ITOCHU Corporation

# Financial Section 2014

For the Year ended March 31, 2014

# Contents



**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.

# Six-year Summary (U.S. GAAP)

ITOCHU Corporation and its Subsidiaries

| | Millions of Yen | | | | | | Millions of U.S. Dollars (Note 5) |
|---|---|---|---|---|---|---|---|
| Years ended March 31 | **2014** | 2013 | 2012 | 2011 | 2010 | 2009 | **2014** |
| **P/L (For the year):** | | | | | | | |
| Revenue | **¥ 5,530,895** | ¥ 4,579,763 | ¥ 4,197,525 | ¥ 3,581,795 | ¥ 3,418,220 | ¥ 3,419,061 | **$53,740** |
| Gross trading profit | **1,028,273** | 915,879 | 956,920 | 906,587 | 860,187 | 1,060,521 | **9,991** |
| Net income attributable to ITOCHU | **310,267** | 280,297 | 300,505 | 161,114 | 128,905 | 165,390 | **3,015** |
| Comprehensive income (loss) attributable to ITOCHU | **446,214** | 475,819 | 249,983 | 106,041 | 270,570 | (92,334) | **4,335** |
| Per share (Yen and U.S. Dollars): | | | | | | | |
| Basic net income attributable to ITOCHU (Note 1) | **196.31** | 177.35 | 190.13 | 101.93 | 81.56 | 104.64 | **1.91** |
| Cash dividends | **46.0** | 40.0 | 44.0 | 18.0 | 15.0 | 18.5 | **0.45** |
| Stockholders' equity (Note 1) | **1,358.42** | 1,117.01 | 862.88 | 731.57 | 695.75 | 537.43 | **13.20** |
| Total trading transactions (Note 2) | **14,566,820** | 12,551,557 | 11,904,749 | 11,323,793 | 10,308,629 | 12,065,109 | **141,535** |
| Adjusted profit (Note 3) | **394,201** | 351,023 | 395,477 | 333,098 | 195,552 | 339,292 | **3,830** |
| **B/S (At year-end):** | | | | | | | |
| Total assets | **¥7,848,440** | ¥7,117,446 | ¥6,507,273 | ¥5,676,709 | ¥5,478,873 | ¥5,192,092 | **$76,258** |
| Current interest-bearing debt | **464,992** | 482,544 | 450,968 | 288,973 | 289,963 | 628,792 | **4,517** |
| Long-term interest-bearing debt | **2,420,272** | 2,279,915 | 2,082,592 | 1,979,967 | 1,919,588 | 1,760,530 | **23,517** |
| Interest-bearing debt | **2,885,264** | 2,762,459 | 2,533,560 | 2,268,940 | 2,209,551 | 2,389,322 | **28,034** |
| Net interest-bearing debt | **2,224,279** | 2,185,623 | 2,014,898 | 1,630,764 | 1,721,464 | 1,756,764 | **21,612** |
| Long-term debt, excluding current maturities (including long-term interest-bearing debt) | **2,628,937** | 2,447,868 | 2,259,717 | 2,160,772 | 2,108,081 | 1,934,421 | **25,544** |
| Stockholders' equity | **2,146,963** | 1,765,435 | 1,363,797 | 1,156,270 | 1,099,639 | 849,411 | **20,861** |
| **Cash flows (For the year):** | | | | | | | |
| Cash flows from operating activities | **¥ 418,396** | ¥ 245,661 | ¥ 212,830 | ¥ 335,361 | ¥ 293,597 | ¥ 276,854 | **$ 4,065** |
| Cash flows from investing activities | **(266,692)** | (199,990) | (416,315) | (230,866) | (195,698) | (326,033) | **(2,591)** |
| Cash flows from financing activities | **(71,707)** | (11,323) | 84,704 | 53,202 | (256,568) | 258,322 | **(697)** |
| Cash and cash equivalents at the end of the year | **653,332** | 569,716 | 513,489 | 633,756 | 480,564 | 628,820 | **6,348** |
| **Ratios:** | | | | | | | |
| Gross trading profit ratio (%) (Note 4) | **7.1** | 7.3 | 8.0 | 8.0 | 8.3 | 8.8 | |
| ROA (%) | **4.1** | 4.1 | 4.9 | 2.9 | 2.4 | 3.2 | |
| ROE (%) | **15.9** | 17.9 | 23.8 | 14.3 | 13.2 | 18.1 | |
| Ratio of stockholders' equity to total assets (%) | **27.4** | 24.8 | 21.0 | 20.4 | 20.1 | 16.4 | |
| Net debt-to-equity ratio (times) | **1.0** | 1.2 | 1.5 | 1.4 | 1.6 | 2.1 | |
| Interest coverage (times) | **13.1** | 12.4 | 13.5 | 10.7 | 5.3 | 7.2 | |
| **Common stock information (For the year):** | | | | | | | |
| Stock price (Yen and U.S. Dollars): | | | | | | | |
| Opening price | **¥1,125** | ¥ 925 | ¥ 870 | ¥ 829 | ¥ 487 | ¥ 994 | **$10.93** |
| High | **1,568** | 1,241 | 966 | 930 | 821 | 1,337 | **15.24** |
| Low | **1,033** | 755 | 676 | 659 | 486 | 380 | **10.04** |
| Closing price | **1,206** | 1,131 | 903 | 871 | 819 | 478 | **11.72** |
| Market capitalization (Yen and U.S. Dollars in billions) | **1,911** | 1,793 | 1,431 | 1,380 | 1,298 | 758 | **18.57** |
| Trading volume (yearly, million shares) | **1,782** | 1,783 | 1,882 | 2,287 | 2,616 | 2,913 | |
| 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 | **¥102.98** | ¥94.16 | ¥82.41 | ¥82.76 | ¥93.40 | ¥ 99.15 | |
| Average for the year | **100.46** | 83.26 | 78.86 | 85.00 | 92.49 | 100.85 | |
| Range: | | | | | | | |
| Low | **105.25** | 96.16 | 85.26 | 94.68 | 100.71 | 110.48 | |
| High | **92.96** | 77.41 | 75.72 | 78.74 | 86.12 | 87.80 | |
| **Number of employees (At year-end, consolidated)** | **102,376** | 77,513 | 70,639 | 62,635 | 62,379 | 55,431 | |

Notes:
1. Basic 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 + Interest expense + Interest income + Dividends received + 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, 2014, have been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥102.92=U.S.$1 (the official rate dated March 31, 2014, announced by The Bank of Tokyo-Mitsubishi UFJ, Ltd.).
6. The consolidated financial statements for the year ended March 31, 2014, in accordance with U.S. GAAP are not audited pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act.
7. Certain subsidiaries changed their fiscal periods in the year ended March 31, 2012. The effect of these changes has been reflected in figures of certain items for the years ended March 31, 2011 and 2010.
8. As a result of the ITOCHU Group's integration of the food distribution and marketing business, the items in which distribution cost related to these operations has been included were changed from the beginning of the year ended March 31, 2012. The relevant amounts in the same period of the previous years ended March 31, 2011 and 2010 have been reclassified based on this new classification.
9. With respect to distribution cost related to the ITOCHU Group's food distribution and marketing business, ITOCHU has made a change in presentation in the financial statements related to the ITOCHU Group's portion of operational cost arising at the distribution centers of the ITOCHU Group's customers, such as mass merchandisers, and delivery costs from the distribution centers to the customers' stores since the beginning of the year ended March 31, 2013. The aforementioned distribution cost for the same period of the previous years ended March 31, 2012 and 2011 have been reclassified in the same manner.

