wage**. (ILO International Labor Standards)		
9	The company has a policy or system for **dealing with complaints** from its business partners, and implements them. (ITC CSR checklists)		
10	The company has a **policy or system for environmental conservation / complies with national laws and regulations concerning environmental conservation.** (ITC CSR checklists)		
11	The company ensures that **its products are safe and secure**.		
12	The company ascertains the **country of origin of the procured items** and **checks the environmental and social aspects of its suppliers**.		

Check symbols: ○: Implemented; △: Partially implemented; X: Not implemented

CIO

A Message from the CIO (Chief Information Officer)

Our Information Technology (IT) management is based on the policy of Division Companies and each organization plans and implements their own IT initiatives. Division Companies handle their Business systems, headquarters Administrative divisions handle their own systems, and the IT Planning Division has overall control of Companywide systems, IT infrastructure and IT security issues.

The Brand-new Deal 2012 medium-term management plan calls for proactively seeking new opportunities. Contributing to this plan's overriding tasks—summarized as "Earn, Cut, Prevent"—the medium-term IT plan covering 2011 and 2012 will implement selected IT investments, replace IT assets, and manage IT related expenses appropriately.

"Earn" measures will contribute to acquiring business by using IT (e. g. joint delivery for the retail industry or non-store retailing for consumers). New devices such as smart phones or tablet terminals will enhance mobility of sales activities, "Visualization" of existing information will help our operations to be efficient and effective.

Meanwhile, "Cut" measures will curb IT costs with Groupwide perspective by such measures as Group shared IT infrastructure and joint purchasing that uses scale advantage.

As for "Prevent" measures, we plan to mitigate business risks by analyzing and evaluating the IT risk in new businesses. We will also manage large-scale projects such as adjustment to International Financial Reporting Standards (IFRS). Furthermore, to ensure safety operation of information systems, we will continue measures for information security, including preventing unauthorized access and infection from computer viruses.

As for the IT facet of our business continuity plan (BCP), we have deployed major systems at computer centers in Kobe and Yokohama in readiness for contingencies. Furthermore, the preparation for situations in which employees cannot reach their workplaces, we have made the remote access environment from their homes. In response to the limited electricity supply in Japan at present, we will advance IT-related measures to save power, including automatic power-saving programs in PCs.

While promoting mutual coordination among Division Companies and Headquarters under the overall management of the President & CEO, and the CIO, ITOCHU will provide optimal and effective IT solutions for the ITOCHU Group as a whole.

Shintaro Ishimaru
CIO

Organizational Structure

CIO

- IT Planning Division

Corporate Governance

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

Features of ITOCHU's Corporate Governance System

ITOCHU is a company with the Board of Directors and corporate auditors (the Board of Corporate Auditors). The corporate auditors including outside corporate auditors monitor and audit business management independently and objectively. And ITOCHU elected outside directors at the General Meeting of Shareholders held in June, 2011, for the purpose of further increasing the effectiveness of the supervision of management by the Board of Directors and improving the transparency of decision making.

Comprising 14 directors (including 2 outside directors) as of July 1, 2011, the Board of Directors makes decisions on important management matters and supervises each director's business management.

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

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

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

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

Steps Taken to Strengthen Corporate Governance

1997	Introduced the Division Company System	To accelerate decision making / increase efficiency of business management
1999	Introduced Executive Officer System	To strengthen decision-making and supervisory functions of the Board of Directors
2007	Shortened the terms of office of directors and executive officers to one year	To clarify management responsibility during terms of office
2011	Introduced an Outside Directors System	To increase the effectiveness of the supervision of management and improve the transparency of decision making

Increasing the Effectiveness of the Supervision of Management by the Board of Directors (Introduced an Outside Directors System)

ITOCHU has elected 2 outside directors at the General Meeting of Shareholders held in June, 2011. The outside directors are believed to further increase the effectiveness of the supervision of management by the Board of Directors and improve the transparency of the Board of Directors' decision making by providing their monitoring and supervising functions to the internal directors and management advice based on various perspectives from their neutral and objective position.

Relationship of Outside Directors with ITOCHU

Name	Reason for Appointment
Yuko Kawamoto*1	ITOCHU has elected her, anticipating that she will use her wealth of knowledge on corporate management nurtured through her long expertise as a management consultant and a professor of a university's graduate school and supervise the corporate management of ITOCHU from an independent perspective. And she has no material interests in ITOCHU.
Kazuyuki Sugimoto*1	ITOCHU has elected him, anticipating that he will use his insight on public finance and financing nurtured through his many years of experience at the Ministry of Finance and supervise the corporate management of ITOCHU from an independent perspective. And he has no material interests in ITOCHU.

*1 At the Board of Directors Meeting on August 1 2011, Yuko Kawamoto and Kazuyuki Sugimoto were designated as independent directors as prescribed by domestic financial instrument exchanges, such as the Tokyo Stock Exchange.

Systems to Ensure Effectiveness of Audit Functions

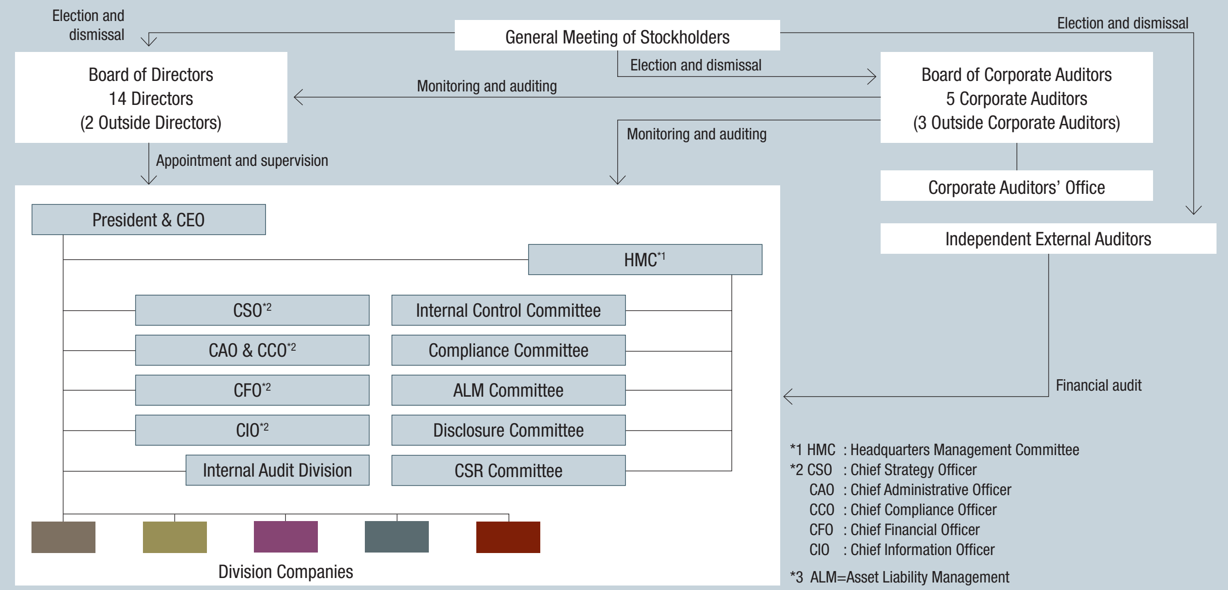
ITOCHU appoints five corporate auditors, of whom three are outside corporate auditors. Standing corporate auditors strengthen audit functions by regularly attending meetings of the Board of Directors and other in-house meetings and working in cooperation with ITOCHU's independent external auditors and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

Relationship of Outside Corporate Auditors with ITOCHU

Name	Reason for Appointment
Ryozo Hayashi*1	ITOCHU has elected him, anticipating that he will provide auditing from an independent perspective by utilizing his wealth of experience at the Ministry of Economy, Trade and Industry and the former Ministry of International Trade and Industry, and his long-term perspective and broad vision as a professor of a university's graduate school. And he has no material interests in ITOCHU.
Keiji Torii*2	ITOCHU has elected him, anticipating that he will provide auditing from an independent perspective by utilizing his many years of experience and insight as a former executive of a major financial institution. Before being appointed as a Corporate Auditor of ITOCHU, he had served as an executive of a major financial institution, with which ITOCHU has dealings, but he retired from his position at the financial institution before being appointed as a Corporate Auditor of ITOCHU and he has no material interests in ITOCHU at present.
Masahiro Shimojo*2	ITOCHU has elected him, anticipating that he will provide auditing from an independent perspective by utilizing his wealth of experience and expertise as a lawyer in the field of corporate legal practice and international business law. And he has no material interests in ITOCHU.

*1 Ryozo Hayashi is an independent auditor of ITOCHU as prescribed by domestic financial instrument exchanges, such as the Tokyo Stock Exchange.
*2 At the Board of Directors Meeting on August 1 2011, Keiji Torii and Masahiro Shimojo were designated as independent auditors as prescribed by domestic financial instrument exchanges, such as the Tokyo Stock Exchange.

ITOCHU's Current Corporate Governance System



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

Principal Internal Committees

Name	Objectives
Internal Control Committee	• Deliberates on issues related to the development of internal control systems
Disclosure Committee	• Deliberates on issues related to business activity disclosure and on issues related to the development and operation of internal control systems in the area of financial reporting
ALM Committee	• Deliberates on issues related to risk management systems and balance sheet management
Corporate Officer Compensation Consultative Committee	• Deliberates on issues related to the compensation of corporate officers, including their compensation after retirement
Compliance Committee	• Deliberates on issues related to compliance
CSR Committee	• Deliberates on issues related to corporate social responsibility, environmental problems, and social contribution initiatives

Details of Compensation

Details of the compensations paid to directors and corporate auditors of the Company in the fiscal year ended March 31, 2011 are as follows.

Type	Number of People	Amount Paid (Millions of Yen)	Details
Director	15	1,148	(1) Monthly compensation: ¥1,058 million (2) Directors' bonuses accounted for as expenses in the fiscal year ended March 31, 2011: ¥91 million
Corporate auditor (Including outside corporate auditors)	5 (3)	123 (32)	Only monthly compensation
Total	20 (3)	1,271 (32)	

*1 Maximum compensation paid to all directors: ¥1.2 billion per year as total monthly compensation (including ¥50 million per year as a portion to the outside directors) and ¥1.0 billion per year as total bonuses paid to all directors (excluding the outside directors) under a framework different from the preceding maximum compensation amount (both resolved at the General Meeting of Shareholders on June 24, 2011).
*2 Maximum compensation paid to all corporate auditors: ¥13 million per month (resolved in General Meeting of Shareholders on June 29, 2005)
*3 The retirement benefits system for directors and corporate auditors was abolished on the date of the 81st Ordinary General Meeting of Shareholders held on June 29, 2005, and it was resolved that directors and corporate auditors retaining their positions after the conclusion of this General Meeting of Shareholders shall be presented with retirement benefits on the date of their retirement for the period up to the time the retirement benefits system was abolished. Based on this, in addition to the amounts paid as shown above, in June 2010, ¥320 million was paid as retirement benefits to 1 director who retired during the current fiscal year.

The compensation paid to all directors of the Company (excluding outside directors) consists of monthly compensation and performance-linked bonuses. The monthly compensation is determined by the contribution to the Company of each director based on the base amount set by the position, whereas the total amount of the performance-linked bonuses is determined based on consolidated net income attributable to ITOCHU. Only monthly compensation is paid to the outside directors and bonuses are not paid thereto.

Internal Control System

On April 19, 2006, ITOCHU's Board of Directors established the Basic Policy regarding the Internal Control System and made a commitment to continuously improve internal control systems. (For ITOCHU's Basic Policy regarding the Internal Control System, please see: http://www.itochu.co.jp/en/about/governance/control/policy/)

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

Initiatives to Further Enhance the Reliability of Financial Reporting

In order to further enhance the reliability of our consolidated financial reporting, Chief Operating Officers, etc. are appointed as Chief Responsible for Internal Control to establish a Group-wide line of responsibility. And the Disclosure Committee is designated as a steering committee to maintain and improve the internal control system to comply with the internal control reporting system.

Furthermore, since fiscal 2012 a new organization called the Internal Control Promotion Department promoting a risk-base approach has been created in parallel with the existing Internal Control Testing Department within the Internal Audit Division, in order to increase the effectiveness and the efficiency of the internal control system.

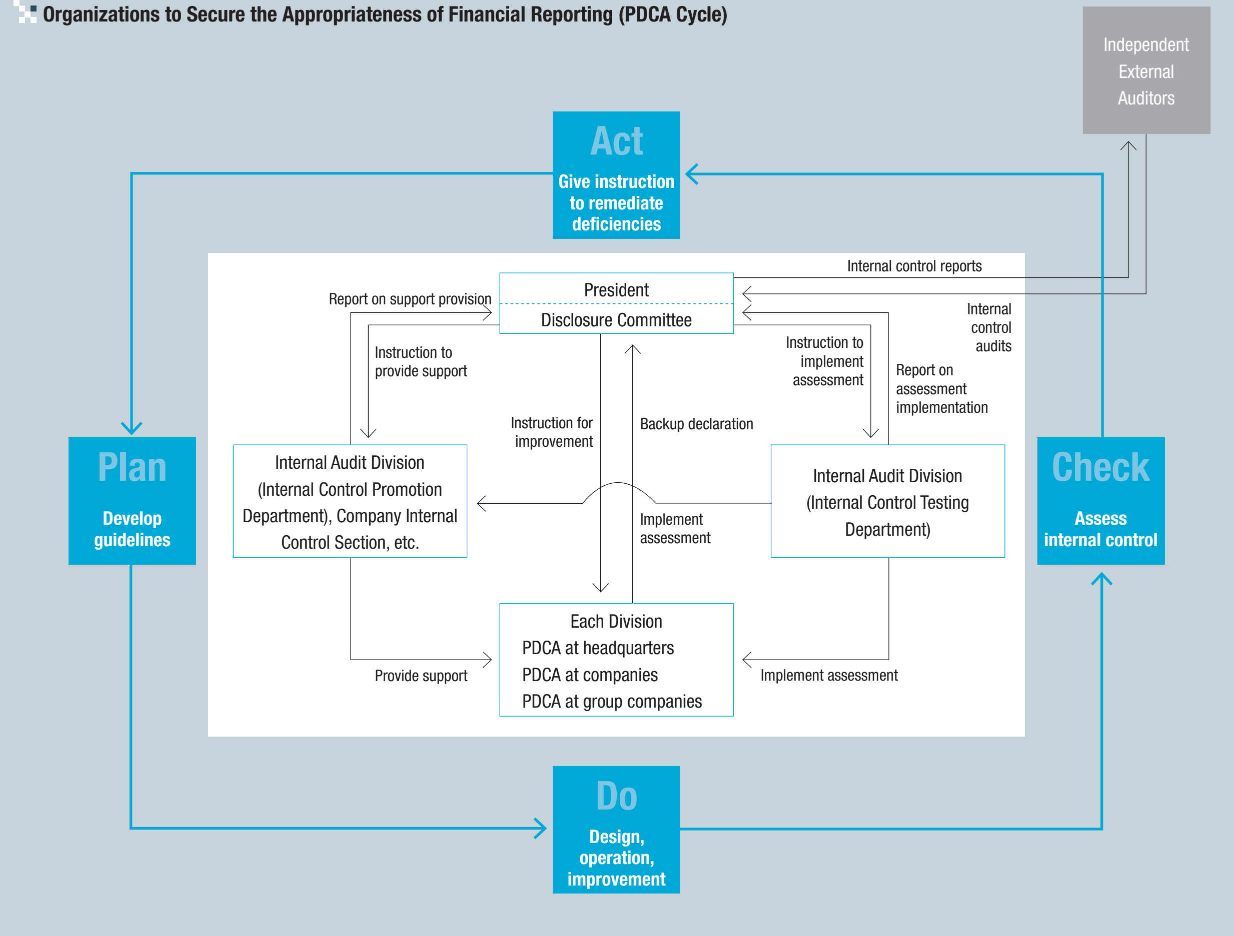
Results of the independent assessment conducted by the Internal Control Testing Department are submitted to each related unit and are used to establish and maintain the adequate internal control system.

This Plan-Do-Check-Act cycle enables ITOCHU to improve the internal control system.

Strengthening Risk Management

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

Organizations to Secure the Appropriateness of Financial Reporting (PDCA Cycle)



Accountability to Stakeholders

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

For each release of quarterly financial results, we provide explanations from senior management through financial results presentations and videos on our web site. Further, senior executives visit domestic and overseas investors to explain business management information directly to them. Especially for overseas investors, in fiscal 2011, senior executives held direct dialogues with investors in major cities in Europe, the United States, and Asia. Also, for individual investors ITOCHU holds presentations in major cities in Japan.

In addition, ITOCHU publishes annual reports and other reports in English and Japanese as a means of communicating ITOCHU's policies and progress in relation to business management to shareholders and investors unable to attend presentations and a range of other stakeholders. Furthermore, from the standpoint of fairness, ITOCHU's web site provides disclosure documents in both English and Japanese.

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

Corporate Officers

As of July 1, 2011

Directors

President &
Chief Executive Officer*

Masahiro Okafuji

1974 Joined ITOCHU Corporation
2010 President & Chief Executive Officer

Chairman

Eizo Kobayashi

1972 Joined ITOCHU Corporation
2010 Chairman

Director*

Yoichi Kobayashi

Executive Advisory Officer for Energy, Metals & Minerals Company / ICT & Machinery Company

1973 Joined ITOCHU Corporation
2011 Executive Vice President

Director*

Yoshio Akamatsu

CAO & CCO

1974 Joined ITOCHU Corporation
2010 Senior Managing Executive Officer

Director*

Yoshihisa Aoki

President, Food Company

1974 Joined ITOCHU Corporation
2010 Senior Managing Executive Officer

Director*

Tadayuki Seki

CFO

1973 Joined ITOCHU Corporation
2010 Senior Managing Executive Officer

Director*

Kenji Okada

Chief Executive for Construction & Realty; Chief Executive for Financial & Insurance Services, Logistics Services

1974 Joined ITOCHU Corporation
2010 Managing Executive Officer

Director*

Koji Takayanagi

CSO; General Manager, Corporate Planning & Administration Division

1975 Joined ITOCHU Corporation
2010 Managing Executive Officer

Director*
Satoshi Kikuchi

President, Chemicals, Forest Products & General Merchandise Company

1976 Joined ITOCHU Corporation
2010 Managing Executive Officer

Director*
Toru Matsushima

President, ICT & Machinery Company

1979 Joined ITOCHU Corporation
2010 Managing Executive Officer

Director*
Ichiro Nakamura

President, Energy, Metals & Minerals Company

1979 Joined ITOCHU Corporation
2011 Managing Executive Officer

Director*
Hitoshi Okamoto

President, Textile Company

1980 Joined ITOCHU Corporation
2010 Managing Executive Officer

Director**
Yuko Kawamoto

Apr. 1982 Joined The Bank of Tokyo, Ltd.
Sep. 1988 Joined McKinsey & Company, Tokyo Office
Apr. 2004 Professor, Waseda Graduate School of Finance, Accounting and Law (current position)
Jun. 2011 Outside Director, ITOCHU Corporation

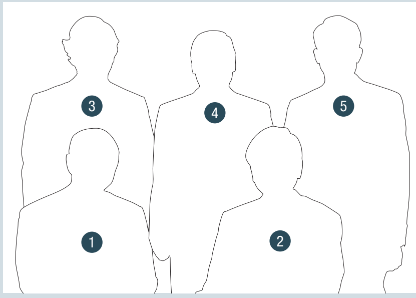
(Important concurrent occupations or positions)
Outside Board Member, Osaka Securities Exchange Co., Ltd.
External Director, Monex Group, Inc.
Outside Director, Yamaha Motor Co., Ltd.
Outside Corporate Auditor, Tokio Marine Holdings, Inc.

Director**
Kazuyuki Sugimoto

Apr. 1974 Joined Ministry of Finance
Jul. 1997 Director of the Legal Division, Budget Bureau, Ministry of Finance
Jul. 1998 Director of the Research and Planning Division, Minister's Secretariat, Ministry of Finance
Apr. 2000 Secretary to the Prime Minister
Jan. 2001 Executive Secretary to the Prime Minister
Apr. 2001 Deputy Director-General of the Budget Bureau, Ministry of Finance
Jul. 2005 Deputy Vice Minister for Policy Planning and Co-ordination, Ministry of Finance
Jul. 2006 Deputy Vice Minister, Ministry of Finance
Jul. 2007 Director-General of the Budget Bureau, Ministry of Finance
Jul. 2008 Administrative Vice Minister of Finance
Jul. 2009 Retired from Ministry of Finance
Special Adviser to the Minister of Finance
Jan. 2010 Professor, The University of Tokyo Graduate School of Public Policy
May 2010 Adviser, Mizuho Research Institute Ltd.
Mar. 2011 Registered as an attorney at law (current position)
Apr. 2011 Chairman of The Institute, Mizuho Research Institute Ltd. (current position)
Special Counsel, TMI Associates (current position)
Jun. 2011 Outside Director, ITOCHU Corporation

* indicates a representative director
** indicates an outside director as provided in Paragraph 2, Clause 15 of the Corporate Law

Auditors



Corporate Auditor
1 Shozo Yoneya

1974 Joined ITOCHU Corporation
2005 Executive Officer
2008 Corporate Auditor

Corporate Auditor
2 Kazutoshi Maeda

1974 Joined ITOCHU Corporation
2007 Managing Executive Officer
2011 Corporate Auditor

Corporate Auditor
3 Ryozo Hayashi*

Apr. 1970 Joined the Ministry of International Trade and Industry, Industrial Policy Bureau
Jan. 2001 Deputy Vice-minister, Ministry of Economy, Trade and Industry
Jul. 2002 Director-General, Economic and Industrial Policy Bureau
Aug. 2003 Consulting Fellow, Research Institute of Economy, Trade and Industry
Jun. 2004 Independent Outside Statutory Auditor, Teijin Ltd
Sep. 2004 Senior Adviser, NTT Data Institute of management Consulting, Inc.
Apr. 2005 Professor, Graduate School of Public Policy, University of Tokyo
Jun. 2009 Corporate Auditor, ITOCHU Corporation
Apr. 2011 Professor, Office of Research Advancement & Intellectual Property, Meiji University
Apr. 2011 Visiting Professor, Graduate School of Public Policy, University of Tokyo

Corporate Auditor
4 Keiji Torii*

Apr. 1971 Joined The Dai-Ichi Bank, Ltd.
Apr. 1999 General Manager, The Americas and the New York Branch, The Dai-Ichi Kangyo Bank, Ltd.
Jun. 1999 Director and General Manager, The Americas and the New York Branch, The Dai-Ichi Kangyo Bank, Ltd.
May 2000 Managing Director and General Manager, The Americas and the New York Branch, The Dai-Ichi Kangyo Bank, Ltd.
Apr. 2002 Managing Executive Officer, Mizuho Corporate Bank, Ltd.
Apr. 2004 Deputy President & CIO, Mizuho Financial Group, Inc.
Apr. 2005 Director, Mizuho Financial Group, Inc.
Jun. 2005 Deputy President, Mizuho Information & Research Institute, Inc.
Jun. 2009 Corporate Auditor, ITOCHU Corporation

Corporate Auditor
5 Masahiro Shimojo*

Apr. 1973 Registered as an attorney at law
Apr. 1973 Nishimura & Partners, Tokyo
Dec. 1982 Admitted in California (inactive)
Jun. 1984 Nishimura & Asahi, Tokyo
Jun. 2000 Corporate Auditor, Hitachi Cable Co., Ltd.
Jun. 2003 Board Director, Hitachi Cable Co., Ltd.
Jun. 2011 Corporate Auditor, ITOCHU Corporation

* indicates an outside corporate auditor as provided in Paragraph 2, Clause 16 of the Corporate Law

Executive Officers

President & Chief Executive Officer

Masahiro Okafuji

Executive Vice President

Yoichi Kobayashi

Executive Advisory Officer for Energy, Metals & Minerals Company / ICT & Machinery Company

Senior Managing Executive Officers

Yoshio Akamatsu

CAO & CCO

Nobuo Kuwayama

Executive Advisory Officer for Kansai District Operation

1971 Joined ITOCHU Corporation
2010 Senior Managing Executive Officer

Yoshihisa Aoki

President, Food Company

Tadayuki Seki

CFO

Managing Executive Officers

Tatsuo Fujino

CEO for Oceania;
Managing Director & CEO, ITOCHU Australia Ltd.

2006 Joined ITOCHU Corporation
2007 Managing Executive Officer

Kenji Okada

Chief Executive for Construction & Realty;
Chief Executive for Financial & Insurance Services, Logistics Services

Koji Takayanagi

CSO;
General Manager, Corporate Planning & Administration Division

Satoshi Kikuchi

President, Chemicals, Forest Products & General Merchandise Company

Takeshi Kumekawa

Chief Executive for European Operation;
CEO, ITOCHU Europe PLC

1974 Joined ITOCHU Corporation
2009 Managing Executive Officer

Yoshiharu Matsumoto

General Manager for Nagoya Area

1975 Joined ITOCHU Corporation
2009 Managing Executive Officer

Shintaro Ishimaru

CIO; Deputy Chief Executive for Financial & Insurance Services, Logistics Services

2006 Joined ITOCHU Corporation
2009 Managing Executive Officer

Toru Matsushima

President, ICT & Machinery Company

Yuji Fukuda

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

1979 Joined ITOCHU Corporation
2009 Managing Executive Officer

Kimio Kitamura

General Manager, General Accounting Control Division

1975 Joined ITOCHU Corporation
2010 Managing Executive Officer

Shuichi Koseki

CEO for ITOCHU East Asia Bloc;
Chairman, ITOCHU (CHINA) HOLDING CO, LTD.;
Chairman, ITOCHU SHANGHAI LTD.;
Chairman, ITOCHU HONG KONG LTD.;
Chairman, BIC

1979 Joined ITOCHU Corporation
2010 Managing Executive Officer

Ichiro Nakamura

President, Energy, Metals & Minerals Company

Tomofumi Yoshida

Chief Operating Officer, Forest Products & General Merchandise Division

1979 Joined ITOCHU Corporation
2010 Managing Executive Officer

Junichi Sasaki

CEO for ASEAN & South West Asia Bloc;
President & CEO, ITOCHU Singapore Pte., Ltd.;
General Manager, ITOCHU Corporation Singapore Branch

1979 Joined ITOCHU Corporation
2010 Managing Executive Officer

Hitoshi Okamoto

President, Textile Company

Kunihiko Tamano

Deputy CFO; General Manager,
Global Risk Management Division

1974 Joined ITOCHU Corporation
2011 Managing Executive Officer

Eiichi Yonekura

President & CEO, ITOCHU International Inc.

1981 Joined ITOCHU Corporation
2011 Managing Executive Officer

Executive Officers

Masahiro Imai

Chief Operating Officer, Plant Project & Marine Division

1980 Joined ITOCHU Corporation
2008 Executive Officer

Nobuyuki Kasagawa

Chief Operating Officer, Aerospace & Industrial Systems Division

1981 Joined ITOCHU Corporation
2008 Executive Officer

Nobuyuki Kizukuri

Chief Operating Officer, Construction & Realty Division

1976 Joined ITOCHU Corporation
2009 Executive Officer

Takahiro Susaki

Chief Operating Officer, Information & Communication Technology Division

1979 Joined ITOCHU Corporation
2009 Executive Officer

Yukihiro Miyake

Deputy General Manager, Global Risk Management Division

1980 Joined ITOCHU Corporation
2009 Executive Officer

Yutaka Washizu

Chief Operating Officer, Metals & Minerals Division

1980 Joined ITOCHU Corporation
2009 Executive Officer

Fumihiko Kobayashi

General Manager, Human Resources & General Affairs Division

1980 Joined ITOCHU Corporation
2010 Executive Officer

Isamu Nakayama

Vice President, Food Company;
Chief Operating Officer, Provisions Division

1981 Joined ITOCHU Corporation
2010 Executive Officer

Masanori Toyoshima

Chief Operating Officer, Energy Division

1981 Joined ITOCHU Corporation
2010 Executive Officer

Kazutaka Yoshida

Chief Operating Officer, Automobile & Construction Machinery Division

1981 Joined ITOCHU Corporation
2010 Executive Officer

Kiyoshi Yamaguchi

Executive Vice President & General Manager, Textile Division, ITOCHU International Inc.;
Chairman & CEO, ITOCHU PROMINENT USA LLC

1980 Joined ITOCHU Corporation
2011 Executive Officer

Hidefumi Suzuki

General Manager, Legal Division

1980 Joined ITOCHU Corporation
2011 Executive Officer

Masahiko Takasaka

General Manager, Research & Business Development Division

1980 Joined ITOCHU Corporation
2011 Executive Officer

Harutoshi Okita

Chief Operating Officer, New Energy & Coal Division

1980 Joined ITOCHU Corporation
2011 Executive Officer

Yozo Kubo

Chief Operating Officer, Apparel Division

1981 Joined ITOCHU Corporation
2011 Executive Officer

Operational Structure

Organizational Structure

(As of July 1, 2011)

- General Meeting of Stockholders
  - Board of Corporate Auditors, Corporate Auditors
    - Corporate Auditors' Office
  - Board of Directors
- President & CEO
  - HMC
  - Directors, Auditors & Executive Officers Meeting
    - Internal Audit Division
    - Secretariat
    - Research & Business Development Division
    - CSO
      - Corporate Planning & Administration Division
      - Domestic Offices
      - Overseas Offices
    - CAO & CCO
      - Human Resources & General Affairs Division
      - Corporate Communications Division
      - Legal Division
    - CFO
      - Investor Relations Department
      - Group Accounting Support & IFRS Office
      - Finance Division
      - General Accounting Control Division
      - Global Risk Management Division
    - CIO
      - IT Planning Division
    - Chief Executive for Financial & Insurance Services, Logistics Services
      - Financial & Insurance Services Department
      - Logistics Services Department
    - Executive Advisory Officer for Kansai District Operation
  - Textile Company
  - ICT & Machinery Company
  - Energy, Metals & Minerals Company
  - Chemicals, Forest Products & General Merchandise Company
  - Food Company
  - Chief Executive for Construction & Realty

HMC : Headquarters Management Committee
CSO : Chief Strategy Officer
CAO : Chief Administrative Officer
CCO : Chief Compliance Officer
CFO : Chief Financial Officer
CIO : Chief Information Officer

- Textile Material & Fabric Division
  - Textile Material & Fabric Department
  - Fabric & Apparel Department
- Apparel Division
  - Apparel Department 1
  - Apparel Department 2
- Brand Marketing Division 1
  - Brand Marketing Department 1
  - Brand Marketing Department 2
- Brand Marketing Division 2
  - Brand Marketing Department 3
  - Industrial Textile & Lifestyle Department
- CFO & CIO
- Planning & Administration Department

- Plant Project & Marine Division
  - Marine Department
  - Power Project Department
  - Plant Project Department
- Automobile & Construction Machinery Division
  - Automobile Department No. 1
  - Automobile Department No. 2
  - Automobile Business Promotion Department
  - Isuzu Business Department
  - Construction Machinery Department
- Aerospace & Industrial Systems Division
  - Aerospace & Defense Department
  - Aircraft & Interior Systems Department
  - Industrial Machinery & Electronic Systems Department
- Information & Communication Technology Division
  - Information Technology Business Department
  - Communication & Mobile Business Department
- Healthcare Business Department
- CFO & CIO
- Planning & Administration Department

- Metals & Minerals Division
  - Steel Business Administration Department
  - Iron Ore & Steelmaking Resources Department
  - Non-Ferrous & Metal Materials Department
- New Energy & Coal Division
  - Coal Department
  - Nuclear & Low Carbon Fuel Department
  - Solar Business Department
- Energy Division
  - International Energy Trading Department 1
  - International Energy Trading Department 2
  - Exploration & Production Department
  - Natural Gas Business Department
- CFO & CIO
- Planning & Administration Department

- Forest Products & General Merchandise Division
  - Wood Products & Materials Department
  - Paper Products & Materials Department
  - General Merchandise Department
- Chemicals Division
  - Organic Chemicals Department No. 1
  - Organic Chemicals Department No. 2
  - Inorganic Chemicals Department
  - Plastics Department
  - Retail & Plastics Materials Department
  - Chemical Business Process Operation Department
- CFO & CIO
- Planning & Administration Department

- Provisions Division
  - Grain, Feed & Oilseeds Department
  - Oil, Fats & Grain Products Department
  - Sugar, Confectionary Materials & Dairy Products Department
  - Coffee & Beverage Marketing Department
- Fresh Food & Food Business Solutions Division
  - Marine Products Department
  - Meat Products Department
  - Agri Products Department
  - Food Service & Distribution Department
- Food Products Marketing & Distribution Division
  - Food Products Marketing & Distribution Department
  - FamilyMart Department
- China Business Development Department
- Business Process Operation Department
- CFO & CIO
- Planning & Administration Department

- Construction & Realty Division
  - Construction & Realty Department No. 1
  - Construction & Realty Department No. 2
  - Construction & Realty Department No. 3

Textile Company	
Number of Employees	
Consolidated	10,887
Non-consolidated	386
Number of Subsidiaries and Associates	
Domestic	23
Overseas	16

ICT & Machinery Company	
Number of Employees	
Consolidated	20,672
Non-consolidated	657
Number of Subsidiaries and Associates	
Domestic	45
Overseas	50

Energy, Metals & Minerals Company	
Number of Employees	
Consolidated	4,706
Non-consolidated	309
Number of Subsidiaries and Associates	
Domestic	15
Overseas	22

Chemicals, Forest Products & General Merchandise Company	
Number of Employees	
Consolidated	9,894
Non-consolidated	297
Number of Subsidiaries and Associates	
Domestic	22
Overseas	46

Food Company	
Number of Employees	
Consolidated	7,451
Non-consolidated	386
Number of Subsidiaries and Associates	
Domestic	23
Overseas	27

Construction & Realty Division	
Number of Employees	
Consolidated	1,050
Non-consolidated	120
Number of Subsidiaries and Associates	
Domestic	14
Overseas	6

Others	
Number of Employees	
Consolidated	7,975
Non-consolidated	2,146
Number of Subsidiaries and Associates	
Domestic	17
Overseas	67

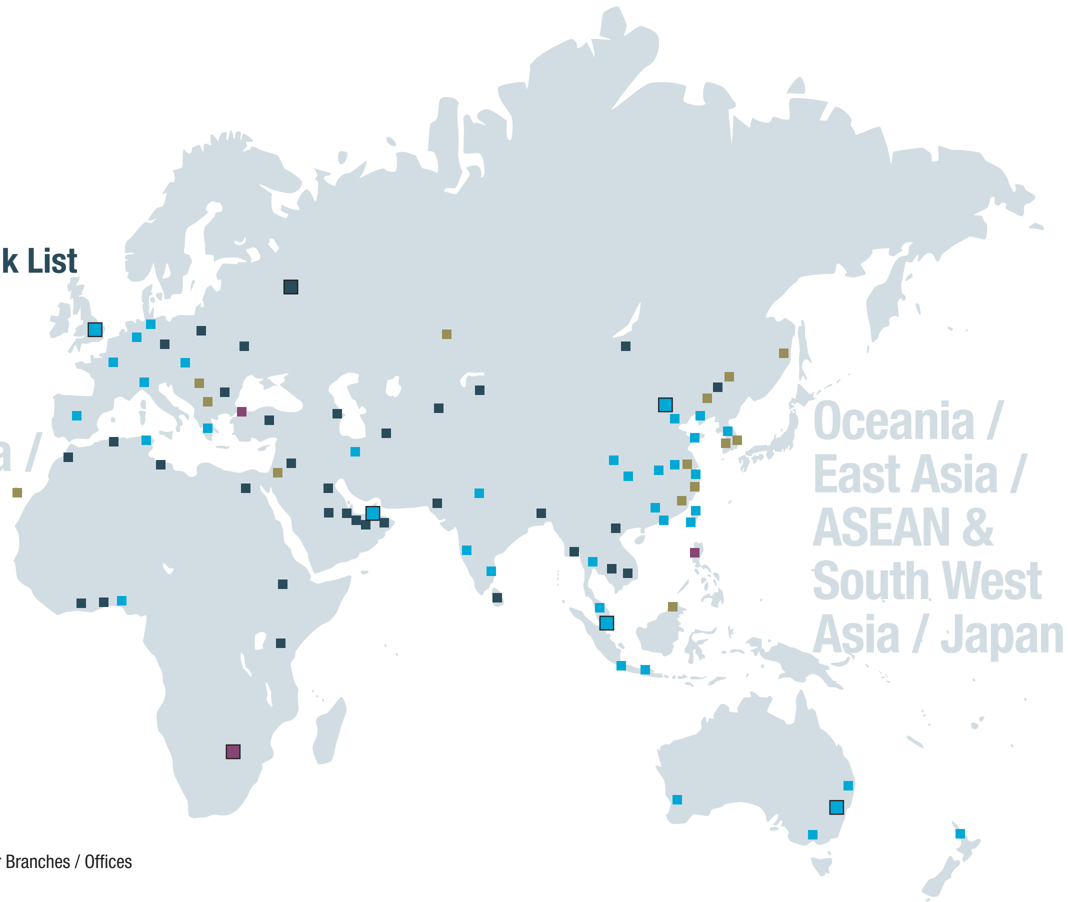
Total	
Number of Employees	
Consolidated	62,635
Non-consolidated	4,301
Number of Subsidiaries and Associates	
Domestic	159
Overseas	234

* The numbers of employees, subsidiaries, and associates are as of March 31, 2011.
* Operational structure information of the number of employees, subsidiaries, and associates (Division Company, etc.) is as of April 1, 2011.
* The number of consolidated employees is based on actual working employees excluding temporary staff.
* Others of the number of non-consolidated employees includes a total of 1,272 employees; employees temporary relocated to other companies (domestic 632, overseas 298), employees and trainees assigned to overseas posts (342).
* The criteria to count group companies is changed so that the number of companies directly invested by ITOCHU or its overseas trading subsidiaries are shown above.