# Summary (IFRS)

ITOCHU Corporation and its Subsidiaries
The consolidated financial statements are prepared in conformity with the International Financial Reporting Standards ("IFRSs") from the year ended March 31, 2014.
Major indicators are presented in accordance with IFRSs.

| | Millions of Yen | | | Millions of U.S. Dollars (Note 5) |
|---|---|---|---|---|
| Years ended March 31 | 2014 | 2013 | 2012 | 2014 |
| **P/L (For the year):** | | | | |
| Revenues | ¥ 5,587,526 | ¥ 4,699,466 | ¥ — | $ 54,290 |
| Gross trading profit | 1,045,022 | 945,778 | — | 10,154 |
| Net profit attributable to ITOCHU | 245,312 | 258,843 | — | 2,384 |
| Comprehensive income attributable to ITOCHU | 391,901 | 474,460 | — | 3,807 |
| Per share (Yen and U.S. Dollars): | | | | |
| Basic earnings attributable to ITOCHU (Note 1) | 155.21 | 163.77 | — | 1.51 |
| Cash dividends | 46.0 | 40.0 | 44.0 | 0.44 |
| Shareholders' equity (Note 1) | 1,294.34 | 1,087.61 | 833.22 | 12.58 |
| Total trading transactions (Note 2) | 14,645,718 | 12,770,465 | — | 142,302 |
| Adjusted profit (Note 3) | 372,797 | 364,150 | — | 3,622 |
| **B/S (At year-end):** | | | | |
| Total assets | ¥ 7,783,756 | ¥ 7,198,501 | ¥6,488,155 | $ 75,629 |
| Current interest-bearing debt | 472,667 | 498,816 | 451,618 | 4,593 |
| Long-term interest-bearing debt | 2,420,713 | 2,282,067 | 2,084,800 | 23,520 |
| Interest-bearing debt | 2,893,380 | 2,780,883 | 2,536,418 | 28,113 |
| Net interest-bearing debt | 2,231,988 | 2,203,428 | 2,018,420 | 21,687 |
| Total shareholders' equity | 2,045,683 | 1,718,980 | 1,316,928 | 19,876 |
| **Cash flows (For the year):** | | | | |
| Cash flows from operating activities | ¥ 428,101 | ¥ 236,517 | ¥ — | $ 4,160 |
| Cash flows from investing activities | (270,377) | (203,811) | — | (2,627) |
| Cash flows from financing activities | (77,855) | 2,978 | — | (756) |
| Cash and cash equivalents at the end of the year | 653,739 | 570,335 | 512,825 | 6,352 |
| **Ratios:** | | | | |
| Gross trading profit ratio (%) (Note 4) | 7.1 | 7.4 | — | |
| ROA (%) | 3.3 | 3.8 | — | |
| ROE (%) | 13.0 | 17.1 | — | |
| Ratio of shareholders' equity to total assets (%) | 26.3 | 23.9 | 20.3 | |
| Net debt-to-equity ratio (times) | 1.1 | 1.3 | 1.5 | |
| Interest coverage (times) | 12.5 | 12.1 | — | |
| **Number of employees (At year-end, consolidated)** | 104,310 | 83,768 | 72,528 | |

Notes: 1. Basic earnings attributable to ITOCHU per share and Shareholders' 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 IFRSs.
3. Adjusted profit = Gross trading profit + Selling, general and administrative expenses + Interest expense + Interest income + Dividends received + Equity in earnings of associates and joint ventures
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, 2014, have been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥102.92=U.S.$1 (the official rate dated March 31, 2014, 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. ITOCHU Corporation (the "Company" or "ITOCHU") has voluntarily adopted the International Financial Reporting Standards ("IFRSs") instead of the accounting principles generally accepted in the United States of America ("U.S. GAAP"), from the consolidated financial statements of the annual report for the year ended March 31, 2014. However, as the management and performance control for this Fiscal Year 2014 has been performed in accordance with U.S. GAAP, the Overview and Analysis of Results of Operations in Fiscal Year 2014 are stated in accordance with U.S. GAAP. Also, as the Consolidated Financial Statements and the Notes to the Consolidated Financial Statements are prepared in accordance with IFRSs, the Analysis of Results of Operations in Fiscal Year 2014 and the Outlook for Fiscal Year 2015 are stated in accordance with IFRSs as well as U.S. GAAP.

Figures in yen for the year ended March 31, 2014, ("Fiscal Year 2014" or "the fiscal year"), have been translated into U.S. dollars solely for the convenience of the reader based on the exchange rate of ¥102.92 = US$1, announced by The Bank of Tokyo-Mitsubishi UFJ, Ltd., on March 31, 2014.

## Overview

In fiscal year 2014, the global economy grew at a sluggish pace overall since the economies of emerging countries continued to grow at a sluggish pace. Although the WTI crude oil price exceeded US$110 per barrel for a time due to concerns over geopolitical risks, it mainly trended between US$95 and US$105 per barrel reflecting the global economy's modest growth, ending March at approximately US$102 per barrel.

Japan's economy trended on a recovery track. Private demands such as consumer spending and housing investment recovered, and increased price competitiveness due to yen depreciation led to a gradual recovery in exports. Moreover, the pace of growth picked up toward the end of fiscal year 2014 due to the expanded last-minute demand before the April 2014 consumption tax hike.

As a result of the Bank of Japan's large-scale monetary easing and the curbing of the pace of monetary easing by the United States' Central Bank, the yen trended toward depreciation against the U.S. dollar, starting around ¥93 at the beginning of April and weakening to approximately ¥103 at the end of March. Reflecting the expectations of continuous recovery in corporate results, the Nikkei Stock Average trended upwards from the ¥12,100 level at the beginning of April to as high as ¥16,300 at one point, and ended March at around ¥14,800. The yield on 10-year Japanese government bonds rose sharply during the period, from 0.5% in early April to around 0.9% at one point. However, yields fell back due to the Bank of Japan's introduction of monetary easing measures, and ended around 0.6% to 0.65% at the end of March.

The following shows specific results in the year ended March 31, 2014, the first year of "Brand-new Deal 2014", which covers the two-year period from FY2014 to FY2015.

**Consumer-Related Sector:**

ITOCHU acquired the Asia fresh produce business and the worldwide packaged foods business from Dole Food Company, Inc., one of the world's largest majors in the fresh produce business. Dole's fresh produce has high shares in the market in many regions, especially Japan, which is the biggest importing country of bananas and pineapples in Asia. With customer needs as its starting point, ITOCHU Group, organically combining functions from the development of food resources to the supply of basic ingredients, manufacturing and processing, intermediate distribution and retail, will continue to pursue globalization using its international production, processing, distribution and sales systems based on the Strategic Integrated System (SIS) strategy, which facilitates efficient production, distribution and sales globally, and integrating them with the management resources of the acquired businesses, such as high brand awareness worldwide and the production, processing and sales of fresh produce. Also, ITOCHU and ITOCHU Textile Prominent (Asia) Ltd. have acquired a 30% stake in ASF Limited, an intermediate holding company that falls under the auspices of Fenix Group Holdings Limited, a holding company that handles a broad range of retail and other businesses in Asian regions centered on Hong Kong and China, such as the operation of the luxury women's fashion brand ANTERPRIMA. In addition, ITOCHU has entered into an agreement to acquire a stake in Japan's largest manufacturer and distributor of jeans, Edwin Holdings, which heads the Edwin Group, a corporate group manufacturing and distributing its own labels "EDWIN" and "SOMETHING", for which it enjoys a high level of nation-wide recognition, and holds licensing rights of North America's leading jeans brands "Lee" and "Wrangler", and has many excellent brands and strength in product development, by creating a unique business model that integrates the entire process from planning and manufacturing to distribution.

**Basic Industry-Related Sector:**

ITOCHU, Kyushu Electric Power Company Incorporated, PT Medco Power Indonesia and Ormat Technologies, Inc. in the U.S.A., through the investment subsidiaries owned by each of the companies and jointly establishing an operating company, Sarulla Operations Ltd, have concluded a long-term power purchase and loan agreement with PT Perusahaan Listrik Negara (PLN) and PT Pertamina Geothermal Energy (PGE), to construct a geothermal plant with a total capacity of 320MW in the Sarulla region in North Sumatra owned by PGE, and sales of generated power to PLN for 30 years starting from 2016. Owing 40% of the world's potential geothermal resources, Indonesia holds the world's largest amount of such resources, and positions geothermal energy as its strategic power source. ITOCHU will contribute to the Indonesian government's policy of promoting geothermal energy through this project and continue to be active in the power generation business promoting renewable energy and wind power. Also, ITOCHU, with Bombardier Transportation Australia, John Laing and Uberior, has achieved a Financial Close upon concluding a project agreement with the Queensland Government for the Public Private Partnership (PPP) "New Generation Rollingstock Project". In addition, ITOCHU has acquired 33.4% of the shares of Canaragua Concesiones S.A., the market leader of privatized upstream and downstream water, sewerage network and the integral water cycle in the Autonomous Community of Canaries, providing services to approximately 1.3 million inhabitants, and has a history of stable and efficient operations, outstanding customer service and strong financial performance. In Japan, ITOCHU acquired additional stakes currently owning 39.4% of YANASE & CO., LTD., which has more than 180 bases throughout Japan, has established the No.1 position in Japan's automobile import industry in terms of unit sales, and is maintaining a stable presence in the imported automobile market.

**Natural Resource-Related Sector:**
ITOCHU has acquired interests in BHP Iron Ore (Jimblebar) Pty. Ltd., which is developing the Jimblebar Iron Ore mine in West Australia, part of the Iron Ore business of leading mining company, BHP Billiton (Australia & UK). Jimblebar is a large prospective deposit and will be a large scale, low cost, open pit mining operation, and ITOCHU seeks to increase iron ore supply capacity through the Western Australia Iron Ore operations, in response to the expected increase in the medium to long term worldwide iron ore demand. Also, ITOCHU, which through its subsidiary has been involved in the crude oil development and production business in the ACG field in the Caspian Sea in Azerbaijan, has commenced additional oil production from both the existing Chirag oil field and the deepwater portion of the Gunashli oil field including those shallow parts, the development called the Chirag Oil Project (COP), which started in 2010, using the pre-drilled wells and a newly installed production platform, for which the design oil capacity is 183,000 barrels per day.

## Business Results for Fiscal Year 2014— Comparison between Fiscal Year 2014 and Fiscal Year 2013 (U.S. GAAP)

Revenue for the year ended March 31, 2014, increased by 20.8%, or ¥951.1 billion, compared with the previous fiscal year, to ¥5,530.9 billion (US$53,740 million). This increase was attributable to higher revenue from the Energy & Chemicals Company, due to higher transaction volume of petroleum products and chemicals; higher revenue from the Food Company, reflecting the acquisition of the Dole business; higher revenue from the ICT, General Products & Realty Company, due to the favorable performance by housing-material-related companies and expanded business by mobile-phone-related companies; higher revenue from the Machinery Company, due to higher transaction volume in automobile and plant-related transactions; and the effect of the yen depreciation.

Gross trading profit increased by 12.3%, or ¥112.4 billion, compared with the previous fiscal year, to ¥1,028.3 billion (US$9,991 million). This increase was attributable to higher earnings from the ICT, General Products & Realty Company, due to favorable pulp transactions, favorable performance by housing-material-related companies, expanded business by mobile-phone-related companies, and contribution of real estate transactions; higher earnings from the Food Company, mainly due to the acquisition of the Dole business; higher earnings from the Metals & Minerals Company, due to higher sales volume of iron ore, which more than offset falling coal prices; higher earnings from the Energy & Chemicals Company, due to an increase and an improvement in profitability of energy trading transactions and higher chemicals transaction volume; higher earnings from the Machinery Company, due to an increase in automobile, construction machinery, and plant-related transaction volume; and the effect of the yen depreciation.

Selling, general and administrative expenses rose by 10.7%, or ¥71.8 billion, compared with the previous fiscal year, to ¥743.1 billion (US$7,220 million), due to higher expenses accompanying the inclusion of new consolidated subsidiaries, including the acquisition of the Dole business, and the effect of the yen depreciation.

Provision for doubtful receivables deteriorated by ¥5.7 billion, compared with the previous fiscal year, to a loss of ¥6.1 billion (US$59 million), due to the absence of the gain on reversal of allowance for doubtful receivables in the previous fiscal year.

Net interest expenses, which is the total of interest income and interest expenses, improved by 5.5%, or ¥0.8 billion, compared with the previous fiscal year, to an expense of ¥13.3 billion (US$129 million), due to lower debt cost despite an increase in interest-bearing debt. Dividends received increased by 7.1%, or ¥2.5 billion, compared with the previous fiscal year, to ¥37.1 billion (US$360 million), as dividends from plant-related and apparel-related investments increased. Consequently, Net financial income, which is the total of Net interest expenses and Dividends received, increased by ¥3.2 billion, compared with the previous fiscal year, to a gain of ¥23.8 billion (US$231 million).

Gain on investments–net increased by ¥13.6 billion, compared with the previous fiscal year, to a gain of ¥59.5 billion (US$578 million). This gain was attributable to an increase in gain on sales of investments and a decrease in impairment losses on investment securities.

Loss on property and equipment–net improved by ¥7.7 billion, compared with the previous fiscal year, to a loss of ¥1.6 billion (US$16 million), mainly due to an improvement in gain on sales of property and equipment.

Other–net increased by ¥3.3 billion, compared with the previous fiscal year, to a gain of ¥13.0 billion (US$127 million), mainly due to an improvement in foreign currency translation.

As a result, Income before income taxes and equity in earnings of associated companies increased by 20.2%, or ¥62.7 billion, compared with the previous fiscal year, to ¥373.8 billion (US$3,632 million). Income taxes increased by 38.2%, or ¥36.1 billion, compared with the previous fiscal year, to expenses of ¥130.4 billion (US$1,267 million).

Equity in earnings of associated companies decreased by 0.7%, or ¥0.6 billion, compared with the previous fiscal year, to a gain of ¥85.3 billion (US$828 million). This decrease was due to an unordinary tax expense in Brazilian iron ore companies, a decrease in equity in earnings of Colombian coal companies due to a decline in coal prices and a decrease in transaction volume, the impact of prolonged scheduled maintenance of overseas methanol companies, and an absence of an unordinary gain recognized on an investment in an industrial-textiles-related company in the previous fiscal year, despite the increases in equity in earnings of overseas pulp-related companies, Australian mineral-resources-related companies, automobile-related companies, and ship-related companies. Equity in earnings from U.S. oil and gas development companies was almost the same level due to improvement of income from operations which offset increased impairment losses.

As a result, Net income increased by 8.6%, or ¥26.0 billion, compared with the previous fiscal year, to ¥328.7 billion (US$3,193 million).

Consequently, Net income attributable to ITOCHU, which is calculated as Net income minus Net income attributable to the noncontrolling interest of ¥18.4 billion (US$178 million), increased by 10.7%, or ¥30.0 billion, compared with the previous fiscal year, to ¥310.3 billion (US$3,015 million).

(Supplemental information)
In accordance with Japanese accounting practices, Total trading transactions for the year ended March 31, 2014, increased by ¥2,015.3 billion, compared with the previous fiscal year, to ¥14,566.8 billion (US$141,535 million). This increase was attributable to higher trading transactions from the Energy & Chemicals Company, due to higher transaction volume of energy trading and chemicals; higher trading transactions from the Food Company, due to the acquisition of the Dole business and an increase in transaction volume in food material transactions and food-distribution-related companies; higher trading transactions from the ICT, General Products & Realty Company, due to favorable pulp transactions, favorable performance by housing-material-related companies, and expanded business by mobile-phone-related companies; increase in automobile transaction volume for Europe, Africa and the Middle East in the Machinery Company, despite the decrease in ship transaction volume; and the effect of the yen depreciation.