Global Network / Bank List

(As of July 1, 2011)

Global Network



- □ Overseas Regional Headquarters
- ■ Overseas Trading Subsidiaries and their Branches / Offices
- ■ Overseas Branches
- ■ Overseas Liaison Offices
- ■ Others

North America / Latin America

North America

ITOCHU International Inc.
22nd and 23rd Floors, Bank of America Plaza, 335 Madison Avenue, New York
N.Y. 10017, U.S.A.
Telephone : 1-212-818-8000
Facsimile : 1-212-818-8543

- ■ New York, Chicago, San Francisco, Los Angeles, Washington, Houston, Portland, Vancouver, Mexico City

Latin America

ITOCHU BRASIL S.A.
Av. Paulista 37
19 andar, Vila Mariana,
São Paulo CEP 01311-902, BRAZIL
Telephone : 55-11-3170-8501
Facsimile : 55-11-3170-8549

- ■ São Paulo, Rio de Janeiro, Panama, Buenos Aires, Bogota, Santiago, Caracas, Quito
- ■ Lima

Europe / Africa / Middle East / CIS

Europe

ITOCHU Europe PLC
The Broadgate Tower 20 Primrose Street,
London EC2A 2EW, U.K.
Telephone : 44-20-7947-8000
Facsimile : 44-20-7947-8240/8241

- ■ London, Düsseldorf, Hamburg, Paris, Milano, Madrid, Athens, Budapest, Tunis
- ■ Alger, Casablanca, Praha, Bucharest, Warszawa

Africa

ITOCHU Corporation, Johannesburg Branch
2nd Floor Block No. 9, Fourways Golf Park, Roos Street,
Fourways, 2055, Johannesburg, SOUTH AFRICA
Telephone : 27-11-465-0030
Facsimile : 27-11-465-0635/0604

- ■ Lagos
- ■ Johannesburg
- ■ Abidjan, Accra, Nairobi, Addis Ababa

Middle East

ITOCHU MIDDLE EAST FZE
LOB 12 - Office No. 119 & 121, P.O.Box 61422, Jebel Ali Free Zone, Dubai, U.A.E.
Telephone : 971-4-302-0000
Facsimile : 971-4-335-5321

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

CIS

ITOCHU Corporation, Moscow Representative Office
Savvinskaya Office Building, 9th Floor, Savvinskaya Nab., 15, Moscow, 119435, RUSSIAN FEDERATION
Telephone : 7-495-961-1456
Facsimile : 7-495-961-1447/1448

- ■ Moscow, Almaty, Kiev, Ashgabat, Tashkent, Baku

Oceania / East Asia / ASEAN & South West Asia / Japan

Oceania

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

- ■ Sydney, Melbourne, Perth, Brisbane, Auckland

East Asia

ITOCHU (China) Holding Co., Ltd.
Room 501, 5/f. No. 2 Office Building,
China Central Place, No. 79, Jian Guo Road, Chaoyang District, Beijing,
THE PEOPLE'S REPUBLIC OF CHINA
(ZIP code: 100025)
Telephone : 86-10-6599-7000
Facsimile : 86-10-6599-7111

- ■ Beijing, Shanghai, Dalian, Tianjin, Qingdao, Chongqing, Hong Kong, Guangzhou, Nanjing, Sichuan, Wuhan, Taipei, Kaohsiung, Seoul
- ■ ChangChun, Ulaanbaatar

ASEAN & South West Asia

ITOCHU Singapore Pte., Ltd.
9 Raffles Place, #41-01 Republic Plaza, SINGAPORE 048619
Telephone : 65-6230-0400
Facsimile : 65-6230-0560

- ■ Singapore, Kuala Lumpur, Jakarta, Surabaya, Bangkok, New Delhi, Mumbai, Chennai
- ■ Kuala Lumpur, Manila
- ■ Jakarta, Hanoi, Ho Chi Minh City, Yangon, Phnom Penh, Colombo, Dhaka

North America / Latin America

Japan

Headquarters
Tokyo
5-1, Kita-Aoyama 2-chome
Minato-ku, Tokyo 107-8077, Japan
Telephone : 81-3-3497-2121
Facsimile : 81-3-3497-4141

Osaka (from August, 2011)
1-3, Umeda 3-chome
Kita-ku, Osaka 530-8448, Japan
Telephone : 81-6-7638-2121
Facsimile : 81-6-7638-3220

Nagoya, Kyushu, Chugoku, Hokkaido, Tohoku, Hokuriku, Toyama

Bank List

ITOCHU has financial transactions with the following banks.

North America

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

Latin America

Grupo Financiero Banamex, S.A. de C.V.
Helm Bank S.A.

Europe & Africa

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

Middle East

SAMBA Financial Group
Union National Bank

Oceania

Australia and New Zealand Banking Group Limited
National Australia Bank Limited
Westpac Banking Corporation

Asia

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

Japan

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

Major Subsidiaries and Associated Companies

Individual subsidiary and associated company information as of March 31, 2011 and operational structure information (Division Company, etc.) as of April 1, 2011

Textile Company

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Subsidiaries	Domestic	ROY-NE CO., LTD.	99.9	Manufacture and wholesale of woven and knitted products	3
		SANKEI CO., LTD.	90.5	Wholesale of garment materials	2
		JAVA HOLDINGS CO., LTD.	65.0	Holding company of retail of ladies' & kids' apparel brand	3
		LEILIAN CO., LTD.	61.1	Retail of women's apparel	3
		ITOCHU MODEPAL CO., LTD.	100.0	Manufacture and wholesale of apparel	3
		UNICO CORPORATION	100.0	Manufacture and wholesale of uniforms	3
		JOI'X CORPORATION	100.0	Manufacture and wholesale of men's apparel	7
		BMI HOLDINGS CO., LTD.	100.0	Holding company of brand business	3
		MAGASeek Corporation	64.4	Retail web site of fashion apparel by PC and mobile	3
		SCABAL JAPAN Co., Ltd.	80.0	Import and sale of SCABAL brand products	3
		ITOCHU FASHION SYSTEM Co., Ltd.	100.0	Comprehensive consulting in the fashion industry	3
		ITOCHU HOME FASHION CORPORATION	97.9	Manufacture and wholesale of home furnishings	3
		CI Shopping Service Co., Ltd.	100.0	Sale of everyday items aimed at ITOCHU Group employees and families	3
		CI TEXTILE SERVICE CO., LTD.	100.0	Outsourcing of administrative duties for delivery and accounting, production control and quality control	3
	Overseas	ITOCHU Textile Prominent (ASIA) Ltd. (Hong Kong S.A.R., China)	100.0	Wholesale of materials, yarns, textile, and apparel	3
		PROMINENT (VIETNAM) CO., LTD. (Vietnam)	100.0	Quality control of textile and apparel	12
		UNIMAX SAIGON CO., LTD. (Vietnam)	80.0	Manufacture of uniforms	12
		ITOCHU TEXTILE (CHINA) CO., LTD. (China)	100.0	Production control and wholesale of textile materials, fabrics, and apparel	12
Associates	Domestic	MARUKO CO., LTD.	25.1	Manufacture and wholesale of lady's underwear, etc.	8
		DESCENTE, LTD.	25.7	Manufacture and wholesale of sportswear, etc.	3
		DEAN & DELUCA JAPAN Co., Ltd.	20.4	Operation of cafeteria chain and other new business	2
		T.KAWABE & CO., LTD.	25.3	Manufacture and wholesale of handkerchiefs, scarves, and other accessory goods	3
		Watakyu Seimoa Corporation	25.0	Total outsourcing service mainly linen supply for medical & welfare institutions	6
		AYAHA CORPORATION	33.5	Manufacture of tire cords, etc.	3
	Overseas	Thai shikibo co., ltd. (Thailand)	30.0	Manufacture of cotton yarn	12
		☐ SUNRISE (SHENGZHOU) TEXTILES CO., LTD. (China)	25.0	Manufacture and wholesale of shirting fabric	12
		☐ SUNRISE (SHENGZHOU) KNITS CO., LTD. (China)	25.0	Manufacture and wholesale of knitting goods	12
		Dalian Yawen Underwear Co., Ltd. (China)	28.0	Manufacture of women's underwear	12
		Paul Smith Group Holdings Limited (U.K.)	40.4	Holding company of Paul Smith Group	6
		Shanshan Group Co., Ltd. (China)	28.0	Holding company of Shanshan Group, operating a textile business, electronic components, etc.	12

☐ Newly consolidated subsidiaries in the fiscal year ended March 2011

ICT & Machinery Company

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Subsidiaries	Domestic	ITOCHU Plantech Inc.	100.0	Export and import of small-to-medium-scale plant and equipment and domestic environmental and energy solution businesses	3
		IMECS Co., Ltd.	100.0	Ownership and operation of ships, chartering, ship machinery, secondhand ships, and administration management of overseas shipping companies	3
		ITOCHU Automobile Corporation	100.0	Export / import and inter-third trade of car parts	3
		ITOCHU CONSTRUCTION MACHINERY CO., LTD.	100.0	Sales and rental of construction machinery	3
		ITOCHU AVIATION, CO., LTD.	100.0	Import / export and wholesale of aircraft, aircraft part, and related equipment	3
		ITOCHU MACHINE-TECHNOS CORPORATION *1	100.0	Import / export and wholesale of industrial machinery	3
		ITOCHU Techno-Solutions Corporation	54.1	Sales, maintenance and support of computers and network systems; commissioned software development; information processing services	3
		Excite Japan Co., Ltd.	57.9	Internet information service	3
		ITC NETWORKS CORPORATION	60.3	Distribution and retail business of mobile phones	3
		Century Medical, Inc.	100.0	Import and sale of medical equipment	3
		ACRONET Corp.	100.0	CRO business	3
		IML Corporation	100.0	CSO business, PET center business	3
	Overseas	I-Power Investment Inc. (U.S.A.)	100.0	Investment company in the power industry	12
		Tyr Energy, Inc. (U.S.A.)	100.0	Power generation business in North America	12
		NAES Corporation (U.S.A.)	100.0	Power plant operation and maintenance services provider for independent power producers and utilities	12
		MCL Group Limited (U.K.)	100.0	Warehousing and financing of motor vehicles	3
		IM AUTOTRADE HOLDING G.m.b.H (Austria)	100.0	Wholesale and inter-third trade of motor vehicles and motorcycles	12
		ITOCHU Automobile America Inc. (U.S.A.)	100.0	Retail, distribution, and trading of motor vehicles	3
		Auto Investment Inc. (U.S.A.)	100.0	Retail of motor vehicles	3
		PT. SUZUKI Finance Indonesia (Indonesia)	70.0	Automobile finance company	12
		VEHICLES MIDDLE EAST FZCO (U.A.E.)	100.0	Trade finance for motor vehicles	12
		EURASIA LOGISTICS LTD.(Hungary)	70.7	Transportation and warehousing	12
		MULTIQUIP INC. (U.S.A.)	100.0	Distribution and manufacturing of light construction equipment and generators	12
		ITOCHU AirLease B.V. (Netherlands)	100.0	Lease of commercial aircraft	3

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Associates	Domestic	Malha Gas Investment Co., Ltd.	30.0	Investment in the project for the construction, ownership, and operation of gas pipelines	3
		YANASE & CO., LTD.	22.0	Sales and repair of automobiles	9
		Isuzu Motors Sales Ltd. *2	25.0	Commercial vehicle life cycle business	3
		Century Tokyo Leasing Corporation	20.2	Diversified leasing business, various types of financing, and International business	3
		JAMCO Corporation	33.2	Maintenance of aircraft and manufacture of aircraft interior	3
		SUNCALL CORPORATION	26.9	Manufacture and sales of optical communication devices, electronic devices, and assembly	3
		MYSTAR ENGINEERING CORP.	20.3	Maintenance & engineering service for mechatronics & facilities	3
	■	SPACE SHOWER NETWORKS INC.	37.0	Music channel on cable / satellite television	3
		Asurion Japan K.K.	33.3	Mobile insurance agency	12
		GOODMAN Co., Ltd.	36.8	Import, development, manufacturing, and sale of medical equipment	6
		Japan Medical Dynamic Marketing Inc.	30.0	Import, development, manufacturing, and sale of medical equipment	5
	Overseas	SICHUAN GANGHONG ENTERPRISE MANAGEMENT CO., LTD. (China)	40.0	Sales and repair of automobiles	12
		"SUZUKI MOTOR RUS" LLC (Russia)	50.0	Import and Wholesale of motor vehicles, motorcycles and spare parts	12
		Komatsu Southern Africa (Pty) Ltd. (Republic of South Africa)	20.0	Sales and service of construction and mining equipment	3
		PT Hexindo Adiperkasa Tbk (Indonesia)	25.1	Sales and service of construction machinery	3

*1 On April 1, 2010, ITOCHU Sanki Corporation and ITOCHU MECHATRONICS CORPORATION merged to form ITOCHU MACHINE-TECHNOS CORPORATION.
*2 On October 1, 2010, the name of Isuzu Network Co., Ltd. was changed to Isuzu Motors Sales Ltd.
■ Associated company changed from subsidiary in the fiscal year ended March 2011

Energy, Metals & Minerals Company

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Subsidiaries	Domestic	ITOCHU ENEX CO., LTD.	53.6	Wholesale of petroleum products and gas	3
		ITOCHU Metals Corporation	100.0	Import / export and wholesale of non-ferrous / light metals, products, and steel scrap, development of recycle business	3
		ITOCHU Oil Exploration Co., Ltd.	100.0	Exploration and production of oil, gas, and other hydrocarbon resources	3
		JB BioEnergy Inc.	100.0	Investment in projects of bioethanol in Brazil	12
		Ecosystem Japan Co., Ltd.	82.7	Sales and installation of photovoltaic systems and eco-sensitive products	3
	Overseas	ITOCHU Minerals & Energy of Australia Pty Ltd (Australia)	100.0	Investment and sales in projects of iron ore, coal, and bauxite mining, manufacture of alumina and oil exploration	3
		ITOCHU Oil Exploration (Azerbaijan) Inc. (Cayman Islands, British West Indies)	100.0	Exploration and production of crude oil and gas	12
		ITOCHU PETROLEUM CO., (SINGAPORE) PTE. LTD. (SINGAPORE)	100.0	International trade of crude oil and petroleum products	12
		IPC EUROPE LTD. (U.K.)	100.0	International trade of crude oil and petroleum products	12
		Nippon Uranium Resources (Australia) Pty Ltd (Australia)	100.0	Investment in uranium project in Namibia	3
		SolarNet Holdings, LLC (U.S.A.)	90.0	Photovoltaic system integrator	12
		I-SOLAR INVESTMENT LIMITED (U.K)	100.0	Investment in solar thermal power generation (CSP) and PV power generation projects in Europe	12
Associates	Domestic	Marubeni-Itochu Steel Inc.	50.0	Import / export and wholesale of steel products	3
		NISSHO Petroleum Gas Corporation	25.0	Wholesale of LPG and petroleum products	3
		Japan Ohanet Oil & Gas Co., Ltd.	35.0	Exploration and production of gas and condensate	12
		Brazil Japan Iron Ore Corporation	47.7	Investment in projects of iron ore in Brazil	3
	Overseas	Chemoil Energy Limited (Hong Kong S.A.R., China)	37.5	International trade of petroleum products	12
		IPC (USA), Inc. (U.S.A.)	50.0	International trade of crude oil and petroleum products	12
		Enolia Solar Systems S.A. (Greece)	40.4	Photovoltaic system integrator	12
		Scatec Solar AS (Norway)	37.5	Photovoltaic system integrator	12

Chemicals, Forest Products & General Merchandise Company

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Subsidiaries	Domestic	ITOCHU Kenzai Corp.	90.8	Wholesale of wood products and building materials	3
		ITC Green & Water Corp. *3	100.0	Designing and installation of water treatment system, landscape and gardening, and greenery business	3
		ITOCHU Pulp & Paper Corp.	100.0	Wholesale of paper, paper boards, and various materials	3
		ITOCHU Ceratech Corp.	100.0	Manufacture and sale of ceramic raw materials and products	3
		ITOCHU Windows Co., Ltd.	66.0	Manufacture and sale of insulating glass	3
		ITR Corp.	100.0	Wholesale and retail of tires	3
		IFA Co., LTD.	100.0	Wholesale of shoes and bags	3
		ITOCHU CHEMICAL FRONTIER Corporation	100.0	Wholesale of fine chemicals and related raw materials	3
		ITOCHU PLASTICS INC.	100.0	Development and wholesale of plastics and related products	3
		C.I. Kasei Co., Ltd.	97.6	Manufacture of PVC pipe and film and related materials	3
		The Japan Cee-Bee Chemical Co., Ltd.	80.0	Manufacture and processing of metal pretreatment chemicals	3
		VCJ Corporation	80.0	Wholesale of daily necessaries and plastic products for retailers	3
		Chemical Logitec Co., Ltd.	100.0	Management of chemical storage warehouses and transportation of chemicals and other cargos	3
	Overseas	CIPA Lumber Co. Ltd. (Canada)	100.0	Manufacture of veneer	12
		Pacific Woodtech Corporation (U.S.A.)	100.0	Manufacture of LVL & I-Joist	12
		PrimeSource Building Products, Inc. (U.S.A.)	100.0	Wholesale of building materials	12
		P. T. ANEKA BUMI PRATAMA (Indonesia)	100.0	Processing of natural rubber	12
		Stapleton's (Tyre Services) Ltd. (U.K.)	100.0	Wholesale and retail of tires	12
		ITOCHU Plastics Pte., Ltd. (Singapore)	100.0	Wholesale of plastic resins	12
		Plastribution Limited (U.K.)	100.0	Wholesale of synthetic resins	12
		RUBBERNET (ASIA) PTE LTD. (Singapore)	80.0	Sale of crude rubber	12
		ITOCHU Chemicals America Inc. (U.S.A.)	100.0	Wholesale of chemical products and synthetic resins	12
		Hangzhou New Huahai Business & Trading Co., Ltd. (China)	85.0	Wholesale of cosmetics and daily goods, and sale of cosmetics, skincare products, toiletry products, and other daily goods	12
		PTAGENT. CORPORATION (China)	100.0	Wholesale of PTA	12
Associates	Domestic	Japan Brazil Paper and Pulp Resources Development Co., Ltd.	25.9	Investment in CENIBRA, one of the largest eucalyptus pulp manufacturers in Brazil	3
		DAIKEN CORPORATION	25.5	Manufacture of building materials and construction parts	3
		TAKIRON Co., Ltd.	27.7	Manufacture of flat and corrugated plastic sheets	3
		TOHO EARTHTECH, INC.	34.2	Exploration and production of natural gas and iodine	3
		Ningbo PTA Investment, Co., Ltd	35.0	Investment in manufacture of PTA in China	3
	Overseas	DAIKEN NEW ZEALAND LIMITED (New Zealand)	49.0	Manufacture of MDF	3
		SOUTH EAST FIBRE EXPORTS PTY. LTD. (Australia)	37.5	Manufacture of woodchip	12
		THAITECH RUBBER CORPORATION LTD. (Thailand)	33.0	Processing of natural rubber	12
		YOKOHAMA RUSSIA L.L.C. (Russia)	20.0	Wholesale of tires	12
		NARENDRA PLASTIC PVT. LTD. (India)	29.9	Manufacture of plastics bags	3
		SUMIKA POLYMER COMPOUNDS (EUROPE) LTD. (U.K.)	25.0	Sale and manufacture of compound of plastic raw materials	12
		Shanghai Baoling Plastics Co., Ltd. (China)	22.6	Manufacture of plastic products	12
		Shanghai Jinpu Plastic Packaging Material Co., Ltd. (China)	30.0	Manufacture of polypropylene films	12
		Tetra Chemicals (Singapore) Pte. Ltd. (Singapore)	40.0	Sale and manufacture of MTBE (Methyl t-Butyl Ether)	12
		SUMIPEX (THAILAND) CO., LTD. (Thailand)	49.0	Manufacture of PMMA sheet	3
		NCT Holland B.V. (Netherlands)	40.0	Trading and distribution of the plastics materials based on Europe and Middle East	12
		BRUNEI METHANOL COMPANY SDN. BHD. (Brunei)	25.0	Manufacture of methanol in Brunei	12
		TODA AMERICA, INC. (U.S.A.)	50.0	Sale and manufacture of cathode materials for Lithium Ion Batteries	3
		TODA ADVANCED MATERIALS INC. (Canada)	50.0	Sale and manufacture of precursor materials for use in Lithium Ion Batteries cathodes	3
		☐ UNICHARM Consumer Products (China) Co., Ltd. (China)	20.0	Production and sales of baby care, feminine care and other products	12

*3 On April 1, 2010, the name of ITOCHU Forestry Corp. was changed to ITC Green & Water Corp.
☐ Newly consolidated subsidiary in the fiscal year ended March 2011

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

Food Company

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Subsidiaries	Domestic	ITOCHU Feed Mills Co., Ltd.	85.9	Manufacture and wholesale of compound feeds	3
		ITOCHU Sugar Co., Ltd.	100.0	Manufacture and processing of sugar and by-products	3
		I-FOODS Co., Ltd.	100.0	Import and wholesale of food materials	3
		ITOCHU Rice Corporation	100.0	Wholesale of rice	3
		Japan Nutrition Co., Ltd.	100.0	Manufacture and wholesale of feed and feed additive	3
		Yayoi Foods Co., Ltd.	93.2	Manufacture of frozen prepared foods	3
		ITOCHU Fresh Corporation Inc.	100.0	Processing and wholesale of fish, meat, and agri-products	3
		ITOCHU SHOKUHIN Co., Ltd.	51.7	Wholesale and distribution of foods	3
		NIPPON ACCESS, INC.	93.8	Wholesale and distribution of foods	3
	□	China Foods Investment Corp.	74.1	Business management of Ting Hsin and its group companies	3
	Overseas	OILSEEDS INTERNATIONAL LTD. (U.S.A.)	100.0	Safflower oil manufacture	7
		Quality Technology International, Inc, (QTI) (U.S.A.)	100.0	Develop high added-value feed materials, sell feed additives in USA.	12
Associates	Domestic	Fuji Oil Co., Ltd.	25.7	Integrated manufacturer of cooking oil and soybean protein	3
		Japan Foods Co., Ltd.	40.4	Production of soft drinks	3
		SHIBUSHI SILO CO., LTD.	25.0	Harbor transport and warehousing business	3
		KUMESHIMA SUGAR CO., LTD.	34.8	Production and sales of raw sugar	6
		Prima Meat Packers, Ltd.	39.6	Production and marketing of meat, ham, sausage, and processed foods	3
		KI Fresh Access, Inc.	33.5	Wholesale and distribution of fresh fruits, vegetables, and processed products	3
		SHOW-WA Co., Ltd.	20.0	Wholesale of foods	3
		FamilyMart Co., Ltd.	31.7	Operation of a convenience store chain, using the name FamilyMart, and a franchise system	2
	Overseas	PALMAJU EDIBLE OIL SDN. BHD. (Malaysia)	30.0	Refining of palm oil	12
		CGB ENTERPRISES, INC. (U.S.A.)	50.0	Handling of grain and operation of barges	5
		ASAHI BREWERIES ITOCHU (HOLDINGS) LIMITED (Hong Kong S.A.R., China)	40.0	Holding company of Chinese beer manufacturers	12
		EGT, LLC (U.S.A.)*4	29.0	Grain terminal business in the west coast of the US	12
		P. T. ANEKA TUNA INDONESIA (Indonesia)	47.0	Production of canned and pouched tuna	12
		WINNER FOOD PRODUCTS LTD. (Hong Kong S.A.R., China)	26.0	Manufacture and wholesale of processed foods	12
		TAIWAN DISTRIBUTION CENTER CO., LTD. (Taiwan)	39.4	Wholesale of foods and sundries	12
		TING HSIN (CAYMAN ISLANDS) HOLDING CORP. (Cayman Islands, British West Indies)	25.2	Holding company of processed foods manufacturers, food services, and distribution services in China and Taiwan	12

*4 On April 5, 2010, the name of EGT Development, LLC was changed to EGT, LLC
□ Newly consolidated subsidiary in the fiscal year ended March 2011

Construction & Realty Division

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Subsidiaries	Domestic	ITOCHU Property Development, Ltd.	99.8	Development and sale of housing (apartments, condominiums, and homes)	3
		ITOCHU HOUSING Co., Ltd.	100.0	Real estate agent and property consultant	3
		ITOCHU Urban Community Ltd.	100.0	Operation and management of real estate property	3
		ITOHPIA HOME Co., Ltd.	100.0	Planning and construction of homes	3
		AD Investment Management Co., Ltd.	66.0	Asset management for Advance Residence Investment Corporation	3
Associates	Domestic	CENTRAL ENGINEERING & CONSTRUCTION Co., Ltd.	50.0	Engineering and ventilation construction	3
		CENTURY 21 REAL ESTATE OF JAPAN LTD.	49.7	Headquarters of real estate franchise system	3

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

Headquarters Business Organization

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Subsidiaries	Domestic	ITOCHU Finance Corporation	99.1	Loan and other finance-related business	3
		ITOCHU Orico Insurance Services Co., Ltd.	65.0	Insurance agency	3
		I&T Risk Solutions Co., Ltd.	91.2	Insurance broking services and risk consulting	3
		ITOCHU LOGISTICS CORP.	99.0	Comprehensive logistics services (3PL, warehousing, trucking, international freight forwarding, customs clearance, and NVOCC)	3
	Overseas	ITOCHU Finance (Asia) Ltd. (Hong Kong S.A.R., China)	100.0	Proprietary financial investment and development of new financial business in Asia	2
		COSMOS SERVICES CO., LTD. (Hong Kong S.A.R., China)	100.0	Consulting and broking of insurance and reinsurance	3
		COSMOS SERVICES (AMERICA) INC. (U.S.A.)	100.0	Consulting and broking of insurance	12
		SIAM COSMOS SERVICES CO., LTD. (Thailand)	100.0	Consulting and broking of insurance	12
		ITOCHU LOGISTICS (CHINA) CO., LTD. (China)*5	100.0	Comprehensive logistics services (3PL, warehousing, trucking, import/export, customs clearance, and value-added services)	12
		Guangzhou Global Logistics Corp. (China)	77.7	Comprehensive logistics services (3PL, warehousing, trucking, and value-added services)	12
Associates	Domestic	POCKETCARD Co., Ltd.	27.0	Credit card business	2
		Orient Corporation	23.7	Consumer credit, credit card business	3
		Superex Corporation	41.9	Management of logistics center operation	3
		eGuarantee, Inc.	31.7	Account Receivables protection services for general corporations and financial institutions	3
	Overseas	VIETNAM HI-TECH TRANSPORTATION CO., LTD. (Vietnam)	20.0	Port operation and inland transportation in Vietnam	12
		TINGTONG (CAYMAN ISLANDS) HOLDING CORP. (Cayman Islands, British West indies)	50.0	Comprehensive logistics services in China (3PL, warehousing, trucking, and value-added services)	12

*5 On June 1, 2010, the name of Beijing Pacific Logistics Co., ltd. was changed to ITOCHU LOGISTICS (CHINA) CO., LTD.

Headquarters

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Subsidiaries	Domestic	ITOCHU Capital Securities, Ltd.	100.0	Structuring and distribution of investment products	3
		FX PRIME Corporation	56.4	Online foreign exchange brokerage	3
		ITC Investment Partners Corporation	98.5	Asset management business	3
	Overseas	ITOCHU Finance (Europe) PLC (U.K.)	100.0	Proprietary financial investment and development of new financial business in Europe	2
		ITOCHU TREASURY CENTRE ASIA PTE. LTD. (Singapore)	100.0	Financial services	3
		ITOCHU TREASURY CENTRE EUROPE PLC (U.K.)	100.0	Financial services	12
		ITOCHU Treasury Center Americas Inc. (U.S.A.)	100.0	Financial services	12

Headquarters, Overseas Trading Subsidiaries and their Subsidiaries

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

Financial Section

Six-Year Summary

ITOCHU Corporation and Subsidiaries
Years ended March 31

	Millions of Yen						Millions of U.S. Dollars (Note 5)
Years ended March 31	**2011**	2010	2009	2008	2007	2006	**2011**
P/L (For the year):							
Revenue	**¥3,649,671**	¥3,416,637	¥3,419,061	¥2,859,853	¥2,646,037	¥2,217,393	**$43,893**
Gross trading profit	**1,041,291**	924,366	1,060,521	994,547	907,511	713,546	**12,523**
Net income attributable to ITOCHU	**160,975**	128,153	165,390	217,301	175,856	144,211	**1,936**
Per share (Yen and U.S. Dollars):							
Net income attributable to ITOCHU (Note 1)	**¥101.84**	¥81.09	¥104.64	¥137.46	¥111.19	¥ 91.15	**$1.22**
Cash dividends	**18.0**	15.0	18.5	18.0	14.0	9.0	**0.22**
Stockholders' equity (Note 1)	**730.65**	694.98	537.43	615.89	564.48	457.93	**8.79**
Total trading transactions (Note 2)	**¥11,392,589**	¥10,306,799	¥12,065,109	¥11,729,082	¥11,556,787	¥10,456,727	**$137,012**
Adjusted profit (Note 3)	**332,867**	194,290	339,292	333,673	240,766	251,210	**4,003**
B/S (At year-end):							
Total assets	**¥5,673,683**	¥5,476,847	¥5,192,092	¥5,274,199	¥5,288,647	¥4,809,840	**$68,234**
Short-term interest-bearing debt	**288,973**	289,964	628,792	383,463	518,040	555,531	**3,475**
Long-term interest-bearing debt	**1,979,388**	1,919,306	1,760,530	1,720,939	1,647,589	1,670,937	**23,805**
Interest-bearing debt	**2,268,361**	2,209,270	2,389,322	2,104,402	2,165,629	2,226,468	**27,280**
Net interest-bearing debt	**1,633,219**	1,726,073	1,756,764	1,654,532	1,630,928	1,724,314	**19,642**
Long-term debt, excluding current maturities (including long-term interest-bearing debt)	**2,159,929**	2,107,589	1,934,421	1,895,088	1,795,333	1,762,103	**25,976**
Stockholders' equity	**1,154,826**	1,098,419	849,411	973,545	892,553	724,377	**13,888**
Cash flows (For the year):							
Cash flows from operating activities	**¥ 336,868**	¥ 295,376	¥ 276,854	¥ 65,552	¥ 235,917	¥185,147	**$ 4,051**
Cash flows from investing activities	**(230,420)**	(196,318)	(326,033)	(65,774)	(83,394)	(79,871)	**(2,771)**
Cash flows from financing activities	**52,905**	(258,987)	258,322	(81,294)	(100,920)	(85,193)	**636**
Cash and cash equivalents at end of year	**630,722**	475,674	628,820	446,311	532,856	477,707	**7,585**
Ratios:							
Gross trading profit ratio (%) (Note 4)	**9.1**	9.0	8.8	8.5	7.9	6.8	
ROA (%)	**2.9**	2.4	3.2	4.1	3.5	3.1	
ROE (%)	**14.3**	13.2	18.1	23.3	21.8	23.4	
Ratio of stockholders' equity to total assets (%)	**20.4**	20.1	16.4	18.5	16.9	15.1	
Net debt-to-equity ratio (times)	**1.4**	1.6	2.1	1.7	1.8	2.4	
Interest coverage (times)	**10.7**	5.3	7.2	6.2	6.6	5.7	
Common stock information (For the year):							
Stock price (Yen and U.S. Dollars):							
Opening price	**¥829**	¥487	¥ 994	¥1,174	¥1,014	¥ 541	**$ 9.97**
High	**930**	821	1,337	1,591	1,223	1,056	**11.18**
Low	**659**	486	380	804	837	484	**7.93**
Closing price	**871**	819	478	984	1,168	1,011	**10.48**
Market capitalization (Yen and U.S. Dollars in billions)	**1,380**	1,298	758	1,560	1,851	1,602	**16.60**
Trading volume (yearly, million shares)	**2,287**	2,616	2,913	2,928	1,969	1,580	
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	**¥82.76**	¥93.40	¥ 99.15	¥ 99.85	¥117.56	¥117.48	
Average for the year	**85.00**	92.49	100.85	113.61	116.55	113.67	
Range:							
Low	**94.68**	100.71	110.48	124.09	121.81	120.93	
High	**78.74**	86.12	87.80	96.88	110.07	104.41	
Number of employees (At year-end, consolidated)	**62,635**	62,379	55,431	48,657	45,690	42,967	

Note:
1. "Net income attributable to ITOCHU per share" and "Stockholders' equity per share" are calculated by using the weighted average number of shares issued and outstanding for the period.
2. "Total trading transactions" is presented in accordance with Japanese accounting practice and is not meant to present sales or revenue in accordance with U.S. GAAP.
3. Adjusted profit = Gross trading profit + Selling, general and administrative expenses + Net financial expenses + Equity in earnings of associated companies
4. "Gross trading profit ratio" is the percentage of "Gross trading profit" to "Total trading transactions."
5. The Japanese yen amounts for the year ended March 31, 2011 have been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥83.15=U.S.$1 (the official rate dated March 31, 2011 announced by The Bank of Tokyo-Mitsubishi UFJ, Ltd.).

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

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

Figures in yen for the fiscal year ended March 31, 2011 ("Fiscal 2011" or "the fiscal year"), have been translated into U.S. dollars solely for the convenience of the reader based on the exchange rate of ¥83.15 = US$1, announced by The Bank of Tokyo-Mitsubishi UFJ, Ltd., on March 31, 2011.

Overview

In Fiscal 2011, Japan's economy followed an overall course of moderate recovery interrupted by short periods of sluggish activity. However, on March 11, the Great East Japan Earthquake caused tremendous human suffering and physical damage, and economic activity declined drastically through the end of March. The global economy basically continued to follow a course of moderate recovery, led by growth in the economies of emerging countries. However, the adverse influence of the earthquake did affect the global economy due to such factors as supply chain interruptions stemming from shortages of materials and products made in Japan. Additional monetary easing measures by the central banks of industrialized countries resulted in fund inflows, and the price of WTI crude oil continued to rise, and increasing tensions in the Middle East were a factor affecting the price of oil. At the end of March, the price of WTI crude oil was above $100. The yen-dollar rate followed a course of yen appreciation. In March, it temporarily reached the ¥76 level due to the influence of the earthquake, but subsequently it recovered to ¥83.15 at the end of March due to coordinated exchange rate intervention by industrialized countries. There were growing concerns about the adverse influence of yen appreciation on the profits of export companies, and the Nikkei Stock Average temporarily fell below ¥9,000 in late August. Subsequently, the Average recovered to the ¥10,000 level by the end of December due to growing expectations for economic recovery, but due to the influence of the earthquake, it was once again below ¥10,000 and down to ¥9,755.10 at the end of March. The yield on 10-year Japanese government bonds declined, from about 1.4% to the 0.8% level in October, due in part to the monetary easing measures implemented by the Bank of Japan. Subsequently, it once again rose due to concerns about the worsening of Japan's fiscal situation, and it had reached the 1.2% level by the end of March.

The Medium-Term Management Plan "Frontier[e] 2010—Enhancing Corporate Value on the World Stage, Shaping the Future—," covered the two-year period from Fiscal 2010 to Fiscal 2011. Under this plan, the basic policy was as follows: "In light of significant changes in the global economy, ITOCHU will review foundations, continue to reform and take on challenges, and move forward steadily to become a global enterprise that is highly attractive." ITOCHU added, "Strengthen Our Front-line Capabilities," to the basic policy in Fiscal 2011, and advanced the following key measures: expand and improve earnings platforms, strengthen financial position, upgrade risk management, evolve management systems, and advance full-fledged implementation of global human resources strategy.

The following shows the results for the fiscal year ended March 31, 2011 as the final year of "Frontier[e] 2010."

Consumer-Related Sector

In Textile, together with the LOTTE Group in Korea, ITOCHU made a joint investment in LuckyPai Ltd., which is one of China's leading telemarketing companies and has a strong network extending throughout China. ITOCHU also invested in Fortune Link (Global) Holdings Ltd., an online shopping company based in Hong Kong. In Food, in Heilongjiang Province in China as a major producer of vegetables and food grains, ITOCHU has concluded business alliance agreements with the Heilongjiang Agricultural Development Bureau, which manages a vast national farm, and with the Heilongjiang Academy of Agricultural Sciences, a specialist research organization for agricultural products. Moving forward, ITOCHU will continue to aggressively expand its operations in the consumer-related sector in China.

Furthermore, ITOCHU and subsidiaries NIPPON ACCESS, Inc., Family Corporation Inc., ITOCHU Fresh Corporation Inc., and Universal Food Co., Ltd., have agreed to management integration in food distribution and marketing operations. Moreover, business alliance agreements were concluded among Prima Meat Packers, Ltd., ITOCHU Feed Mills Co., Ltd., and ITOCHU Corporation in the feed and livestock sector and among Prima Meat, Yayoi Foods Co., Ltd., and ITOCHU Corporation in the food manufacturing sector. The objectives of these alliances are to bolster the supply system for safe and secure food materials and food products, to expand sales, and to increase productivity in the fields of feed and livestock as well as food manufacturing.

ITOCHU agreed to acquire all the shares of the Kwik-Fit Group, an independent tyre retailer in the UK and Europe, from a Group company of PAI Partners, a European private equity firm. In the UK, ITOCHU operates STAPLETON'S (TYRE SERVICES) LTD., which is wholly owned by the ITOCHU Group. STAPLETON'S (TYRE SERVICES) LTD., has established a position as the industry's largest wholesaler. Through this acquisition, ITOCHU will work to enhance its tyre business by leveraging the logistics and retail know-how of STAPLETON'S (TYRE SERVICES) LTD., with the network and brand strength of the Kwik-Fit Group to generate synergies in its tyre-related businesses.

Natural Resources / Energy-Related Sector

In the Natural resource area, ITOCHU acquired the shares of Extract Resources Limited, which owns and is conducting a feasibility study on the Husab Uranium Project in the Republic of Namibia, a large-scale uranium mine with one of the world's highest levels of resources. Through a subsidiary, ITOCHU Minerals & Energy of Australia Pty Ltd ("IMEA"), ITOCHU concluded an agreement under which it will acquire a 15% interest in the Maules Creek coal project from Aston Resources Limited. Aston currently has this project in development planning. ITOCHU also decided to move ahead with the development of the Ravensworth North coal mine, which will be jointly owned by the Cumnock Joint Venture, in which ITOCHU holds 10% interest through IMEA. The project will produce semi-soft coking coal and high-quality thermal coal.

In addition, ITOCHU also decided to invest in expanding Western Australia coal operations with BHP Billiton Group.

In the Energy-related area, through its subsidiary ITOCHU Oil Exploration (Azerbaijan) Inc., ITOCHU is conducting development and production at the Azeri-Chirag-Gunashli ("ACG") oil field in the Azerbaijan sector of the Caspian Sea. In the year under review, ITOCHU purchased an additional interest, raising its operating interest from 3.9205% to 4.2986%. ITOCHU entered into an agreement with Fidelity Exploration & Production Company, a U.S. oil and natural gas company, to acquire a 25% working interest in the emerging DJ Basin Niobrara play in the state of Wyoming, in the U.S., and thereby to participate in shale oil development.

Other Sectors

In the machinery-related field, ITOCHU and Chubu Electric Power Co., Inc., entered into an agreement to acquire partial interests in 5 gas-fired power plants (about 1,565MW) from Tenaska, Inc., a U.S. IPP company. ITOCHU has identified the L-I-N-E-s* as priority areas in the development of new fields of business, and ITOCHU entered a comprehensive agreement with General Electric Company, of the U.S., to identify joint investment opportunities in renewable energy worldwide. Together with GE, ITOCHU made a joint investment in the CPV Keenan II wind farm in Oklahoma and concluded an agreement under which they will jointly acquire the Shepherds Flat wind farm in Oregon, and together with Abengoa Solar S.A., a major solar power generation company, ITOCHU concluded an agreement under which they invested in building two 50-megawatt solar power plants in southern Spain and conducting power generation operations.

Further, ITOCHU and Duke Energy, a major U.S. power company, signed an agreement to collaborate in the fields of smart grids and renewable energy.

Lithium is used in the lithium ion batteries in electric vehicles and hybrid vehicles, and accordingly demand for lithium is expected to grow rapidly. Aiming to secure supplies of lithium, ITOCHU made an investment in Simbol Mining Corp., a U.S. resource development company. ITOCHU also concluded an agreement with Kureha Corporation and Ener1 Inc. to commence design work for a plant that will produce anode materials for lithium ion batteries. In addition, together with Toda Kogyo Corp., ITOCHU made a joint investment in Hunan Shanshan Advanced Material Co., Ltd., for production of cathode materials.

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

Business Results For Fiscal 2011—Comparison between Fiscal 2011 and Fiscal 2010

Revenue (the total of sales revenue and trading margins and commissions on trading transactions) increased by 6.8%, or ¥233.0 billion compared with the previous fiscal year, to ¥3,649.7 billion (US$43,893 million). This gain was attributable to higher revenue in several division companies. In the Energy, Metals & Minerals Company, revenue increased due to higher prices for mineral resources and for oil & gas. In the Textile Company, the acquisitions of JAVA HOLDINGS CO., LTD. and LEILIAN CO., LTD. in the second half of the previous fiscal year led to higher revenue in the year under review. In the Chemicals, Forest Products & General Merchandise Company, revenue increased due to higher volume of transactions in chemicals and to higher prices for both natural rubber and pulp.

Gross trading profit increased by 12.6%, or ¥116.9 billion, to ¥1,041.3 billion (US$12,523 million). In addition to gains in the Energy, Metals & Minerals; Textile and Chemicals, Forest Products & General Merchandise companies recorded higher trading profit on increased revenue; the Machinery Company recorded higher trading profit due to improvement in automobile transactions.

Selling, general and administrative expenses increased by 0.8%, or ¥5.9 billion compared with the previous fiscal year, to ¥775.8 billion (US$9,330 million). Although there were costs reductions at existing consolidated companies, a reduction in costs stemming from the deconsolidation of certain subsidiaries, and a decline in pension cost resulting from improved performance of pension asset management, these factors were offset by an increase associated with the acquisitions of two companies mentioned above in the Textile Company.