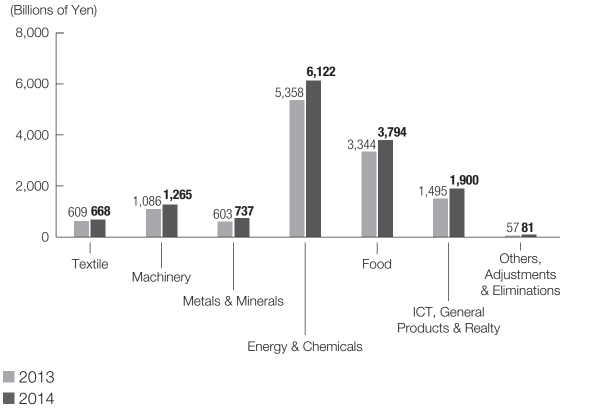
## Operating Segment Information (U.S. GAAP)

Business results by operating segment are as follows. ITOCHU Corporation (The "Company" or "ITOCHU") 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

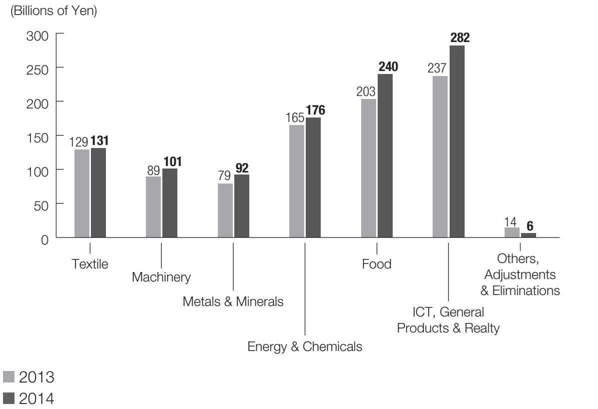
Trading transactions for unaffiliated customers and associated companies increased by 9.6%, or ¥58.7 billion, to ¥667.6 billion (US$6,487 million), due to the acquisition of European apparel manufacturing and wholesale companies in the previous fiscal year, a rise in textile material transaction volume for China, and the introduction of new brands. Gross trading profit increased by 1.7%, or ¥2.2 billion, to ¥131.2 billion (US$1,274 million), due to the same reason noted above. Net income attributable to ITOCHU was up by 3.9%, or ¥1.2 billion, to ¥32.5 billion (US$315 million) due to higher dividends received and an increase in gain (loss) on investments-net, despite the absence of unordinary gain on reversal of expenses in the previous fiscal year. Total assets rose by 3.6%, or ¥17.6 billion, to ¥504.5 billion (US$4,901 million),

**Total Trading Transactions by Operating Segment (U.S. GAAP)**




* For fiscal years

**Gross Trading Profit by Operating Segment (U.S. GAAP)**




* For fiscal years

compared with the previous fiscal year-end, due to a rise in trade receivables resulting from expanded transactions.

### Machinery

Trading transactions for unaffiliated customers and associated companies increased by 16.5%, or ¥178.7 billion, to ¥1,265.0 billion (US$12,291 million), due to higher automobile transaction volume for Europe, Africa, and Middle East, and the effect of the yen depreciation, despite a decrease in ship transaction volume. Gross trading profit increased by 12.7%, or ¥11.3 billion, to ¥100.7 billion (US$979 million), due to higher automobile, construction machinery and plant-related transaction volume and the effect of the yen depreciation, despite a decrease in ship transaction volume. Net income attributable to ITOCHU increased by 35.1%, or ¥11.3 billion, to ¥43.4 billion (US$422 million) due to a rise in gross trading profit, higher dividends received, and an increase in gain (loss) on investments-net and equity in earnings of associated companies, despite the absence of the gain on reversal of allowance for doubtful receivables in the previous fiscal year. Total assets increased by 7.1%, or ¥62.9 billion, to ¥953.8 billion (US$9,267 million), due to new and additional automobile-related investments in Japan and overseas, an increase in unrealized holding gains on securities accompanying rising stock prices, and the effect of the yen depreciation.

### Metals & Minerals

Trading transactions for unaffiliated customers and associated companies increased by 22.3%, or ¥134.7 billion, to ¥737.4 billion (US$7,165 million), due to higher sales volume of iron ore, higher transaction volume of non-ferrous metal products, and the effect of the yen depreciation. Gross trading profit increased by 15.9%, or ¥12.6 billion, to ¥92.1 billion (US$894 million), due to higher sales volume of iron ore and the effect of the yen depreciation, despite falling coal prices. Net income attributable to ITOCHU decreased by 10.2%, or ¥8.4 billion, to ¥74.1 billion (US$720 million), due to the absence of a gain on sales of investments in the previous fiscal year and a decrease in equity in earnings of associated companies accompanying unordinary tax expense in Brazilian iron ore companies, despite an increase in gross trading profit. Total assets increased by 11.3%, or ¥133.0 billion, to ¥1,308.2 billion (US$12,710 million), due to new investments and loans to Australian mineral-resource-development-related business and the effect of the yen depreciation.

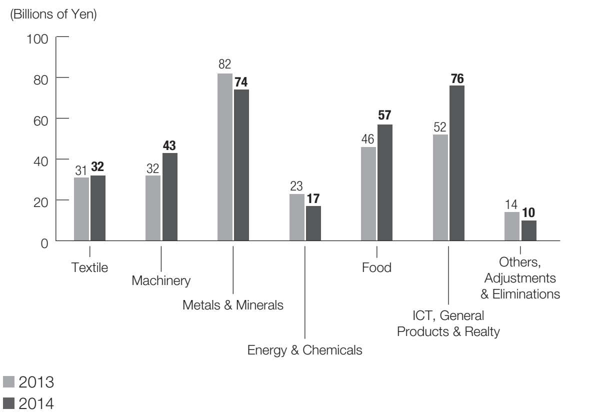
### Energy & Chemicals

Trading transactions for unaffiliated customers and associated companies increased by 14.3%, or ¥764.6 billion, to ¥6,122.1 billion (US$59,484 million), due to higher transaction volume of energy trading and chemicals, and the effect of the yen depreciation. Gross trading profit increased by 6.9%, or ¥11.4 billion, to ¥176.4 billion (US$1,714 million), due to higher transaction volume and improved profitability of energy trading transactions, higher transaction volume of chemicals, and the effect of the yen depreciation. Net income attributable to ITOCHU decreased by 27.7%, or ¥6.4 billion, to ¥16.7 billion (US$162 million) due to a decrease in gain (loss) on investments–net and a deterioration in equity in earnings of associated companies, despite an increase in gross trading profit. Total assets decreased by 3.9%, or ¥51.5 billion, to ¥1,283.7 billion (US$12,473 million), due to progress in the collection of trade receivables and a decrease in inventories accompanying an increase in sales for energy trading transactions.

### Food

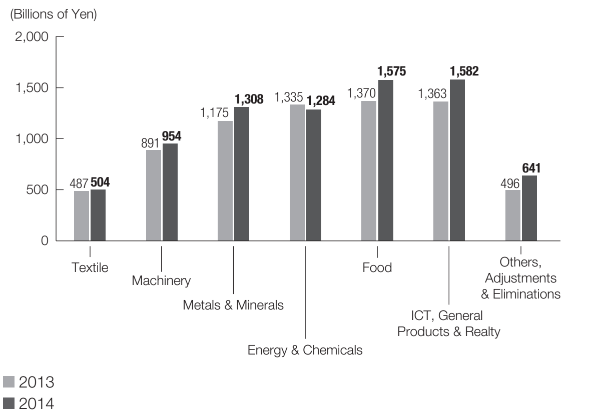
Trading transactions for unaffiliated customers and associated companies increased by 13.4%, or ¥449.4 billion, to ¥3,793.6 billion (US$36,859 million), due to the acquisition of the Dole business and higher transaction volume of food material transactions and food-distribution-related companies. Gross trading profit increased by 18.3%, or ¥37.2 billion, to ¥239.9 billion (US$2,331 million), due to the acquisition of the Dole business and stable performance of existing companies. Net income attributable to ITOCHU increased by 25.8%, or ¥11.8 billion, to ¥57.5 billion (US$559 million), due to the acquisition of the Dole business and an increase in gain (loss) on investments-net. Total assets increased by 15.0%, or ¥205.0 billion, to ¥1,575.2 billion (US$15,305 million), due to the acquisition of the Dole business, despite a decrease in trade receivables by food-distribution-related companies which resolved due to term end holiday effect.