Provision for doubtful receivables increased ¥2.4 billion from the previous fiscal year, to a loss of ¥9.4 billion (US$113 million), due in part to write-off of loans accompanying the disposal of regional enterprises in North America.

Net interest expenses improved by 34.0%, or ¥8.6 billion compared with the previous fiscal year, to expenses of ¥16.7 billion (US$201 million), mainly due to declines in U.S. dollar and yen interest rates. Dividends received decreased by 18.7%, or ¥5.4 billion compared with the previous fiscal year, to ¥23.5 billion (US$283 million), due primarily to lower dividends from oil & gas related investments. Consequently, Net financial income, which is the total of Net interest expenses and Dividends received, improved by ¥3.2 billion compared with the previous fiscal year, to income of ¥6.8 billion (US$82 million).

Loss on investments–net worsened by ¥33.7 billion compared with the previous fiscal year, to a loss of ¥38.1 billion (US$459 million). This was attributable to a decrease in gain on sales of investments, to the recording of impairment losses on preferred stock issued by Orient Corporation and on other listed equities and to loss on disposal of low-efficiency businesses during the year.

Loss on property and equipment–net worsened by ¥25.2 billion, to a loss of ¥33.7 billion (US$406 million). Gain on sales of property and equipment increased due to the sale of assets (coal interests, etc.,) but impairment losses were recorded on oil and gas assets and other properties, and losses also arose as a result of the Great East Japan Earthquake.

Gain on bargain purchase in acquisition decreased by ¥14.0 billion due to the absence of the non-recurring gain that was recorded in the previous fiscal year.

Other–net worsened ¥11.9 billion from the previous fiscal year, to a loss of ¥8.9 billion (US$107 million), due principally to losses on disposal of three regional enterprises and business reconstruction costs on equipment-material-related businesses in North America.

As a result, **Income before income taxes and equity in earnings of associated companies** increased by 17.5%, or ¥27.1 billion compared with the previous fiscal year, to ¥182.1 billion (US$2,190 million).

Income taxes increased by 32.8%, or ¥16.9 billion compared with the previous fiscal year, to expenses of ¥68.5 billion (US$824 million).

Equity in earning of associated companies increased by 67.1%, or ¥24.3 billion compared with the previous fiscal year, to income of ¥60.6 billion (US$729 million). Impairment losses were recorded on common stock issued by listed equity-method associated companies, such as Orient Corporation. However, accompanying higher prices, there were increases in earnings at mineral resources and pulp-related companies, and a steel-products-related company and a mobile network-related company also recorded higher earnings.

As a result, **Net income** increased by 24.7%, or ¥34.5 billion compared with the previous fiscal year, to ¥174.2 billion (US$2,095 million).

Consequently, **Net income attributable to ITOCHU**, which is calculated as **Net income** minus **Net income attributable to the noncontrolling interest** of ¥13.2 billion (US$159 million), increased by 25.6% or ¥32.8 billion compared with the previous fiscal year, to ¥161.0 billion (US$1,936 million).

(Supplemental information)
In accordance with Japanese accounting practices, **Total trading transactions** for the fiscal year ended March 31, 2011, increased by ¥1,085.8 billion compared with the previous fiscal year, to ¥11,392.6 billion (US$137,012 million). This gain was attributable to higher trading transactions in several division companies. In the Energy, Metals & Minerals Company, trading transactions increased due to higher prices for mineral resources and for oil & gas. In the Chemicals, Forest Products & General Merchandise Company, increased trading transactions resulted from strong transactions in chemicals and gains in prices for both natural rubber and pulp. In the Machinery Company, trading transactions increased due to a recovery in automobile transactions.

Consolidated Statements of Income

	Billions of Yen			Millions of U.S. Dollars
Years ended March 31	2011	2010	Increase (Decrease)	2011
Revenue	**¥ 3,649.7**	¥ 3,416.6	¥ 233.1	**$ 43,893**
Cost of sales	**(2,608.4)**	(2,492.3)	(116.1)	**(31,370)**
Gross trading profit	**1,041.3**	924.4	116.9	**12,523**
Selling, general and administrative expenses	**(775.8)**	(769.9)	(5.9)	**(9,330)**
Provision for doubtful receivables	**(9.4)**	(7.0)	(2.4)	**(113)**
Interest income	**10.3**	9.9	0.4	**124**
Interest expense	**(27.0)**	(35.2)	8.2	**(325)**
Dividends received	**23.5**	28.9	(5.4)	**283**
Loss on investments–net	**(38.1)**	(4.5)	(33.6)	**(459)**
Loss on property and equipment–net	**(33.7)**	(8.5)	(25.2)	**(406)**
Gain on bargain purchase in acquisition	**—**	14.0	(14.0)	**—**
Other–net	**(8.9)**	3.0	(11.9)	**(107)**
Income before income taxes and equity in earnings of associated companies	**182.1**	155.0	27.1	**2,190**
Income taxes	**(68.5)**	(51.6)	(16.9)	**(824)**
Income before equity in earnings of associated companies	**113.6**	103.4	10.2	**1,366**
Equity in earnings of associated companies	**60.6**	36.3	24.3	**729**
Net income	**174.2**	139.7	34.5	**2,095**
Less: Net income attributable to the noncontrolling interest	**(13.2)**	(11.5)	(1.7)	**(159)**
Net income attributable to ITOCHU	**¥ 161.0**	¥ 128.2	¥ 32.8	**$ 1,936**

Operating Segment Information

	Billions of Yen			Millions of U.S. Dollars
Years ended March 31	**2011**	2010	2009	**2011**
Trading transactions (Note):				
Textile	**¥ 587.7**	¥ 516.8	¥ 589.6	**$ 7,068**
Machinery	**848.5**	751.9	1,370.2	**10,204**
ICT, Aerospace & Electronics	**578.4**	607.8	633.8	**6,956**
Energy, Metals & Minerals	**3,885.7**	3,272.6	3,916.8	**46,731**
Chemicals, Forest Products & General Merchandise	**2,060.2**	1,795.5	2,024.0	**24,777**
Food	**3,097.4**	3,032.4	3,188.4	**37,251**
Finance, Realty, Insurance & Logistics Services	**170.9**	166.9	167.3	**2,055**
Other, Adjustments & Eliminations	**163.8**	162.8	175.1	**1,970**
Total	**¥11,392.6**	¥10,306.8	¥12,065.1	**$137,012**
Gross trading profit:				
Textile	**¥ 128.3**	¥ 102.7	¥ 102.6	**$ 1,544**
Machinery	**51.1**	43.3	71.9	**614**
ICT, Aerospace & Electronics	**134.0**	136.4	138.9	**1,612**
Energy, Metals & Minerals	**212.1**	141.6	222.3	**2,551**
Chemicals, Forest Products & General Merchandise	**118.3**	110.1	114.3	**1,423**
Food	**335.9**	335.5	335.6	**4,040**
Finance, Realty, Insurance & Logistics Services	**37.9**	35.6	42.0	**455**
Other, Adjustments & Eliminations	**23.6**	19.2	33.0	**284**
Total	**¥ 1,041.3**	¥ 924.4	¥ 1,060.5	**$ 12,523**
Net income (loss) attributable to ITOCHU:				
Textile	**¥ 15.3**	¥ 22.4	¥ 22.9	**$ 184**
Machinery	**8.1**	3.7	(15.5)	**98**
ICT, Aerospace & Electronics	**9.8**	6.0	8.0	**118**
Energy, Metals & Minerals	**109.2**	65.7	114.7	**1,314**
Chemicals, Forest Products & General Merchandise	**26.0**	19.3	19.0	**313**
Food	**22.4**	27.8	20.2	**269**
Finance, Realty, Insurance & Logistics Services	**(13.2)**	(4.2)	(1.2)	**(159)**
Other, Adjustments & Eliminations	**(16.7)**	(12.4)	(2.8)	**(201)**
Total	**¥ 161.0**	¥ 128.2	¥ 165.4	**$ 1,936**
Total assets at March 31:				
Textile	**¥ 406.4**	¥ 417.4	¥ 360.4	**$ 4,887**
Machinery	**554.8**	545.0	639.9	**6,673**
ICT, Aerospace & Electronics	**471.2**	513.2	490.2	**5,667**
Energy, Metals & Minerals	**1,278.2**	1,249.0	1,016.6	**15,372**
Chemicals, Forest Products & General Merchandise	**774.2**	728.0	611.4	**9,310**
Food	**1,208.7**	1,130.7	1,054.1	**14,536**
Finance, Realty, Insurance & Logistics Services	**354.3**	382.1	381.8	**4,261**
Other, Adjustments & Eliminations	**625.9**	511.4	637.7	**7,528**
Total	**¥ 5,673.7**	¥ 5,476.8	¥ 5,192.1	**$ 68,234**

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

Operating Segment Information

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

Textile

Trading transactions for unaffiliated customers and associated companies increased by 13.7%, or ¥70.9 billion, to ¥587.7 billion (US$7,068million), due to the acquisitions of JAVA HOLDINGS CO., LTD., and LEILIAN CO., LTD. Gross trading profit rose by 24.9%, or ¥25.6 billion, to ¥128.3 billion (US$1,544million), for the same reason. Net income attributable to ITOCHU decreased by 31.7%, or ¥7.1 billion, to ¥15.3 billion (US$184million), as a result of sluggish market conditions in the fiscal year under review, the absence of the non-recurring gain recorded in the previous fiscal year, and losses on liquidation of a subsidiary in apparel-related businesses. Total assets were down by 2.6%, or ¥11.0 billion, to ¥406.4 billion (US$4,887million), compared with the previous fiscal year-end, reflecting a decrease in other intangible assets due to amortization of trademarks and others.

Machinery

Trading transactions for unaffiliated customers and associated companies were up by 12.8%, or ¥96.6 billion, to ¥848.5 billion (US$10,204million), due to a recovery in automobile transactions. Gross trading profit rose by 18.1%, or ¥7.8 billion, to ¥51.1 billion (US$614million), for the same reason. Net income attributable to ITOCHU increased by 119.8%, or ¥4.4 billion, to ¥8.1 billion (US$98million), because cost reductions offset valuation loss on marketable securities and lower equity in earnings of associated companies. Total assets rose by 1.8%, or ¥9.9 billion, to ¥554.8 billion (US$6,673million), compared with the previous fiscal year-end, as increases in automobile-related investment and investment in Independent Power Producers in North America counteracted decline in advance payments and others related to plant and ship transactions.

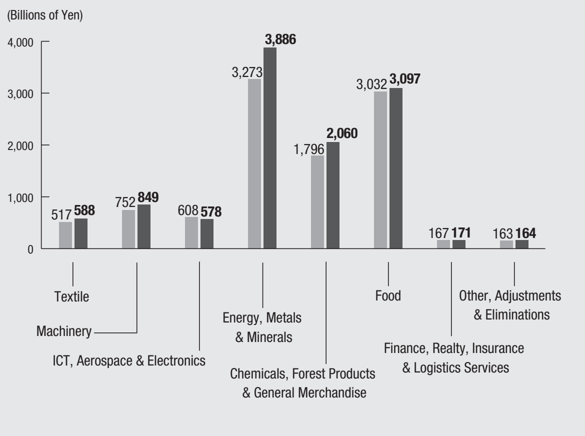
ICT, Aerospace & Electronics

Trading transactions for unaffiliated customers and associated companies declined by 4.8%, or ¥29.4 billion, to ¥578.4 billion (US$6,956million), due to lower transactions in aviation-related businesses and domestic ICT-related businesses. Gross trading profit decreased by 1.8%, or ¥2.4 billion, to ¥134.0 billion (US$1,612million), as a result of lower transactions in domestic ICT-related businesses. Net income attributable to ITOCHU was up by 63.6%, or ¥3.8 billion, to ¥9.8 billion (US$118million), due to cost reductions and higher equity in earnings of associated companies. Total assets declined by 8.2%, or ¥42.0 billion, to ¥471.2 billion (US$5,667million), compared with the previous fiscal year-end, which resulted from a decrease in trade receivables due to lower transactions in aviation-related businesses and a decrease in property and equipment assets due to the sale of aircraft and others.

Energy, Metals & Minerals

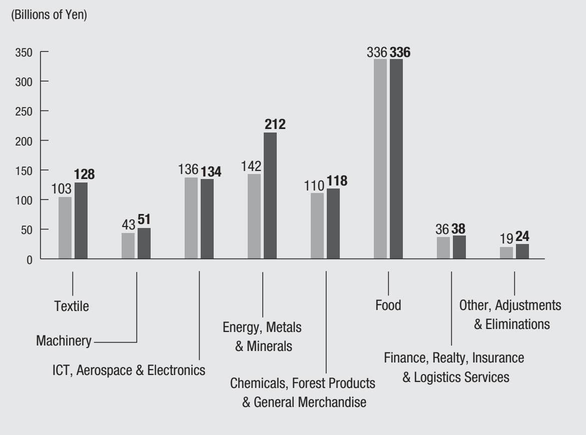
Trading transactions for unaffiliated customers and associated companies rose by 18.7%, or ¥613.1 billion, to ¥3,885.7 billion (US$46,731million), which reflected higher prices for mineral resources, oil, and gas. Gross trading profit rose by 49.8%, or ¥70.5 billion, to ¥212.1 billion (US$2,551million), for the same reason. Net income attributable to ITOCHU was up significantly by 66.3%, or ¥43.6 billion, to ¥109.2 billion (US$1,314million), due to an increase in gross trading profit in mineral resources, an increase in gain on property and equipment–net from the sale of coal interests, and higher equity in earnings of associated companies, which

Total Trading Transactions by Operating Segment



2010
2011
* For fiscal years

Gross Trading Profit by Operating Segment



2010
2011
* For fiscal years

counteracted impairment losses on oil and gas assets in Australia and the United States. Total assets increased by 2.3%, or ¥29.1 billion, to ¥1,278.2 billion (US$15,372million), compared with the previous fiscal year-end, because additional capital expenditures and additional purchase of interests in the overseas natural resource development sector and investments in resources companies with interest in uranium absorbed a decline in trade receivables accompanying lower transactions in petroleum products.

Chemicals, Forest Products & General Merchandise

Trading transactions for unaffiliated customers and associated companies increased by 14.7%, or ¥264.6 billion, to ¥2,060.2 billion (US$24,777million), due to higher prices for natural rubber and pulp and favorable transactions in chemicals. Gross trading profit rose by 7.5%, or ¥8.3 billion, to ¥118.3 billion (US$1,423million), as a result of the above-mentioned reasons and higher tire sales transactions in Europe. Net income attributable to ITOCHU rose by 34.9%, or ¥6.7 billion, to ¥26.0 billion (US$313million), because the increase in gross trading profit and higher equity in earnings of associated companies compensated for the absence of the previous fiscal year's gain on bargain purchase in acquisition of C.I. Kasei Co., Ltd. Total assets were up by 6.3%, or ¥46.2 billion, to ¥774.2 billion (US$9,310million), compared with the previous fiscal year-end, thanks to an increase in trade receivables accompanying higher transactions in chemicals.

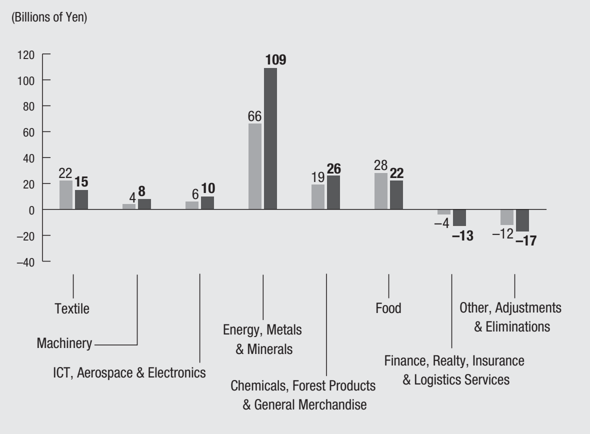
Food

Trading transactions for unaffiliated customers and associated companies increased by 2.1%, or ¥65.0 billion, to ¥3,097.4 billion (US$37,251million), because higher prices in food materials, such as feed grains, oils, and fats, and an increase in transaction volume for the food distribution sector cancelled a decrease in fresh food materials stemming from sluggish domestic consumption. Gross trading profit remained approximately unchanged, edging up by 0.1%, or ¥0.4 billion, to ¥335.9 billion (US$4,040million), because the increase in transaction volume for the food distribution sector counteracted inventory-related losses resulting from the Great East Japan Earthquake. Net income attributable to ITOCHU declined by 19.5%, or ¥5.4 billion, to ¥22.4 billion (US$269million), as the increase in gross trading profit did not fully offset losses resulting from the Great East Japan Earthquake and lower equity in earnings of associated companies. Total assets, compared with the previous fiscal year-end, increased by 6.9%, or ¥77.9 billion, to ¥1,208.7 billion (US$14,536million), which resulted from an increase in trade receivables and inventories accompanying higher sales and an increase in investment resulting from the establishment of a joint holding company with Asahi Breweries, Ltd., and others in order to invest in food business in China.

Finance, Realty, Insurance & Logistics Services

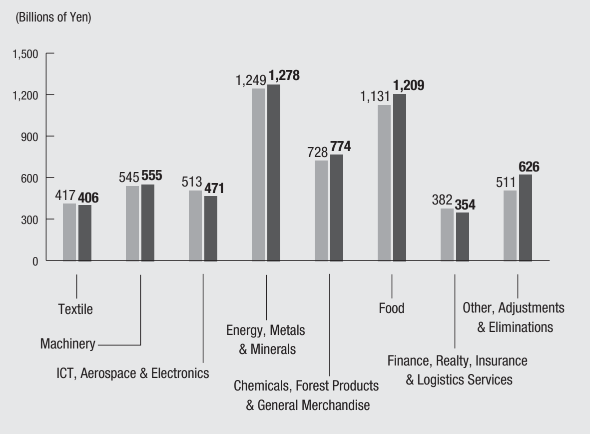
Trading transactions for unaffiliated customers and associated companies were up by 2.4%, or ¥4.0 billion, to ¥170.9 billion (US$2,055million), because higher sales of condominiums and an increase in transactions volume for logistics-related businesses offset the absence of the previous fiscal year's sales to investors of real estate for leasing. Gross trading profit rose by 6.2%, or ¥2.2 billion, to ¥37.9 billion (US$455million), as a decrease in losses on real estate for sale valued using the lower-of-cost-or-market method and higher sales of condominiums compensated for the effect of making a real estate related subsidiary an equity method associated company in the previous fiscal year. Net loss attributable to ITOCHU was up by 210.7%, or ¥8.9 billion, to ¥13.2 billion (US$159million), due to impairment losses on the common stock and preferred stock of Orient Corporation and restructuring of finance-related affiliates, which offset the increase in gross trading profit. Total assets, compared with the previous fiscal year-end, were down by 7.3%, or ¥27.8 billion, to ¥354.3 billion (US$4,261million), reflecting impairment losses on the common stock and preferred stock of Orient Corporation and restructuring of finance-related affiliates.

Net Income (Loss) Attributable to ITOCHU by Operating Segment



2010
2011
* For fiscal years

Identifiable Assets by Operating Segment



2010
2011
* As of March 31

Other, Adjustments & Eliminations

Trading transactions for unaffiliated customers and associated companies edged up by 0.6%, or ¥1.0 billion, to ¥163.8 billion (US$1,970million), thanks to higher transactions in solar-related and life care related businesses, compensating for the sale of a domestic subsidiary Gross trading profit was up by 23.2%, or ¥4.4 billion, to ¥23.6 billion (US$284million), due to higher transactions in solar-related and life care related businesses. Net loss attributable to ITOCHU increased by 34.0%, or ¥4.2 billion, to ¥16.7 billion (US$201million), because losses on the disposal of three regional enterprises and business reconstruction costs on equipment material related businesses in North America as well as impairment losses on investment securities and impairment losses on property and equipment–net counteracted higher gross trading profit and improvement of personnel expenses including pension costs. Total assets were up by 22.4%, or ¥114.6 billion, to ¥625.9 billion (US$7,528million), compared with the previous fiscal year-end, reflecting an increase in cash and cash equivalents.

As of April 1, 2011, ITOCHU's seven division companies have been reorganized into five division companies. Accompanying this revision, the Machinery Company and the ICT, Aerospace & Electronics Company will be merged into the ICT & Machinery Company. Also, the Finance, Realty, Insurance & Logistics Services Company has been reorganized as a division not belonging to a Division Company.

Discussion and Analysis of Results of Operations

A discussion and analysis of the financial position and results of operations for Fiscal 2011 is as follows.

Descriptions of the outlook for Fiscal 2012 and later are forward-looking statements that are based on management's assumptions and beliefs, considering information currently available at the end of Fiscal 2011. Thus, factors that could cause actual results to differ materially from such statements include, without limitation, the factors stated in the following Risk Information and other potential risks and uncertain factors.

Analysis of Results of Operations in Fiscal 2011 and Outlook for Fiscal 2012

Revenue

In accordance with Accounting Standards Codification Topic 605, the Company and its subsidiaries present certain revenue transactions with corresponding cost of revenues on a gross basis in consolidated statements of operations as "sales revenue" for transactions traded as a primary obligor in manufacturing, processing, and service rendering and for sales with general inventory risk before customer orders. Otherwise, the Company and its subsidiaries present revenue on a net basis in consolidated statements of operations as "trading margins and commissions on trading transactions."

In the fiscal year ended March 31, 2011, "sales revenue" on a gross basis was ¥3,120.9 billion (US$37,533 million), and "trading margins and commissions on trading transactions" on a net basis was ¥528.8 billion (US$6,360 million). Total revenue increased by 6.8%, or ¥233.0 billion compared with the previous fiscal year, to ¥3,649.7 billion (US$43,893 million). This gain was attributable to higher revenue in several division companies. In the Energy, Metals & Minerals Company, revenue increased due to higher prices for mineral resources and for oil & gas. In the Textile Company, the acquisitions of JAVA HOLDINGS CO., LTD. and LEILIAN CO., LTD. in the second half of the previous fiscal year led to higher revenue in the year under review. In the Chemicals, Forest Products & General Merchandise Company, revenue increased due to strong transactions in chemicals and to higher prices for both natural rubber and pulp.

Gross Trading Profit

Gross trading profit increased by 12.6%, or ¥116.9 billion, to ¥1,041.3 billion (US$12,523 million). In addition to gains in the Energy, Metals & Minerals; Textile, and Chemicals, Forest Products & General Merchandise companies recorded higher trading profit on increased revenue; the Machinery Company recorded higher trading profit due to improvement in automobile transactions.

Furthermore, the deconsolidation of consolidated subsidiaries resulted in a ¥7.0 billion decrease. The translation of overseas subsidiaries resulted in a ¥2.8 billion decrease due to foreign exchange fluctuations (mainly due to U.S. dollar) during Fiscal 2011; and, the above-mentioned acquisitions of JAVA HOLDINGS CO., LTD., LEILIAN CO., LTD., and other companies as newly consolidated subsidiaries contributed ¥27.4 billion. Excluding those positive and negative factors, the actual decrease in the gross trading profit of existing subsidiaries was ¥99.3 billion.

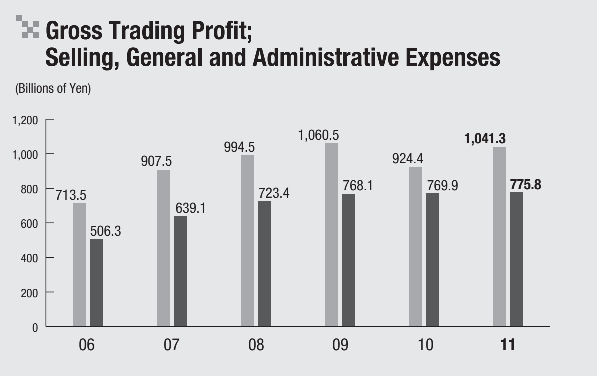
Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 0.8%, or ¥5.9 billion, to ¥775.8 billion (US$9,330 million). Although there were costs reductions at existing consolidated companies, a reduction in costs stemming from the deconsolidation of certain subsidiaries, and a decline in pension cost resulting from improved performance of pension asset management, these factors were offset by an increase associated with the acquisitions of two companies mentioned above in the Textile Company.

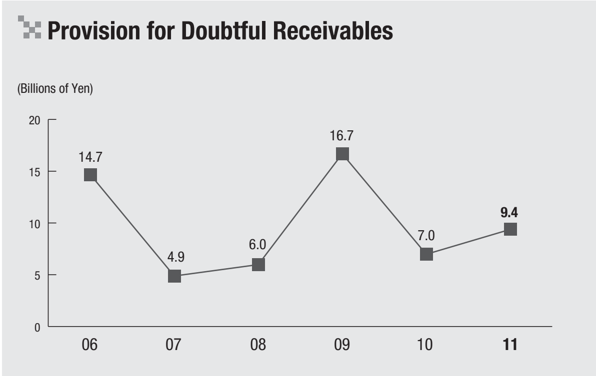
Furthermore, the decrease in expenses due to the deconsolidation of consolidated subsidiaries was ¥9.9 billion, and the translation of overseas subsidiaries resulted in a ¥4.7 billion decrease due to foreign exchange fluctuations during the fiscal year. The increase in expenses due to the acquisitions of two companies mentioned above in the Textile Company and other companies as newly consolidated subsidiaries was ¥26.6 billion. Excluding those positive and negative factors, the actual increase in the expenses of existing subsidiaries was ¥6.1 billion.

Provision for Doubtful Receivables

Provision for doubtful receivables increased ¥2.4 billion, to a loss of ¥9.4 billion (US$113 million), due in part to write-off of loans accompanying the disposal of regional enterprises in North America.



■ Gross Trading Profit
■ Selling, General and Administrative Expenses
* For fiscal years



* For fiscal years

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

Net financial income improved by ¥3.2 billion, to income of ¥6.8 billion (US$82 million).

Net interest expense, consisting of interest expense and interest income, improved 34.0%, or ¥8.6 billion, to ¥16.7 billion (US$201 million). Interest income increased by 3.7%, or ¥0.4 billion to ¥10.3 billion (US$124 million). Interest expense decreased by 23.4%, or ¥8.2 billion, to ¥27.0 billion (US$325 million) due to lower interest rates for the U.S. dollar.

Furthermore, Dividends received decreased by 18.7%, or ¥5.4 billion, to ¥23.5 billion (US$283 million), mainly due to a decrease in dividends from oil and gas-related investments.

Other Profit (Loss)

Loss on investments–net worsened by ¥33.7 billion, to a loss of ¥38.1 billion (US$459 million). This was attributable to a decrease in gain on sales of investments, to the recording of impairment losses on preferred stock issued by Orient Corporation and on other listed equities, and to loss on disposal of low-efficiency businesses during the year.

Furthermore, net gain on disposal of investments and marketable securities decreased by ¥17.4 billion, to ¥7.2 billion. Business-related losses and others (including impairment losses on preferred stock issued by Orient Corporation) were up by ¥16.7 billion, to ¥26.1 billion. Impairment losses on investments declined by ¥0.5 billion, to ¥19.3 billion.

Loss on property and equipment–net worsened by ¥25.2 billion, to a loss of ¥33.7 billion (US$406 million). Gain on sales of property and equipment increased due to the sale of assets (coal interests, etc.,) but impairment losses were recorded on oil and gas assets and other properties, and losses also arose as a result of the Great East Japan Earthquake.

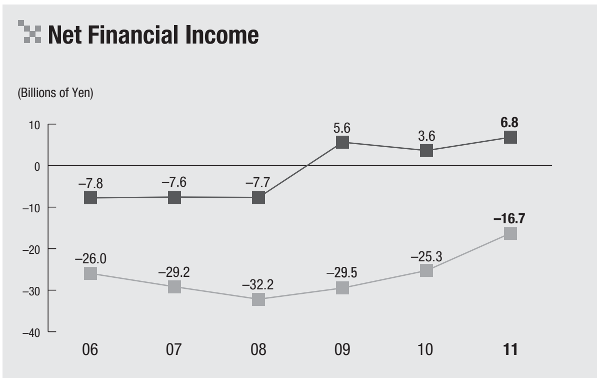
Furthermore, impairment losses increased by ¥25.2 billion, to a loss of ¥36.2 billion due to impairment losses on oil & gas assets in Australia and the U.S., and other properties. And, net gain on sales of property and equipment and others increased by ¥3.3 billion, to a gain of ¥5.8 billion. Losses due to the Great East Japan Earthquake were ¥3.4 billion.

Gain on bargain purchase in acquisition decreased by ¥14.0 billion due to the absence of the non-recurring gain that was recorded in the previous fiscal year.

Other–net worsened by ¥11.9 billion, to a loss of ¥8.9 billion (US$107 million), due principally to losses on disposal of three regional enterprises and business reconstruction costs on equipment-material-related businesses in North America.

Income Taxes

Income taxes increased by 32.8%, or ¥16.9 billion, to expenses of ¥68.5 billion (US$824 million), which was mainly due to a ¥27.1 billion increase in income before income taxes, minority interests and equity in earnings of associated companies.



Net Interest Expenses
Net Financial Income
* For fiscal years
Net Interest Expenses = Interest Income + Interest Expense
Net Financial Income = Net Interest Expenses + Dividends Received

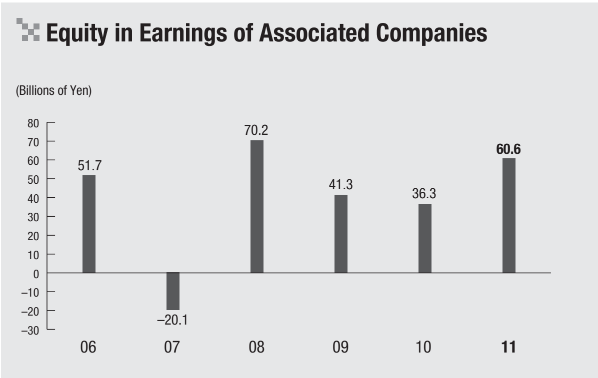
Equity in Earnings of Associated Companies

Equity in earnings of associated companies increased by 67.1%, or ¥24.3 billion, to income of ¥60.6 billion (US$729 million). Impairment losses were recorded on common stock issued by listed equity-method associated companies, such as Orient Corporation. However, accompanying higher prices, there were increases in earnings at mineral resources and pulp-related companies, and a steel-products-related company and a mobile network-related company also recorded higher earnings.

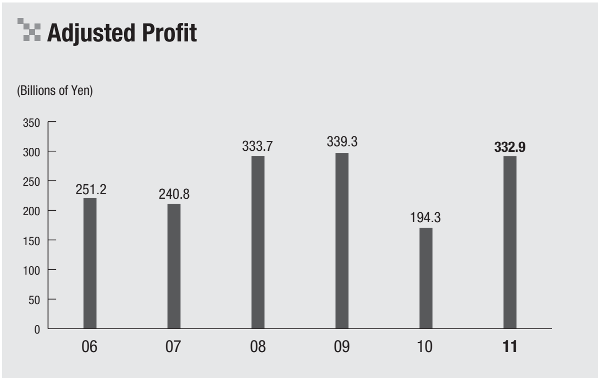
Furthermore, the business results of major equity-method associated companies are included in Performance of Subsidiaries and Equity-Method Associated Companies, under Major Group Companies Reporting Profits or Major Group Companies Reporting Losses.

Adjusted Profit

Adjusted profit (net of gross trading profit, selling, general and administrative expenses, net interest expenses, dividends received, and equity in earnings of associated companies) increased 71.3%, or ¥138.6 billion, to ¥332.9 billion (US$3,890 million), due to increase in Gross Trading Profit, improvement in Net Financial Income, and increase in Equity in Earnings of Associated Companies, despite an increase in Selling, General and Administrative Expenses.



* For fiscal years



* For fiscal years

Performance of Subsidiaries and Equity-Method Associated Companies

Consolidated business results for the fiscal year includes the business results of 393 companies, comprising 245 consolidated subsidiaries (96 domestic and 149 overseas) and 148 equity-method associated companies (63 domestic and 85 overseas).

Profits / Losses of Group Companies Reporting Profits / Losses

Billions of Yen

	2011			2010			Changes		
Years ended March 31	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total
Group companies excluding overseas trading subsidiaries	**¥213.1**	**¥(31.9)**	**¥181.3**	¥156.6	¥(38.2)	¥118.4	¥56.6	¥ 6.3	¥62.9
Overseas trading subsidiaries	**14.7**	**(5.7)**	**8.9**	9.7	(1.8)	7.9	5.0	(3.9)	1.1
Total	**¥227.8**	**¥(37.6)**	**¥190.2**	¥166.2	¥(40.0)	¥126.3	¥61.6	¥ 2.4	¥63.9

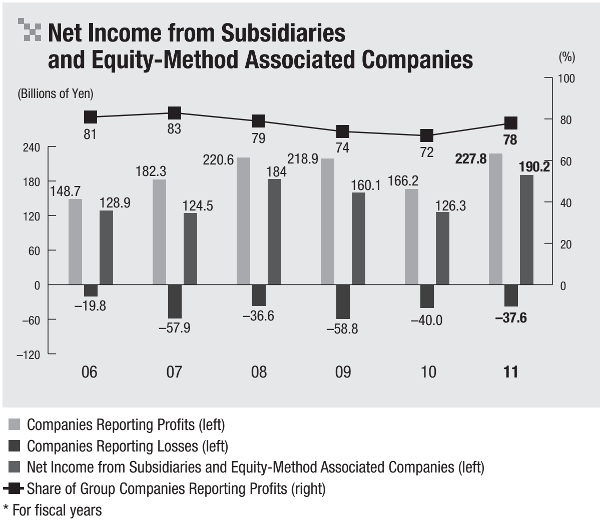
Share of Group Companies Reporting Profits

	2011			2010			Changes		
Years ended March 31	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
No. of companies reporting profits	**128**	**179**	**307**	126	171	297	**2**	**8**	**10**
No. of group companies	**159**	**234**	**393**	170	243	413	**(11)**	**(9)**	**(20)**
Share	**80.5%**	**76.5%**	**78.1%**	74.1%	70.4%	71.9%	**6.4 pts.**	**6.1 pts.**	**6.2 pts.**

(Note) Investment companies which are considered as part of parent (144 entities) and companies indirectly invested by ITOCHU or its overseas trading subsidiaries (311 entities) are not included in the above-mentioned number of companies.

In the fiscal year, net income from subsidiaries and equity-method associated companies (aggregate profit / loss of subsidiaries and equity-method associated companies excluding overseas trading subsidiaries) increased ¥62.9 billion, to ¥181.3 billion, because increases in profit from ITOCHU Minerals & Energy of Australia Pty Ltd and Brazil Japan Iron Ore Corporation. The increase in profit from ITOCHU Minerals & Energy of Australia Pty Ltd was due to higher prices for mineral resources and higher unit sales of iron ore, which compensated for impairment losses on oil & gas assets. The increase in profit from Brazil Japan Iron Ore Corporation resulted from higher sales volume and higher prices. Profits from overseas trading subsidiaries rose ¥1.1 billion, to ¥8.9 billion, as a result of an Australian trading subsidiary's increase in earnings from ITOCHU Minerals & Energy of Australia Pty Ltd, which compensated for a decrease in profit of a U.S. trading subsidiary due to losses on the disposal of three regional enterprises and business reconstruction costs on equipment material related businesses in North America.

The aggregate income from Group companies (subsidiaries, equity-method associated companies, and overseas trading subsidiaries) reporting profits was up ¥61.6 billion, to ¥227.8 billion, because of the above-mentioned increases in profits from ITOCHU Minerals & Energy of Australia Pty Ltd and Brazil Japan Iron Ore Corporation. Meanwhile, the aggregate loss from Group companies reporting losses improved ¥2.4 billion, to ¥37.6 billion, because the reporting of a profit, compared with the reporting of a loss for the previous fiscal year, by Japan Brazil Paper and Pulp Resources Development Co., Ltd., compensated for the deterioration of a U.S. trading subsidiary due to losses on the disposal of three regional enterprises and business reconstruction costs on equipment material related businesses in North America. Further, the share of Group companies reporting profits (the number of Group companies reporting profits as a percentage of the number of companies included in consolidation) improved 6.2 percentage points, to 78.1%.



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

Major Group Companies Reporting Profits

Years ended March 31	Shares	Net Income (Loss) Attributable to ITOCHU*1 Billions of Yen 2011	2010	Reasons for Changes
Domestic Subsidiaries				
ITOCHU Techno-Solutions Corporation	54.0%	**¥ 6.3**	¥ 6.8	Due to effect of reduced domestic IT investments, despite progress in cost reductions
NIPPON ACCESS, INC.	93.8	**4.7**	4.5	Due to higher sales and to higher profit stemming from increase in ITOCHU's shares, despite the inventory-related losses and fixed-asset-related losses that resulted from the Great East Japan Earthquake
China Foods Investment Corp.*2	74.1	**4.0**	8.7	Due to decrease in equity in earnings of TING HSIN (CAYMAN ISLANDS) HOLDING CORP. resulting from the absence of gain on sales of investment and securities in the previous fiscal year
ITOCHU ENEX CO., LTD.	53.6	**2.2**	1.6	Due to cost reductions derived from improved operating efficiency and improved in profit in the car life business
ITOCHU PLASTICS INC.	100.0	**2.2**	1.9	Due to favorable transaction volume in synthetic resins and engineering plastics
ITOCHU CHEMICAL FRONTIER Corporation	100.0	**2.0**	1.9	Due to stable transaction volume in pharmaceutical-related, polymer raw materials, and specialty chemicals such as water treatment chemicals
ITOCHU Property Development, Ltd.	99.8	**1.7**	0.5	Due to higher sales in condominium sales operations
SANKEI CO., LTD.	90.5	**1.5**	(0.1)	Due to the absence of non-recurring expenses for the relocation of head office in the previous fiscal year, to increased garment-product transactions, to cost reductions, and to gain on sales of fixed assets in the fiscal year
ITC NETWORKS CORPORATION	60.3	**1.4**	1.6	Due to the effect of revised commissions for mobile communication carriers, despite favorable sales of smartphones and cost reductions
ITOCHU Metals Corporation	100.0	**1.2**	0.8	Due to recovery in demand for aluminum products for automobiles and home electronics, and to an increase in transactions for electrical/electronic parts and recycling-related business
C.I. Kasei Co., Ltd.*3	97.6	**1.1**	2.0	Due to the absence of net gain on bargain purchase in acquisition (Net income after tax effect attributable to ITOCHU was 1.5 billion yen) in the previous fiscal year, offset by favorable transactions in agricultural and decorative surfacing material-related sectors
IMECS CO., Ltd.	100.0	**1.1**	0.7	Due to higher transactions in chartered ships accompanying increase in own ships
Overseas Subsidiaries				
ITOCHU Minerals & Energy of Australia Pty Ltd *4	100.0	**80.1**	34.1	Due to higher prices for mineral resources and to higher unit sales of iron ore, despite impairment losses on oil & gas assets
ITOCHU Oil Exploration (Azerbaijan) Inc.	100.0	**11.8**	6.9	Due to higher oil prices
ITOCHU (China) Holding Co., Ltd.	100.0	**3.6**	2.3	Due to increase in transactions for synthetic resins, engineering plastics, and copper products
ITOCHU Australia Ltd.*4	100.0	**3.3**	1.5	Due to higher profit from ITOCHU Minerals & Energy of Australia Pty Ltd. (see above)
ITOCHU Hong Kong Ltd.	100.0	**2.7**	2.1	Due to higher profit from finance-related business
ITC Nuclear Fuel Service (Cayman) Ltd.	100.0	**2.0**	2.7	Due to the absence of a high profit margin deal, in addition to spot demand that was seen in the previous fiscal year, despite smooth operations
ITOCHU Singapore Pte., Ltd.	100.0	**1.5**	1.7	Due to lower profit from synthetic-resin-related operations business
ITOCHU Oil Exploration (BTC) Inc.	51.4	**1.4**	1.6	Due to lower profit accompanying appreciation of the yen, despite throughput that was almost the same as in the previous fiscal year and smooth operations
ITOCHU (Thailand) Ltd.	100.0	**1.2**	0.8	Due to higher transaction volume in metal products for automobiles and engineering plastics
CIECO Energy (UK) Limited	100.0	**1.2**	0.6	Due to higher oil prices
Domestic Equity-Method Associated Companies				
Brazil Japan Iron Ore Corporation	47.7	**12.9**	4.0	Due to higher sales volume as well as higher prices
Marubeni-Itochu Steel Inc.	50.0	**6.8**	2.7	Due to recovery in demand for steel products in Japan and overseas
FamilyMart Co., Ltd.	31.6	**4.0**	4.7	Due to costs related to asset retirement obligation, despite steady increase in trading profit
Japan Brazil Paper and Pulp Resources Development Co., Ltd.	25.9	**3.4**	(0.7)	Due to higher pulp price

Major Group Companies Reporting Loss

Years ended March 31	Shares	Net Income (Loss) Attributable to ITOCHU*1 Billions of Yen 2011	2010	Reasons for Changes
Domestic Subsidiaries				
ITOCHU Finance Corporation	99.1%	¥(4.3)	¥(1.7)	Due to losses accompanying operational restructuring
Overseas Subsidiaries				
ITOCHU International Inc.	100.0	(5.6)	(1.7)	Due to losses on disposal of three regional enterprises and business reconstruction costs on equipment-material-related businesses in North America, despite recovery of construction machinery-related business
CIECO Energy (US) Limited	100.0	(3.5)	(2.2)	Due to impairment losses on oil & gas assets accompanying withdrawal
Domestic Equity-Method Associated Companies				
Orient Corporation*5	23.6	(3.4)	(6.2)	Due to gain on changes in equity interests resulting from conversion of its preferred stocks into common stocks, despite impairment loss on its common stocks resulting from the revaluation of its fair value
Prima Meat Packers, Ltd.*6	39.5	(1.4)	1.8	Due to impairment loss on its common stocks resulting from the revaluation of its fair value

*1 Net income (loss) attributable to ITOCHU are the figures after adjusting to U.S. GAAP, which may be different from the figures each company announces.