**Net Income (Loss) by Operating Segment (U.S. GAAP)**




* For fiscal years

**Total Assets by Operating Segment (U.S. GAAP)**




* As of March 31

**ICT, General Products& Realty**

Trading transactions for unaffiliated customers and associated companies increased by 27.1%, or ¥405.0 billion, to ¥1,900.3 billion (US$18,464 million), due to favorable pulp transactions and favorable performance by housing-materials-related companies, expanded business by mobile-phone-related companies, and the effect of the yen depreciation. Gross trading profit increased by 19.2%, or ¥45.5 billion, to ¥282.1 billion (US$2,741 million), due to favorable pulp transactions and favorable performance by housing-materials-related companies, expanded business by mobile-phone-related companies, contribution of real estate transactions, and the effect of the yen depreciation. Net income attributable to ITOCHU increased by 46.5%, or ¥24.2 billion, to ¥76.3 billion (US$742 million), due to a rise in gross trading profit, and an increase in gain (loss) on investments-net and equity in earnings of associated companies. Total assets increased by 16.0%, or ¥218.3 billion, to ¥1,581.7 billion (US$15,369 million), due to the conversion of a mobile-phone-related equity-method associated company into a consolidated subsidiary, an increase in trade receivables of general-merchandise-related companies and domestic ICT-related companies, a rise in inventories of real-estate-related companies, and the effect of the yen depreciation.

**Others, Adjustments & Eliminations**

Trading transactions for unaffiliated customers and associated companies increased by 42.6%, or ¥24.1 billion, to ¥80.8 billion (US$785 million), due to higher transaction volume of equipment materials in North America and the effect of the yen depreciation. Gross trading profit decreased by 57.1%, or ¥7.9 billion, to ¥5.9 billion (US$58 million), due to an increase in adjustments and eliminations, despite higher transaction volume of equipment materials in North America. Net income attributable to ITOCHU decreased by 27.7%, or ¥3.8 billion, to ¥9.8 billion (US$95 million), due to the absence of improvement in tax expense from the realization of losses on a tax basis in the previous fiscal year. Total assets increased by 29.4%, or ¥145.8 billion, to ¥641.5 billion (US$6,233 million), due to an increase in cash and cash equivalents.

## Segment Information (U.S. GAAP)

| Years ended March 31 | Billions of Yen 2014 | Billions of Yen 2013 | Millions of U.S. Dollars 2014 |
|---|---|---|---|
| Trading transactions (Note): | | | |
| Textile | ¥ 667.6 | ¥ 608.9 | $ 6,487 |
| Machinery | 1,265.0 | 1,086.3 | 12,291 |
| Metals & Minerals | 737.4 | 602.7 | 7,165 |
| Energy & Chemicals | 6,122.1 | 5,357.5 | 59,484 |
| Food | 3,793.6 | 3,344.1 | 36,859 |
| ICT, General Products & Realty | 1,900.3 | 1,495.4 | 18,464 |
| Others, Adjustments & Eliminations | 80.8 | 56.7 | 785 |
| Total | ¥14,566.8 | ¥12,551.6 | $141,535 |
| Gross trading profit: | | | |
| Textile | ¥ 131.2 | ¥ 128.9 | $ 1,274 |
| Machinery | 100.7 | 89.4 | 979 |
| Metals & Minerals | 92.1 | 79.5 | 894 |
| Energy & Chemicals | 176.4 | 165.0 | 1,714 |
| Food | 239.9 | 202.7 | 2,331 |
| ICT, General Products & Realty | 282.1 | 236.6 | 2,741 |
| Others, Adjustments & Eliminations | 5.9 | 13.8 | 58 |
| Total | ¥ 1,028.3 | ¥ 915.9 | $ 9,991 |
| Net income (loss) attributable to ITOCHU: | | | |
| Textile | ¥ 32.5 | ¥ 31.2 | $ 315 |
| Machinery | 43.4 | 32.1 | 422 |
| Metals & Minerals | 74.1 | 82.5 | 720 |
| Energy & Chemicals | 16.7 | 23.1 | 162 |
| Food | 57.5 | 45.7 | 559 |
| ICT, General Products & Realty | 76.3 | 52.1 | 742 |
| Others, Adjustments & Eliminations | 9.8 | 13.6 | 95 |
| Total | ¥ 310.3 | ¥ 280.3 | $ 3,015 |
| Total assets at March 31: | | | |
| Textile | ¥ 504.5 | ¥ 486.8 | $ 4,901 |
| Machinery | 953.8 | 890.9 | 9,267 |
| Metals & Minerals | 1,308.2 | 1,175.2 | 12,710 |
| Energy & Chemicals | 1,283.7 | 1,335.2 | 12,473 |
| Food | 1,575.2 | 1,370.2 | 15,305 |
| ICT, General Products & Realty | 1,581.7 | 1,363.4 | 15,369 |
| Others, Adjustments & Eliminations | 641.5 | 495.7 | 6,233 |
| Total | ¥ 7,848.4 | ¥ 7,117.4 | $ 76,258 |

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.

# Consolidated Balance Sheets [Condensed] (U.S. GAAP)

ITOCHU Corporation and its Subsidiaries
As of March 31, 2014 and 2013

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| **Assets** | **2014** | 2013 | **2014** |
| **Current assets:** | | | |
| Cash and cash equivalents | ¥ 653,332 | ¥ 569,716 | $ 6,348 |
| Time deposits | 7,653 | 7,120 | 74 |
| Short-term investments | 4,536 | 3,655 | 44 |
| Trade receivables: | | | |
| Notes | 168,368 | 160,806 | 1,636 |
| Accounts | 1,639,774 | 1,543,851 | 15,932 |
| Allowance for doubtful receivables | (9,905) | (8,242) | (96) |
| Net trade receivables | 1,798,237 | 1,696,415 | 17,472 |
| Due from associated companies | 160,768 | 194,449 | 1,562 |
| Inventories | 749,927 | 657,853 | 7,287 |
| Advances to suppliers | 79,130 | 70,871 | 769 |
| Prepaid expenses | 52,061 | 39,355 | 506 |
| Deferred tax assets | 49,758 | 47,810 | 484 |
| Other current assets | 279,467 | 268,939 | 2,715 |
| Total current assets | 3,834,869 | 3,556,183 | 37,261 |
| **Investments and non-current receivables:** | | | |
| Investments in and advances to associated companies | 1,816,796 | 1,645,568 | 17,653 |
| Other investments | 575,510 | 530,293 | 5,592 |
| Other non-current receivables | 150,735 | 139,790 | 1,464 |
| Allowance for doubtful receivables | (27,594) | (35,929) | (268) |
| Total investments and net non-current receivables | 2,515,447 | 2,279,722 | 24,441 |
| **Property and equipment, at cost:** | | | |
| Land | 135,976 | 140,345 | 1,321 |
| Buildings | 487,797 | 457,299 | 4,740 |
| Machinery and equipment | 627,572 | 557,423 | 6,098 |
| Furniture and fixtures | 92,420 | 84,287 | 898 |
| Mineral rights | 91,744 | 93,684 | 891 |
| Construction in progress | 50,125 | 57,591 | 487 |
| Total property and equipment, at cost | 1,485,634 | 1,390,629 | 14,435 |
| Less: Accumulated depreciation | 628,722 | 586,374 | 6,109 |
| Net property and equipment | 856,912 | 804,255 | 8,326 |
| **Prepaid pension cost** | 8,057 | 223 | 78 |
| **Deferred tax assets, non-current** | 20,906 | 51,447 | 203 |
| **Other assets** | 612,249 | 425,616 | 5,949 |
| **Total** | ¥7,848,440 | ¥7,117,446 | $76,258 |