*2 In the fiscal year, ITOCHU has established China Foods Investment Corp. jointly with Asahi Breweries, Ltd. for the purpose of managing business of TING HSIN (CAYMAN ISLANDS) HOLDING CORP. (hereinafter "Ting Hsin"), which ITOCHU and Asahi Breweries, Ltd. own, and its group companies. From now on, as net income of Ting Hsin attributable to ITOCHU is included in China Foods Investment Corp., actual net income of Ting Hsin to present is included above figure of China Foods Investment Corp. Besides, in the fiscal year, gain on changes in equity interests due to not to underwrite a third-party allocation of new shares from Ting Hsin was recognized (¥1.9 billion after tax effect).

*3 Net income attributable to ITOCHU of C.I. Kasei Co., Ltd. for the previous fiscal year includes the profit resulting from the net gain on bargain purchase in acquisition (¥1.5 billion after tax effect).

*4 The above figure of ITOCHU Australia Ltd. includes 3.7% of net income from ITOCHU Minerals & Energy of Australia Pty Ltd.

*5 The above figure of Orient Corporation includes the related tax effect. Net income attributable to ITOCHU of this company includes impairment losses on its common stocks (¥6.6 billion after tax effect) and gain on changes in equity interests resulting from conversion of its preferred stocks into common stocks (¥2.3 billion after tax effect) in this fiscal year. Besides, impairment losses on the preferred stocks held by ITOCHU (¥9.6 billion after tax effect) was recognized as Loss on investments–net and excludes above figure of this company.

*6 The above figure of Prima Meat Packers, Ltd. includes the related tax effect.

Outlook for Fiscal 2012

Regarding business conditions in Fiscal 2012, ending March 31, 2012, there is cause for concern about how the global economy will be affected by the situation in the Middle East and by the Great East Japan Earthquake. Nonetheless, continued growth is expected, with support from expansion in the economies of emerging countries and the U.S. On the other hand, the fiscal and monetary policies that supported strong growth in the previous year are being reversed, and in addition the rising price of crude oil is restraining growth in resource-poor countries. Accordingly, the pace of growth is expected to decelerate. Due to the remaining weakness in the fiscal situation of many countries, centered on industrialized countries, there could be rapid fluctuations in foreign exchange and commodity markets and declines in asset prices. This could have an adverse effect on the attitudes of companies and households toward spending, with a negative impact on the world economy. This point requires continued attention. The Great East Japan Earthquake weakened the global supply chain, and another issue requiring attention is the risk that this weakness will extend over the long term.

Under those business conditions, in Fiscal 2012, the starting year of the Medium-Term Management Plan–Brand-new Deal 2012, the ITOCHU Group expects to post an increase in earnings year on year due to higher natural resources prices and to growth in the basic earning power of each segment.

Management Policy for the Future

Start of Medium-Term Management Plan—Brand-new Deal 2012

The Group has started the Medium-Term Management Plan—Brand-new Deal 2012, a two-year plan covering the period from FY2012 to FY2013. Under "Brand-new Deal 2012," the basic policies are as follows: "Strengthen Our Front-line Capabilities," "Proactively Seek New Opportunities," and "Expand Our Scale of Operations." With an entirely new spirit, officers and employees will take assertive and forward-looking action and exercise "Earn, Cut, Prevent."

Three major measures by key sector are as follows:

1. Aggressively Expand Business in China

In opportunity-rich markets where ITOCHU has competitive advantage ITOCHU will work to strengthen its earnings capacity in China by enhancing existing operations and stepping up new initiatives.

2. Increase and Accumulate Assets in Machinery-related Sector

The machinery-related sector will become increasingly important for ITOCHU, and through the tightly focused allocation of management resources in this sector, ITOCHU will accumulate assets with stable earnings and bolster activities in growth fields that will be sources of revenues in the future.

3. Expand and Upgrade Business in Natural Resource-related Field

Firm demand is expected to provide support in the natural resources business, where ITOCHU will work to aggressively expand its natural resource interests while maintaining a strict focus on profitability.

As ITOCHU aggressively accumulates superior assets, it plans to invest a total of ¥800 billion over two years. ITOCHU will maintain a policy of emphasizing a balance among sectors to avoid excessive concentration of investments in specific fields. Investment amounts by sector are as follows: consumer-related sector: ¥100–200 billion; natural resource / energy-related sector: ¥350–450 billion; machinery-related sector: ¥100-200 billion; chemicals, real estate, and others sector: ¥50–150 billion.

Our overseas policy calls for operations to be centered on the division companies, which will lead further advances while making steady preparations in the major consumer markets of the future. Our strategies for affiliates call for expanding their contribution to earnings, strengthening Group cohesiveness, and leveraging the Group's comprehensive capabilities. In addition, ITOCHU will continue to implement liquidation and consolidation of low-efficiency businesses.

ITOCHU will also strengthen its management foundation to support a commitment to taking assertive and forward-looking action. In corporate governance, ITOCHU will advance qualitative strengthening initiatives, and in internal control and risk management, ITOCHU will focus on optimization while maintaining effectiveness. In human resources, ITOCHU will take steps on a global basis to strengthen and cultivate the "industry professionals" and "strong human resources" that will support the next growth stage.

Dividend Policy and Distribution of the Current Fiscal Year's Profit

Under this medium-term management plan, Brand-new Deal 2012, our annual dividend targets will be: dividend payout ratio of 20% on Net income attributable to ITOCHU up to ¥200 billion, and dividend payout ratio of 30% on portion of Net income attributable to ITOCHU exceeding ¥200 billion. For the fiscal year ending March 31, 2012, ITOCHU plans to pay full-year dividends of 33.0 yen per share, comprising an interim dividend of 16.5 yen per share and a year-end dividend of 16.5 yen per share.

Liquidity and Capital Resources

Basic Funding Policy

The Company aims to ensure flexibility in funding in response to changes in financial conditions and take advantage of opportunities to lower its overall financing costs. Also, the Company seeks to diversify its funding sources and methods while endeavoring to find the optimum balance in its funding structure with enhancing the stability of its financing mainly by means of long-term funding. Further, the Company works to improve consolidated capital efficiency and funding structure by concentrating funding for domestic subsidiaries on Group Finance from the parent Company. Moreover, the Company established Group Finance scheme in Asia and Europe for the funding of overseas subsidiaries. As a result, as of the end of the fiscal year under review, funding by the parent Company or overseas Group Finance accounted for approximately 90% of consolidated interest-bearing debt.

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

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

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

*As of April 27, 2011, the Company's ratings have been raised to AA–/stable for long-term debt and J-1+ for short-term debt.

Interest-Bearing Debt

Interest-bearing debt as of March 31, 2011, increased by 2.7%, or ¥59.1 billion compared with March 31, 2010, to ¥2,268.4 billion (US$27,280 million). Net interest-bearing debt (interest-bearing debt after deducting Cash and cash equivalents and Time deposits) decreased by 5.4%, or ¥92.9 billion, to ¥1,633.2 billion (US$19,642 million). Net DER (debt-to-equity ratio) improved 0.2 points from 1.6 times to 1.4 times. Furthermore, thanks to efforts to ensure a stable funding structure by seeking long-term funding, the ratio of long-term interest-bearing debt to total interest-bearing debt was 87%, almost same as March 31, 2010.

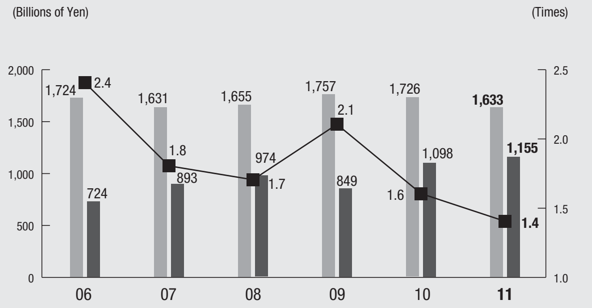
Details of interest-bearing debt as of March 31, 2010, and as of March 31, 2011, are as follows.

Details of interest-bearing debt as of March 31, 2010, and as of March 31, 2011, are as follows:

	Billions of Yen		Millions of U.S. Dollars
March 31	2011	2010	2011
Short-term debt:			
Short-term loans mainly from banks	¥ 191.9	¥ 229.2	$ 2,308
Commercial paper	50.0	—	601
Current maturities of long-term debt:			
Current maturities of long-term loans mainly from banks	46.7	57.5	561
Current maturities of debentures	0.4	3.3	5
Short-term total	289.0	290.0	3,475
Long-term debt (Note):			
Long-term loans mainly from banks, less current maturities	1,735.2	1,736.2	20,868
Debentures	244.2	183.1	2,937
Long-term total	1,979.4	1,919.3	23,805
Total interest-bearing debt	2,268.4	2,209.3	27,280
Cash and cash equivalents and time deposits	635.1	483.2	7,638
Net interest-bearing debt	¥1,633.2	¥1,726.1	$19,642

(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)



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

Financial Position

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

Total assets as of March 31, 2011, were up by 3.6%, or ¥196.8 billion compared with March 31, 2010, to ¥5,673.7 billion (US$68,234 million). Property and equipment declined due to impairment of fixed assets in energy and other fields. However, there was an increase in Cash and cash equivalents. In the Chemicals, Forest Products & General Merchandise Company and the Food Company, Inventories and Trade receivables increased due to improved market conditions. Also, Investments increased due to new investments in resource companies with interests in uranium in the Energy, Metals & Minerals Company, in automobile companies, and in power generation operations in North America, as well as to investments in Chinese food business through a joint holding company, which was established as the Company's subsidiary with Asahi Breweries, Ltd.

ITOCHU stockholders' equity increased by 5.1%, or ¥56.4 billion to ¥1,154.8 billion (US$13,888 million). On one hand, Net income attributable to ITOCHU increased by ¥161.0 billion and there was an increase in net unrealized holding gains on securities. On the other hand, there were decreases from dividends payment, deterioration in Foreign currency translation adjustments because of the yen's appreciation, and decrease in Capital surplus of ¥19.4 billion due to the purchase of additional shares of the common stock of NIPPON ACCESS, INC., a subsidiary, which was accounted for as an equity transaction. As a result, the Ratio of stockholders' equity to total assets increased by 0.3 points from March 31, 2010, to 20.4%.

Total equity, or the total of ITOCHU stockholders' equity and Noncontrolling interest, which means the total equity of the entire Group, increased by 6.6%, or ¥86.2 billion, compared with March 31, 2010, to ¥1,397.5 billion (US$16,807 million).

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

Cash and cash equivalents, **Time deposits** increased by ¥151.9 billion, to ¥635.1 billion (US$7,638 million).

Trade receivables (less allowance for doubtful receivables) increased by ¥7.7 billion, to ¥1,434.4 billion (US$17,250 million), due to a decrease in Energy; and Aerospace, and an increase in Chemicals, Forest Products & General Merchandise resulting from higher prices.

Due from associated companies increased by ¥17.4 billion, to ¥113.7 billion (US$1,367 million), due to a rise in transactions, and in loan receivables in Marine.

Inventories increased by ¥28.3 billion, to ¥504.3 billion (US$6,065 million), due to a rise in prices in Chemicals, Forest Products & General Merchandise and Food.

Deferred tax assets increased by ¥5.3 billion, to ¥51.0 billion (US$614 million).

Other current assets decreased by ¥23.6 billion, to ¥233.5 billion (US$2,809 million), due to the collection of loans and an decrease in derivative asset.

Investments in and advances to associated companies increased by ¥46.6 billion, to ¥985.3 billion (US$11,850 million), due to an increase in investments in Chinese food business through a joint holding company, which was established as the Company's subsidiary with Asahi Breweries, Ltd.; and in power generation operations in North America despite impairment losses on investments in the common and preferred stocks which were issued by Orient Corporation.

Other investments increased by ¥42.4 billion, to ¥492.7 billion (US$5,926 million), due to new investments in resource companies with interests in uranium in Energy, Metals & Minerals and in automobile.

Other non-current receivables (less allowance for doubtful receivables) decreased by ¥15.2 billion, to ¥88.5 billion (US$1,064 million).

Property and equipment, at cost (less accumulated depreciation) decreased by ¥22.7 billion, to ¥643.6 billion (US$7,741 million), due to the impairment of oil & gas assets in Energy, Metals & Minerals; and other long-lived assets; and the sale of aircrafts in Aerospace although additional capital expenditures in the overseas natural resource development sector.

Deferred tax assets, non-current, increased by ¥3.1 billion, to ¥111.4 billion (US$1,340 million). Furthermore, net deferred tax assets increased by ¥9.6 billion, to ¥140.8 billion (US$1,693 million).

Total trade payables increased by ¥22.0 billion, to ¥1,239.6 billion (US$14,908 million), due to an increase in Food; and Chemicals, Forest Products & General Merchandise, despite a decrease in Energy; and Automobile.

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, ITOCHU 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 2011, the sum of cash, cash equivalents, time deposits (¥635.1 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 ¥1,076.7 billion (US$12,949 million), increased ¥147.0 billion from the previous fiscal year-end. ITOCHU believes that this amount constitutes adequate reserves for liquidity since it is 5.1 times the necessary liquidity amount (short-term interest-bearing debt and contingent liabilities due within three months), which amounted to ¥210.0 billion (US$2,525 million) as of March 31, 2011.

Secondary liquidity reserves (other assets that can be converted to cash in a short period of time) stood at ¥596.2 billion (US$7,170 million). When added to primary liquidity reserves, the total amount of liquidity reserves stood at ¥1,672.9 billion (US$20,119 million).

ITOCHU Corporation has long-term commitment line agreements with financial institutions totaling ¥300.0 billion (US$3,608 million). As a result of the availability of this long-term commitment line, ITOCHU Corporation has the intention and ability to undertake a long-term rollover of current maturities of long-term debt from financial institutions. ITOCHU thus classified ¥212.8 billion (US$2,559 million) of current maturities of long-term debt as non-current liabilities on the consolidated balance sheet, which was part of ¥259.9 billion (US$3,126 million) in non-current liabilities with a maturity of one year or less based on loan contracts at the end of Fiscal 2011. 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.

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, 2011, decreased 32.6%, or ¥155.0 billion, to ¥630.7 billion (US$7,585 million), compared with the previous fiscal year-end. This was mainly due to efficient control of cash and cash equivalents and repayment of interest-bearing debt.

Necessary Liquidity

	Billions of Yen		Millions of U.S. Dollars
March 31	2011	Necessary Liquidity	2011
Short-term interest-bearing debt	¥241.9	¥121.0 (241.9/6 months x 3 months)	$1,455
Current maturities of long-term interest-bearing debt	259.9*	65.0 (259.9/12 months x 3 months)	781
Contingent liabilities (Guarantees [substantial risk] for monetary indebtedness of equity-method associated companies and customers)	96.3	24.1 (96.3/12 months x 3 months)	289
Total		¥210.0	$2,525

* The figure is the total of current maturities of long-term debt (¥47.1 billion) in the Consolidated Balance Sheets and long-term commitment line with financial institutions (¥212.8 billion).

Primary Liquidity Reserves

March 31	Billions of Yen 2011 Liquidity Reserves	Millions of U.S. Dollars 2011 Liquidity Reserves
1. Cash, cash equivalents and time deposits	¥ 635.1	$ 7,638
2. Commitment line agreements	441.6	5,311
Total primary liquidity reserves	¥1,076.7	$12,949

Secondary Liquidity Reserves

March 31	Billions of Yen 2011 Liquidity Reserves	Millions of U.S. Dollars 2011 Liquidity Reserves
3. Available portion of over draft for ITOCHU parent	¥ 144.8	$ 1,741
4. Available-for-sale securities (Fair value on a consolidated basis)	295.9	3,559
5. Notes receivable	155.5	1,870
Total secondary liquidity reserves	¥ 596.2	$ 7,170
Total liquidity reserves	¥1,672.9	$20,119

Cash flows from operating activities for the year ended March 31, 2011, recorded a net cash-inflow of ¥336.9 billion (US$4,051 million), which was attributable to strong operating revenue related to overseas natural resources and food.

Cash flows from investing activities recorded a net cash-outflow of ¥230.4 billion (US$2,771 million) mainly due to additional capital expenditures and purchase of interests in the overseas natural resource development sector, investments in resource companies with interests in uranium, as well as purchase of investment assets in relation to an establishment of a joint holding company with Asahi Breweries, Ltd. for Chinese food business.

Cash flows from financing activities recorded a net cash-inflow of ¥52.9 billion (US$636 million) mainly due to a cash-inflow of an equity transaction in relation to the establishment of the joint holding company mentioned above and increasing funding for new investments despite the purchase of shares of the common stock of NIPPON ACCESS, INC., a subsidiary, and dividends payment.

A summary of cash flows for the fiscal years ended March 31, 2011 and 2010 were as follows:

March 31	Billions of Yen 2011	Billions of Yen 2010	Millions of U.S. Dollars 2011
Cash flows from operating activities	¥ 336.9	¥ 295.4	$ 4,051
Cash flows from investing activities	(230.4)	(196.3)	(2,771)
Cash flows from financing activities	52.9	(259.0)	636
Effect of exchange rate changes on cash and cash equivalents	(4.3)	6.8	(52)
Net increase (decrease) in cash and cash equivalents	155.0	(153.1)	1,864
Cash and cash equivalents at beginning of year	475.7	628.8	5,721
Cash and cash equivalents at end of year	¥ 630.7	¥ 475.7	$ 7,585

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, 2011 and 2010 were as follows:

	Billions of Yen		Millions of U.S. Dollars
March 31	**2011**	2010	**2011**
Guarantees for equity-method associated companies:			
Maximum potential amount of future payments	**¥ 95.1**	¥ 83.6	**$1,144**
Amount of substantial risk	**70.9**	50.6	**852**
Guarantees for customers:			
Maximum potential amount of future payments	**¥ 64.8**	¥ 69.4	**$ 780**
Amount of substantial risk	**40.9**	36.5	**492**
Total:			
Maximum potential amount of future payments	**¥159.9**	¥153.0	**$1,924**
Amount of substantial risk	**111.7**	87.1	**1,344**

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 24 "Commitments and Contingent Liabilities" to the consolidated financial statements.

The disclosures related to variable interest entities are show in Note 22 "Variable Interest Entities" to the consolidated financial statements.

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

	Billions of Yen				
	2011				
March 31	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Short-term loans payable	**¥ 241.9**	**¥241.9**	**¥ —**	**¥ —**	**¥ —**
Long-term debt	**2,207.0**	**47.1**	**661.1**	**597.4**	**901.5**
Operating leases	**182.4**	**31.0**	**54.0**	**40.5**	**56.9**

	Millions of U.S. Dollars				
	2011				
March 31	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Short-term loans payable	**$ 2,909**	**$2,909**	**$ —**	**$ —**	**$ —**
Long-term debt	**26,542**	**566**	**7,951**	**7,185**	**10,840**
Operating leases	**2,194**	**373**	**650**	**488**	**684**

Risk Information

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

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

With respect to descriptions about future events, ITOCHU appropriately has determined its assumptions and estimates based on information currently available as of March 31, 2011.

(1) Corporate Result Risks Due to Macroeconomic Factors

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

Furthermore, in regions worldwide, the Group conducts business and trade. Consequently, economic trends, not only overall worldwide economic trends but also specific regional trends, could significantly affect the Group.

(2) Market Risk

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

Foreign Exchange Rate Risk

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

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

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 after 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 risk management policy on a 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. 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 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 a deteriorating management environment for the businesses in which the Group has 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 are lowered due to poor corporate results of investees, or stock prices are expected to drop below a specified level for a considerable period of time. In such cases, serious adverse influences on the future corporate results and financial standing of ITOCHU Group are possible including the necessities that the whole or partial investment is recognized as loss, and that the infusion of additional funds is required.

(6) Risks Due to Impairment Loss on Fixed Assets

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

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

(7) Risks Due to Fund Raising

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

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

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

(9) Risks Due to Deferred Taxes

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

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

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

(10) Risks Due to Competition

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

(11) Risks Associated with Significant Lawsuits

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

However, there 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.

(12) Risks Associated with Compliance

Risks Related to Laws and Regulations

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

To be specific, ITOCHU Group is required to adhere to laws and regulations such as the laws for each industry, including the companies act, financial instruments and exchange laws, and tax laws, as well as all laws pertaining to trade such as foreign exchange control laws, antitrust laws, intellectual property laws, 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 of the Company and the Group has made every effort for the observance of these laws and regulations by reinforcing the compliance system. With all these measures, however, there is a possibility of the situation where, including personal misconduct by directors and employees, risks associated with compliance or suffering social disgrace cannot be removed.

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

Risks Related to the Environment

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

(13) Risks Associated with Information Systems and Information Security

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

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

(14) Natural Disasters and Other Risks

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

Critical Accounting Policies

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

Evaluation of Investments

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

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

Provision for Doubtful Receivables

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

Deferred Income Taxes

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

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

Impairment of Long-Lived Assets

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

Goodwill and Other Intangible Assets

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

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

Cost of Retirement and Severance Benefits

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

Consolidated Balance Sheets

ITOCHU Corporation and Subsidiaries
As of March 31, 2011 and 2010

Assets	Millions of Yen 2011	Millions of Yen 2010	Millions of U.S. Dollars (Note 2) 2011
Current assets:			
Cash and cash equivalents (Notes 4 and 8)	**¥ 630,722**	¥ 475,674	**$ 7,585**
Time deposits (Note 8)	**4,420**	7,523	**53**
Short-term investments (Notes 4 and 8)	**3,560**	7,140	**43**
Trade receivables (Notes 6 and 8):			
Notes	**155,496**	153,694	**1,870**
Accounts (Note 12)	**1,290,277**	1,287,821	**15,517**
Allowance for doubtful receivables	**(11,410)**	(14,833)	**(137)**
Net trade receivables	**1,434,363**	1,426,682	**17,250**
Due from associated companies	**113,669**	96,279	**1,367**
Inventories (Note 8)	**504,342**	476,066	**6,065**
Advances to suppliers	**71,698**	72,870	**862**
Prepaid expenses	**28,492**	28,361	**343**
Deferred tax assets (Note 15)	**51,030**	45,759	**614**
Other current assets (Notes 6 and 20)	**233,535**	257,127	**2,809**
Total current assets	**3,075,831**	2,893,481	**36,991**
Investments and non-current receivables:			
Investments in and advances to associated companies (Notes 5, 6, 8 and 13)	**985,316**	938,689	**11,850**
Other investments (Notes 4 and 8)	**492,746**	450,341	**5,926**
Other non-current receivables (Notes 6, 8 and 12)	**139,311**	163,515	**1,675**
Allowance for doubtful receivables (Note 6)	**(50,851)**	(59,876)	**(611)**
Total investments and net non-current receivables	**1,566,522**	1,492,669	**18,840**
Property and equipment, at cost (Notes 7, 8, 12 and 17)**:**			
Land	**158,767**	164,522	**1,909**
Buildings	**411,811**	412,468	**4,953**
Machinery and equipment	**435,076**	420,640	**5,232**
Furniture and fixtures	**83,256**	82,871	**1,001**
Mineral rights	**52,714**	64,152	**634**
Construction in progress	**28,416**	30,838	**342**
Total property and equipment, at cost	**1,170,040**	1,175,491	**14,071**
Less accumulated depreciation	**526,411**	509,140	**6,330**
Net property and equipment	**643,629**	666,351	**7,741**
Goodwill and other intangible assets (Note 9)**:**			
Goodwill	**94,673**	100,057	**1,139**
Other intangible assets, less accumulated amortization	**96,393**	101,849	**1,159**
Total goodwill and other intangible assets	**191,066**	201,906	**2,298**
Prepaid pension cost (Note 13)	**365**	7,603	**4**
Deferred tax assets, non-current (Note 15)	**111,411**	108,316	**1,340**
Other assets (Note 20)	**84,859**	106,521	**1,020**
Total	**¥5,673,683**	¥5,476,847	**$68,234**

Refer to Notes to consolidated financial statements.

Liabilities and Equity	Millions of Yen 2011	Millions of Yen 2010	Millions of U.S. Dollars (Note 2) 2011
Current liabilities:			
Short-term debt (Notes 8 and 10)	**¥ 241,915**	¥ 229,236	**$ 2,909**
Current maturities of long-term debt (Notes 8 and 10)	**47,058**	60,728	**566**
Trade payables (Note 8):			
Notes and acceptances	**160,047**	125,278	**1,925**
Accounts	**1,079,562**	1,092,321	**12,983**
Total trade payables	**1,239,609**	1,217,599	**14,908**
Due to associated companies	**28,719**	25,431	**346**
Accrued expenses	**130,628**	124,877	**1,571**
Income taxes payable (Note 15)	**53,825**	38,763	**647**
Advances from customers	**84,709**	80,030	**1,019**
Deferred tax liabilities (Note 15)	**887**	868	**11**
Other current liabilities (Notes 11, 12 and 20)	**215,529**	215,026	**2,592**
Total current liabilities	**2,042,879**	1,992,558	**24,569**
Long-term debt, excluding current maturities (Notes 8, 10, 11, 12 and 20)	**2,159,929**	2,107,589	**25,976**
Accrued retirement and severance benefits (Note 13)	**52,564**	43,314	**632**
Deferred tax liabilities, non-current (Note 15)	**20,801**	22,033	**250**
Commitments and contingent liabilities (Note 24)			
Total liabilities	**4,276,173**	4,165,494	**51,427**
Equity:			
Common stock (Note 18):			
Authorized: 3,000,000,000 shares; issued: 1,584,889,504 shares 2011 and 2010	**202,241**	202,241	**2,432**
Capital surplus (Notes 15 and 18)	**114,291**	137,506	**1,375**
Retained earnings (Note 18):			
Legal reserve	**18,257**	16,117	**220**
Other retained earnings	**1,016,965**	884,280	**12,230**
Accumulated other comprehensive income (loss) (Notes 15 and 19):			
Foreign currency translation adjustments	**(152,407)**	(90,088)	**(1,833)**
Pension liability adjustments (Note 13)	**(93,423)**	(86,479)	**(1,124)**
Unrealized holding gains on securities (Note 4)	**53,048**	40,544	**638**
Unrealized holding losses on derivative instruments (Note 20)	**(1,472)**	(3,015)	**(18)**
Total accumulated other comprehensive income (loss)	**(194,254)**	(139,038)	**(2,337)**
Treasury stock, at cost (Note 18):			
4,353,606 shares 2011			
4,379,005 shares 2010	**(2,674)**	(2,687)	**(32)**
Total ITOCHU stockholders' equity	**1,154,826**	1,098,419	**13,888**
Noncontrolling interest (Note 18)	**242,684**	212,934	**2,919**
Total equity	**1,397,510**	1,311,353	**16,807**
Total	**¥5,673,683**	¥5,476,847	**$68,234**

Consolidated Statements of Income

ITOCHU Corporation and Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of Yen			Millions of U.S. Dollars (Note 2)
	2011	2010	2009	**2011**
Revenue (Notes 12, 17 and 20):				
Sales revenue	**¥ 3,120,883**	¥ 2,885,598	¥ 2,821,553	**$ 37,533**
Trading margins and commissions on trading transactions	**528,788**	531,039	597,508	**6,360**
Total revenue	**3,649,671**	3,416,637	3,419,061	**43,893**
Cost of sales	**(2,608,380)**	(2,492,271)	(2,358,540)	**(31,370)**
Gross trading profit (Note 17)	**1,041,291**	924,366	1,060,521	**12,523**
Selling, general and administrative expenses (Notes 3, 9, 12 and 13)	**(775,811)**	(769,907)	(768,115)	**(9,330)**
Provision for doubtful receivables (Note 6)	**(9,398)**	(7,045)	(16,742)	**(113)**
Interest income	**10,278**	9,911	16,253	**124**
Interest expense (Note 20)	**(27,010)**	(35,249)	(45,710)	**(325)**
Dividends received	**23,502**	28,900	35,039	**283**
Loss on investments–net (Notes 3 and 4)	**(38,125)**	(4,456)	(23,066)	**(459)**
Loss on property and equipment–net (Notes 7, 9 and 23)	**(33,739)**	(8,548)	(45,407)	**(406)**
Gain on bargain purchase in acquisition (Note 3)	**—**	14,015	—	**—**
Other–net (Notes 9, 14, 20 and 23)	**(8,891)**	2,999	(4,515)	**(107)**
Income before income taxes and equity in earnings of associated companies (Note 15)	**182,097**	154,986	208,258	**2,190**
Income taxes (Note 15):				
Current	**81,051**	55,126	95,573	**975**
Deferred (Note 3)	**(12,555)**	(3,555)	(22,816)	**(151)**
Total income taxes	**68,496**	51,571	72,757	**824**
Income before equity in earnings of associated companies	**113,601**	103,415	135,501	**1,366**
Equity in earnings of associated companies (Notes 5 and 17)	**60,617**	36,269	41,304	**729**
Net income	**174,218**	139,684	176,805	**2,095**
Less: Net income attributable to the noncontrolling interest	**(13,243)**	(11,531)	(11,415)	**(159)**
Net income attributable to ITOCHU (Note 17)	**¥ 160,975**	¥ 128,153	¥ 165,390	**$ 1,936**

	Yen			U.S. Dollars (Note 2)
	2011	2010	2009	**2011**
Net income attributable to ITOCHU per common share (Note 16)	**¥101.84**	¥81.09	¥104.64	**$1.22**
Diluted net income attributable to ITOCHU per common share (Note 16)	**¥101.69**	¥80.91	¥103.94	**$1.22**

Refer to Notes to consolidated financial statements.

Consolidated Statements of Equity

ITOCHU Corporation and Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of Yen			Millions of U.S. Dollars (Note 2)
	2011	2010	2009	2011
Common stock (Note 18):				
Balance at beginning of year issued: 1,584,889,504 shares 2011, 2010 and 2009	**¥ 202,241**	¥ 202,241	¥ 202,241	**$ 2,432**
Balance at end of year issued: 1,584,889,504 shares 2011, 2010 and 2009	**¥ 202,241**	¥ 202,241	¥ 202,241	**$ 2,432**
Capital surplus (Note 18):				
Balance at beginning of year	**¥ 137,506**	¥ 137,171	¥ 137,211	**$ 1,654**
Deficit arising from retirement of treasury stock	**—**	—	(40)	
Sale (purchase) of subsidiary shares to (from) noncontrolling interest	**(19,322)**	335	—	**(232)**
Sale (purchase) by associated companies of their subsidiary shares to (from) their noncontrolling interests	**(3,893)**	—	—	**(47)**
Balance at end of year	**¥ 114,291**	¥137,506	¥ 137,171	**$ 1,375**
Retained earnings (Note 18):				
Legal reserve:				
Balance at beginning of year	**¥ 16,117**	¥ 13,183	¥ 10,373	**$194**
Transfer from other retained earnings	**2,236**	3,007	2,642	**27**
Redistribution arising from sale by parent company of common stock of subsidiaries and associated companies	**(96)**	(73)	168	**(1)**
Balance at end of year	**¥ 18,257**	¥ 16,117	¥ 13,183	**$ 220**
Other retained earnings:				
Balance at beginning of year	**¥ 884,280**	¥ 783,699	¥ 652,757	**$10,635**
Net income attributable to ITOCHU	**160,975**	128,153	165,390	**1,936**
Cash dividends	**(26,102)**	(24,516)	(31,636)	**(314)**
Transfer to legal reserve	**(2,236)**	(3,007)	(2,642)	**(27)**
Redistribution arising from sale by parent company of common stock of subsidiaries and associated companies	**96**	73	(168)	**1**
Deficit arising from retirement of treasury stock	**(48)**	(122)	(2)	**(1)**
Balance at end of year	**¥1,016,965**	¥ 884,280	¥ 783,699	**$12,230**
Accumulated other comprehensive income (loss) (Notes 4, 13, 15, 19 and 20):				
Balance at beginning of year	**¥ (139,038)**	¥ (284,172)	¥ (26,448)	**$ (1,672)**
Other comprehensive income (loss)	**(55,158)**	145,125	(257,724)	**(664)**
Sale (purchase) of subsidiary shares to (from) noncontrolling interest	**(58)**	9	—	**(1)**
Balance at end of year	**¥ (194,254)**	¥ (139,038)	¥ (284,172)	**$ (2,337)**
Treasury stock (Note 18):				
Balance at beginning of year	**¥(2,687)**	¥ (2,711)	¥ (2,589)	**$ (32)**
Net change in treasury stock	**13**	24	(122)	**0**
Balance at end of year	**(2,674)**	¥ (2,687)	¥ (2,711)	**$ (32)**
Total ITOCHU stockholders' equity	**¥1,154,826**	¥1,098,419	¥ 849,411	**$13,888**
Noncontrolling interest:				
Balance at beginning of year	**¥ 212,934**	¥ 187,944	¥ 145,618	**$ 2,561**
Net income attributable to the noncontrolling interest	**13,243**	11,531	11,415	**159**
Other comprehensive income (loss) attributable to the noncontrolling interest (Notes 15 and 19)	**(3,013)**	2,391	(4,781)	**(36)**
Cash dividends to noncontrolling interest	**(8,503)**	(7,177)	(7,067)	**(102)**
Contribution from noncontrolling interest	**1,059**	2,411	3,786	**12**
Distribution to noncontrolling interest	**(5,993)**	(1,448)	—	**(72)**
Sale (purchase) of subsidiary shares to (from) noncontrolling interest	**(6,429)**	(2,977)	(5,330)	**(77)**
Acquisitions of subsidiaries (Note 3)	**44,734**	21,907	45,434	**538**
Deconsolidation of subsidiaries	**(5,348)**	(1,648)	(1,131)	**(64)**
Balance at end of year	**¥ 242,684**	¥ 212,934	¥ 187,944	**$ 2,919**
Total equity	**¥1,397,510**	¥1,311,353	¥1,037,355	**$16,807**
Comprehensive income (loss) (Notes 15 and 19):				
Net income	**¥ 174,218**	¥ 139,684	¥ 176,805	**$ 2,095**
Other comprehensive income (loss) (net of tax):				
Foreign currency translation adjustments	**(64,199)**	96,446	(162,751)	**(772)**
Pension liability adjustments (Note 13)	**(7,630)**	19,700	(33,759)	**(92)**
Unrealized holding gains (losses) on securities (Note 4)	**12,128**	27,868	(61,990)	**146**
Unrealized holding gains (losses) on derivative instruments (Note 20)	**1,530**	3,502	(4,005)	**18**
Total other comprehensive income (loss) (net of tax)	**(58,171)**	147,516	(262,505)	**(700)**
Comprehensive income (loss)	**116,047**	287,200	(85,700)	**1,395**
Comprehensive income (loss) attributable to the noncontrolling interest	**(10,230)**	(13,922)	(6,634)	**(123)**
Comprehensive income (loss) attributable to ITOCHU	**¥ 105,817**	¥ 273,278	¥ (92,334)	**$ 1,272**

Refer to Notes to consolidated financial statements.

Consolidated Statements of Cash Flows

ITOCHU Corporation and Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of Yen			Millions of U.S. Dollars (Note 2)
	2011	2010	2009	2011
Cash flows from operating activities:				
Net income	**¥ 174,218**	¥ 139,684	¥ 176,805	**$ 2,095**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**75,438**	76,377	64,988	**907**
Provision for doubtful receivables	**9,398**	7,045	16,742	**113**
Loss on investments–net (Note 3)	**38,125**	4,456	23,066	**459**
Loss on property and equipment–net	**33,739**	8,548	45,407	**406**
Gain on bargain purchase in acquisition (Note 3)	**—**	(14,015)	—	**—**
Equity in earnings of associated companies, less dividends received	**(35,237)**	(16,794)	(22,298)	**(424)**
Deferred income taxes	**(12,555)**	(3,555)	(22,816)	**(151)**
Change in assets and liabilities:				
Trade receivables	**(33,591)**	(121,964)	334,168	**(404)**
Due from associated companies	**(9,544)**	(2,506)	7,110	**(115)**
Inventories	**(47,441)**	49,255	(7,188)	**(571)**
Other current assets	**22,078**	(8,573)	(13,471)	**266**
Trade payables	**52,964**	148,607	(306,860)	**637**
Due to associated companies	**3,991**	9,756	(2,636)	**48**
Other current liabilities	**8,637**	17,227	(8,011)	**104**
Other–net	**56,648**	1,828	(8,152)	**681**
Net cash provided by operating activities	**336,868**	295,376	276,854	**4,051**
Cash flows from investing activities:				
Payments for purchases of property, equipment and other assets	**(108,230)**	(95,123)	(131,189)	**(1,301)**
Proceeds from sales of property, equipment and other assets	**26,799**	13,078	13,538	**322**
Increase in investments in and advances to associated companies	**(104,093)**	(116,226)	(191,239)	**(1,252)**
Decrease in investments in and advances to associated companies	**27,534**	27,554	16,874	**331**
Acquisitions of available-for-sale securities	**(60,103)**	(18,128)	(12,751)	**(723)**
Proceeds from sales of available-for-sale securities	**9,066**	14,966	15,108	**109**
Proceeds from maturities of available-for-sale securities	**618**	1,472	194	**7**
Acquisitions of held-to-maturities securities	**(170)**	—	—	**(2)**
Proceeds from maturities of held-to-maturities securities	**332**	30	—	**4**
Acquisitions of other investments	**(30,225)**	(35,462)	(56,516)	**(364)**
Proceeds from sales of other investments	**20,181**	11,068	25,964	**243**
Acquisitions of subsidiaries, net of cash acquired	**—**	(3,999)	5,722	**—**
Sales of subsidiaries, net of cash held by subsidiaries	**(2,945)**	1,572	4,564	**(35)**
Origination of other non-current loan receivables	**(40,674)**	(31,372)	(50,349)	**(489)**
Collections of other non-current loan receivables	**30,685**	35,563	34,799	**369**
Net (increase) decrease in time deposits	**805**	(1,311)	(752)	**10**
Net cash used in investing activities	**(230,420)**	(196,318)	(326,033)	**(2,771)**
Cash flows from financing activities:				
Proceeds from long-term debt	**304,481**	461,718	384,515	**3,662**
Repayments of long-term debt	**(260,624)**	(360,254)	(345,590)	**(3,135)**
Net increase (decrease) in short-term debt	**31,458**	(325,677)	256,101	**378**
Proceeds from equity transactions with noncontrolling interest	**44,836**	986	2,118	**539**
Payments for equity transactions with noncontrolling interest	**(32,820)**	(3,956)	—	**(394)**
Cash dividends	**(26,102)**	(24,516)	(31,636)	**(314)**
Cash dividends to noncontrolling interest	**(8,503)**	(7,177)	(7,067)	**(102)**
Net (increase) decrease in treasury stock	**179**	(111)	(119)	**2**
Net cash provided by (used in) financing activities	**52,905**	(258,987)	258,322	**636**
Effect of exchange rate changes on cash and cash equivalents	**(4,305)**	6,783	(26,634)	**(52)**
Net increase (decrease) in cash and cash equivalents	**155,048**	(153,146)	182,509	**1,864**
Cash and cash equivalents at beginning of year	**475,674**	628,820	446,311	**5,721**
Cash and cash equivalents at end of year	**¥ 630,722**	¥ 475,674	¥ 628,820	**$ 7,585**
Supplemental disclosures of cash flow information:				
Cash paid during the year for:				
Interest	**¥ 28,104**	¥ 36,931	¥ 47,547	**$ 338**
Income taxes	**60,681**	70,173	101,250	**730**
Information regarding non-cash investing and financing activities:				
Contribution of securities to pension trust	**—**	9,109	—	**—**
Non-monetary exchange of shares (Note 4):				
Fair market value of shares received	**45**	62	206	**1**
Costs of shares surrendered	**19**	108	208	**—**
Acquisitions of subsidiaries (Note 3):				
Fair value of assets acquired	**—**	182,581	345,678	**—**
Fair value of liabilities assumed	**—**	110,638	269,985	**—**
Acquisition costs of subsidiaries	**—**	71,943	75,693	**—**
Non-cash acquisition costs	**—**	49,026	42,330	**—**
Cash acquired	**—**	18,918	39,085	**—**
Acquisitions of subsidiaries, net of cash acquired	**—**	3,999	(5,722)	**—**

Refer to Notes to consolidated financial statements.