| Liabilities and Equity | Millions of Yen 2014 | 2013 | Millions of U.S. Dollars 2014 |
|---|---|---|---|
| **Current liabilities:** | | | |
| Short-term debt | ¥ 402,262 | ¥ 435,880 | $ 3,908 |
| Current maturities of long-term debt | 62,730 | 46,664 | 609 |
| Trade payables: | | | |
| Notes and acceptances | 212,903 | 180,385 | 2,069 |
| Accounts | 1,333,025 | 1,288,770 | 12,952 |
| Total trade payables | 1,545,928 | 1,469,155 | 15,021 |
| Due to associated companies | 41,526 | 42,606 | 403 |
| Accrued expenses | 189,646 | 166,714 | 1,843 |
| Income taxes payable | 36,389 | 37,758 | 354 |
| Advances from customers | 89,181 | 66,689 | 867 |
| Deferred tax liabilities | 1,056 | 574 | 10 |
| Other current liabilities | 214,256 | 209,901 | 2,082 |
| Total current liabilities | 2,582,974 | 2,475,941 | 25,097 |
| **Long-term debt, excluding current maturities** | 2,628,937 | 2,447,868 | 25,544 |
| **Accrued retirement and severance benefits** | 41,613 | 36,804 | 404 |
| **Deferred tax liabilities, non-current** | 72,093 | 44,214 | 700 |
| Total liabilities | 5,325,617 | 5,004,827 | 51,745 |
| **Equity:** | | | |
| Common stock: | | | |
| Authorized: 3,000,000,000 shares; | | | |
| issued: 1,584,889,504 shares. | 202,241 | 202,241 | 1,965 |
| Capital surplus | 113,820 | 113,408 | 1,106 |
| Retained earnings: | | | |
| Legal reserve | 36,181 | 29,533 | 352 |
| Other retained earnings | 1,710,662 | 1,471,895 | 16,621 |
| Total retained earnings | 1,746,843 | 1,501,428 | 16,973 |
| Accumulated other comprehensive income (loss) : | | | |
| Foreign currency translation adjustments | 65,139 | (57,605) | 633 |
| Pension liability adjustments | (75,222) | (87,373) | (731) |
| Unrealized holding gains on securities | 99,737 | 99,018 | 969 |
| Unrealized holding losses on derivative instruments | (2,795) | (2,979) | (27) |
| Treasury stock, at cost | (2,800) | (2,703) | (27) |
| Total ITOCHU stockholders' equity | 2,146,963 | 1,765,435 | 20,861 |
| Noncontrolling interest | 375,860 | 347,184 | 3,652 |
| Total equity | 2,522,823 | 2,112,619 | 24,513 |
| **Total** | ¥7,848,440 | ¥7,117,446 | $76,258 |

# Consolidated Statements of Income [Condensed] (U.S. GAAP)

ITOCHU Corporation and its Subsidiaries
Years ended March 31, 2014 and 2013

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| **Revenue:** | | | |
| Sales revenue | ¥ 5,193,867 | ¥ 4,245,976 | $ 50,465 |
| Trading margins and commissions on trading transactions | 337,028 | 333,787 | 3,275 |
| Total revenue | 5,530,895 | 4,579,763 | 53,740 |
| Cost of sales | (4,502,622) | (3,663,884) | (43,749) |
| **Gross trading profit** | 1,028,273 | 915,879 | 9,991 |
| Selling, general and administrative expenses | (743,117) | (671,319) | (7,220) |
| Provision for doubtful receivables | (6,062) | (341) | (59) |
| Interest income | 11,659 | 9,153 | 113 |
| Interest expense | (24,945) | (23,207) | (242) |
| Dividends received | 37,079 | 34,626 | 360 |
| Gain on investments–net | 59,504 | 45,856 | 578 |
| Loss on property and equipment–net | (1,616) | (9,273) | (16) |
| Other–net | 13,033 | 9,738 | 127 |
| Total other-expenses | (654,465) | (604,767) | (6,359) |
| **Income before income taxes and equity in earnings of associated companies** | 373,808 | 311,112 | 3,632 |
| Income taxes | (130,408) | (94,333) | (1,267) |
| **Income before equity in earnings of associated companies** | 243,400 | 216,779 | 2,365 |
| Equity in earnings of associated companies | 85,252 | 85,891 | 828 |
| **Net income** | 328,652 | 302,670 | 3,193 |
| Less: Net income attributable to the noncontrolling interest | (18,385) | (22,373) | (178) |
| **Net income attributable to ITOCHU** | ¥ 310,267 | ¥ 280,297 | $ 3,015 |

# Consolidated Statements of Comprehensive Income [Condensed] (U.S. GAAP)

ITOCHU Corporation and its Subsidiaries
Years ended March 31, 2014 and 2013

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| **Comprehensive income (loss):** | | | |
| **Net income** | ¥328,652 | ¥302,670 | $3,193 |
| Other comprehensive income (loss) (net of tax): | | | |
| Foreign currency translation adjustments | 133,031 | 157,696 | 1,292 |
| Pension liability adjustments | 12,674 | 10,546 | 123 |
| Unrealized holding gains on securities | 476 | 35,731 | 5 |
| Unrealized holding gains on derivative instruments | 75 | 397 | 1 |
| Total other comprehensive income (loss) (net of tax) | 146,256 | 204,370 | 1,421 |
| **Comprehensive income (loss)** | 474,908 | 507,040 | 4,614 |
| Comprehensive (income) loss attributable to the noncontrolling interest | (28,694) | (31,221) | (279) |
| **Comprehensive income (loss) attributable to ITOCHU** | ¥446,214 | ¥475,819 | $4,335 |

# Consolidated Statements of Equity [Condensed] (U.S. GAAP)

ITOCHU Corporation and its Subsidiaries
Years ended March 31, 2014 and 2013

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| **Common stock:** | | | |
| Balance at beginning of year | ¥ 202,241 | ¥ 202,241 | $ 1,965 |
| Balance at end of year | 202,241 | 202,241 | 1,965 |
| **Capital surplus:** | | | |
| Balance at beginning of year | 113,408 | 112,370 | 1,102 |
| Sale (purchase) of subsidiary shares to (from) noncontrolling interest | 412 | 1,038 | 4 |
| Balance at end of year | 113,820 | 113,408 | 1,106 |
| **Retained earnings:** | | | |
| Legal reserve: | | | |
| Balance at beginning of year | 29,533 | 22,134 | 287 |
| Transfer from other retained earnings | 6,648 | 7,590 | 65 |
| Redistribution arising from sale by parent company of common stock of subsidiaries and associated companies | — | (191) | — |
| Balance at end of year | 36,181 | 29,533 | 352 |
| Other retained earnings: | | | |
| Balance at beginning of year | 1,471,895 | 1,274,131 | 14,301 |
| Net income attributable to ITOCHU | 310,267 | 280,297 | 3,015 |
| Cash dividends | (64,852) | (75,134) | (630) |
| Transfer to legal reserve | (6,648) | (7,590) | (65) |
| Redistribution arising from sale by parent company of common stock of subsidiaries and associated companies | — | 191 | — |
| Balance at end of year | 1,710,662 | 1,471,895 | 16,621 |
| **Accumulated other comprehensive income (loss):** | | | |
| Balance at beginning of year | (48,939) | (244,394) | (476) |
| Other comprehensive income (loss) | 135,947 | 195,522 | 1,321 |
| Sale (purchase) of subsidiary shares to (from) noncontrolling interest | (149) | (67) | (1) |
| Balance at end of year | 86,859 | (48,939) | 844 |
| **Treasury stock:** | | | |
| Balance at beginning of year | (2,703) | (2,685) | (26) |
| Net changes in treasury stock | (97) | (18) | (1) |
| Balance at end of year | (2,800) | (2,703) | (27) |
| **Total ITOCHU stockholders' equity** | 2,146,963 | 1,765,435 | 20,861 |
| **Noncontrolling interest:** | | | |
| Balance at beginning of year | 347,184 | 332,344 | 3,373 |
| Net income attributable to the noncontrolling interest | 18,385 | 22,373 | 179 |
| Other comprehensive income (loss) attributable to the noncontrolling interest | 10,309 | 8,848 | 100 |
| Cash dividends to noncontrolling interest | (13,281) | (6,482) | (129) |
| Sale (purchase) of subsidiary shares to (from) noncontrolling interest | (286) | (254) | (3) |
| Other changes | 13,549 | (9,645) | 132 |
| Balance at end of year | 375,860 | 347,184 | 3,652 |
| **Total equity** | ¥2,522,823 | ¥2,112,619 | $24,513 |

# Consolidated Statements of Cash Flows [Condensed] (U.S. GAAP)

ITOCHU Corporation and its Subsidiaries
Years ended March 31, 2014 and 2013

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| **Cash flows from operating activities:** | | | |
| Net income | ¥ 328,652 | ¥ 302,670 | $ 3,193 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 105,129 | 87,169 | 1,021 |
| Provision for doubtful receivables | 6,062 | 341 | 59 |
| Gain on investments–net | (59,504) | (45,856) | (578) |
| Loss on property and equipment–net | 1,616 | 9,273 | 16 |
| Equity in earnings of associated companies, less dividends received | (28,870) | (33,905) | (281) |
| Deferred income taxes | 36,328 | 15,912 | 353 |
| Changes in assets and liabilities, other–net | 28,983 | (89,943) | 282 |
| Net cash provided by operating activities | 418,396 | 245,661 | 4,065 |
| **Cash flows from investing activities:** | | | |
| Net purchases of property, equipment and other assets | (83,836) | (113,387) | (815) |
| Net increase in investments in and advances to associated companies | (16,786) | (69,719) | (163) |
| Net purchases of other investments | (143,208) | (8,697) | (1,391) |
| Net origination of other non-current loan receivables | (22,570) | (6,863) | (219) |
| Net increase in time deposits | (292) | (1,324) | (3) |
| Net cash used in investing activities | (266,692) | (199,990) | (2,591) |
| **Cash flows from financing activities:** | | | |
| Net proceeds of long-term debt | 87,209 | 123,362 | 847 |
| Net decrease in short-term debt | (79,251) | (41,104) | (770) |
| Other | (79,665) | (93,581) | (774) |
| Net cash used in financing activities | (71,707) | (11,323) | (697) |
| **Effect of exchange rate changes on cash and cash equivalents** | 3,619 | 21,879 | 35 |
| **Net increase in cash and cash equivalents** | 83,616 | 56,227 | 812 |
| **Cash and cash equivalents at beginning of the year** | 569,716 | 513,489 | 5,536 |
| **Cash and cash equivalents at end of the year** | ¥ 653,332 | ¥ 569,716 | $ 6,348 |

## Discussion and Analysis of Results of Operations

The discussion and analysis of the financial position and results of operations for Fiscal Year 2014 are as follows.

Descriptions of the outlook for Fiscal Year 2015 and later are forward-looking statements that are based on the management's assumptions and beliefs, considering the information currently available at the end of Fiscal Year 2014. 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 Year 2014 (U.S. GAAP)

### Revenue

In accordance with the stipulations of FASB Accounting Standards Codification Topic 605, the Company and its subsidiaries present certain revenue transactions with corresponding cost of revenues on a gross basis in the 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 the consolidated statements of operations as "trading margins and commissions on trading transactions".

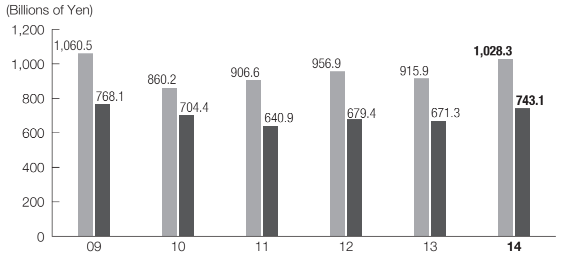
In the year ended March 31, 2014, "sales revenue" on a gross basis was ¥5,193.9 billion (US$50,465 million), and "trading margins and commissions on trading transactions" on a net basis was ¥337.0 billion (US$3,275 million). Total revenue increased by 20.8 %, or ¥951.1 billion compared with the previous fiscal year, to ¥5,530.9 billion (US$53,740 million). This increase was attributable to higher revenue from the Energy & Chemicals Company, due to higher transaction volume of petroleum products and chemicals; higher revenue from the Food Company, reflecting the acquisition of the Dole business; higher revenue from the ICT, General Products & Realty Company, due to the favorable performance of housing-material-related companies and expanded business by mobile-phone-related companies; higher revenue from the Machinery Company, due to higher transaction volume in automobile and plant-related transactions; and the effect of the yen depreciation.

### Gross Trading Profit

Gross trading profit increased by 12.3%, or ¥112.4 billion, compared with the previous fiscal year, to ¥1,028.3 billion (US$9,991 million). This increase was attributable to higher earnings from the ICT, General Products & Realty Company, due to favorable pulp transactions, favorable performance by housing-material-related companies, expanded business by mobile-phone-related companies, and contribution of real estate transactions; higher earnings from the Food Company, mainly due to the acquisition of the Dole business; higher earnings from the Metals & Minerals Company, due to higher sales volume of iron ore, which more than offset falling coal prices; higher earnings from the Energy & Chemicals Company, due to an increase and improvement in profitability of energy trading transactions and higher chemicals transaction volume; higher earnings from the Machinery Company, due to an increase in automobile, construction machinery, and plant-related transaction volume; and the effect of the yen depreciation.

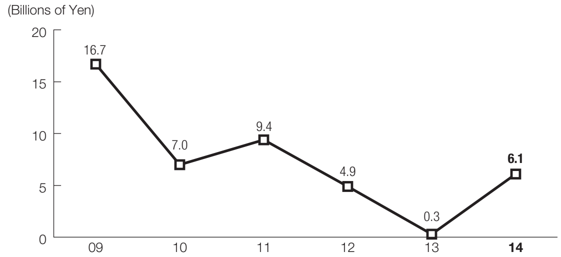
Furthermore, the acquisitions mentioned above, such as the Dole business, resulted in a ¥47.5 billion increase; the translation of overseas subsidiaries resulted in a ¥46.3 billion increase due to foreign exchange fluctuations during Fiscal Year 2014; and the deconsolidation of consolidated subsidiaries resulted in a ¥15.3 billion decrease. Excluding these positive and negative factors, the actual increase in the gross trading profit of existing subsidiaries was ¥33.9 billion.

**Gross Trading Profit; Selling, General and Administrative Expenses (U.S. GAAP)**




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

**Provision for Doubtful Receivables (U.S. GAAP)**




* For fiscal years

## Selling, General and Administrative Expenses

Selling, general and administrative expenses rose by 10.7%, or ¥71.8 billion, compared with the previous fiscal year, to ¥743.1 billion (US$7,220 million), due to higher expenses accompanying the inclusion of new consolidated subsidiaries, including the acquisition of the Dole business, and the effect of the yen depreciation.

Furthermore, the acquisitions mentioned above, such as the Dole business, resulted in a ¥36.3 billion increase in expenses; the translation of overseas subsidiaries resulted in a ¥27.9 billion increase due to foreign exchange fluctuations during Fiscal Year 2014; and the deconsolidation of consolidated subsidiaries resulted in a ¥14.1 billion decrease. Excluding these positive and negative factors, the actual increase in the expenses of existing subsidiaries was ¥21.7 billion.