Notes to Consolidated Financial Statements

ITOCHU Corporation and Subsidiaries

1. Nature of Operations

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

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

(1) Basis of Financial Statements

The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates. The translation of Japanese yen amounts into U.S. dollar amounts for the year ended March 31, 2011 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥83.15= U.S.$1 (the official rate as of March 31, 2011 announced by The Bank of Tokyo-Mitsubishi UFJ, Ltd.). The translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

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

(2) Summary of Significant Accounting Policies

1) Basis of Consolidation

In accordance with Accounting Standard Codification (hereinafter referred to as "ASC") Topic 810, "Consolidation," the consolidated financial statements include the accounts of the Company and its directly or indirectly majority owned domestic and foreign subsidiaries and the variable interest entities for which the Company and its subsidiaries is the primary beneficiary. The accounts of the subsidiaries are included on the basis of their respective fiscal periods which end primarily on March 31 or within the three months prior to March 31.

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

2) Foreign Currency Translation

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

3) Cash Equivalents

In accordance with ASC Topic 230, "Statement of Cash Flows," the Company and its subsidiaries define cash equivalents as short-term (original maturities of three months or less), highly liquid investments which are readily convertible to cash and have insignificant risk of changes in value, including short-term time deposits.

4) Inventories

In accordance with ASC Topic 330, "Inventory," inventories are stated at the lower of cost, determined principally by the specific identification method, or market.

5) Marketable Securities and Other Investments

In accordance with ASC Topic 320, "Investments-Debt and Equity Securities," the Company and its subsidiaries classify certain investments included in "Short-term investments" and "Other investments" based upon their ability and intent as held-to-maturity, trading or available-for-sale securities. Held-to-maturity securities are reported at amortized cost, trading securities are reported at fair value with unrealized holding gains and losses included in earnings and available-for-sale securities are reported at fair value with unrealized holding gains and losses included in "Accumulated other comprehensive income (loss)" in stockholders' equity on a net-of-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).

In accordance with ASC Topic 325, "Investments–Others," on-marketable securities included in "Other investments" are reported at cost or the fair value if it is lower.

6) Investments in Associated Companies

The Company and its subsidiaries initially record investments in associated companies (generally, those in which the Company and its subsidiaries own 20% to 50% of the outstanding voting stocks) at cost and adjust the carrying amount of the investment to recognize 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 where a decline in value of an investment in an associated company is other than temporary, which includes but is not limited to the absence of an ability to recover the carrying amount of the investment or the inability of the investee to sustain an earning capacity which would justify the carrying amount of the investment.

7) Impaired Loans and Allowance for Doubtful Receivables

In accordance with ASC Topic 310, "Receivables," the Company and its subsidiaries measure impairment for certain loans based on the present value of expected future cash flows discounted at the loan's original effective interest rate, the loan's observable market price or the fair value of the underlying collateral if the loan is collateral dependent, and recognize an impairment by creating and adjusting a valuation allowance if the fair value of the loan is less than the recorded amount.

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

8) Long-lived Assets

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

9) Depreciation

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

10) Business Combinations

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

11) Goodwill and Other Intangible Assets

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

12) Noncontrolling Interests

In accordance with ASC Topic 810, "Consolidation," the noncontrolling interest is the portion of equity (net assets) in a subsidiary not attributable, directly or indirectly, to a parent and is represented as "Noncontrolling Interest" on the Consolidated Financial Statements.

"Minority interests" which was represented between Liabilities and Stockholders' Equity on the Consolidated Balance Sheets before this presentation guidance of ASC Topic 810, "Consolidation," was applied is classified to "Noncontrolling interest" in Equity on the Consolidated Balance Sheets, since the presentation guidance of ASC Topic 810, "Consolidation" is retroactively applied to the Consolidated Financial Statements. Likewise, "Minority interests" which was represented on Consolidated Statements of Income before is classified to "Net income attributable to the noncontrolling Interest" in the Consolidated Statements of Income.

13) Change in a Parent's Ownership Interest in a Subsidiary
In accordance with ASC Topic 810, "Consolidation," changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary are accounted for as equity transactions. Therefore, no gain or loss is recognized in consolidated net income or comprehensive income.

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

15) Oil and Gas Exploration and Development
In accordance with ASC Topic 932, "Extractive Activities–Oil and Gas," Oil and gas exploration and development costs are accounted for by the successful efforts method of accounting. The costs of acquiring properties, drilling and equipping exploratory wells, and development wells and related plants and equipment are capitalized and amortized using the unit-of-production method. Should the efforts to produce commercial reserves be determined unsuccessful, the costs are expensed. In January 2010, Accounting Standards Update ("ASU") No. 2010-03 "Oil and Gas Reserve Estimation and Disclosures," was issued. ASU 2010-03 updated parts of ASC Topic 932. The Company and its subsidiaries have adopted ASU No. 2010-03 from previous fiscal year.

16) Mining Operation
Mining exploration costs are expensed as incurred until the mining project has been established as commercially viable by a final feasibility study. Once a project is established as commercially viable, costs are capitalized as development costs and are amortized using the unit-of-production method based on the proven and probable reserves. In accordance with ASC Topic 930, "Extractive Activities-Mining," the stripping costs incurred during the production phases of the mine are accounted for as variable production costs that should be included in the costs of the inventory produced during the period that the stripping costs are incurred.

17) Asset Retirement Obligations
In accordance with ASC Topic 410, "Asset Retirement and Environmental Obligations," 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.

18) 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.

19) Retirement and Severance Benefits
The Company and certain subsidiaries have defined benefit pension plans covering substantially all of their employees. The costs of the defined benefit pension plans are accrued based on amounts determined using actuarial methods, in accordance with ASC Topic 715, "Compensation-Retirement Benefits." In addition, the Company and its subsidiaries recognize the funded status of a defined benefit pension plan—measured as the difference between plan assets at fair value and the projected benefit obligation—as an asset or a liability in its consolidated balance sheet. The net actuarial loss balance and prior service credit balance are required to be recognized as a component of "Accumulated other comprehensive income (loss)," net of tax in accordance with ASC Topic 715, "Compensation-Related Benefits."

20) Guarantees
In accordance with ASC Topic 460, "Guarantees," 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.

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

The Company and its subsidiaries recognize revenues from product sales, including wholesale, retail sales, manufactured product sales, processed product sales, the development of natural resources and the development and sale of real estate, at the time the delivery conditions agreed with customers are met. These conditions are usually considered to have been met when goods are received by the customer, the warehouse receipts are transferred or the acceptance from the customer is received. Depending on the nature of the contract, revenues from long-term construction are accounted for by the completed contract method unless the estimates of costs to complete and the extent of progress toward completion of long-term contracts are reasonably dependable, conditions that the contracts executed by the parties normally include provisions that clearly specify the enforceable rights regarding goods or services to be provided, the consideration to be exchanged, and the manner and terms of settlement; and the buyers and contractors can be expected to satisfy and perform all obligations under the contracts are met, in which case the Company and its subsidiaries use the percentage-of-completion method.

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

Reporting Revenue Gross versus Net

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

Trading Transactions

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

22) Advertising Costs

In accordance with ASC Topic 720, "Other Expenses," advertising costs are charged to expense when incurred.

23) Research and Development Costs

In accordance with ASC Topic 730, "Research and Development," research and development costs are charged to expense when incurred.

24) Costs Associated with Exit or Disposal Activities

In accordance with ASC Topic 420, "Exit or Disposal Cost Obligations," 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.

25) Income Taxes

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

According to ASC Topic 740, "Income Taxes," the Company and its subsidiaries recognize the financial statement effects of tax positions when it is more likely than not, based on the technical merits, that the tax positions will be sustained upon examination by the tax authorities. Benefits from tax positions that meet the more-likely-than-not recognition threshold are measured at the largest amount of benefit that has a greater than 50 percent likelihood of being realized upon settlement. Interest and penalties accrued related to unrecognized tax benefits are included in Income taxes in the Consolidated Statements of Income.

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

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

27) Comprehensive Income (Loss)

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

28) Derivative Instruments and Hedging Activities

In accordance with ASC Topic 815, "Derivatives and Hedging," the Company and its subsidiaries recognize all derivative instruments, such as foreign exchange contracts, interest rate swap contracts and futures contracts, in the Consolidated Balance Sheets at fair value, regardless of the purpose or intent for holding them, as either assets or liabilities. The accounting for changes in fair value depends on the intended use of the derivative instruments and resulting hedge effectiveness. All derivative instruments are recognized on the balance sheet at their fair value. The Company and its subsidiaries designate and account for derivative instruments as follows:

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

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

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

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

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

29) Fair Value Option

ASC Topic 825, "Financial Instruments," provides companies with an option to report selected financial assets and financial liabilities at fair value. The Company and its subsidiaries have not elected to measure any financial assets and financial liabilities at fair value which were not previously required to be measured at fair value.

30) Classification of Mineral Rights

In accordance with ASC Topic 932, "Extractive Activities–Oil and Gas," all mineral rights held by mining and oil- and gas- producing entities have been presented as tangible assets on the consolidated balance sheets.

31) 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.

32) Subsequent Events

In accordance with ASC Topic 855, "Subsequent Events," the Company and its subsidiaries recognize subsequent events (which are defined as events or transactions that occur after the balance sheet date but before financial statements are issued or available to be issued) and disclose them in the Consolidated Financial Statements.

(3) New Accounting Pronouncements

1) Accounting for Transfers of Financial Assets

In June 2009, Statement of Financial Accounting Standards (hereinafter regarded as to "SFAS,") 166 "Accounting for Transfers of Financial Assets–an amendment of FASB Statement No. 140" was issued and ASU No.2009-16, "Transfers and Servicing (ASC Topic 860)–Accounting for Transfers of Financial Assets," was issued.

SFAS 166 removes the concept of a qualifying special-purpose entity from Statement 140 and requires that a transferor recognize and initially measure at fair value all assets obtained (including a transferor's beneficial interest) and liabilities incurred as a result of a transfer of financial assets accounted for as a sale.

ASU No. 2009-16, "Transfer and Servicing (ASC Topic 860)" indicated SFAS 166 was codified into ASC Topic 860 "Transfer and Servicing." The Company and subsidiaries have adopted ASU No.2009-16 "Transfer and Servicing (ASC Topic 860)" from this fiscal year. Adoption of ASU No. 2009-16 does not significantly affect the financial position and results of operations of the Company and its subsidiaries.

2) Variable Interest Entities

In June 2009, SFAS 167, "Amendments to FASB Interpretation No. 46 (R)" was issued and ASU No.2009-17, "Consolidation (ASC Topic 810)–Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities," was issued.

SFAS 167 requires an enterprise to continuously perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity.

ASU No.2009-17 indicated SFAS 167 was codified into ASC Topic 810, "Consolidations." The Company and its subsidiaries have adopted ASU No. 2009-17 from this fiscal year. Adoption of ASU No. 2009-17 does not significantly affect the financial position an results of operations of the Company and its subsidiaries.

3) Disclosure of Financing Receivable

In July 2010, ASU No. 2010-20, "Receivables (ASC Topic 310)–Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses," was issued.

ASU No. 2010-20 requires an enterprise to modify and expand the existing disclosures for financing receivables, except for trade accounts receivable that have a contractual maturity of one year or less and arose from the sale of goods or services, or receivables measured at the lower of cost or fair value.

The Company and subsidiaries have adopted ASU No. 2010-20 from this fiscal year. However, in accordance with the issuance of ASU No. 2011-01, "Receivable (ASC Topic 310)–Deferral of Effective Date of Disclosure about Trouble Debt Restructuring in Update No. 2010-20," the Company and its subsidiaries have deferred the provision from ASU No. 2011-01 was effective upon its disclosures regarding troubled debt restructurings. The deferral amendment from ASU No. 2011-01 was effective upon its issuance in January 2011.

The detail of disclosure on ASU No. 2010-20, adopted from this fiscal year, is presented in note "6. Financing Receivables."

4) Trouble Debt Restructuring

In April 2011, ASU No. 2011-02, "Receivables (ASC Topic 310)–A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring," was issued.

ASU No. 2011-02 indicates the provisions about evaluating whether a restructuring constitutes a troubled debt restructuring and clarifies the guidance in this Update for more consistent application of U.S.GAAP for debt restructurings. ASU No. 2011-02 is effective for the first interim or annual period beginning on or after June 15, 2011. However, this guidance also is required to be applied retrospectively to the beginning of the annual period of adoption.

The effect of adopting ASU No. 2011-02 on the financial statements of the Company and its subsidiaries is currently under examination. However, it is believed that ASU No. 2011-02 will not significantly affect the financial position or results of operations of the Company and its subsidiaries.

5) Reconsideration of Effective Control for Repurchase Agreements

In April 2011, ASU No. 2011-03, "Transfers and Servicing (ASC Topic 860)–Reconsideration of Effective Control for Repurchase Agreements," was issued.

ASU No. 2011-03 indicates the amendments in this Update remove from the assessment of effective control (1) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (2) the collateral maintenance implementation guidance related to that criterion, which were both previously required under U.S. GAAP for repo transactions. ASU No. 2011-03 is effective for the first interim or annual period beginning on or after December 15, 2011. The effect of adopting ASU No. 2011-03 on the financial statements of the Company and its subsidiaries is currently under examination. However, it is believed that ASU No. 2011-03 will not significantly affect the financial position or results of operations of the Company and its subsidiaries.

6) Amendments of Fair Value Measurement and Disclosure

In May 2011, ASU No. 2011-04, "Fair Value Measurement (ASC Topic 820)–Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs," was issued.

ASU No. 2011-04 indicates the amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements, and others. ASU No. 2011-04 is effective for the first interim or annual period beginning on or after December 15, 2011. The effect of adopting ASU No. 2011-04 on the financial statements of the Company and its subsidiaries is currently under examination. However, it is believed that ASU No. 2011-04 will not significantly affect the financial position or results of operations of the Company and its subsidiaries.

(4) Reclassification

Certain reclassification and changes have been made to prior year amounts to conform to the current year's presentation.

3. Business Combinations

There were no significant business combinations for the year ended March 31, 2011.

Major business combinations for the year ended March 31, 2010 were as follows:

Acquisition of C.I. KASEI Co., Ltd.

On February 20, 2009, the Company issued a tender offer for C.I. KASEI Co., Ltd. ("C.I. KASEI"), an equity-method associated company (holding 35.9% of voting rights) whose primary business involves the manufacture and sale of decorative materials, agricultural materials, specialty films and packaging materials, and civil engineering and industrial materials. The acquisition of C.I. KASEI was intended to raise the Company's competitiveness in the synthetic resins processing business by expanding its scope of business and strengthening its functions. The Company also intends to expand its overseas business in combination with C.I. KASEI to bolster its overseas earning power and further improve efficiency by sharing resources in the processing of synthetic resins.

The tender offer closed on April 7, 2009, and the Company acquired an additional 57.3% of voting rights in C.I. KASEI. These rights, added to its previously held equity interest, raised the Company's ownership of C.I. KASEI to 93.2% of voting rights, and C.I. KASEI became a subsidiary of the Company.

The following table summarizes the estimated fair values of consideration paid, previously held equity interest and noncontrolling interest, as well as the assets acquired and liabilities assumed at the date of acquisition.

	Millions of Yen
	2010
Fair value of consideration paid (Note 1) (Note 2)	¥ 8,061
Fair value of previously held equity interest	4,992
Fair value of noncontrolling interest	2,814
Total	¥ 15,867
Fair value of assets acquired and liabilities assumed	
Current assets	¥ 39,071
Property and equipment, at cost	31,669
Other intangible assets	1,167
Other assets	8,576
Current liabilities	(40,901)
Non-current liabilities	(19,567)
Net assets	¥ 20,015

(Note 1) All consideration was paid in cash.
(Note 2) No contingent consideration was recognized.

The Company recorded the acquisition cost of ¥279 million in "selling, general and administrative expenses" related to this business combination. The fair values of the previously held equity interest and noncontrolling interest were calculated on the basis of C.I. KASEI's closing share price on the date of acquisition.

Upon remeasuring the fair value of its previously held equity interest, the Company recorded a loss of ¥1,552 million in "loss on investments–net." With regard to this loss, the Company recorded "income taxes–deferred" of ¥636 million.

As a result of the above, the fair value of assets acquired and liabilities assumed exceeded the total of the fair value of consideration paid, the fair value of previously held equity interest, and the fair value of noncontrolling interest by ¥4,148 million. The fair value of assets acquired and liabilities assumed is the result of due diligence, based on the best information available to the Company at the time of the due diligence. The Company recognizes this business combination as falling within the category of a bargain purchase transaction, as defined by ASC Topic 805. Accordingly, the Company has recognized this difference as a lump-sum profit for the year ended March 31, 2010 and recorded the amount in "gain on bargain purchase in acquisition." With regard to this profit, the Company also recorded ¥1,700 million in "income taxes–deferred."

Acquisition of ITOCHU LOGISTICS CORP.

On February 24, 2009, the Company issued a tender offer for ITOCHU LOGISTICS CORP. ("ITOCHU LOGISTICS"), (Corporate name was changed from i-LOGISTICS CORP. on January 1, 2010), an equity-method associated company (holding 47.8% of voting rights) whose primary business is international and domestic logistic services. The acquisition of ITOCHU LOGISTICS was intended to improve the Company's efficiency of management resources and heighten the competitiveness and functionality of its logistics business.

The tender offer closed on April 9, 2009, and the Company acquired an additional 47.1% of voting rights in ITOCHU LOGISTICS. These rights, added to its previously held equity interest, raised the Company's ownership of ITOCHU LOGISTICS to 94.9% of voting rights, and ITOCHU LOGISTICS became to a subsidiary of the Company.

The following table summarizes the estimated fair values of consideration paid, previously held equity interest and noncontrolling interest as well as the assets acquired and liabilities assumed at the date of acquisition.

	Millions of Yen
	2010
Fair value of consideration paid (Note 1) (Note 2)	¥ 5,055
Fair value of previously held equity interest	4,936
Fair value of noncontrolling interest	819
Total	¥10,810
Fair value of assets acquired and liabilities assumed	
Current assets	¥10,264
Property and equipment, at cost	12,019
Other intangible assets	1,268
Other assets	3,802
Current liabilities	(4,975)
Non-current liabilities	(6,587)
Net assets	¥15,791

(Note 1) All consideration was paid in cash.
(Note 2) No contingent consideration was recognized.

The Company recorded the acquisition cost of ¥151 million in "selling, general and administrative expenses" related to this business combination.

The fair values of the previously held equity interest and noncontrolling interest were calculated on the basis of ITOCHU LOGISTICS' closing share price on the date of acquisition.

Upon remeasuring the fair value of its previously held equity interest, the Company recorded a loss of ¥1,912 million in "loss on investments–net." With regard to this loss, the Company recorded "income taxes–deferred" of ¥784 million.

As a result of the above, the fair value of assets acquired and liabilities assumed exceeded the total for the fair value of consideration paid, the fair value of previously held equity interest, and the fair value of noncontrolling interest by ¥4,981 million. The fair value of assets acquired and liabilities assumed was the result of due diligence, based on the best information available to the Company at the time of the due diligence. The Company recognizes this business combination as falling within the category of a bargain purchase transaction, as defined by ASC Topic 805. Accordingly, the Company has recognized this difference as a lump-sum profit for the year ended March 31, 2010 and recorded the amount in "gain on bargain purchase in acquisition." With regard to this profit, the Company also recorded ¥2,042 million in "income taxes–deferred."

Acquisition of JAVA HOLDINGS CO., LTD.

The Company has previously held 35.0% of voting rights in JAVA HOLDINGS CO., LTD. ("JAVA HOLDINGS"), accounted for as an equity-method associated company whose primary business involves the design, manufacture and sale of women's and children's clothing. On November 13, 2009, the Company's percentage of voting rights increased to 65.0% as the result of JAVA HOLDINGS' reduction in the number of its shares outstanding, and JAVA HOLDINGS became a subsidiary of the Company.

Going forward, the Company and JAVA HOLDINGS plan to cooperate, expanding the business to provide even more attractive products and services on a stable and ongoing basis.

The following table summarizes the estimated fair values of the previously held equity interest following the increase in voting rights ("fair value of previously held equity interest following the acquisition"), noncontrolling interest, and the assets acquired and liabilities assumed at the date of acquisition.

	Millions of Yen
	2010
Fair value of previously held equity interest following the acquisition	¥ 15,400
Fair value of noncontrolling interest	9,207
Total	¥ 24,607
Fair value of assets acquired and liabilities assumed	
Current assets	¥ 11,520
Property and equipment, at cost	3,364
Other intangible assets	15,692
Other assets	5,626
Current liabilities	(9,210)
Non-current liabilities	(14,898)
Net assets	12,094
Goodwill	12,513
Total	¥ 24,607

(Note) No contingent consideration was recognized.

The goodwill was recognized as a result of consideration of the synergies that might be achieved with OEM apparel products. It is not deductible for tax purposes and has been assigned to the Textile operating segment.

The Company recorded the acquisition cost of ¥51 million in "selling, general and administrative expenses" related to this business combination.

The fair value of the previously held equity interest following the acquisition and the fair value of the noncontrolling interest were determined on a comprehensive basis, taking into account the status of financial and asset conditions, conducted through due diligence by a third party and a corporate valuation conducted using the discounted cash flow method and the share price multiple method by a financial advisor. The difference between the fair value of the previously held equity interest following the acquisition and the carrying value of previously held equity interest on the date of the acquisition of control was ¥1,975 million. This amount was recognized as a lump-sum profit and recorded in "loss on investments–net" for the year ended March 31, 2010. With regard to this profit, the Company also recorded ¥810 million in "income taxes–deferred."

Acquisition of Leilian Co., Ltd.

On January 26, 2010, the Company acquired shares in Leilian Co., Ltd. ("Leilian"), whose primary business is the sale of women's apparel. With regard to this acquisition, which resulted in the Company's ownership of 61.1% of Leilian's voting rights, Leilian became a subsidiary of the Company.

Going forward, the ITOCHU Group plans to enhance its product procurement capabilities and distribution efficiency on a global basis to offer high-value-added garment materials, thereby enhancing Leilian's corporate value. At the same time, ITOCHU plans to leverage Leilian's substantial client management expertise to invigorate its own apparel OEM business, increase its involvement in Japanese regions and markets and extend its business into overseas markets, centering on China.

The following table summarizes the estimated fair values of consideration paid, noncontrolling interest, and the assets acquired and liabilities assumed at the date of acquisition.

	Millions of Yen
	2010
Fair value of consideration paid (Note 1) (Note 2)	¥ 9,801
Fair value of noncontrolling interest	9,356
Total	¥19,157
Fair value of assets acquired and liabilities assumed	
Current assets	¥22,421
Property and equipment, at cost	6,892
Other intangible assets	1,134
Other assets	8,096
Current liabilities	(8,924)
Non-current liabilities	(5,576)
Net assets	¥24,043

(Note 1) All consideration was paid in cash.
(Note 2) No contingent consideration was recognized.

The Company recorded the acquisition cost of ¥99 million in "selling, general and administrative expenses" related to this business combination.

The consideration paid and the fair value of the noncontrolling interest were determined on a comprehensive basis, taking into account the status of financial and asset conditions conducted through due diligence by a third party and a corporate valuation conducted using the discounted cash flow method and the share price multiple method by a financial advisor.

As the above table indicates, the fair value of assets acquired and liabilities assumed exceeded the total of the fair value of consideration paid and the fair value of noncontrolling interest by ¥4,886 million. The Company recognizes this business combination as falling within the category of a bargain purchase transaction, as defined by ASC Topic 805. Accordingly, the Company has recognized this difference as a lump-sum profit for the year ended March 31, 2010 and recorded the amount in "gain on bargain purchase in acquisition." With regard to this profit, the Company also recorded ¥2,004 million in "income taxes–deferred."

Major business combinations for the year ended March 31, 2009 were as follows:

Acquisition of ITOCHU ENEX CO., LTD.

On October 1, 2008, the Company acquired ITOCHU ENEX CO., LTD. ("ITOCHU ENEX") by a reverse acquisition through a reorganization of petroleum trading and logistics businesses among the Company, ITOCHU Petroleum Japan Ltd. and ITOCHU ENEX. ITOCHU ENEX is mainly engaged in the wholesale of petroleum products and high-pressure gas and was previously accounted for as an equity-method associated company (holding 39.1% of the voting shares), and subsequent to the transaction is now a consolidated subsidiary As a result of the reorganization, ITOCHU ENEX succeeded the domestic, Japan-based import and export, sale of petroleum products (kerosene, gas oil and others) which had been previously conducted by the Company's Energy Trade Division ("the Petroleum Products Trade Business") and the petroleum products logistics businesses (such as chartering and operating tankers, supplying marine fuels, operating petroleum storage tanks and trading lubricating oil), which had been conducted by the Company's subsidiary, ITOCHU Petroleum Japan Ltd ("the IPCJ Business").

As consideration for the transfer of the Petroleum Products Trade Business and the IPCJ Business, the Company acquired an additional 13.1% of the voting shares of ITOCHU ENEX, by receiving an allotment and issuance of shares of common stock from ITOCHU ENEX. The transaction constituted a reverse acquisition, and as a result, the Company owned 52.2% of the voting shares of ITOCHU ENEX on October 1, 2008.

This business reorganization has centralized the petroleum product related businesses in ITOCHU ENEX, where as it was previously dispersed across Group companies. By this reorganization, the Company aims to establish and strengthen the Group's medium and long-term earnings platforms by increasing the efficiency and strength of those businesses while undertaking overseas trading transactions and investment even more aggressively.

The number of allotted shares was determined based on various factors including financial and asset profiles of ITOCHU ENEX, the Petroleum Products Trade Business and the IPCJ Business which were researched through due diligence processes conducted by independent professionals and multifaceted analyses using various valuation techniques (such as the multiple method, discounted cash flow method and market average share price method) conducted by financial advisors. As a result, the Company received an allotment and issuance of 25,148,809 shares of common stock of ITOCHU ENEX, with a fair value of ¥14,385 million.

The consolidated statement of income for the year ended March 31, 2009 includes the results of operations of ITOCHU ENEX from the date of acquisition. The financial results also include the difference between (i) the decrease in the net assets of the Petroleum Products Trade Business and the IPCJ Business to which ITOCHU ENEX succeeded and (ii) the fair value of the allotted shares, which resulted in a gain of ¥5,154 million included in "loss on investments–net," and the income taxes–deferred of ¥2,113 million.

In connection with the acquisition, ¥10,528 million was assigned to intangible assets subject to amortization. The intangible assets subject to amortization consist primarily of customer relationships of ¥7,895 million with an amortization period of five years.

The following table summarizes the estimated fair values of assets acquired and liabilities assumed at the date of acquisition.

	Millions of Yen
	2009
Current assets	¥ 164,611
Property and equipment, at cost	61,809
Goodwill and other intangible assets, less accumulated amortization	10,528
Investments and other non-current assets	28,679
Fair value of assets acquired	¥ 265,627
Current liabilities	¥(144,623)
Non-current liabilities	(38,017)
Fair value of liabilities assumed	(182,640)
Net assets	¥ 82,987

Note) Net assets include noncontrolling interest of ¥40,657 million in accordance with ASC Topic 805.

Acquisition of SANKEI Co., Ltd.

On October 2, 2008, the Company acquired 90.5% of the voting shares of SANKEI Co., Ltd. ("SANKEI"), which is mainly engaged in sales of garment accessories. The purchase price was ¥10,556 million. The Company aims to invigorate OEM apparel businesses and dramatically grow businesses related to both domestic production areas and overseas markets centered on China.

The purchase price was determined based on various factors, including SANKEI's financial and asset profile researched through due diligence processes conducted by independent professionals and a thorough valuation analysis (using mainly the discounted cash flow method) conducted by a financial advisor.

The consolidated financial statements for the year ended March 31, 2009 include the results of operations of SANKEI from the date of acquisition. In connection with the acquisition, ¥8,915 million was assigned to goodwill. The goodwill is not deductible for tax purposes and has been assigned to the Textile operating segment.

The following table summarizes the estimated fair values of assets acquired and liabilities assumed at the date of acquisition.

	Millions of Yen
	2009
Current assets	¥ 26,150
Property and equipment, at cost	11,352
Goodwill and other intangible assets, less accumulated amortization	9,112
Investments and other non-current assets	7,484
Fair value of assets acquired	¥ 54,098
Current liabilities	¥(41,647)
Non-current liabilities	(1,291)
Fair value of liabilities assumed	(42,938)
Net assets	¥ 11,160

(Note) Net assets include noncontrolling interest of ¥604 million in accordance with ASC Topic 805.

Acquisition of Commonwealth Chesapeake Power Station

The Company engages in IPP businesses, mainly in North America, Asia, and the Near Middle east, and establishes its asset portfolio through new investments, acquisitions and replacements of assets.

On February 13, 2008, the Company acquired, through its subsidiary Tyr Energy, Inc. (Fiscal year end: December), the entire interests of Commonwealth Chesapeake Power Station, New Church, State of Virginia, the United States ("Chesapeake"), and established a new subsidiary, Tyr Chesapeake, LLC, of which the Company owns 100% of the voting shares of Chesapeake. This acquisition is one part of the Company's asset portfolio in North America, which is expected to exhibit steady growth in the demand for electric power in the IPP business. The purchase price was ¥22,807 million. By acquiring its interest, the Company aims to maximize the value of the invested assets through utilizing the expertise of the Group.

The purchase price was determined based on various factors, including Chesapeake's financial and asset profile, as researched through due diligence processes conducted by independent professionals and a thorough valuation analysis (mainly using the discounted cash flow method) conducted by a financial advisor.

The consolidated financial statements for the year ended March 31, 2009 include the results of operations of Chesapeake from the date of acquisition. In connection with the acquisition, ¥1,489 million was assigned to goodwill. The goodwill is not deductible for tax purposes and has been assigned to the Machinery operating segment.

The following table summarizes the estimated fair values of assets acquired and liabilities assumed at the date of acquisition.

	Millions of Yen
	2009
Current assets	¥ 361
Property and equipment, at cost	23,133
Goodwill and other intangible assets, less accumulated amortization	1,489
Investments and other non-current assets	970
Fair value of assets acquired	¥25,953
Current liabilities	¥ (9)
Non-current liabilities	(3,137)
Fair value of liabilities assumed	(3,146)
Net assets	¥22,807

4. Marketable Securities and Investments

Debt and Marketable Equity Securities

The Company and its subsidiaries classify debt and marketable equity securities with readily determinable fair value as "trading securities" and, "available-for-sale securities" and "held-to-maturity securities." The cost, gross unrealized holding gains, gross unrealized holding losses and fair value of available-for-sale and held-to-maturity securities by major security type as of March 31, 2011 and 2010 were as follows:

	Millions of Yen			
	2011			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available-for-sale:				
Equity securities	**¥198,592**	**¥87,925**	**¥5,456**	**¥281,061**
Debt securities	**31,175**	**174**	**907**	**30,442**
Subtotal	**229,767**	**88,099**	**6,363**	**311,503**
Held-to-maturity:				
Debt securities	**172**	**—**	**—**	**172**
Total	**¥229,939**	**¥88,099**	**¥6,363**	**¥311,675**

	Millions of Yen			
	2010			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available-for-sale:				
Equity securities	¥169,333	¥64,955	¥7,024	¥227,264
Debt securities	22,179	54	397	21,836
Subtotal	191,512	65,009	7,421	249,100
Held-to-maturity:				
Debt securities	45	—	—	45
Total	¥191,557	¥65,009	¥7,421	¥249,145

	Millions of U.S. Dollars			
	2011			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available-for-sale:				
Equity securities	**$2,388**	**$1,058**	**$66**	**$3,380**
Debt securities	**375**	**2**	**11**	**366**
Subtotal	**2,763**	**1,060**	**77**	**3,746**
Held-to-maturity:				
Debt securities	**2**	**—**	**—**	**2**
Total	**$2,765**	**$1,060**	**$77**	**$3,748**

The carrying amounts of available-for-sale debt securities included in cash and cash equivalents in the consolidated balance sheets were ¥15,599 million ($188 million) and ¥13,598 million as of March 31, 2011 and 2010, respectively. In addition to the securities listed above, the Company and its subsidiaries held trading securities carried at fair value of ¥798 million ($10 million) and ¥6,701 million as of March 31, 2011 and 2010, respectively. The portion of net trading gains and losses for the years ended March 31, 2011 and 2010 that relates to trading securities still held at March 31, 2011 and 2010 were gains of ¥9 million ($0 million) and losses of ¥175 million, respectively. The impairment losses of the available-for-sale marketable securities in which declines in fair value below the amortized cost basis are other than temporary for the years ended March 31, 2011, 2010 and 2009 were ¥14,757 million ($177 million), ¥7,051million and ¥41,661 million, respectively. In accordance with ASC Topic 325, "Investments–Other," the Company and its subsidiaries recognized gains and losses on the exchange of its investment securities in connection with certain business combinations resulting in gains of ¥26 million ($0 million), losses of ¥46 million and ¥2 million for the years ended March 31, 2011, 2010 and 2009, respectively, which are included in "Loss on investments–net" in the consolidated statements of income.

Securities with gross unrealized holding losses and the length of time that such individual securities have been in a continuous unrealized loss position as of March 31, 2011 and 2010 were as follows:

	Millions of Yen					
	2011					
	Less than twelve months		Twelve months or longer		Total	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
Available-for-sale:						
Equity securities	**¥63,217**	**¥5,456**	**—**	**—**	**¥63,217**	**¥5,456**
Debt securities	**7,285**	**907**	**—**	**—**	**7,285**	**907**
Total	**¥70,502**	**¥6,363**	**—**	**—**	**¥70,502**	**¥6,363**

	Millions of Yen					
	2010					
	Less than twelve months		Twelve months or longer		Total	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
Available-for-sale:						
Equity securities	¥58,286	¥7,024	—	—	¥58,286	¥7,024
Debt securities	3,402	397	—	—	3,402	397
Total	¥61,688	¥7,421	—	—	¥61,688	¥7,421

	Millions of U.S. Dollars					
	2011					
	Less than twelve months		Twelve months or longer		Total	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
Available-for-sale:						
Equity securities	**$760**	**$66**	**—**	**—**	**$760**	**$66**
Debt securities	**88**	**11**	**—**	**—**	**88**	**11**
Total	**$848**	**$77**	**—**	**—**	**$848**	**$77**

At March 31, 2011 and 2010, the Company and its subsidiaries held the securities of 120 and 94 issuers, respectively, with an unrealized holding loss in its available-for-sale portfolio. The unrealized losses on these securities, which consist primarily of customers of various industries, were due principally to the general decline in the securities markets. The severity of decline in fair value below cost ranged from 0.4% to 29.9% and from 0.3% to 29.9%, respectively, and the duration of the impairment was less than 9 months. As a result of evaluation of the individual severity and duration of the impairment of these securities and the prospects of the issuer, the Company and its subsidiaries concluded the fair value of these securities would recover in the near term. Based on that evaluation and the Company and its subsidiaries' intent and ability to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Company and its subsidiaries did not consider these investments to be other-than-temporarily impaired at March 31, 2011 and 2010.

The contractual maturities of debt securities classified as available-for-sale and held-to-maturity as of March 31, 2011 were as follows:

	Millions of Yen		Millions of U.S. Dollars	
	Cost	Fair Value	Cost	Fair Value
Available-for-sale:				
Due within one year	**¥18,482**	**¥18,341**	**$222**	**$221**
Due after one year through five years	**7,088**	**6,402**	**85**	**77**
Due after five years through ten years	**2,785**	**2,850**	**33**	**34**
Due after ten years	**2,820**	**2,849**	**34**	**34**
Total	**¥31,175**	**¥30,442**	**$374**	**$366**
Held-to-maturity:				
Due within one year	**¥ 20**	**¥ 20**	**$ 0**	**$ 0**
Due after one year through five years	**152**	**152**	**2**	**2**
Due after five years through ten years	**—**	**—**	**—**	**—**
Due after ten years	**—**	**—**	**—**	**—**
Total	**¥ 172**	**¥ 172**	**$ 2**	**$ 2**

The gross realized gains and losses on sales of available-for-sale securities for the years ended March 31, 2011, 2010 and 2009 were gains of ¥1,248 million ($15 million), ¥12,302 million and ¥6,513 million and losses of ¥590 million ($7 million), ¥391 million and ¥362 million, respectively. The proceeds from sales of available-for-sale securities were ¥9,066 million ($109 million), ¥14,966 million and ¥15,108 million for the years ended March 31, 2011, 2010 and 2009, 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 ¥199,432 million ($2,399 million) and ¥215,233 million as of March 31, 2011 and 2010, respectively.

The estimation of the corresponding fair values at those dates was not practicable, as the fair value of cost-method investments held by the Company and its subsidiaries are not readily determinable at each balance sheet date.

In case of the identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment, the Company would estimate the fair value of investments and recognize losses, if any, to reflect the other-than-temporary decline in the value of the investments. The carrying amounts of cost method investments were ¥99,018 million ($1,191 million) and ¥103,741 million as of March 31, 2011 and 2010, respectively.

Additionally, investments with an aggregate carrying amount of ¥95,665 million ($1,151 million) and ¥101,431 million were not estimated at fair value in order to reflect the other-than-temporary decline in the value of the investments as of March 31, 2011 and 2010, respectively.

5. Investments in and Advances to Associated Companies

The Company and its subsidiaries account for investments in associated companies (generally companies owned 20% to 50%) by the equity-method. Significant equity-method investees include Century Tokyo Leasing Corporation (20.2%), Orient Corporation (23.7%), Marubeni-Itochu Steel Inc. (50.0%), FamilyMart Co., Ltd. (31.7%), Brazil Japan Iron Ore Corporation (47.7%) and TING HSIN (CAYMAN ISLANDS) HOLDING CORP. (25.2%). The percentages shown parenthetically are voting shares held by the Company and its subsidiaries at March 31, 2011.

Investments in and advances to associated companies as of March 31, 2011 and 2010 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	**2011**
Investments in associated companies	**¥970,579**	¥915,731	**$11,673**
Advances to associated companies	**14,737**	22,958	**177**
Total	**¥985,316**	¥938,689	**$11,850**

Summarized financial information in respect of associated companies for the years ended March 31, 2011, 2010 and 2009 was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Current assets	¥4,916,581	¥4,726,820	$ 59,129
Non-current assets, principally property and equipment	4,316,494	4,341,770	51,912
Total assets	¥9,233,075	¥9,068,590	$111,041
Current liabilities	¥4,373,255	¥4,058,924	$ 52,595
Long-term debt and others	2,644,381	2,881,365	31,802
Stockholders' equity	2,155,473	2,039,835	25,923
Noncontrolling interest	59,966	88,466	721
Total liabilities and stockholders' equity	¥9,233,075	¥9,068,590	$111,041

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Total trading transactions	¥7,727,169	¥6,786,973	¥7,478,281	$92,930
Gross trading profit	1,405,453	1,330,031	1,356,840	16,903
Net income	218,328	193,817	156,651	2,626
Net income attributable to shareholders of associated companies	211,239	193,366	156,367	2,540

Total trading transactions and purchases by the Company and its subsidiaries with associated companies for the years ended March 31, 2011, 2010 and 2009 were summarized as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Total trading transactions	¥766,225	¥719,937	¥652,515	$9,215
Purchases	¥202,374	¥159,038	¥296,652	$2,434

Dividends received from associated companies for the years ended March 31, 2011, 2010 and 2009 were ¥25,380 million ($305 million), ¥19,475 million and ¥19,006 million, respectively.

The Company and its subsidiaries invest in associated companies which issue convertible preference stocks. The Company and its subsidiaries' shares of reported profits and losses might be diluted by possible conversions of those preference stocks, and accordingly this may have a material effect on the results of operations of the Company and its subsidiaries.

Investments in the common stock of equity-method associated companies include marketable equity securities with carrying amounts of ¥277,431 million ($3,337 million) and ¥289,295 million at March 31, 2011 and 2010, respectively. Corresponding aggregate quoted market values were ¥247,312 million ($2,974 million) and ¥255,177million at March 31, 2011 and 2010, respectively.

The differences between the carrying amounts of the investments in equity-method associated companies and the Company and its subsidiaries' equity in the underlying net assets of such equity-method associated companies were ¥225,794 million ($2,716 million) and ¥229,833 million at March 31, 2011 and 2010, respectively. The differences consist of certain fair value adjustments (net of taxes) at the time of the investments in equity-method associated companies and equity-method goodwill. The fair value adjustments are primarily attributed to land and intangible assets.

The Company recognized impairment losses of ¥11,118 million ($133 million), ¥5,638 million ($68 million) and ¥2,395 million ($29 million) on equity-method investments in Orient Corporation, Prima Meat Packers, Ltd. and GOODMAN Co., LTD., respectively, during the year ended March 31, 2011. The Company recognized impairment losses of ¥11,928 million and ¥4,020 million on equity-method investments in Orient Corporation and Yoshinoya Holdings Co., Ltd., respectively, during the year ended March 31, 2010. The Company recognized impairment losses of ¥10,752 million and ¥2,628 million on equity-method investments in Orient Corporation and Yoshinoya Holdings Co., Ltd., respectively, during the year ended March 31, 2009. Considering the discounted cash flow analysis prepared by third party appraisers and the quoted market prices of the equity-method investments, the Company recognized the difference between the carrying amount and estimated fair value as an impairment loss, as the result of the judgment of an other-than-temporary decline. The above-mentioned impairment losses were included in "Equity in earnings of associated companies" in the accompanying consolidated statements of income.

6. Financing Receivables

ASC Topic 310, "Receivables," requires information regarding financing receivables to be disclosed at disaggregated levels known as classes and portfolio segments of financing receivables. In regards to this disaggregation, the Company and its subsidiaries disclose this information in the categories of commercial receivables and consumer receivables. Financing receivables include loan receivables, note receivables, lease receivables (other than operating lease), and trade account receivables (except one year or less).

In the majority of the transactions conducted by the Company and its subsidiaries, the counterparties are corporations. For these transactions, the Company and its subsidiaries bear the risk from uncollectible trading receivables and loans held by the Group, due to the deteriorating credit status or insolvency of the counterparties. This risk is managed on the basis of such information as individual counterparty credit ratings and financial information. Certain subsidiaries conduct transactions with consumers, such as car finance and motorbike loans. The risk of consumer transactions cannot be measured by credit ratings or financial reports, and accordingly this risk is managed on the basis of such information as the number of days past due or the number of late payments.

(1) Information regarding credit risks

The Company and its subsidiaries evaluate credit risk considering the financial condition and the payment status of debtors. For receivables that are considered to have a high degree of credit risk based on financial statement information or on whether or not legal procedures have commenced, the Company and its subsidiaries estimate the uncollectible amount individually and record the required provision for doubtful receivables, which accordingly are classified as receivables for individual allowance. Other financing receivables are classified as general receivables, and for these receivables, the allowance for doubtful receivables is recorded in accordance with credit risk, which is based on historical trends in collection and write-off history. On a quarterly basis, the Company and its subsidiaries reevaluate the classification of receivables into the categories of general receivables and receivables for individual allowance.

The following table provides information by class regarding general receivables and receivables for individual allowance as of March 31, 2011.

	Millions of Yen		
	2011		
	Commercial Receivables	Consumer Receivables	Total
General receivables	**¥275,179**	**¥43,709**	**¥318,888**
Receivables for individual allowance	**58,209**	**755**	**58,964**
Total	**¥333,388**	**¥44,464**	**¥377,852**

	Millions of U.S.Dollars		
	2011		
	Commercial Receivables	Consumer Receivables	Total
General receivables	**$3,309**	**$526**	**$3,835**
Receivables for individual allowance	**700**	**9**	**709**
Total	**$4,009**	**$535**	**$4,544**

(2) Nonaccrual and past due financing receivables

The Company and its subsidiaries consider a receivable to be past due if payment has not been received by the contracted payment date. A receivable is placed on nonaccrual status if interest payments have not been received from the debtor despite the passage of a considerable period of time after the contracted interest payment date, or if the debtor is considered to be insolvent or effectively bankrupt. In general, interest income on nonaccrual receivables is recognized on a cash basis.

The following table provides information by class regarding past due financing receivables as of March 31, 2011.

	Millions of Yen		
	2011		
	Commercial Receivables	Consumer Receivables	Total
Current (not yet due) or 1–180 Days Past Due	**¥277,787**	**¥43,106**	**¥320,893**
181–359 Days Past Due	**512**	**1,006**	**1,518**
360 Days or more Past Due	**55,089**	**352**	**55,441**
Total	**¥333,388**	**¥44,464**	**¥377,852**

	Millions of U.S.Dollars		
	2011		
	Commercial Receivables	Consumer Receivables	Total
Current (not yet due) or 1–180 Days Past Due	**$3,340**	**$519**	**$3,859**
181–359 Days Past Due	**6**	**12**	**18**
360 Days or more Past Due	**663**	**4**	**667**
Total	**$4,009**	**$535**	**$4,544**

The following table provides information by class regarding nonaccrual financing receivables and financing receivables that were past due 90 days or more but had not been placed on nonaccrual status by class as of March 31, 2011.

	Millions of Yen		
	2011		
	Commercial Receivables	Consumer Receivables	Total
Nonaccrual Financing receivables	**¥46,581**	**¥ 743**	**¥47,324**
Financing receivables past due 90 days or more and still accruing	**1,116**	**1,803**	**2,919**

	Millions of U.S.Dollars		
	2011		
	Commercial Receivables	Consumer Receivables	Total
Nonaccrual Financing receivables	**$560**	**$ 9**	**$569**
Financing receivables past due 90 days or more and still accruing	**13**	**22**	**35**

(3) Allowance for doubtful receivables

If it is probable that a loss has occurred at the date of the financial statements and the amount of the loss can be reasonably estimated, the Company and its subsidiaries record the estimated amount of the loss as an allowance for doubtful receivables. The Company and the majority of its subsidiaries conduct transactions with corporations, but certain subsidiaries conduct transactions with consumers. For commercial receivables, the Company and its subsidiaries estimate the uncollectible amount individually based on financial statement information and whether or not legal procedures have commenced, and record the required provision as an allowance for doubtful receivables. For commercial receivables for which it is determined that an allowance for doubtful receivables does not need to be recorded individually, an allowance for doubtful receivables is recorded based on historical trends in collection and write-off history. For consumer receivables, the allowance for doubtful receivables is recorded based on the number of days past due or the number of late payments.

The Company and its subsidiaries charge off uncollectible receivables when they are determined to be written off by legal procedures or it becomes apparent that they are uncollectible based on the financial condition and the payment status of debtors.

An analysis of the changes in the allowance for doubtful receivables for the years ended March 31, 2011, 2010 and 2009 was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	**2011**
Balance at beginning of year	**¥ 74,709**	¥74,573	¥ 68,948	**$ 898**
Provision for doubtful receivables	**9,398**	7,045	16,742	**113**
Charge-offs	**(18,746)**	(8,062)	(14,858)	**(225)**
Other	**(3,100)**	1,153	3,741	**(38)**
Balance at end of year	**¥ 62,261**	¥74,709	¥ 74,573	**$ 748**

Note: "Other" consisted primarily of the effects due to changes in the number of consolidated subsidiaries and translation adjustments.

ASC Topic 310, "Receivables," requires information to be disclosed regarding the changes in the allowance for doubtful receivables related to financing receivables by portfolio segment for the three months ended March 31, 2011.

The information for the three months ended March 31, 2011 was as follows:

	Millions of Yen		
	2011		
	Commercial Receivables	Consumer Receivables	Total
Balance at beginning of the 4th quarter	**¥ 58,028**	**¥1,655**	**¥ 59,683**
Provision for doubtful receivables	**3,829**	**1,040**	**4,869**
Charge-offs	**(11,923)**	**(838)**	**(12,761)**
Other	**(907)**	**(23)**	**(930)**
Balance at end of year	**¥ 49,027**	**¥1,834**	**¥ 50,861**

	Millions of U.S.Dollars		
	2011		
	Commercial Receivables	Consumer Receivables	Total
Balance at beginning of the 4th quarter	**$ 698**	**$ 20**	**$ 718**
Provision for doubtful receivables	**46**	**12**	**58**
Charge-offs	**(143)**	**(10)**	**(153)**
Other	**(11)**	**0**	**(11)**
Balance at end of year	**$ 590**	**$ 22**	**$ 612**

Note: "Other" consisted primarily of the effects due to changes in the number of consolidated subsidiaries and translation adjustments.

The following table provides information by portfolio segment regarding the allowance for doubtful receivables, as of March 31, 2011.

	Millions of Yen		
	2011		
	Commercial Receivables	Consumer Receivables	Total
Allowance for doubtful receivables recorded based on historical trends in collection of past due amounts and write-off history	**¥ 2,851**	**¥1,722**	**¥ 4,623**
Individual allowance	**46,176**	**62**	**46,238**
Total	**¥49,027**	**¥1,834**	**¥50,861**

	Millions of U.S.Dollars		
	2011		
	Commercial Receivables	Consumer Receivables	Total
Allowance for doubtful receivables recorded based on historical trends in collection of past due amounts and write-off history	**$ 35**	**$21**	**$ 56**
Individual allowance	**555**	**1**	**556**
Total	**$590**	**$22**	**$612**

As of March 31, 2011, the balance of the allowance for doubtful receivables related to "financing receivables acquired with deteriorated credit quality," under ASC Topic 310, "Receivables," was not significant.

The following table provides information regarding the financing receivables related to the allowance for doubtful receivables above, as of March 31, 2011.

	Millions of Yen		
	2011		
	Commercial Receivables	Consumer Receivables	Total
Financing Receivables for allowance for doubtful receivables recorded based on historical trends in collection of past due amounts and write-off history	**¥232,320**	**¥43,696**	**¥276,016**
Financing Receivables for Individual allowance	**58,209**	**755**	**58,964**
Total	**¥290,529**	**¥44,451**	**¥334,980**

	Millions of U.S.Dollars		
	2011		
	Commercial Receivables	Consumer Receivables	Total
Financing Receivables for allowance for doubtful receivables recorded based on historical trends in collection of past due amounts and write-off history	**$2,794**	**$526**	**$3,320**
Financing Receivables for Individual allowance	**700**	**9**	**709**
Total	**$3,494**	**$535**	**$4,029**

As of March 31, 2011, the carrying amount of “financing receivables acquired with deteriorated credit quality” under ASC Topic 310, “Receivables,” was not significant.

The amounts of significant purchase and sales of financing receivables for the three months ended March 31, 2011 were ¥5,148 million ($62million) and ¥2,034 million ($24 million), respectively, which were all classified as commercial receivables.

(4) Impaired loans

The Company and its subsidiaries measure impairment for certain loans based on the present value of expected future cash flows discounted at the loan’s original effective interest rate, the loan’s observable market price, or the fair value of the underlying collateral if the loan is collateral dependent. An impairment is recognized if the fair value of the loan is less than the recorded amount.

The carrying amounts of impaired loans and the allowance for doubtful receivables related to those impaired loans as of March 31, 2011 and 2010 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Impaired loans	**¥58,964**	¥69,800	**$709**
Allowance for doubtful receivables related to those impaired loans	**46,238**	59,876	**556**

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, 2011, 2010 and 2009 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Average amounts of impaired loans	**¥64,832**	¥72,629	¥71,861	**$774**

The amounts of interest income recognized on the impaired loans for the years ended March 31, 2011, 2010 and 2009 were not significant.

The following table provides information by class regarding impaired loans and the allowance for doubtful receivables related to those impaired loans as of March 31, 2011.

	Millions of Yen		
	2011		
	Commercial Receivables	Consumer Receivables	Total
Impaired loans	**¥58,209**	**¥755**	**¥58,964**
Allowance for doubtful receivables related to those impaired loans	**46,176**	**62**	**46,238**

	Millions of U.S.Dollars		
	2011		
	Commercial Receivables	Consumer Receivables	Total
Impaired loans	**$700**	**$9**	**$709**
Allowance for doubtful receivables related to those impaired loans	**555**	**1**	**556**

7. Impairment of Long-lived Assets

The Company and its subsidiaries recognized impairment losses on long-lived assets of ¥36,574 million ($440 million), ¥8,835 million and ¥43,242 million for the years ended March 31, 2011, 2010 and 2009, respectively, which were included in “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 for the year ended March 31, 2011. The impairments were generally due to the deterioration of earnings and expected cash flows. In addition, in the Other, Adjustments & Eliminations operating segment, the planned disposal of company condominiums were measured at fair value and recognized impairment losses. Also, primarily Food operating segment recognized the impairment losses on Buildings, Machinery and equipment as a result of the Great East Japan Earthquake. The impaired assets were primarily Mineral rights in the Energy, Metals & Minerals operating segment for the year ended March 31, 2010. The impairments were generally due to the deterioration of earnings and expected cash flows. The impaired assets for the year ended March 31, 2009 were primarily Mineral rights, Machinery and equipment in the Energy, Metals & Minerals operating segment and golf courses in the Finance, Realty, Insurance & Logistics Services operating segment. The impairments were generally due to the deterioration of earnings and expected cash flows. For a discussion regarding the impairment losses on the Entrada Oil and Natural Gas Project in the U.S. Gulf of Mexico of ¥29,207 million, refer to Note 23 “Regarding Loss Relating to the Entrada Oil and Natural Gas Project in the U.S. Gulf of Mexico.”

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, 2011, 2010 and 2009 by operating segment were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Textile	**¥ 135**	¥ 38	¥ 105	**$ 2**
Machinery	**205**	—	936	**2**
ICT, Aerospace & Electronics	**46**	172	684	**0**
Energy, Metals & Minerals	**23,923**	7,443	36,222	**288**
Chemicals, Forest Products & General Merchandise	**1,093**	557	1,337	**13**
Food	**5,554**	625	1,245	**67**
Finance, Realty, Insurance & Logistics Services	**1,396**	—	2,706	**17**
Other, Adjustments & Eliminations	**4,222**	—	7	**51**
Total	**¥36,574**	¥8,835	¥43,242	**$440**

8. Pledged Assets

The following assets were pledged as collateral at March 31, 2011 and 2010:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Cash and cash equivalents and time deposits	**¥ 1,114**	¥ 947	**$ 13**
Trade receivables	**26,010**	26,752	**313**
Inventories	**8,884**	11,719	**107**
Investments and non-current receivables	**17,939**	20,042	**216**
Property and equipment, at cost, less accumulated depreciation	**27,688**	34,412	**333**
Total	**¥81,635**	¥93,872	**$982**

Collateral was pledged to secure the following obligations at March 31, 2011 and 2010:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Trade payables and others	**¥ 2,935**	¥ 4,170	**$ 35**
Short-term debt	**6,056**	11,238	**73**
Long-term debt	**14,124**	17,508	**170**
Total	**¥23,115**	¥32,916	**$278**

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, 2011 and 2010 comprised the following:

	Millions of Yen				Millions of U.S. Dollars	
	2011		2010		2011	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Trademarks	**¥ 43,800**	**¥ (6,909)**	¥ 52,846	¥(12,575)	**$ 527**	**$ (83)**
Software	**73,547**	**(38,080)**	69,753	(38,742)	**885**	**(458)**
Other	**38,532**	**(17,529)**	43,419	(16,400)	**463**	**(211)**
Total	**¥155,879**	**¥(62,518)**	¥166,018	¥(67,717)	**$1,875**	**$(752)**

Intangible assets subject to amortization acquired during the year ended March 31, 2011 totaled ¥19,164 million ($230 million), and consisted primarily of software of ¥15,840 million ($190 million). The weighted average amortization period for software that was acquired during the year ended March 31, 2011 was 5 years.

Impairment losses of intangible assets subject to amortization during the years ended March 31, 2011, 2010 and 2009 were ¥2,047 million ($25 million), ¥1,515 million and ¥1,750 million, respectively.

The impairment losses during the year ended March 31, 2011 mainly consisted of customer contracts of ¥617 million ($7 million), marketing relationships of ¥563 million ($7 million) and customer relationships of ¥359 million ($4 million). The impairment losses during the year ended March 31, 2010 mainly consisted of customer relationships of ¥391 million, trademarks of ¥308 million and software of ¥276 million. The impairment losses during the year ended March 31, 2009 mainly consisted of trademarks of ¥794 million and software of ¥575 million. The impairment losses of intangible assets subject to amortization were included in "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, 2011, 2010 and 2009 were ¥17,183 million ($207 million), ¥16,782 million and ¥13,258 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
2012	¥15,835	$190
2013	14,323	172
2014	10,407	125
2015	6,768	81
2016	4,640	56

The carrying amount of intangible assets with indefinite useful lives which are therefore not subject to amortization comprised the following at March 31, 2011 and 2010:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	**2011**
Trademarks	**¥ 392**	¥ 694	**$ 4**
Unlimited land lease	**1,327**	1,424	**16**
Other	**1,313**	1,430	**16**
Total	**¥3,032**	¥3,548	**$36**

Intangible assets with indefinite useful lives which were not subject to amortization acquired during the year ended March 31, 2011, totaled ¥26 million ($0 million), and mainly consisted of an unlimited land lease of ¥13 million ($0 million).

Impairment losses of intangible assets with indefinite useful lives which are not subject to amortization during the years ended March 31, 2011, 2010 and 2009 were ¥263 million ($3 million), ¥359 million and ¥853 million, respectively.

The impairment losses which mainly consisted of trademarks during the years ended March 31, 2011, 2010 and 2009 were ¥241 million ($3 million), ¥309 million and ¥455 million, respectively. The impairment losses for all years were included in "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, 2011 and 2010 were as follows:

	Millions of Yen								
	Textile	Machinery	ICT, Aerospace & Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other	Total
Balance at March 31, 2009	¥ 8,966	¥ 4,991	¥36,609	¥ 1,119	¥8,416	¥20,434	¥1,783	¥ 5,242	¥ 87,560
Acquired	12,513	—	—	—	—	—	—	1,171	13,684
Impairment losses	—	(1,233)	—	—	—	—	—	(696)	(1,929)
Other changes (Note)	1,733	(550)	—	13	85	490	2	(1,031)	742
Balance at March 31, 2010	¥23,212	¥ 3,208	¥36,609	¥ 1,132	¥8,501	¥20,924	¥1,785	¥ 4,686	¥100,057
Acquired	**—**	**71**	**—**	**108**	**404**	**—**	**—**	**161**	**744**
Impairment losses	**—**	**—**	**—**	**(1,193)**	**—**	**—**	**(133)**	**(2,387)**	**(3,713)**
Other changes (Note)	**(670)**	**(376)**	**—**	**(47)**	**(562)**	**—**	**(13)**	**(747)**	**(2,415)**
Balance at March 31, 2011	**¥22,542**	**¥ 2,903**	**¥36,609**	**¥ —**	**¥8,343**	**¥20,924**	**¥1,639**	**¥ 1,713**	**¥ 94,673**

Note: "Other changes" primarily consists of translation adjustments, disposals and certain fair value adjustments resulting from business combinations.

	Millions of U.S. Dollars								
	Textile	Machinery	ICT, Aerospace & Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other	Total
Balance at March 31, 2010	$279	$ 39	$440	$ 14	$102	$252	$ 21	$ 56	$1,203
Acquired	**—**	**1**	**—**	**1**	**5**	**—**	**—**	**2**	**9**
Impairment losses	**—**	**—**	**—**	**(14)**	**—**	**—**	**(1)**	**(29)**	**(44)**
Other changes (Note)	**(8)**	**(5)**	**—**	**(1)**	**(7)**	**—**	**(0)**	**(8)**	**(29)**
Balance at March 31, 2011	**$271**	**$ 35**	**$440**	**$ —**	**$100**	**$252**	**$ 20**	**$ 21**	**$1,139**

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 ¥3,713 million ($44 million), ¥1,929 million and ¥340million, were recognized during the years ended March 31, 2011, 2010 and 2009, respectively. The impairment losses were included in "Other–net" in the consolidated statements of income. For the year ended March 31, 2011, an impairment loss in the Energy, Metals & Minerals segment was recognized by mainly Kansas Energy LLC, which operates wholesale of natural gas in the U.S.A and impairment losses in the Other segment were recognized by an equipment-material-related business and regional business (mainly engines and parts, medical equipments) in ITOCHU International Inc. (U.S.A.), an overseas trading subsidiary. For the year ended March 31, 2010, an impairment loss in the Machinery segment was recognized by a construction equipment-related business in ITOCHU International Inc.

Gross amount of goodwill and accumulated impairment losses by operating segment at March 31, 2011, 2010 and 2009 were as follows:

	Millions of Yen								
	2011								
Balance at March 31,	Textile	Machinery	ICT, Aerospace& Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other	Total
Gross amount	**¥22,542**	**¥ 5,883**	**¥36,609**	**¥ 1,193**	**¥8,343**	**¥20,924**	**¥1,772**	**¥ 7,257**	**¥104,523**
Accumulated impairment losses	**—**	**(2,980)**	**—**	**(1,193)**	**—**	**—**	**(133)**	**(5,544)**	**(9,850)**

	Millions of Yen								
	2010								
Balance at March 31,	Textile	Machinery	ICT, Aerospace& Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other	Total
Gross amount	¥23,212	¥ 6,188	¥36,609	¥1,132	¥8,501	¥20,924	¥1,785	¥ 7,843	¥106,194
Accumulated impairment losses	—	(2,980)	—	—	—	—	—	(3,157)	(6,137)

	Millions of Yen								
	2009								
Balance at March 31,	Textile	Machinery	ICT, Aerospace& Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other	Total
Gross amount	¥8,966	¥6,738	¥36,609	¥1,119	¥8,416	¥20,434	¥1,783	¥ 7,703	¥91,768
Accumulated impairment losses	—	(1,747)	—	—	—	—	—	(2,461)	(4,208)

	Millions of U.S. Dollars								
	2011								
Balance at March 31,	Textile	Machinery	ICT, Aerospace& Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other	Total
Gross amount	**$271**	**$ 71**	**$440**	**$ 14**	**$100**	**$252**	**$22**	**$ 88**	**$1,258**
Accumulated impairment losses	**—**	**(36)**	**—**	**(14)**	**—**	**—**	**(2)**	**(67)**	**(119)**

10. Short-term and Long-term Debt

"Short-term debt" at March 31, 2011 and 2010 was as follows:

	Millions of Yen	Interest Rate	Millions of Yen	Interest Rate	Millions of U.S. Dollars
	2011		2010		2011
Short-term loans, mainly from banks	**¥191,939**	**1.4%**	¥229,236	1.9%	**$2,308**
Commercial paper	**49,976**	**0.2**	—	—	**601**
Total	**¥241,915**	**—**	¥229,236	—	**$2,909**

Note: The interest rates represent weighted average rates on outstanding balances at March 31, 2011 and 2010.

"Long-term debt" at March 31, 2011 and 2010 was summarized below:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Banks and financial institutions:			
Secured			
Due 2010–2027, interest mainly 0.5%–16.5%	**¥ 13,411**	¥ 17,508	**$ 161**
Unsecured			
Due 2010–2025, interest mainly 0.2%–14.7%	**1,759,804**	1,767,898	**21,164**
Debentures:			
Unsecured bonds and notes:			
Issued in 2003, 0.87% Yen Bonds due 2010	**—**	10,000	**—**
Issued in 2005, 1.46% Yen Bonds due 2012	**10,000**	10,000	**120**
Issued in 2006, 2.17% Yen Bonds due 2016	**15,000**	15,000	**180**
Issued in 2006, 2.09% Yen Bonds due 2016	**10,000**	10,000	**120**
Issued in 2007, 2.11% Yen Bonds due 2017	**10,000**	10,000	**120**
Issued in 2007, 2.02% Yen Bonds due 2017	**10,000**	10,000	**120**
Issued in 2007, 1.99% Yen Bonds due 2017	**10,000**	10,000	**120**
Issued in 2007, 1.90% Yen Bonds due 2017	**10,000**	10,000	**120**
Issued in 2008, 2.28% Yen Bonds due 2018	**20,000**	20,000	**241**
Issued in 2009, 1.49% Yen Bonds due 2014	**25,000**	25,000	**301**
Issued in 2009, 1.91% Yen Bonds due 2019	**15,000**	15,000	**180**
Issued in 2009, 1.65% Yen Bonds due 2019	**10,000**	10,000	**120**
Issued in 2010, 1.65% Yen Bonds due 2020	**20,000**	20,000	**241**
Issued in 2010, 0.653% Yen Bonds due 2015	**20,000**	—	**241**
Issued in 2010, 1.53% Yen Bonds due 2020	**10,000**	—	**120**
Issued in 2010, 0.558% Yen Bonds due 2015	**20,000**	—	**241**
Issued in 2010, 1.412% Yen Bonds due 2020	**10,000**	—	**120**
Issued in and after 2005, Medium-Term Notes, etc., maturing through 2015	**12,266**	6,049	**148**
Others	**180,541**	188,283	**2,172**
Total	**2,191,022**	2,154,738	**26,350**
ASC Topic 815, "Derivatives and Hedging," fair value adjustment (Note)	**15,965**	13,579	**192**
Total	**2,206,987**	2,168,317	**26,542**
Less current maturities	**(47,058)**	(60,728)	**(566)**
Long-term debt, less current maturities	**¥2,159,929**	¥2,107,589	**$25,976**

Note: ASC Topic 815, "Derivatives and Hedging," fair value adjustment: The amount of adjustment to record the fair value as of the balance sheet date for long-term debt which is hedged with derivatives.

Certain agreements with the Japan Bank for International Cooperation ("JBIC") , the international wing of the Japan Finance Corporation, included in long term debt from banks and financial institutions, 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, 2011 are as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2012	¥ 47,058	$ 566
2013	342,139	4,115
2014	318,936	3,836
2015	340,572	4,096
2016	256,824	3,089
2017 and thereafter	901,458	10,840
Total	¥2,206,987	$26,542

The Company has borrowing arrangements with many financial institutions and has entered into commitment line agreements with certain banks for working capital needs and stable funding. The aggregate amounts of the Japanese Yen facility available under such agreements totaled ¥400,000 million, consisting of ¥100,000 million for short-term debt and ¥300,000 million for long-term debt, as of March 31, 2011 and 2010. The $500 million U.S. dollar facility was held for short-term debt at March 31, 2011 and 2010. The Company intends to use the long-term commitment line agreements solely in support of refinancing the current maturities of long-term debt. Because the agreements demonstrate the Company's ability to refinance and the Company has expressed an intention to do so, the Company has changed the classification of ¥212,758 million ($2,559 million) and ¥147,798 million of the current maturities of long-term debt from current liabilities to non-current liabilities as of March 31, 2011 and 2010, respectively. The ¥212,758 million ($2,559 million) is included in "2017 and thereafter." The Company has consistently refinanced the current maturities of long-term debt reclassified into non-current liabilities for more than five years. The short-term commitment agreements were unused as of March 31, 2011 and 2010.

11. Asset Retirement Obligations

The Company and its subsidiaries account for asset retirement obligations, consisting of the costs related to dismantlement of facilities and mine reclamation, based on ASC Topic 410, "Asset Retirement and Environmental Obligations." The asset retirement obligations are principally related to the costs of dismantlement of coal mining, iron-ore mining and crude oil drilling facilities. These liabilities are included in "Other current liabilities" and "Long-term debt, excluding current maturities" on the consolidated balance sheets.

The changes in asset retirement obligations for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	**2011**
Balance at beginning of year	**¥22,925**	¥16,593	**$276**
Liabilities incurred	**2,983**	371	**36**
Liabilities settled	**(500)**	(1,581)	**(6)**
Accretion expense	**1,152**	924	**14**
Revisions to cost estimate	**6,873**	4,316	**83**
Other	**(4,776)**	2,302	**(58)**
Balance at end of year	**¥28,657**	¥22,925	**$345**

Note: "Other" principally includes foreign currency translation adjustments and the effect of deconsolidation of a certain subsidiary.

12. Leases

Lessor

The Company and its subsidiaries lease furniture and equipment for medical institutions, construction machinery and certain other assets, which are classified as direct financing leases under ASC Topic 840, "Leases."

The components of the net investment in direct financing leases as of March 31, 2011 and 2010 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	**2011**
Total minimum lease payments to be received	**¥27,128**	¥24,016	**$326**
Less unearned income	**(3,753)**	(3,501)	**(45)**
Estimated unguaranteed residual value	**—**	—	**—**
Less allowance for doubtful receivables	**(321)**	(436)	**(4)**
Net investment in direct financing leases	**¥23,054**	¥20,079	**$277**

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, 2011 is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2012	¥ 7,439	$ 89
2013	6,215	75
2014	4,727	57
2015	3,378	40
2016	2,474	30
2017 and thereafter	2,895	35
Total	¥27,128	$326

The Company and its subsidiaries lease aircraft, real estate and certain other assets under operating leases. The cost and accumulated depreciation of the property held for lease by classes as of March 31, 2011 were as follows:

	Millions of Yen			Millions of U.S. Dollars		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Real estate	¥19,430	¥4,398	¥15,032	$234	$53	$181
Machinery and equipment.	6,890	1,597	5,293	83	19	64
Others	214	83	131	3	1	2
Total	¥26,534	¥6,078	¥20,456	$320	$73	$247

The schedule of minimum future rentals on noncancelable operating leases for each of the five succeeding years and thereafter as of March 31, 2011 is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2012	¥ 5,760	$ 69
2013	3,256	39
2014	2,595	31
2015	2,043	25
2016	1,383	17
2017 and thereafter	759	9
Total	¥15,796	$190

Lessee

The Company and its subsidiaries lease buildings, machinery and equipment and certain other assets under capital leases. The cost and accumulated depreciation of such leased assets by classes as of March 31, 2011 and 2010 were as follows:

	Millions of Yen			Millions of U.S. Dollars		
	2011					
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Buildings	**¥ 49,838**	**¥22,022**	**¥27,816**	**$ 600**	**$265**	**$335**
Machinery and equipment	**31,333**	**10,282**	**21,051**	**377**	**124**	**253**
Others	**23,562**	**10,512**	**13,050**	**283**	**126**	**157**
Total	**¥104,733**	**¥42,816**	**¥61,917**	**$1,260**	**$515**	**$745**

	Millions of Yen		
	2010		
	Cost	Accumulated depreciation	Net
Buildings	¥ 50,998	¥20,532	¥30,466
Machinery and equipment	31,688	9,008	22,680
Others	20,809	7,518	13,291
Total	¥103,495	¥37,058	¥66,437

The components of the capital lease obligations as of March 31, 2011 and 2010 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	**2011**
Total minimum lease payments	**¥106,201**	¥105,239	**$1,277**
Less amount representing interest	**(24,021)**	(23,540)	**(289)**
Capital lease obligations	**¥ 82,180**	¥ 81,699	**$ 988**

The schedule of future minimum lease payments for each of the five succeeding years and thereafter as of March 31, 2011 is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2012	¥ 19,509	$ 235
2013	15,318	184
2014	13,561	163
2015	11,365	137
2016	11,106	133
2017 and thereafter	35,342	425
Total	¥106,201	$1,277

The total of minimum sublease rentals to be received in the future under noncancelable subleases is ¥12,299 million ($148 million).

The Company and its subsidiaries lease machinery and equipment, 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, 2011 is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2012	¥ 30,993	$ 373
2013	28,991	349
2014	25,050	301
2015	21,745	261
2016	18,792	226
2017 and thereafter	56,878	684
Total	¥182,449	$2,194

The total of minimum sublease rentals to be received in the future under noncancelable subleases is ¥8,355 million ($100 million). Total rental expenses under operating leases for the years ended March 31, 2011, 2010 and 2009 were ¥48,361 million ($582 million), ¥47,255 million and ¥26,473 million, respectively. Sublease rental income for the years ended March 31, 2011, 2010 and 2009 were ¥4,926 million ($59 million), ¥4,399 million and ¥3,084 million, respectively.

13. Retirement and Severance Benefits

The Company and certain subsidiaries have defined benefit pension plans (e.g., the Corporate Pension Fund ("CPF")) covering substantially all of their employees. Benefits under these pension plans are based on years of service and certain other factors, and plan assets are comprised primarily of marketable securities, debt securities and other interest bearing securities. In addition, the Company and certain subsidiaries have both unfunded retirement and severance plans, which provide lump-sum payment benefits to their employees and defined contribution plans.

Certain subsidiaries and associated companies participate in a multiemployer plan (ITOCHU Union Pension Fund).

The changes in the benefit obligations and fair value of the plan assets and the funded status of the plans were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	**2011**
Change in projected benefit obligations:			
Projected benefit obligations at beginning of year	**¥308,207**	¥ 294,694	**$3,707**
Service cost	**8,641**	7,699	**104**
Interest cost	**6,278**	5,624	**76**
Plan participants' contributions	**619**	620	**7**
Net actuarial loss (gain)	**2,448**	(5,933)	**29**
Benefits paid from plan assets	**(16,449)**	(15,852)	**(198)**
Benefits paid by employer	**(1,450)**	(924)	**(17)**
Foreign currency translation adjustments	**(673)**	8,208	**(8)**
Acquisitions and divestitures	**(669)**	14,214	**(8)**
Settlement	**—**	(280)	**—**
Other	**(260)**	137	**(3)**
Projected benefit obligations at end of year	**306,692**	308,207	**3,689**
Change in plan assets:			
Fair value of plan assets at beginning of year	**272,496**	241,076	**3,277**
Actual (loss) return on plan assets	**(6,554)**	21,338	**(78)**
Employer contributions	**5,955**	13,416	**72**
Plan participants' contributions	**619**	620	**7**
Benefits paid from plan assets	**(16,449)**	(15,852)	**(198)**
Foreign currency translation adjustments	**(1,426)**	5,326	**(17)**
Acquisitions and divestitures	**(148)**	6,691	**(2)**
Settlement	**—**	(119)	**—**
Fair value of plan assets at end of year	**254,493**	272,496	**3,061**
Funded status at end of year	**¥ (52,199)**	¥ (35,711)	**$ (628)**

Amounts recognized in the consolidated balance sheets at March 31, 2011 and 2010 consisted of:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	**2011**
Prepaid pension cost	**¥ 365**	¥ 7,603	**$ 4**
Accrued retirement and severance benefits	**(52,564)**	(43,314)	**(632)**
	¥(52,199)	¥(35,711)	**$(628)**

Amounts recognized in accumulated other comprehensive income (loss), pre-tax, at March 31, 2011 and 2010 consisted of:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	**2011**
Net actuarial loss	**¥177,326**	¥170,169	**$2,133**
Prior service credit	**(18,532)**	(23,715)	**(223)**
	¥158,794	¥ 146,454	**$1,910**

The estimated amounts of net actuarial loss and prior service credit for the defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic pension cost for the year ending March 31, 2012 are approximately ¥10,000 million ($120 million) (loss) and ¥5,000 million ($60 million) (gain), respectively.

The accumulated benefit obligations for all defined benefit plans as of March 31, 2011 and 2010 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	**2011**
Accumulated benefit obligation	**¥305,680**	¥307,242	**$3,676**

Assumptions of projected benefit obligations and net periodic pension costs as of March 31, 2011 and 2010 were as follows:

	2011	2010
Weighted-average assumptions used to determine benefit obligations at the end of year:		
Discount rate	**2.1%**	2.1%
Rate of compensation increase	**3.4%**	3.4%
Weighted-average assumptions used to determine net periodic pension cost for the year:		
Discount rate	**2.1%**	2.2%
Expected long-term rate of return on plan assets	**2.8%**	2.8%
Rate of compensation increase	**3.4%**	1.1–7.6%

The prior service cost is amortized by the straight-line method over the average remaining service period of employees expected to receive related benefits. The net actuarial gain and loss is amortized over the average remaining service periods.

The fair value of equity securities of associated companies included in plan assets was ¥249 million ($3 million) and ¥242 million at March 31, 2011 and 2010, respectively.

The net periodic pension costs for retirement and severance benefits for the years ended March 31, 2011, 2010 and 2009 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Service cost	**¥ 8,641**	¥ 7,699	¥ 8,896	**$104**
Interest cost	**6,278**	5,624	6,080	**76**
Expected return on plan assets	**(7,296)**	(6,880)	(7,992)	**(88)**
Amortization of unrecognized prior service cost	**(5,468)**	(5,549)	(5,490)	**(66)**
Amortization of unrecognized net actuarial loss	**10,951**	16,242	11,318	**132**
Settlement loss (gain)	**—**	—	(1,230)	**—**
Net periodic pension cost	**¥13,106**	¥17,136	¥11,582	**$158**

Total expenses related to pension plans for the years ended March 31, 2011, 2010 and 2009 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Net periodic pension cost for defined benefit pension plans	**¥13,106**	¥17,136	¥11,582	**$158**
The amount of cost recognized for defined contribution pension plans	**2,950**	2,546	2,241	**35**
Total expenses for pension plans	**¥16,056**	¥19,682	¥13,823	**$193**

The prior service cost and the net actuarial gain and loss recognized in other comprehensive income (loss) for the years ended March 31, 2011, 2010 and 2009 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Prior service cost arising during period	**¥ (285)**	¥ (133)	¥ (611)	**$ (3)**
Amortization of unrecognized prior service cost	**5,468**	5,549	5,490	**66**
Net actuarial (gain) loss arising during period	**18,108**	(17,715)	58,939	**218**
Amortization of unrecognized net actuarial loss	**(10,951)**	(16,242)	(11,318)	**(132)**
Total	**¥ 12,340**	¥(28,541)	¥ 52,500	**$ 149**

The amount of contribution to the multi employer plan (ITOCHU Union Pension Fund) was ¥5,749 million ($69 million) and ¥5,564 million for the years ended March 31, 2011 and 2010, respectively.

As of March 31, 2011, plan assets held by the Company and its subsidiaries were as follows, by category.

For information used to measure fair value, please refer to Note 21 to the consolidated financial statements, "Fair Value Measurements."

	Millions of Yen			
	2011			
	Level 1	Level 2	Level 3	Total
Equity securities:				
Domestic	**¥ 39,393**	**¥ 21,307**	**—**	**¥ 60,700**
Overseas	**5,467**	**42,160**	**—**	**47,627**
Debt securities:				
Domestic	**10,088**	**49,430**	**—**	**59,518**
Overseas	**11,133**	**193**	**—**	**11,326**
Other assets:				
Cash and cash equivalents	**35,855**	**48**	**—**	**35,903**
Life insurance company general accounts	**—**	**33,691**	**—**	**33,691**
Others	**—**	**5,728**	**—**	**5,728**
Total	**¥101,936**	**¥152,557**	**—**	**¥254,493**

	Millions of Yen			
	2010			
	Level 1	Level 2	Level 3	Total
Equity securities:				
Domestic	¥41,609	¥ 50,411	—	¥ 92,020
Overseas	5,983	12,675	—	18,658
Debt securities:				
Domestic	5,598	68,707	—	74,305
Overseas	14,190	9,249	—	23,439
Other assets:				
Cash and cash equivalents	27,946	212	—	28,158
Life insurance company general accounts	—	30,633	—	30,633
Others	—	5,283	—	5,283
Total	¥95,326	¥177,170	—	¥272,496

	Millions of U.S. Dollars			
	2011			
	Level 1	Level 2	Level 3	Total
Equity securities:				
Domestic	**$ 474**	**$ 256**	**—**	**$ 730**
Overseas	**66**	**507**	**—**	**573**
Debt securities:			**—**	
Domestic	**121**	**595**	**—**	**716**
Overseas	**134**	**2**	**—**	**136**
Other assets:				
Cash and cash equivalents	**431**	**1**	**—**	**432**
Life insurance company general accounts	**—**	**405**	**—**	**405**
Others	**—**	**69**	**—**	**69**
Total	**$1,226**	**$1,835**	**—**	**$3,061**

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

The Company's standard for its portfolio of plan assets is to invest 65% in domestic and overseas debt securities and 35% in domestic and overseas equity securities. The Company's allocation of assets may also include cash, corporate pension plans and alternative investments, as appropriate. The Company's basic policy is to emphasize asset liquidity and a thorough diversification of its investments. In addition, the Company establishes an employee pension trust mainly comprised of domestic equity securities as a part of plan assets. The Company's holdings of marketable securities consist primarily of shares in listed companies. Debt securities principally comprise highly-rated government bonds. The Insurance Business Law Enforcement Regulations stipulate that the investment of assets in corporate pension plans (general account) be conducted in a manner that provides a specific assumed interest rate and a principal guarantee.

In addition, the Company determines its expected long-term rate of return considering the above investment policy, the expectations of future returns and historical returns on plan assets.

Assets classified as Level 1 consist of those owned securities and debt securities for which trading is frequent and for which quoted prices are available in active markets. Assets classified as Level 2 primarily consist of jointly managed trusts and corporate pension plans (general account) that invest in owned securities and debt securities. These assets are measured at fair value using valuations provided by trust banks and life insurance companies.

Cash Flow of the Company and Certain Subsidiaries:

The Company and certain subsidiaries expect to contribute about ¥4,100 million ($49 million) to defined benefit pension plans in the year ending March 31, 2012.

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
2012	¥16,351	$197
2013	15,396	185
2014	15,118	182
2015	15,089	181
2016	14,947	180
2017–2021	¥68,697	$826

14. Foreign Exchange Gains and Losses

Net foreign exchange gains of ¥1,447 million ($17 million), gains of ¥144 million, and losses of ¥3,290 million for the years ended March 31, 2011, 2010 and 2009, respectively, were included in "Other–net" in the consolidated statements of income.

15. Income Taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which in the aggregate result in a normal income tax rate of approximately 41%.

Foreign subsidiaries are subject to income taxes of the countries where they operate.

Effective commencing the year ended March 31, 2003, the Company adopted a consolidated taxation system.

A reconciliation between the normal income tax rate and the effective income tax rate for the years ended March 31, 2011, 2010 and 2009 is as follows:

	2011	2010	2009
Normal income tax rate	**41.0%**	41.0%	41.0%
Expenses not deductible for tax purposes	**2.9**	3.6	2.3
Difference of tax rates for foreign subsidiaries	**(6.7)**	(4.2)	(8.6)
Tax effect on dividends received	**(0.1)**	(8.5)	2.9
Valuation allowance	**2.4**	3.4	(0.9)
Tax effect on investments in equity-method associated companies	**(2.2)**	(4.3)	(2.4)
Other	**0.3**	2.3	0.6
Effective income tax rate	**37.6%**	33.3%	34.9%

Amounts provided for income taxes for the years ended March 31, 2011, 2010 and 2009 were allocated as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	2011
Income taxes	**¥68,496**	¥51,571	¥ 72,757	**$824**
Other comprehensive income (loss)	**3,448**	28,929	(59,847)	**42**
Capital surplus	**(2,704)**	—	—	**(33)**
Total income tax (benefit) expense	**¥69,240**	¥80,500	¥ 12,910	**$833**

Significant components of deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	2011
Deferred tax assets:			
Inventories, property and equipment	**¥ 78,401**	¥ 73,864	**$ 943**
Allowance for doubtful receivables	**20,843**	20,858	**251**
Net operating loss carryforwards	**45,612**	64,979	**548**
Accrued retirement and severance benefits	**68,132**	63,792	**819**
Marketable securities and investments	**125,632**	85,742	**1,511**
Other	**60,434**	64,013	**727**
Total deferred tax assets	**399,054**	373,248	**4,799**
Less valuation allowance	**(86,411)**	(82,353)	**(1,039)**
Deferred tax assets–net	**312,643**	290,895	**3,760**
Deferred tax liabilities:			
Accrued retirement and severance benefits	**(51,798)**	(51,813)	**(623)**
Marketable securities and investments	**(44,530)**	(37,866)	**(536)**
Undistributed earnings	**(31,627)**	(26,402)	**(380)**
Property, equipment and other intangible assets	**(30,585)**	(32,666)	**(368)**
Other	**(13,350)**	(10,974)	**(160)**
Total deferred tax liabilities	**(171,890)**	(159,721)	**(2,067)**
Net deferred tax assets	**¥ 140,753**	¥ 131,174	**$ 1,693**

Net changes in the valuation allowance for the years ended March 31, 2011, 2010 and 2009 were an increase of ¥4,058 million ($49 million), an increase of ¥13,101 million and an increase of ¥8,114 million, respectively.

The amount of undistributed earnings of foreign subsidiaries for which no deferred tax liability has been provided totaled ¥285,852 million ($3,438 million) and ¥249,145 million at March 31, 2011 and 2010, 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:

	Millions of Yen	Millions of U.S. Dollars
Within 1 year	¥ 14,480	$ 174
Within 2 years	1,011	12
Within 3 years	11,613	140
Within 4 years	10,233	123
Within 5 years	9,273	111
After 5 to 10 years	55,943	673
After 10 to 15 years	1,088	13
After 15 years	10,265	123
Total	¥113,906	$1,369

Unused foreign tax credit carryforwards for the year ended March 31, 2011 were ¥4,116 million ($50 million), which do not expire until March 31, 2013.

"Income before income taxes and equity in earnings of associated companies" for the years ended March 31, 2011, 2010 and 2009 comprised the following:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	**2011**
The Company and its domestic subsidiaries	**¥ 52,083**	¥ 92,410	¥ 68,236	**$ 626**
Foreign subsidiaries	**130,014**	62,576	140,022	**1,564**
Total	**¥182,097**	¥154,986	¥208,258	**$2,190**

"Income taxes" for the years ended March 31, 2011, 2010 and 2009 comprised the following:

	Millions of Yen									Millions of U.S. Dollars		
	2011			2010			2009			**2011**		
	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total
The Company and its domestic subsidiaries	**¥33,613**	**¥ (4,535)**	**¥29,078**	¥33,562	¥ (16)	¥33,546	¥41,010	¥(16,656)	¥24,354	**$404**	**$ (54)**	**$350**
Foreign subsidiaries	**47,438**	**(8,020)**	**39,418**	21,564	(3,539)	18,025	54,563	(6,160)	48,403	**571**	**(97)**	**474**
Total	**¥81,051**	**¥(12,555)**	**¥68,496**	¥55,126	¥(3,555)	¥51,571	¥95,573	¥(22,816)	¥72,757	**$975**	**$(151)**	**$824**

A reconciliation of the beginning and ending total gross unrecognized tax benefits for the years ended March 31, 2011 and 2010, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	**2011**
Balance at beginning of year	**¥ 638**	¥1,126	**$ 8**
Additions based on tax positions related to the current year	**7**	55	**0**
Additions for tax positions of prior years	**4**	45	**0**
Reductions for tax positions of prior years	**(143)**	—	**(2)**
Settlements	**—**	(621)	**—**
Effects on foreign currency translation	**(107)**	33	**(1)**
Balance at ending of year	**¥ 399**	¥ 638	**$ 5**

Of the ending balances of ¥399 million ($5 million) in 2011 and ¥638 million in 2010, ¥379 million ($5 million) and ¥597 million, respectively, represent the amount of benefits that, if recognized would favorably affect the effective tax rate.

Although the Company and its subsidiaries believe its estimates and assumptions of unrecognized tax benefits are reasonable, uncertainty regarding the final determination of tax audit settlements and any related litigation could affect the effective tax rate in future periods.

Based on each of the items of which the Company and its subsidiaries are aware as of March 31, 2011, 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, 2011 and 2010, and interest and penalties included in income taxes for the year ended March 31, 2011 and 2010 are not material.

The Company and its subsidiaries file income tax returns in Japan and various foreign tax jurisdictions. In Japan, the Company and its subsidiaries understand that regular income tax examinations by tax authorities through the year ended March 31, 2010 have been substantially completed. However according to the income tax regulation in Japan, Japanese tax authorities still retain the right to execute income tax examinations for the years ended March 31, 2006 and later. Moreover, the Company and its subsidiaries might be subject to income tax examinations by each jurisdiction's tax authority for certain years based on their respective tax regulation.

16. Net Income Attributable to ITOCHU Per Share

The reconciliation of the numerators and denominators of the basic net income attributable to ITOCHU per share computations for the years ended March 31, 2011, 2010 and 2009 was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	**2011**
Numerator:				
Net income attributable to ITOCHU	**¥160,975**	¥128,153	¥165,390	**$1,936**
Effect of dilutive securities:				
Convertible preferred stock	**(239)**	(284)	(1,106)	**(3)**
Diluted net income attributable to ITOCHU	**¥160,736**	¥127,869	¥164,284	**$1,933**

	Number of Shares		
	2011	2010	2009
Denominator:			
Weighted-average number of common shares outstanding	**1,580,596,737**	1,580,448,671	1,580,579,472

	Yen			U.S. Dollars
	2011	2010	2009	**2011**
Basic net income attributable to ITOCHU per common share	**¥101.84**	¥81.09	¥104.64	**$1.22**
Diluted net income attributable to ITOCHU per common share	**¥101.69**	¥80.91	¥103.94	**$1.22**

17. Segment Information

ITOCHU Corporation and its subsidiaries, have a diverse palette of functions and expertise through investments in resources development operations and also as a strategic partner, as well as a wide range of business activities such as trading, finance, logistics and coordinating projects. By using this diverse palette and global network, 7 division companies have been promoting and developing many kinds of business in the Consumer-related sector for textile, food and general merchandise, in the Natural resource / energy-related sector for metal resources, oil and gas and in some sectors for chemical, machinery, information technology, finance and real-estate, as well as in the New Business sector for life care, ecology and new energy.

The Company and its subsidiaries have introduced a division company system and information on operating segments is prepared and presented according to this system. This system is regularly used for decisions in operations, including resource allocations, and evaluations by the management.

The operating segments of the Company and its subsidiaries are as follows:

Textile

The Textile segment is engaged in all stages of the textile business from rough material, thread and textile to the final products for garments, home furnishings and industrial materials. This segment performs production and sales on a worldwide scale. In addition, the segment promotes brand businesses, development of high technology, and retail operations of TV and Internet shopping.

Machinery
The Machinery segment is engaged in diverse business activities ranging from projects in plants, bridges, railways and other infrastructures to automobiles, ships, construction machinery and other items. This segment also conducts business in water resources and environment-related equipment as well as activities related to renewable and alternative energy.

ICT, Aerospace & Electronics
The ICT, Aerospace & Electronics segment is engaged in business activities involving IT-related systems/ provider business, Internet service business, investment in venture business, mobile phone sales/ content distribution, video distribution/service business (broadcast-related, etc.), industrial machinery, environmental equipment, electronic equipment transactions and aircraft and related equipment.

Energy, Metals & Minerals
The Energy, Metals & Minerals segment is engaged in metal and mineral resource development, processing of steel products, environmental business including trading in greenhouse gas emissions, and trading in iron ore, coal, pig iron and ferrous raw materials, non-ferrous and light metal and steel products in Japan and overseas. Also the segment is engaged in energy resource development and trading in crude oil, oil products, gas and nuclear fuels both domestically and abroad.

Chemicals, Forest Products & General Merchandise
The Chemicals, Forest Products & General Merchandise segment is engaged in business activities involving various consumer products such as lumber, pulp, paper, rubber, tire, cement and ceramic, and in basic chemicals, fine chemicals, plastics and inorganic chemicals.

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

Finance, Realty, Insurance & Logistics Services
The Finance, Realty, Insurance & Logistics Services segment is engaged in structuring and sales of financial products and agency, broker and consulting services of insurance and reinsurance. In addition, this segment is engaged in third-party logistics, warehousing, trucking, international intermodal transport and the development and operation of real estate.

Management evaluates segment performance based on several factors such as net income (loss), determined in accordance with U.S. GAAP.

In addition, management utilizes internally developed management control methods for the purpose of internal operating decisions.

Intersegment transactions are priced with reference to prices applicable to transactions with unaffiliated parties.

There have been no trading transactions with any single major external customer (10% or more of total) for the years ended March 31, 2011, 2010 and 2009.

As of April 1, 2011, ITOCHU's seven division companies have been reorganized into five division companies. Accompanying this revision, the Machinery Company and the ICT, Aerospace & Electronics Company will be merged into the ICT & Machinery Company. Also, the Finance, Realty, Insurance & Logistics Services Company has been reorganized as a division not belonging to a Division Company.

Information concerning operations in different operating segments for the years ended March 31, 2011, 2010 and 2009 was as follows:

	Millions of Yen								
	2011								
	Textile	Machinery	ICT, Aerospace & Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other, Adjustments & Eliminations	Consolidated
Trading transactions:									
Unaffiliated customers and associated companies	**¥587,725**	**¥848,499**	**¥578,413**	**¥3,885,703**	**¥2,060,190**	**¥3,097,391**	**¥170,891**	**¥163,777**	**¥11,392,589**
Transfers between operating segments ...	**536**	**350**	**9,354**	**481**	**24,885**	**2,571**	**13,987**	**(52,164)**	**—**
Total trading transactions...............	**¥588,261**	**¥848,849**	**¥587,767**	**¥3,886,184**	**¥2,085,075**	**¥3,099,962**	**¥184,878**	**¥111,613**	**¥11,392,589**
Gross trading profit	**¥128,345**	**¥ 51,084**	**¥134,033**	**¥ 212,134**	**¥ 118,328**	**¥ 335,911**	**¥ 37,860**	**¥ 23,596**	**¥ 1,041,291**
Equity in earnings (losses) of associated companies....	**¥ 5,925**	**¥ 8,216**	**¥ 3,914**	**¥ 28,450**	**¥ 6,351**	**¥ 11,700**	**¥ (2,045)**	**¥ (1,894)**	**¥ 60,617**
Net income attributable to ITOCHU	**¥ 15,292**	**¥ 8,116**	**¥ 9,845**	**¥ 109,224**	**¥ 25,997**	**¥ 22,377**	**¥ (13,194)**	**¥ (16,682)**	**¥ 160,975**
Total assets at March 31	**¥406,394**	**¥554,843**	**¥471,208**	**¥1,278,175**	**¥ 774,160**	**¥1,208,663**	**¥354,315**	**¥625,925**	**¥ 5,673,683**
Depreciation and amortization	**¥ 5,632**	**¥ 5,574**	**¥ 6,373**	**¥ 29,096**	**¥ 7,432**	**¥ 11,720**	**¥ 2,615**	**¥ 6,996**	**¥ 75,438**

	Textile	Machinery	ICT, Aerospace & Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other, Adjustments & Eliminations	Consolidated
	Millions of Yen								
	2010								
Trading transactions:									
Unaffiliated customers and associated companies	¥516,808	¥751,896	¥607,839	¥3,272,623	¥1,795,544	¥3,032,399	¥166,921	¥ 162,769	¥10,306,799
Transfers between operating segments	567	1,332	6,353	437	21,055	1,782	15,950	(47,476)	—
Total trading transactions	¥517,375	¥753,228	¥614,192	¥3,273,060	¥1,816,599	¥3,034,181	¥182,871	¥115,293	¥10,306,799
Gross trading profit	¥102,733	¥ 43,257	¥136,432	¥ 141,591	¥ 110,073	¥ 335,487	¥ 35,642	¥ 19,151	¥ 924,366
Equity in earnings (losses) of associated companies	¥ 8,019	¥ 10,489	¥ 2,063	¥ 9,186	¥ 1,629	¥ 13,015	¥ (7,114)	¥ (1,018)	¥ 36,269
Net income attributable to ITOCHU	¥ 22,401	¥ 3,692	¥ 6,017	¥ 65,661	¥ 19,270	¥ 27,808	¥ (4,247)	¥ (12,449)	¥ 128,153
Total assets at March 31	¥417,380	¥544,958	¥513,249	¥1,249,048	¥ 727,994	¥1,130,719	¥382,135	¥511,364	¥ 5,476,847
Depreciation and amortization	¥ 4,147	¥ 5,311	¥ 7,288	¥ 31,213	¥ 7,652	¥ 11,555	¥ 2,537	¥ 6,674	¥ 76,377

	Textile	Machinery	ICT, Aerospace & Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other, Adjustments & Eliminations	Consolidated
	Millions of Yen								
	2009								
Trading transactions:									
Unaffiliated customers and associated companies	¥589,596	¥1,370,207	¥633,766	¥3,916,776	¥2,024,015	¥3,188,363	¥167,254	¥175,132	¥12,065,109
Transfers between operating segments	618	1,541	3,793	557	19,927	460	9	(26,905)	—
Total trading transactions	¥590,214	¥1,371,748	¥637,559	¥3,917,333	¥2,043,942	¥3,188,823	¥167,263	¥148,227	¥12,065,109
Gross trading profit	¥102,626	¥ 71,854	¥138,859	¥ 222,263	¥ 114,277	¥ 335,606	¥ 42,042	¥ 32,994	¥ 1,060,521
Equity in earnings (losses) of associated companies	¥ 3,602	¥ 1,759	¥ 307	¥ 24,710	¥ 2,949	¥ 10,073	¥ (2,880)	¥ 784	¥ 41,304
Net income attributable to ITOCHU	¥ 22,898	¥ (15,457)	¥ 8,026	¥ 114,695	¥ 19,025	¥ 20,185	¥ (1,212)	¥ (2,770)	¥ 165,390
Total assets at March 31	¥360,431	¥ 639,939	¥490,159	¥1,016,596	¥ 611,375	¥1,054,127	¥381,800	¥637,665	¥ 5,192,092
Depreciation and amortization	¥ 3,341	¥ 6,341	¥ 7,340	¥ 25,405	¥ 4,514	¥ 10,297	¥ 1,119	¥ 6,631	¥ 64,988

	Millions of U.S. Dollars								
	2011								
	Textile	Machinery	ICT, Aerospace & Electronics	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other, Adjustments & Eliminations	Consolidated
Trading transactions:									
Unaffiliated customers and associated companies	$7,068	$10,204	$6,956	$46,731	$24,777	$37,251	$2,055	$1,970	$137,012
Transfers between operating segments ...	7	4	113	6	299	31	168	(628)	—
Total trading transactions...............	$7,075	$10,208	$7,069	$46,737	$25,076	$37,282	$2,223	$1,342	$137,012
Gross trading profit	$1,544	$ 614	$1,612	$ 2,551	$ 1,423	$ 4,040	$ 455	$ 284	$ 12,523
Equity in earnings (losses) of associated companies....	$ 71	$ 99	$ 47	$ 342	$ 76	$ 141	$ (24)	$ (23)	$ 729
Net income attributable to ITOCHU	$ 184	$ 98	$ 118	$ 1,314	$ 313	$ 269	$ (159)	$ (201)	$ 1,936
Total assets at March 31	$4,887	$ 6,673	$5,667	$15,372	$ 9,310	$14,536	$4,261	$7,528	$ 68,234
Depreciation and amortization	$ 68	$ 67	$ 77	$ 350	$ 89	$ 141	$ 31	$ 84	$ 907

Note: 1. Total trading transactions are presented in accordance with Japanese accounting practice.
2. "Other, Adjustments & Eliminations" includes trading transactions, gross trading profit, equity in earnings (losses) of associated companies, net income (loss), total assets not allocated to the specified operating segments in domestic and foreign areas, eliminations and adjustments, etc.

Geographic Information

Information concerning operations in different countries for the years ended March 31, 2011, 2010 and 2009 was as follows:

	Millions of Yen				
	2011				
	Japan	United States	Australia	Other	Consolidated
Revenue...	¥2,694,306	¥375,121	¥212,875	¥367,369	¥3,649,671

	Millions of Yen				
	2011				
	Japan	Australia	United States	Other	Consolidated
Long-lived assets..	¥405,889	¥149,200	¥37,009	¥51,531	¥643,629

	Millions of Yen				
	2010				
	Japan	United States	Australia	Other	Consolidated
Revenue...	¥2,563,123	¥366,440	¥129,088	¥357,986	¥3,416,637

	Millions of Yen				
	2010				
	Japan	Australia	United States	Other	Consolidated
Long-lived assets..	¥417,158	¥146,173	¥46,974	¥56,046	¥666,351

	Millions of Yen				
	2009				
	Japan	United States	Australia	Other	Consolidated
Revenue...	¥2,158,827	¥558,512	¥200,592	¥501,130	¥3,419,061

	Millions of U.S. Dollars				
	2011				
	Japan	United States	Australia	Other	Consolidated
Revenue...	$32,403	$4,512	$2,560	$4,418	$43,893

	Millions of U.S. Dollars				
	2011				
	Japan	Australia	United States	Other	Consolidated
Long-lived assets..	$4,882	$1,794	$445	$620	$7,741

Note: "Revenue" is attributed to countries based on the location of the assets producing such revenue.

18. Common Stock, Capital Surplus and Retained Earnings

The Companies Act states that upon issuance of new shares, at least 50% of the amount raised will be credited to the common stock account, unless otherwise specified in the Law.

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

The Companies Act provides that there is a limit to the amount that can be distributed as dividends and the amount available for the purchase of treasury stocks. This amount is based on the amount recorded in the Company's statutory standalone financial statements in accordance with the financial accounting standards of Japan. The adjustments included in the accompanying consolidated financial statements to conform with U.S. GAAP, but not recorded in the statutory standalone financial statements, have no effect on the determination of the available balance as dividends or the purchase of treasury stocks under the Companies Act. The amount available as dividends or the purchase of treasury stocks under the Companies Act was ¥297,189 million as of March 31, 2011. This amount available as dividends or the purchase of treasury stocks might change by certain actions, such as the purchase of treasury stocks thereafter.

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

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

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

The effects of changes in the Parent's ownership interest in its subsidiary on the Parent's equity for the years ended March 31, 2011, 2010 and 2009 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	**2011**
Net income attributable to ITOCHU	**¥160,975**	¥128,153	¥165,390	**$1,936**
Increase (Decrease) in capital surplus for sale (purchase) of certain subsidiaries' common stock (Note 1)	**(19,322)**	335	—	**(232)**
Decrease in capital surplus for sale (purchase) by associated companies of certain of their subsidiaries' common stock (Note 2)	**(3,893)**	—	—	**(47)**
Change from net income attributable to ITOCHU and transfer to (from) noncontrolling interest	**¥137,760**	¥128,488	¥165,390	**$1,657**

Note 1: The changes are due primarily to the purchase of shares of the common stock of NIPPON ACCESS, INC., a subsidiary, in Fiscal 2011.

Note 2: The effects of changes in the associated companies' ownership interest in their subsidiaries on the associated companies' equity attributable to ITOCHU are recorded in Fiscal 2011.

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		
	2011		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities	¥(63,694)	¥ (67)	¥(63,761)
Reclassification adjustments for gains and losses realized upon sale or liquidation of investments in foreign entities	1,868	(396)	1,472
Net change in foreign currency translation adjustments attributable to ITOCHU during the year	(61,826)	(463)	(62,289)
Net change in foreign currency translation adjustments attributable to the noncontrolling interest during the year	(1,910)	—	(1,910)
Net change in foreign currency translation adjustments during the year	(63,736)	(463)	(64,199)
Pension liability adjustments:			
Amount arising during the year on pension liability adjustments	(17,397)	7,219	(10,178)
Reclassification adjustments for gains and losses realized in net income	5,458	(2,205)	3,253
Net change in pension liability adjustments attributable to ITOCHU during the year	(11,939)	5,014	(6,925)
Net change in pension liability adjustments attributable to the noncontrolling interest during the year	(1,172)	467	(705)
Net change in pension liability adjustments during the year	(13,111)	5,481	(7,630)
Unrealized holding gains and losses on securities:			
Amount arising during the year on available-for-sale securities	6,293	(1,858)	4,435
Reclassification adjustments for gains and losses realized in net income.	13,672	(5,594)	8,078
Net change in unrealized holding gains and losses on securities attributable to ITOCHU during the year	19,965	(7,452)	12,513
Net change in unrealized holding gains and losses on securities attributable to the noncontrolling interest during the year	(713)	328	(385)
Net change in unrealized holding gains and losses on securities during the year	19,252	(7,124)	12,128
Unrealized holding gains and losses on derivative instruments:			
Amount arising during the year on derivative instruments for cash flow hedges	(1,051)	227	(824)
Reclassification adjustments for gains and losses realized in net income	3,942	(1,575)	2,367
Net change in unrealized holding gains and losses on derivative instruments attributable to ITOCHU during the year	2,891	(1,348)	1,543
Net change in unrealized holding gains and losses on derivative instruments attributable to the noncontrolling interest during the year	(19)	6	(13)
Net change in unrealized holding gains and losses on derivative instruments during the year	2,872	(1,342)	1,530
Other comprehensive income (loss)	¥(54,723)	¥(3,448)	¥(58,171)

	Millions of Yen		
	2010		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities	¥ 94,225	¥ 32	¥ 94,257
Reclassification adjustments for gains and losses realized upon sale or liquidation of investments in foreign entities	1,011	—	1,011
Net change in foreign currency translation adjustments attributable to ITOCHU during the year	95,236	32	95,268
Net change in foreign currency translation adjustments attributable to the noncontrolling interest during the year	1,178	—	1,178
Net change in foreign currency translation adjustments during the year	96,414	32	96,446
Pension liability adjustments:			
Amount arising during the year on pension liability adjustments	41,770	(16,088)	25,682
Reclassification adjustments for gains and losses realized in net income	(10,361)	4,220	(6,141)
Net change in pension liability adjustments attributable to ITOCHU during the year	31,409	(11,868)	19,541
Net change in pension liability adjustments attributable to the noncontrolling interest during the year	267	(108)	159
Net change in pension liability adjustments during the year	31,676	(11,976)	19,700
Unrealized holding gains and losses on securities:			
Amount arising during the year on available-for-sale securities	47,168	(16,749)	30,419
Reclassification adjustments for gains and losses realized in net income.	(5,707)	2,134	(3,573)
Net change in unrealized holding gains and losses on securities attributable to ITOCHU during the year	41,461	(14,615)	26,846
Net change in unrealized holding gains and losses on securities attributable to the noncontrolling interest during the year	1,648	(626)	1,022
Net change in unrealized holding gains and losses on securities during the year	43,109	(15,241)	27,868
Unrealized holding gains and losses on derivative instruments:			
Amount arising during the year on derivative instruments for cash flow hedges	980	5	985
Reclassification adjustments for gains and losses realized in net income	4,209	(1,724)	2,485
Net change in unrealized holding gains and losses on derivative instruments attributable to ITOCHU during the year	5,189	(1,719)	3,470
Net change in unrealized holding gains and losses on derivative instruments attributable to the noncontrolling interest during the year	57	(25)	32
Net change in unrealized holding gains and losses on derivative instruments during the year	5,246	(1,744)	3,502
Other comprehensive income (loss)	¥176,445	¥(28,929)	¥147,516

	Millions of Yen		
	2009		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities	¥(160,412)	¥ 431	¥(159,981)
Reclassification adjustments for gains and losses realized upon sale or liquidation of investments in foreign entities	(434)	—	(434)
Net change in foreign currency translation adjustments attributable to ITOCHU during the year	(160,846)	431	(160,415)
Net change in foreign currency translation adjustments attributable to the noncontrolling interest during the year	(2,336)	—	(2,336)
Net change in foreign currency translation adjustments during the year	(163,182)	431	(162,751)
Pension liability adjustments:			
Amount arising during the year on pension liability adjustments	(48,456)	19,246	(29,210)
Reclassification adjustments for gains and losses realized in net income	(5,814)	2,390	(3,424)
Net change in pension liability adjustments attributable to ITOCHU during the year	(54,270)	21,636	(32,634)
Net change in pension liability adjustments attributable to the noncontrolling interest during the year	(1,907)	782	(1,125)
Net change in pension liability adjustments during the year	(56,177)	22,418	(33,759)
Unrealized holding gains and losses on securities:			
Amount arising during the year on available-for-sale securities	(129,235)	48,623	(80,612)
Reclassification adjustments for gains and losses realized in net income.	33,478	(13,569)	19,909
Net change in unrealized holding gains and losses on securities attributable to ITOCHU during the year	(95,757)	35,054	(60,703)
Net change in unrealized holding gains and losses on securities attributable to the noncontrolling interest during the year	(1,958)	671	(1,287)
Net change in unrealized holding gains and losses on securities during the year	(97,715)	35,725	(61,990)
Unrealized holding gains and losses on derivative instruments:			
Amount arising during the year on derivative instruments for cash flow hedges	(4,735)	1,384	(3,351)
Reclassification adjustments for gains and losses realized in net income	(464)	(157)	(621)
Net change in unrealized holding gains and losses on derivative instruments attributable to ITOCHU during the year	(5,199)	1,227	(3,972)
Net change in unrealized holding gains and losses on derivative instruments attributable to the noncontrolling interest during the year	(79)	46	(33)
Net change in unrealized holding gains and losses on derivative instruments during the year	(5,278)	1,273	(4,005)
Other comprehensive income (loss)	¥(322,352)	¥59,847	¥(262,505)

	Millions of U.S. Dollars		
	2011		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities	**$(766)**	**$ (1)**	**$(767)**
Reclassification adjustments for gains and losses realized upon sale or liquidation of investments in foreign entities	**23**	**(5)**	**18**
Net change in foreign currency translation adjustments attributable to ITOCHU during the year	**(743)**	**(6)**	**(749)**
Net change in foreign currency translation adjustments attributable to the noncontrolling interest during the year	**(23)**	**—**	**(23)**
Net change in foreign currency translation adjustments during the year	**(766)**	**(6)**	**(772)**
Pension liability adjustments:			
Amount arising during the year on pension liability adjustments	**(209)**	**87**	**(122)**
Reclassification adjustments for gains and losses realized in net income	**65**	**(26)**	**39**
Net change in pension liability adjustments attributable to ITOCHU during the year	**(144)**	**61**	**(83)**
Net change in pension liability adjustments attributable to the noncontrolling interest during the year	**(14)**	**5**	**(9)**
Net change in pension liability adjustments during the year	**(158)**	**66**	**(92)**
Unrealized holding gains and losses on securities:			
Amount arising during the year on available-for-sale securities	**76**	**(23)**	**53**
Reclassification adjustments for gains and losses realized in net income.	**164**	**(67)**	**97**
Net change in unrealized holding gains and losses on securities attributable to ITOCHU during the year	**240**	**(90)**	**150**
Net change in unrealized holding gains and losses on securities attributable to the noncontrolling interest during the year	**(8)**	**4**	**(4)**
Net change in unrealized holding gains and losses on securities during the year	**232**	**(86)**	**146**
Unrealized holding gains and losses on derivative instruments:			
Amount arising during the year on derivative instruments for cash flow hedges	**(13)**	**3**	**(10)**
Reclassification adjustments for gains and losses realized in net income	**47**	**(19)**	**28**
Net change in unrealized holding gains and losses on derivative instruments attributable to ITOCHU during the year	**34**	**(16)**	**18**
Net change in unrealized holding gains and losses on derivative instruments attributable to the noncontrolling interest during the year	**(0)**	**0**	**(0)**
Net change in unrealized holding gains and losses on derivative instruments during the year	**34**	**(16)**	**18**
Other comprehensive income (loss)	**$(658)**	**$(42)**	**$(700)**

20. Derivative Instruments and Hedging Activities

The Company and its subsidiaries are exposed to a variety of risks in relation to their ongoing business activities. The Company and its subsidiaries utilize certain derivative instruments principally to manage the following risks.

Foreign Exchange Rate Risk
The Company and its subsidiaries have assets and liabilities that are exposed to foreign exchange rate risks. In order to reduce the risks, mainly for exchange between U.S. dollar and Japanese yen, the Company and its subsidiaries use foreign exchange contracts, currency swap agreements, and currency option contracts (hereafter collectively referred to as "currency derivatives").

Interest Rate Risk
The Company and its subsidiaries reduce risk related to fluctuations in the fair value of loan receivables/payables in which the Company and its subsidiaries agree to receive/pay interest on a fixed rate basis, and risk related to fluctuations in future cash flows due to future fluctuations in interest rates by using interest rate swap agreements and interest rate option agreements (hereafter collectively referred to as "interest rate derivatives").

Commodity Price Risk
The Company and its subsidiaries reduce risk related to fluctuations in prices of marketable commodities by using futures, forward contracts, commodity swap agreements, and commodity option agreements (hereafter collectively referred to as "commodity derivatives").

Moreover, the Company and its subsidiaries hold currency derivatives, interest rate derivatives, and commodity derivatives for trading purposes.

ASC Topic 815, "Derivatives and Hedging," requires that all derivatives be recognized as assets or liabilities at fair value in balance sheets. Further, ASC Topic 815, "Derivatives and Hedging," requires that changes in the fair value of derivative instruments that are designated and qualify as fair value hedges be recognized in earnings or losses together with changes in the fair value of the corresponding hedged items. In addition, ASC Topic 815, "Derivatives and Hedging," requires that changes in the fair value of derivative instruments that are designated and qualified as cash flow hedges be recognized in accumulated other comprehensive income (loss) ("AOCI"). Also, ASC Topic 815, "Derivatives and Hedging," requires that these amounts be reclassified into earnings or losses in the same period as the hedged items affect earnings or losses.

In accordance with ASC Topic 815, "Derivatives and Hedging," the Company and its subsidiaries designate derivatives owned by them as hedging instruments in accordance with the following manner:

Currency Derivatives
Currency derivatives held to hedge foreign exchange rate risk regarding unrecognized firm commitments are designated as a fair value hedge, and currency derivatives held to minimize the fluctuation of cash flow of forecasted transactions caused by foreign exchange rate changes are designated as a cash flow hedge. As of March 31, 2011 and 2010, the total principal amounts of currency derivatives that were designated and qualified as fair value hedges were ¥50,287 million ($605 million) and ¥36,904 million, respectively; the total principal amounts of currency derivatives that were designated and qualified as cash flow hedges were ¥68,436 million ($823 million) and ¥73,101 million, respectively; and the total principal amounts of currency derivatives that were not designated or did not qualify as hedging instruments were ¥255,890 million ($3,077 million) and ¥240,644 million, respectively.

Interest Rate Derivatives
Interest rate derivatives that hedge risk related to fluctuations in the fair value of loan receivables/payables on a fixed interest rate basis are designated as a fair value hedge. Interest rate derivatives that hedge risk related to fluctuations in cash flows due to future fluctuations in interest rates are designated as a cash flow hedge. As of March 31, 2011 and 2010, the total notional amounts of interest rate derivatives that were designated and qualified as fair value hedges were ¥637,990 million ($7,673 million) and ¥592,990 million, respectively; the total notional amounts of interest rate derivatives that were designated and qualified as cash flow hedges were ¥372,498 million ($4,480 million) and ¥1,004,660 million, respectively; and the total notional amounts of interest rate derivatives that were not designated or did not qualify as hedging instruments were ¥17,235 million ($207 million) and ¥18,595 million, respectively.

Commodity Derivatives
Commodity derivatives held for the hedging of commodity price risk in unrecognized firm commitments and inventories are designated as a fair value hedge, and commodity derivatives held to minimize the fluctuation of cash flow of forecasted transactions due to commodity price changes are designated as a cash flow hedge. As of March 31, 2011 and 2010, the total principal amounts of commodity derivatives that were designated and qualified as fair value hedges were ¥91,501 million ($1,100 million) and ¥38,538 million, respectively; the total principal amounts of commodity derivatives that were designated and qualified as cash flow hedges were ¥134 million ($2 million) and ¥678 million, respectively; and the total principal amounts of commodity derivatives that were not designated or did not qualify as hedging instruments were ¥430,420 million ($5,176 million) and ¥641,162 million, respectively.

(1) Fair values of derivative instruments

The fair values of derivative instruments as of March 31, 2011 and 2010, were as follows.

(a) Derivatives Designated as Hedging Instruments under ASC Topic 815, "Derivatives and Hedging"

	Millions of Yen		Millions of Yen		Millions of U.S. Dollars	
	2011		2010		2011	
	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives
Currency derivatives	**¥ 1,692**	**¥3,804**	¥ 1,207	¥2,377	**$ 20**	**$ 46**
Interest rate derivatives	**15,965**	**1,442**	13,578	3,833	**192**	**17**
Commodity derivatives	**1,557**	**3,720**	2,136	749	**19**	**45**
Total	**¥19,214**	**¥8,966**	¥16,921	¥6,959	**$231**	**$108**

(b) Derivatives Not Designated as Hedging Instruments under ASC Topic 815, "Derivatives and Hedging"

	Millions of Yen		Millions of Yen		Millions of U.S. Dollars	
	2011		2010		2011	
	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives
Currency derivatives	**¥ 3,295**	**¥ 2,572**	¥ 3,980	¥ 3,142	**$ 39**	**$ 31**
Interest rate derivatives	**223**	**306**	266	421	**3**	**4**
Commodity derivatives	**13,808**	**12,336**	18,422	18,685	**166**	**148**
Other	**9**	**24**	4	6	**0**	**0**
Total	**¥17,335**	**¥15,238**	¥22,672	¥22,254	**$208**	**$183**

As for the balance sheet location for those items, asset derivatives were included in Other current assets and Other assets, and liability derivatives were included in Other current liabilities and Long-term debt, excluding current maturities.

(2) Gains and losses related to derivative instruments

Gains and losses related to derivative instruments for the year ended March 31, 2011, 2010 and the three months ended March 31, 2009 were as follows. The Company and its subsidiaries adopted ASC Topic 815, "Derivatives and Hedging," and disclose the information regarding gains and losses related to derivative instruments required by ASC Topic 815, "Derivatives and Hedging," for the three months ended March 31, 2009 only.

(a) Derivatives in ASC Topic 815, "Derivatives and Hedging," Fair Value Hedging Relationships

		Millions of Yen	Millions of U.S. Dollars
		2011	2011
	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	**¥(1,336)**	**$(16)**
Interest rate derivatives	Interest expense	**7,937**	**95**
Commodity derivatives	Trading margins and commissions on trading transactions	**(4,576)**	**(55)**
Total		**¥ 2,025**	**$ 24**

		Millions of Yen	
		2010	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	¥ (848)	¥ 3,070
Interest rate derivatives	Interest expense	6,866	(1,751)
Commodity derivatives	Trading margins and commissions on trading transactions	(817)	1,722
Total		¥5,201	¥ 3,041

The amount of hedge ineffectiveness and the net gain or loss excluded from the assessment of hedge effectiveness was not material for the year ended March 31, 2011, 2010 and the three months ended March 31, 2009.

The amount of firm commitments that no longer qualified as fair value hedges was not material for the year ended March 31, 2011, 2010 and the three months ended March 31, 2009.

(b) Derivatives in ASC Topic 815, "Derivatives and Hedging," Cash Flow Hedging Relationships

	Millions of Yen			Millions of U.S. Dollars	
	2011			2011	
	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	**¥ (25)**	Other–net	**¥ 575**	**$ (0)**	**$ 7**
Interest rate derivatives	**(852)**	Interest expense	**3,243**	**(10)**	**39**
Commodity derivatives	**35**	Trading margins and commissions on trading transactions	**53**	**(0)**	**1**
Total	**¥(842)**		**¥3,871**	**$(10)**	**$47**

	Millions of Yen		
	2010		
	Amount of Gain or (Loss) Recognized In OCI on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from AOCI into income (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCI into income (Effective Portion)
Currency derivatives	¥ 446	Other–net	¥ 461
Interest rate derivatives	(530)	Interest expense	4,162
Commodity derivatives	(258)	Trading margins and commissions on trading transactions	194
Total	¥(342)		¥4,817

	Millions of Yen		
	2009		
	Amount of Gain or (Loss) Recognized In OCI on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from AOCI into income (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCI into income (Effective Portion)
Currency derivatives	¥ 656	Other–net	¥3,881
Interest rate derivatives	195	Interest expense	606
Commodity derivatives	337	Trading margins and commissions on trading transactions	(21)
Total	¥1,188		¥4,466

The amount of hedge ineffectiveness and the net gain or loss excluded from the assessment of hedge effectiveness was not material for the year ended March 31, 2011, 2010 and the three months ended March 31, 2009.

A net loss (pre-tax) of ¥857 million ($10 million) in AOCI at March 31, 2011 is expected to be reclassified into earnings within the next 12 months.

As of March 31, 2011, the maximum length of time over which the Company and its subsidiaries hedged their exposure to variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was approximately 15 months.

The amount of net gain or loss reclassified from AOCI into earnings or losses because it was probable that forecasted transactions would not occur was not material for the year ended March 31, 2011, 2010 and the three months ended March 31, 2009.

(c) Derivatives Not Designated as Hedging Instruments under ASC Topic 815, "Derivatives and Hedging"

	Location of Gain or (Loss) Recognized in Income on Derivative	Millions of Yen 2011 Amount of Gain or (Loss) Recognized in Income on Derivative	Millions of U.S. Dollars 2011 Amount of Gain or (Loss) Recognized in Income on Derivative
Currency derivatives	Trading margins and commissions on trading transactions	**¥ 3,781**	**$ 45**
	Other–net	**(5,480)**	**(66)**
Interest rate derivatives	Other–net	**(6)**	**(0)**
Commodity derivatives	Trading margins and commissions on trading transactions	**(41)**	**(0)**
Other	Other–net	**3**	**0**
Total		**¥(1,743)**	**$(21)**

	Location of Gain or (Loss) Recognized in Income on Derivative	Millions of Yen 2010 Amount of Gain or (Loss) Recognized in Income on Derivative	Millions of Yen 2009 Amount of Gain or (Loss) Recognized in Income on Derivative
Currency derivatives	Trading margins and commissions on trading transactions	¥ 3,140	¥(290)
	Other–net	(1,227)	193
Interest rate derivatives	Other–net	(111)	57
Commodity derivatives	Trading margins and commissions on trading transactions	2,640	8,311
Other	Other–net	87	(12)
Total		¥ 4,529	¥8,259

The Company and its subsidiaries have various derivative instruments and as such are exposed to credit losses in the event of nonperformance by counterparties. The Company and its subsidiaries seek to minimize credit risk by entering into contracts only with major counterparties and avoiding concentration on specific counterparties or groups of counterparties. The policies of the Company and its subsidiaries prescribe monitoring of creditworthiness and exposure on a counterparty-by-counterparty basis. Further, the Company and its subsidiaries do not have derivative agreements that require immediate settlement nor provision of collateral required by any downgrade of their credit ratings. In addition, there are no material items to be mentioned regarding disclosure of credit derivatives in which the Company and its subsidiaries are involved as the seller.

21. Fair Value Measurements

(1) Fair Value Measurements

The Company and its subsidiaries define, in accordance with ASC Topic 820, “Fair Value Measurements and Disclosures,” 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. ASC Topic 820, “Fair Value Measurements and Disclosures,” also establishes a hierarchy for inputs used in measuring fair value and requires that each fair value be categorized into one of the following three levels based on its observability of inputs.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for identical assets or liabilities.

(a) Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Company and its subsidiaries’ assets and liabilities that are measured at fair value on a recurring basis consist primarily of trading securities, available-for-sale securities, derivative assets and derivative liabilities.

The following table provides information by level for assets and liabilities that were measured at fair value on a recurring basis at March 31, 2011 and 2010.

	Millions of Yen			
	2011			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	**¥ —**	**¥15,599**	**¥ —**	**¥ 15,599**
Trading securities	**—**	**—**	**798**	**798**
Available-for-sale securities				
Equity securities	**274,850**	**6,211**	**—**	**281,061**
Debt securities	**—**	**12,325**	**2,518**	**14,843**
Derivative assets	**10,008**	**26,541**	**—**	**36,549**
Liabilities:				
Derivative liabilities	**¥ 10,884**	**¥13,320**	**¥ —**	**¥ 24,204**

	Millions of Yen			
	2010			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	¥ —	¥13,598	¥ —	¥ 13,598
Trading securities	—	—	6,701	6,701
Available-for-sale securities				
Equity securities	222,757	4,507	—	227,264
Debt securities	67	5,723	2,448	8,238
Derivative assets	7,407	32,186	—	39,593
Liabilities:				
Derivative liabilities	¥ 5,032	¥24,181	¥ —	¥ 29,213

	Millions of U.S. Dollars			
	2011			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	**$ —**	**$188**	**$—**	**$ 188**
Trading securities	**—**	**—**	**10**	**10**
Available-for-sale securities				
Equity securities	**3,305**	**75**	**—**	**3,380**
Debt securities	**—**	**148**	**30**	**178**
Derivative assets	**121**	**319**	**—**	**440**
Liabilities:				
Derivative liabilities	**$ 131**	**$160**	**$—**	**$ 291**

The Available-for-sale securities above are mainly classified in “Other Investments” on the Consolidated Balance Sheets. Debt securities with a remaining maturity of one year or less are classified in “Short-term investments” on the Consolidated Balance Sheets.

The following table provides the changes in Level 3 items for the fiscal years ended March 31, 2011 and 2010.

	Millions of Yen	
	2011	
	Trading Securities	Available-for-sale Securities
Beginning balance	**¥ 6,701**	**¥2,448**
Total gains or losses (realized /unrealized)	**94**	**(729)**
Included in earnings	**94**	**(577)**
Included in other comprehensive income (loss)	**—**	**(152)**
Purchases	**199**	**2,238**
Sales	**(1,074)**	**(931)**
Settlements and others	**(4,648)**	**(508)**
Effect of exchange rate changes	**(474)**	**—**
Ending balance	**798**	**2,518**
The amount of total gains or losses (in 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, 2011	**¥ 9**	**¥ —**

	Millions of Yen	
	2010	
	Trading Securities	Available-for-sale Securities
Beginning balance	¥ 9,121	¥3,264
Total gains or losses (realized /unrealized)	(50)	(32)
Included in earnings	(50)	—
Included in other comprehensive income (loss)	—	(32)
Purchases, issuances and settlements	(1,905)	(784)
Effect of exchange rate changes	(465)	—
Ending balance	6,701	2,448
The amount of total gains or losses (in Loss on investments–net) for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at March 31, 2010	¥ (175)	¥ —

	Millions of U.S. Dollars	
	2011	
	Trading Securities	Available-for-sale Securities
Beginning balance	**$ 81**	**$ 29**
Total gains or losses (realized /unrealized)	**1**	**(9)**
Included in earnings	**1**	**(7)**
Included in other comprehensive income (loss)	**—**	**(2)**
Purchases	**2**	**27**
Sales	**(13)**	**(11)**
Settlements and others	**(55)**	**(6)**
Effect of exchange rate changes	**(6)**	**—**
Ending balance	**10**	**30**
The amount of total gains or losses (in 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, 2011	**$ 0**	**$ —**

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 and cash reserve funds with original maturities of three months or less. The Company and its subsidiaries measure their fair value using the quoted market prices and classify them as Level 2.

The trading securities and available-for-sale securities primarily consist of marketable securities that are listed on exchanges and alternative investments. Marketable securities that are listed on exchanges are measured using quoted market prices. When quoted prices in active markets in which transactions occur with sufficient frequency are available, they are included in Level 1. On the other hand, instruments that are measured at quoted prices in markets in which there are relatively few transactions are included in Level 2. Level 3 items consist of other investments such as alternative investments (classified as trading securities or available-for-sale securities by holding purposes), which are measured at fair value using unobservable inputs of investees' specific fundamentals including estimated future cash flows, as well as referring to index data available in active markets as of the fiscal year end.

Derivative assets and derivative liabilities consist of currency derivatives, interest rate derivatives, and commodity derivatives that are traded in active markets are valued at quoted market prices and classified as Level 1. The other derivative instruments are measured using commonly-used fair value pricing models, such as the Black-Scholes model, based upon observable inputs only and classified as Level 2.

(b) Financial Assets Measured at Fair Value on a Nonrecurring Basis

The following table provides information by level for financial assets that were measured at fair value during the years ended March 31, 2011 and 2010 on a nonrecurring basis.

	Millions of Yen		
	2011		
	Level 3	Total	Impairment loss (pre-tax)
Assets:			
Non-marketable investments (Notes 1 and 5)	**¥17,067**	**¥17,067**	**¥22,923**
Investments in associated companies (Note 2)	**25,258**	**25,258**	**19,151**
Long-lived Assets (Note 3)	**5,803**	**5,803**	**36,574**
Goodwill and Other Intangible Assets (Note 4)	**20,934**	**20,934**	**6,023**

	Millions of Yen		
	2010		
	Level 3	Total	Impairment loss (pre-tax)
Assets:			
Non-marketable investments (Note 1)	¥ 2,310	¥ 2,310	¥ 11,255
Investments in associated companies (Note 2)	31,685	31,685	15,948
Long-lived Assets (Note 3)	29,556	29,556	8,835
Goodwill and Other Intangible Assets (Note 4)	11,658	11,658	3,803

	Millions of U.S. Dollars		
	2011		
	Level 3	Total	Impairment loss (pre-tax)
Assets:			
Non-marketable investments (Notes 1 and 5)	**$205**	**$205**	**$276**
Investments in associated companies (Note 2)	**304**	**304**	**230**
Long-lived Assets (Note 3)	**70**	**70**	**440**
Goodwill and Other Intangible Assets (Note 4)	**252**	**252**	**72**

Note 1: The Company and subsidiaries recognized impairment of non-marketable investments at their fair values as their fair values were below the carrying amounts and the decline in fair values was considered to be other-than-temporary. Their fair values were measured as a result of considering various unobservable inputs which were available to the Company and its subsidiaries, including expectation of future income of the investees, net asset value of the investees, and material unrealized losses to be considered in assets and liabilities held by the investees.

Note 2: The Company and subsidiaries recognized impairment of investments in associated companies at their fair values as their fair values were below the carrying amounts and the decline in fair values was considered to be other-than-temporary. Their fair values were measured primarily using future cash flow projection of the investees, with consideration of other factors such as the quoted market price of the investee, if available. Measurement using the future cash flow projection of the investee was based upon unobservable inputs which were available to the Company and its subsidiaries. The Company and its subsidiaries utilized these inputs confirming that such inputs were based upon the Company's best estimates as of the measurement date and also verified the rationale of the measured amounts through review by independent professional advisors.

Note 3: Their fair values are measured primarily using the sum of income from continuing operation of using the long-lived asset and future cash flow (before discounts) resulting from its sale, which are unobservable inputs.

Note 4: Their fair values were measured primarily using discounted future cash flow from the business plan which are unobservable inputs.

Note 5: Non-marketable investments include preferred stock in Orient Corporation.

(2) Fair Value of Financial Instruments

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

The Company and its subsidiaries are engaged in transactions with numerous counterparties to ensure that there are no significant concentrations of credit risk with any individual counterparty or group of counterparties.

The carrying amounts and estimated fair values for the purpose of the disclosure requirements of ASC Topic 825, "Financial Instruments," and valuation techniques for other non-current receivables, advances to associated companies and long-term debt as of March 31, 2011 and 2010 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	
	2011		2010		2011	
	Carrying Amount	Estimated Far Value	Carrying Amount	Estimated Far Value	Carrying Amount	Estimated Far Value
Financial assets:						
Other non-current receivables and advances to associated companies (less allowance for doubtful receivables)	**¥ 103,197**	**¥ 104,046**	¥ 126,597	¥ 127,383	**$ 1,241**	**$ 1,251**
Financial liabilities:						
Long-term debt (including current maturities)	**¥2,206,987**	**¥2,210,446**	¥2,168,317	¥2,168,527	**$26,542**	**$26,584**

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 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. Variable Interest Entities

The Company and its subsidiaries are involved in certain businesses, such as ocean plying vessels, property development, and providing loans to third parties, which are conducted through special purpose entities. The Company and its subsidiaries retain variable interests through loans, guarantees, and equity investments in these special purpose entities, which are classified as variable interest entities under ASC Topic 810, "Consolidation."

In accordance with ASC Topic 810, "Consolidation," the Company and its subsidiaries determine whether those entities are variable interest entities, in which both of the following conditions are met: (i) The Company and its subsidiaries have exposure in the form of loans, investments or guarantees and the Company and its subsidiaries have rights or obligations to take benefits or losses 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 and lack control of them at the beginning of involvement.

In addition, the Company and its subsidiaries consider the contractual relationships with each variable interest entity, and decide that the Company and its subsidiaries are deemed to be the primary beneficiary of a variable interest entity if they have both of these characteristics: (i) The power to direct the activities that most significantly impact a variable interest entity's economic performance; (ii) The obligation to absorb losses of a variable interest entity that could potentially be significant to the variable interest entity or the right to receive benefits from the variable interest entity that could potentially be significant to the variable interest entity.

The Company and its subsidiaries believe that there are no variable interest entities where the Company and its subsidiaries currently undertake any support, or are likely to do so in the future, although contractually they have no obligation. In addition, as of March 31, 2011 a reconsideration of contractual relationships with existing variable interest entities resulted in no change in assessments of whether or not the Company and its subsidiaries was the primary beneficiary.

As of March 31, 2011, 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
	2011	2010	**2011**
Cash and cash equivalents	**¥ 987**	¥1,094	**$ 12**
Inventories	**5,899**	5,805	**71**
Other	**1,918**	2,508	**23**
Total assets	**¥8,804**	¥9,407	**$106**
Total current liabilities	**¥ 67**	¥ 612	**$ 1**
Long-term debt, excluding current maturities	**2,579**	2,371	**31**
Total equity	**6,158**	6,424	**74**
Total liabilities and equity	**¥8,804**	¥9,407	**$106**

Note: "Other" mainly includes property and equipment, at cost. Further, most inventories were pledged as collateral, mainly to secure long-term debt.

In addition, the creditors or beneficial interest holders of those entities do not have recourse to the general credit of the Company and its subsidiaries.

The Company and its subsidiaries have variable interest entities for which the Company and its subsidiaries are not the primary beneficiary established for the ocean plying vessels and real estate development businesses. The aggregated amounts of the assets associated with entities in which the Company and its subsidiaries have significant variable interests which are recognized in the consolidated balance sheets are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2011	2010	**2011**
Due from associated companies	**¥ 7,661**	¥ 1,142	**$ 92**
Other current assets	**260**	352	**3**
Total current assets	**¥ 7,921**	¥ 1,494	**$ 95**
Investments in and advances to associated companies	**¥10,163**	¥17,707	**$122**
Other non-current receivables	**11,142**	3,460	**134**
Total assets	**¥29,226**	¥22,661	**$351**

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 ¥527,596 million ($6,345 million) and ¥51,341 million ($617 million), respectively as of March 31, 2011 and ¥485,518 million and ¥45,319 million, respectively as of March 31, 2010. The major difference between the maximum exposure to loss and the recorded consolidated balance sheet amounts was due to guarantees.

The maximum exposure to loss includes investments, loans, and guarantees. The calculation of the maximum exposure to loss is based on assessments of the involvement of the Company and its subsidiaries considering various factors including the contractual relationships with such variable interest entities.

23. Regarding Loss Relating to the Entrada Oil and Natural Gas Project in the U.S. Gulf of Mexico

In March 2009 the Company decided to definitively withdraw from the Entrada oil and natural gas project in the Gulf of Mexico, which the Company participated through CIECO (Entrada) LLC, a wholly-owned subsidiary of CIECO Energy (US) Limited, a wholly-owned subsidiary of the Company, because the Company and its partner were unable to define an economically viable development plan nor a reasonable divestiture of the equity interest in the lease to third parties.

As a result, the Company recognized a loss for the project in the amount of ¥36,274 million for the year ended March 31, 2009.

The loss consisted of a ¥29,207 million impairment loss related to the amount held under mineral rights, machinery, and equipment by CIECO Energy (US) Limited, which is included in “Loss on property and equipment–net” and a ¥7,067 million impairment loss due to additional expenditures and unrecoverable costs included in “Other–net” in the consolidated statements of income.

24. Commitments and Contingent Liabilities

The Company and its subsidiaries enter into purchase contracts for certain items, principally energy, machinery and chemical materials, either at fixed or variable prices. In most cases, these contracts are matched with counterparty sales contracts. The outstanding purchase contracts amounted to ¥2,070,755 million ($24,904 million), and ¥1,734,273 million at March 31, 2011 and 2010, respectively. The deliveries are at various dates through 2026.

The Company and its subsidiaries also had long-term financing commitments aggregating ¥24,437 million ($294 million) and ¥76,750 million at March 31, 2011 and 2010, 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, 2011 and 2010 are summarized below:

	Millions of Yen		
	2011		
	Guarantees for Monetary Indebtedness	Other guarantees	Total
Guarantees for equity-method associated companies:			
Maximum potential amount of future payments	**¥ 81,512**	**¥13,584**	**¥ 95,096**
Amount of substantial risk	**58,963**	**11,887**	**70,850**
Guarantees for customers:			
Maximum potential amount of future payments	**58,014**	**6,833**	**64,847**
Amount of substantial risk	**37,290**	**3,605**	**40,895**
Total:			
Maximum potential amount of future payments	**¥139,526**	**¥20,417**	**¥159,943**
Amount of substantial risk	**96,253**	**15,492**	**111,745**

	Millions of Yen		
	2010		
	Guarantees for Monetary Indebtedness	Other guarantees	Total
Guarantees for equity-method associated companies:			
Maximum potential amount of future payments	¥ 70,525	¥13,038	¥ 83,563
Amount of substantial risk	37,931	12,705	50,636
Guarantees for customers:			
Maximum potential amount of future payments	55,191	14,230	69,421
Amount of substantial risk	26,040	10,445	36,485
Total:			
Maximum potential amount of future payments	¥125,716	¥27,268	¥152,984
Amount of substantial risk	63,971	23,150	87,121

	Millions of U.S. Dollars		
	2011		
	Guarantees for Monetary Indebtedness	Other guarantees	Total
Guarantees for equity-method associated companies:			
Maximum potential amount of future payments	**$ 980**	**$164**	**$1,144**
Amount of substantial risk	**709**	**143**	**852**
Guarantees for customers:			
Maximum potential amount of future payments	**698**	**82**	**780**
Amount of substantial risk	**449**	**43**	**492**
Total:			
Maximum potential amount of future payments	**$1,678**	**$246**	**$1,924**
Amount of substantial risk	**1,158**	**186**	**1,344**

The amount of substantial risk at March 31, 2011 and 2010 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 ¥2,707 million ($33 million) and ¥787 million at March 31, 2011 and 2010, 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 ¥7,465 million ($90 million) and ¥8,069 million at March 31, 2011 and 2010, respectively. No provisions relating to the guarantees have been recorded in the consolidated financial statements.

Including those guarantees, the Company controls the credit exposure provided for equity-method associated companies and other customers considered a part of its group companies, by performing a credit assessment in advance and periodical monitoring of customer circumstances as follows.

For credit lines provided for equity-method associated companies, the Company recognizes them as having risk exposure to be controlled along with other risks related to investment in affiliates, and from time to time monitors the circumstances of their operations. Accordingly, for the undertaking of guarantees for equity-method associated companies, any guarantee is undertaken only after an assessment by the affiliate control departments which are independent of the business departments handling management of the said companies. Further, for any guarantee credit line, the Company sets an appropriate credit limit and an expiration date. Moreover, regular reviews are performed individually at least once a year in order to check the business circumstances and efficiency of the investment. For guarantees undertaken for equity-method associated companies as of March 31, 2011, the Company does not expect any significant contingencies which might lead to demands of performance on guarantees, nor does the Company expect an increase of guarantee amounts due to the deterioration of management conditions at equity-method associated companies.

For credit lines provided for customers other than the Company's group companies, the Company's credit control departments, which are independent of the business departments, sets an appropriate credit limit together with an expiration date on an item by item basis equivalent to the creditworthiness of each customer. Accordingly, the Company regularly monitors the condition of credit limits and the collection of receivables, and reviews from time to time the situation of overdue receivables. For guarantees undertaken for customers other than the Company's group companies as of March 31, 2011, there have been no significant contingencies which might lead to demands of performance on guarantees.

The amounts that might be recovered from third parties have been excluded from determining the maximum potential amount of future payments. The recoverable amounts were ¥32,940 million ($396 million) and ¥33,964 million at March 31, 2011 and 2010, respectively.

Guarantees issued by the Company and its subsidiaries with the longest term for indebtedness of equity-method associated companies and customers expire on June 30, 2036.

The major equity-method associated companies and customers and the substantial risk of the related guarantees for monetary indebtedness at March 31, 2011 and 2010 were as follows:

	Millions of Yen	Millions of U.S. Dollars		Millions of Yen
	2011			2010
Famima Credit Corporation	**¥26,487**	**$319**	Famima Credit Corporation	¥13,263
Sakhalin Oil and Gas Development Co., Ltd.	**12,763**	**153**	Sakhalin Oil and Gas Development Co., Ltd.	9,982
JAPAN ALUMINA ASSOCIATES (AUSTRALIA) PTY LTD	**9,184**	**110**	NEFERTITI LNG SHIPPING CO., LTD.	6,960
NEFERTITI LNG SHIPPING CO., LTD.	**6,286**	**76**	JAPAN ALUMINA ASSOCIATES (AUSTRALIA) PTY LTD	6,163
PANAVENFLOT CORP.	**5,600**	**67**	Ningbo Mitsubishi Chemical Co., Ltd.	5,046
Ningbo Mitsubishi Chemical Co., Ltd.	**3,783**	**45**	Consolidated Grain & Barge Co.	2,789
Consolidated Grain & Barge Co.	**2,495**	**30**	Japan Brazil Paper and Pulp Resources Development Co., Ltd.	2,227
ISUZU Finance of America, Inc.	**2,112**	**25**	MOON RISE SHIPPING CO., S.A.	1,501
TRINITY BULK S.A., PANAMA	**1,208**	**15**	BEIJING BEER ASAHI CO., LTD.	1,284
BEIJING BEER ASAHI CO., LTD.	**1,187**	**14**	ISUZU Finance of America, Inc.	991

The Company and its subsidiaries were contingently liable in the amounts of ¥1,252 million ($15 million) and ¥438 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, 2011 and 2010, respectively. The amounts of export bills of exchange discounted with banks in the ordinary course of business were ¥80,222 million ($965 million) and ¥69,115 million at March 31, 2011 and 2010, respectively.

There are currently no significant pending lawsuits, arbitration, or other legal proceedings that may materially affect the financial position or results of operations of the ITOCHU Group.

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

25. Subsequent Events

The Company evaluated subsequent events through June 24, 2011, on which the financial statements were available to be issued. Subsequent events were as follows.

The Company issued both 0.613% Yen Bonds due 2016 in Japan in an aggregate amount of ¥10,000 million ($120 million) and 1.378% Yen Bonds due 2021 in Japan in an aggregate amount of ¥20,000 million ($241 million) on June 6, 2011, in accordance with an approved resolution of the Board of Directors held on May 18, 2010.

At the ordinary general meeting of shareholders held on June 24, 2011, the Company was authorized to pay a cash dividend of ¥9.0 ($0.11) per share, or a total ¥14,236 million ($171 million) to shareholders of record on March 31, 2011. The effective date of the dividend payment is June 27, 2011.

Deloitte.

Deloitte Touche Tohmatsu LLC
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel:+81 (3) 3457 7321
Fax:+81 (3) 3457 1694
www.deloitte.com/jp

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, 2011 and 2010, and the related consolidated statements of income, equity, and cash flows for each of the three years in the period ended March 31, 2011 (all expressed in Japanese yen). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion in accordance with attestation standards established by the American Institute of Certified Public Accountants on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of ITOCHU Corporation and subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of oil and gas reserve estimation and related disclosures in the consolidated financial statements to conform to FASB Accounting Standards Codification Topic 932 "Extractive Activities—Oil and Gas" in the period ended March 31, 2010.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 24, 2011

NOTE TO READERS:
Notwithstanding the second paragraph of the Independent Auditors' Report, Deloitte Touche Tohmatsu LLC ("DTT") has performed an audit of management's report on internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act of Japan. A translated copy of management's report on ICFR along with a translated copy of DTT's report is included within this annual report as information for readers.

Member of
Deloitte Touche Tohmatsu Limited

Supplementary Explanation

Internal Controls Over Financial Reporting in Japan

The Financial Instruments and Exchange Act in Japan ("the Act") requires the management of Japanese public companies to annually evaluate whether internal controls over financial reporting ("ICFR") are effective as of each fiscal year-end and to disclose the assessment to investors in "Management Internal Control Report." The Act also requires that the independent 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, 2011 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, 2011, we concluded that its internal control system over financial reporting as of March 31, 2011 was effective and reported such in its Management Internal Control Report.

Our Independent Auditors, Deloitte Touche Tohmatsu LLC, performed an audit of the Management Internal Control Report under the Act.

An English translation of the Management Internal Control Report and the Independent Auditors' Report filed under the Act is attached on the following pages.

ITOCHU Corporation

Management Internal Control Report (Translation)

NOTE TO READERS:

Following is an English translation of management's report on internal control over financial reporting ("ICFR") filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

There are differences between management assessment of ICFR under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the attestation standards established by the American Institute of Certified Public Accountants ("AICPA").

In management assessment of ICFR under FIEA, there is detailed guidance on the scope of management assessment of ICFR such as quantitative guidance on business location selection and/or account selection. In management assessment of ICFR under the attestation standards established by the AICPA, there is no such detailed guidance. Accordingly, based on the quantitative guidance which provides an approximate measure for the scope of assessment of internal control over business processes, we used a measure of more than two thirds of revenue and gross trading profit for the selection of significant locations and business units. We included in the scope of assessment, at the selected significant locations and/or business units, business processes relating to revenue, gross trading profit, accounts receivable, inventories, and investments as significant accounts that may have a material impact on the business objectives of the Company.

(TRANSLATION)

1. [Matters relating to the basic framework for internal control over financial reporting]

Masahiro Okafuji, President & Chief Executive Officer and Tadayuki Seki, Chief Financial Officer are responsible for designing and operating effective internal control over financial reporting of our company (the "Company") and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "The Standards and Practice Standards for Management Assessment and Audit of Internal Control Over Financial Reporting" published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that material misstatements may not be completely prevented or detected by internal control over financial reporting.

2. [Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures]

The assessment of internal control over financial reporting was performed as of March 31, 2011, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting on a consolidation basis ("company-level controls") and based on the results of this assessment, we selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method associated companies, from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts on financial reporting based upon four key financial figures: "Revenue", "Gross trading profit", "Total assets" (for equity-method associated companies, carrying amount of investments in associated companies), and summation of "Income before income taxes and equity in earnings of associated companies" and "Equity in earnings of associated companies" before elimination of inter-company transactions for the year ended March 31, 2011. 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 41 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, 2011. We included in the scope of assessment, at the selected significant locations and/or business units, business processes relating to revenue, gross trading profit, accounts receivable, inventories, and investments as significant accounts that may have a material impact on the business objectives of the Company.

3. [Matters relating to the results of the assessment]

As a result of the assessment described above, as of the end of this fiscal year, we concluded that the Company's internal control over financial reporting was effectively maintained.

4. [Remarks]

We have nothing to be reported as remarks.

5. [Points to be noted]

We have nothing to be reported as points to be noted.

Independent Auditors' Report (filed under the Financial Instruments and Exchange Act of Japan)

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, 2011

To the Board of Directors of ITOCHU Corporation:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Yoshitsugu Oba

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Shigeo Hasegawa

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Koichi Okubo

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Yasuhiro Katsushima

[Audit of Financial Statements]

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated balance sheet as of March 31, 2011 of ITOCHU Corporation and subsidiaries (the "Company") and the related consolidated statements of income, equity and cash flows, and consolidated supplementary schedules for the fiscal year from April 1, 2010 to March 31, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2011, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America (Refer to "Basis of Presenting Consolidated Financial Statements").

[Audit of Internal Control over Financial Reporting]

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of ITOCHU Corporation and subsidiaries as of March 31, 2011. 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 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, 2011 is effectively maintained, presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Our firm and the engagement partners do not have any financial interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

(The above represents a translation, for convenience only, of the original report issued in the Japanese language.)

Supplemental Oil and Gas Information (Unaudited)

The Companies' oil and gas exploration, development and production activities are conducted through subsidiaries and associated companies in offshore and onshore areas of the U.K. North sea, America, Africa, and the area of Caspian Sea and Pacific Rim. Supplementary information on the subsidiaries and associated companies presented below is prepared in accordance with FASB disclosure requirements as of March 31, 2011, 2010 and 2009.

Table 1: Capitalized Costs Relating to Oil and Gas Producing Activities

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	**2011**
Unproved oil and gas properties	**¥ 8,084**	¥ 16,869	¥ 18,884	**$ 97**
Proved oil and gas properties	**153,474**	168,259	152,189	**1,846**
Subtotal	**¥161,558**	¥185,128	¥171,073	**$ 1,943**
Accumulated depreciation, depletion, amortization and valuation allowance	**(97,919)**	(98,202)	(78,448)	**(1,178)**
Net capitalized costs	**¥ 63,639**	¥ 86,926	¥ 92,625	**$ 765**
The Companies' share of associated companies' net capitalized costs	**¥ 1**	¥ 2	¥ 5	**$ 0**

Table 2: Costs Incurred in Oil and Gas Property Acquisition, Exploration and Development Activities

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	**2011**
Acquisition of proved properties	**¥10,928**	¥ —	¥17,615	**$132**
Acquisition of unproved properties	**3,831**	—	—	**46**
Exploration costs	**527**	1,869	1,685	**6**
Development costs	**7,294**	8,157	32,658	**88**
Total costs incurred	**¥22,580**	¥10,026	¥51,958	**$272**
The Companies' share of associated companies' costs of property acquisition, exploration and development	**¥ 483**	¥ 12	¥ 30	**$ 6**

Table 3: Results of Operations for Producing Activities

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	**2011**
Revenues:				
Sales to unaffiliated companies	**¥10,150**	¥ 9,566	¥ 21,082	**$ 122**
Sales to affiliated companies	**30,571**	26,499	52,924	**368**
Total revenues	**¥40,721**	¥36,065	¥ 74,006	**$ 490**
Expenses:				
Production costs	**¥10,406**	¥10,886	¥ 13,185	**$ 125**
Exploration expenses	**63**	14	28	**1**
Depreciation, depletion, amortization and valuation allowances	**36,566**	21,725	52,415	**440**
Income tax expenses	**3,542**	2,066	19,285	**42**
Total expenses	**¥50,577**	¥34,691	¥ 84,913	**$ 608**
Results of operations from producing activities (excluding corporate overhead and interest costs)	**¥ (9,856)**	¥ 1,374	¥(10,907)	**$(119)**
The Companies' share of associated companies' results of operations from producing activities	**¥ (483)**	¥ (12)	¥ (30)	**$ (6)**

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, 2011, 2010 and 2009.

	Crude Oil (Millions of Barrels)			Natural Gas (Billions of Cubic Feet)		
	2011	2010	2009	**2011**	2010	2009
Proved developed and undeveloped reserves:						
Beginning of year	**63**	71	70	**18**	20	31
Revision of previous estimates	**(3)**	(10)	8	**(16)**	1	(8)
Extensions and discoveries	**—**	8	—	**—**	—	—
Purchases	**5**	—	—	**—**	—	—
Production	**(6)**	(6)	(7)	**(2)**	(3)	(3)
End of year	**59**	63	71	**—**	18	20
Proved developed reserves–end of year	**24**	27	20	**—**	15	17

Table 5: Standardized Measure of Discounted Future Net Cash Flows and Changes therein Relating to Proved Oil and Gas Reserves

In accordance with U.S. GAAP, a standardized measure of discounted future net cash flows relating to the proved reserve quantities is based on the prices and costs at the end of the year, currently enacted tax rates and a 10% annual discount factor for the year ended March 31, 2009. For the years ended March 31, 2010 and 2011, the standardized measure of discounted future net cash flows is based on first-day-of-the month average prices, year-end costs, currently enacted tax rates and a 10% annual discount factor. The oil activities' standardized measure of discounted future net cash flows includes the full committed costs of development and operation for the asset under the Production Sharing Agreement.

On the other hand, revenues are registered only in relation to the currently estimated proved reserves stated in Table 4 (Reserve Quantity Information). Estimates of proved reserve quantities may change over time as new information becomes available. Consequently, the information provided here does not represent management's estimate of the Companies' 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
	2011	2010	2009	**2011**
Future cash inflows	**¥409,886**	¥ 360,713	¥ 257,718	**$ 4,929**
Future production costs	**(82,994)**	(130,521)	(127,055)	**(998)**
Future development costs	**(85,540)**	(88,957)	(68,566)	**(1,029)**
Future income tax expenses	**(73,413)**	(55,278)	(18,214)	**(883)**
Undiscounted future net cash flows	**167,939**	85,957	43,883	**2,019**
10% annual discount for estimated timing of cash flows	**(87,576)**	(34,813)	(17,177)	**(1,053)**
Standardized measure of discounted future net cash flows	**¥ 80,363**	¥ 51,144	¥ 26,706	**$ 966**

(2) Details of Changes for the Year

	Millions of Yen			Millions of U.S. Dollars
	2011	2010	2009	**2011**
Discounted future net cash flows at April 1	**¥ 51,144**	¥ 26,706	¥ 174,532	**$ 615**
Sales and transfer of oil and gas produced, net of production costs	**(47,458)**	(24,826)	(58,310)	**(571)**
Development costs incurred	**6,960**	7,936	13,352	**84**
Purchases of reserves	**13,381**	—	—	**161**
Net changes in prices, development and production costs	**75,989**	74,061	(187,112)	**914**
Extensions, discoveries and improved recovery, less related costs	**—**	4,086	(467)	**—**
Revisions of previous quantity estimates	**(4,740)**	(16,007)	(18,887)	**(57)**
Accretion of discount (10%)	**8,401**	3,675	29,215	**101**
Net changes in income taxes	**(14,451)**	(24,962)	95,293	**(174)**
Difference of foreign exchange rates	**(8,863)**	475	(20,910)	**(107)**
Discounted future net cash flows at March 31	**¥ 80,363**	¥ 51,144	¥ 26,706	**$ 966**

Corporate Information / Stock Information

As of March 31, 2011

Company Name:
ITOCHU Corporation

Founded:
1858

Incorporated:
1949

Common Stock:
¥202,241 million

Tokyo Head Office:
5-1, Kita-Aoyama 2-chome
Minato-ku, Tokyo 107-8077, Japan
Telephone: 81 (3) 3497-2121

Osaka Head Office (from August 2011)**:**
1-3, Umeda 3-chome
Kita-ku, Osaka 530-8448, Japan
Telephone: 81 (6) 7638-2121

Offices (As of April 1, 2011)**:**
Domestic : 9
Overseas : 117

Number of Employees*:
Consolidated : 62,635
Non-consolidated : 4,301

* The number of consolidated employees is based on actual working employees excluding temporary staff.
The number of non-consolidated employees includes employees temporary relocated to other companies (domestic 632, overseas 298) employees and trainees assigned to overseas posts (342).

Homepage:
http://www.itochu.co.jp/en/
(Investor Information)
http://www.itochu.co.jp/en/ir/

Fiscal Year:
From April 1 to March 31

General Meeting of Shareholders:
Late June

Number of Share Trading Unit (*Tangen*):
100

Transfer Agent of Common Stock:
The Chuo Mitsui Trust and Banking Company, Limited

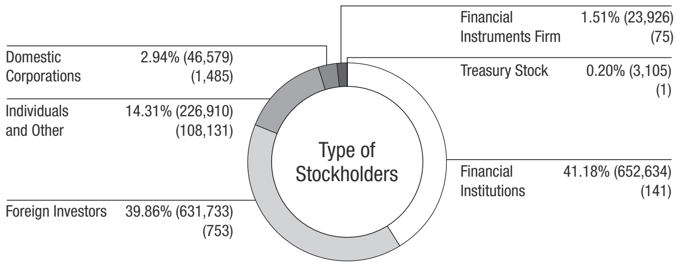
Stock Listings:
Tokyo, Osaka, Nagoya, Fukuoka, Sapporo

Stock Code:
8001

Number of Common Stock Issued:
1,584,889,504

Number of Stockholders:
110,586

Breakdown of Stockholders:
% (Number of stocks held, 1,000 shares) (Number of Stockholders)



Major Stockholders:

Name	Number of stocks held (1,000 shares)	Stock holding ratio (%)
Japan Trustee Services Bank, Ltd. (trust account)	100,923	6.37
The Master Trust Bank of Japan, Ltd. (trust account)	69,602	4.39
State Street Bank and Trust Company	43,912	2.77
Mitsui Sumitomo Insurance Co., Ltd.	41,150	2.60
Nippon Life Insurance Company	38,057	2.40
NIPPONKOA Insurance Co., Ltd.	37,748	2.38
Japan Trustee Services Bank, Ltd. (trust account 9)	30,655	1.93
Tokio Marine & Nichido Fire Insurance Co., Ltd.	30,594	1.93
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	29,423	1.86
The Chase Manhattan Bank, N.A. London S.L. Omnibus Account	27,981	1.77

Forward-Looking Statements

This Annual Report contains forward-looking statements regarding ITOCHU Corporation's corporate plans, strategies, forecasts, and other statements that are not historical facts. They are based on current expectations, estimates, forecasts and projections about the industries in which ITOCHU Corporation operates. As the expectations, estimates, forecasts and projections are subject to a number of risks, uncertainties and assumptions, including without limitation, changes in economic conditions; fluctuations in currency exchange rates; changes in the competitive environment; the outcome of pending and future litigation; and the continued availability of financing; financial instruments and financial resources, they may cause actual results to differ materially from those presented in such forward-looking statements. ITOCHU Corporation, therefore, wishes to caution that readers should not place undue reliance on forward-looking statements, and, further that ITOCHU Corporation undertakes no obligation to update any forward-looking statements as a result of new information, future events or other developments.

ITOCHU Corporation

5-1, Kita-Aoyama 2-chome
Minato-ku, Tokyo 107-8077, Japan
Telephone : 81 (3) 3497- 2121
Facsimile : 81 (3) 3497- 4141
Homepage : http://www.itochu.co.jp/en/

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