## Provision for Doubtful Receivables

Provision for doubtful receivables deteriorated by ¥5.7 billion, compared with the previous fiscal year, to a loss of ¥6.1 billion (US$59 million), due to the absence of a gain on reversal of the allowance for doubtful receivables in the previous fiscal year.

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

Net financial income increased by ¥3.2 billion, compared with the previous fiscal year, to a gain of ¥23.8 billion (US$231 million). Net interest expenses, which is the total of interest income and interest expenses, improved by 5.5%, or ¥0.8 billion, compared with the previous fiscal year, to an expense of ¥13.3 billion (US$129 million). Interest income increased by 27.4%, or ¥2.5 billion, compared with the previous fiscal year, to ¥11.7 billion (US$113 million). Interest expense increased by 7.5%, or ¥1.7 billion, compared with the previous fiscal year, to ¥24.9 billion (US$242 million).

Furthermore, Dividends received increased by 7.1%, or ¥2.5 billion, compared with the previous fiscal year, to ¥37.1 billion (US$360 million), as dividends from plant-related and apparel-related investments increased.

## Other Profit (Loss)

Gain on investments–net increased by ¥13.6 billion, compared with the previous fiscal year, to a gain of ¥59.5 billion (US$578 million). This gain was attributable to an increase in gain on sales of investments and a decrease in impairment losses on investment securities.

Loss on property and equipment–net improved by ¥7.7 billion, compared with the previous fiscal year, to a loss of ¥1.6 billion (US$16 million), mainly due to an improvement in gain on sales of property and equipment.

Other–net increased by ¥3.3 billion, compared with the previous fiscal year, to a gain of ¥13.0 billion (US$127 million), mainly due to an improvement in foreign currency translation.

## Income Taxes

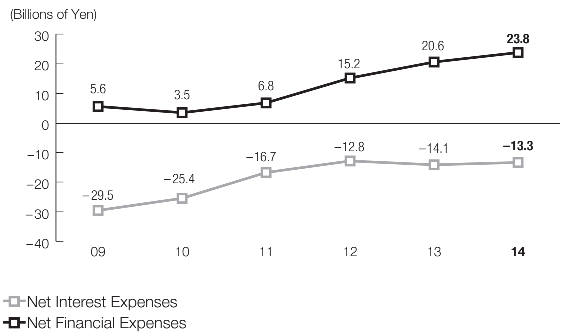
Income taxes increased by 38.2%, or ¥36.1 billion, compared with the previous fiscal year, to expenses of ¥130.4 billion (US$1,267 million).

## Equity in Earnings of Associated Companies

Equity in earnings of associated companies decreased by 0.7%, or ¥0.6 billion, compared with the previous fiscal year, to a gain of ¥85.3 billion (US$828 million). This decrease was due to an unordinary tax expense in Brazilian iron ore companies, a decrease in equity in earnings of Colombian coal companies due to a decline in coal prices and decrease in transaction volume, the impact of prolonged scheduled maintenance of overseas methanol companies, and an absence of an unordinary gain recognized on an investment in an industrial-textiles-related company in the previous fiscal year, despite the increases in equity in earnings of overseas pulp-related companies, Australian mineral-resources-related companies, automobile-related companies, and ship-related companies. Equity in earnings from U.S. oil and gas development companies was at almost the same level due to improvement of income from operations which offset increased impairment losses.

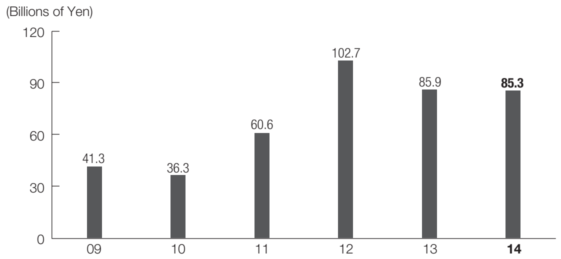
Furthermore, the business results of major associated companies are included in Performance of Subsidiaries and Associated Companies, under Major Group Companies Reporting Profits or Major Group Companies Reporting Losses.

### Net Financial Expenses (U.S. GAAP)



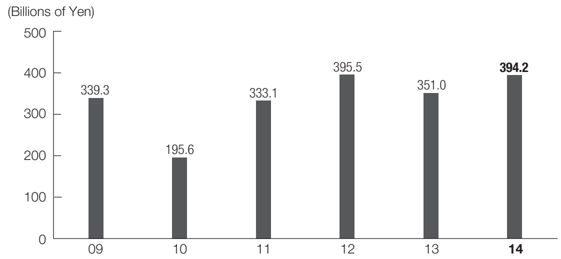

* For fiscal years
Net Interest Expenses = Interest Income + Interest Expense
Net Financial Expenses = Net Interest Expenses + Dividends Received

**Equity in Earnings of Associated Companies (U.S. GAAP)**




* For fiscal years

**Adjusted Profit (U.S. GAAP)**




* For fiscal years

### 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 by 12.3%, or ¥43.2 billion, to ¥394.2 billion (US$3,830 million), due to an increase in gross trading profit and net financial income, despite an increase of selling, general and administrative expenses and a decrease in earnings of associated companies.

## Analysis of Results of Operations in Fiscal Year 2014 (IFRS)

### Revenues

Total revenues increased by 18.9 %, or ¥888.1 billion compared with the previous fiscal year, to ¥5,587.5 billion (US$54,290 million). This increase was attributable to higher revenue from the Energy & Chemicals Company, due to higher transaction volume of petroleum products and chemicals; higher revenue from the Food Company, reflecting the acquisition of the Dole business; higher revenue from the ICT, General Products & Realty Company, due to the favorable performance by housing-material-related companies and expanded business by mobile-phone-related companies; higher revenue from the Machinery Company, due to higher transaction volume in automobile and plant-related transactions; and the effect of the yen depreciation.

### Gross Trading Profit

Gross trading profit increased by 10.5%, or ¥99.2 billion, compared with the previous fiscal year, to ¥1,045.0 billion (US$10,154 million). This increase was attributable to higher earnings from the Food Company, mainly due to the acquisition of the Dole business; higher earnings from the ICT, General Products & Realty Company, due to favorable pulp transactions, favorable performance by housing-material-related companies, expanded business by mobile-phone-related companies, and contribution of real estate transactions; higher earnings from the Metals & Minerals Company, due to higher sales volume of iron ore, which more than offset falling coal prices; higher earnings from the Machinery Company, due to an increase in automobile, construction machinery, and plant-related transaction volume; higher earnings from the Energy & Chemicals Company, due to increase and improvement in profitability of energy trading transactions and higher chemicals transaction volume; and the effect of the yen depreciation.

### Selling, General and Administrative Expenses

Selling, general and administrative expenses rose by 8.9%, or ¥61.4 billion, compared with the previous fiscal year, to ¥750.0 billion (US$7,287 million), due to higher expenses accompanying the inclusion of new consolidated subsidiaries, including the acquisition of the Dole business, and the effect of the yen depreciation.

### Provision for Doubtful Accounts

Provision for doubtful accounts deteriorated by ¥5.7 billion, compared with the previous fiscal year, to a loss of ¥6.1 billion (US$59 million), due to the absence of the gain on reversal of allowance for doubtful receivables in the previous fiscal year.

### Loss on Property, Plant, Equipment and Intangible Assets

Loss on property, plant, equipment and intangible assets deteriorated by ¥26.8 billion, compared with the previous fiscal year, to a loss of ¥36.2 billion (US$351 million), due to impairment losses on mineral-resources-related business, despite an improvement in gain on sales of properties.

### Other–net

Other–net increased by ¥3.3 billion, compared with the previous fiscal year, to a gain of ¥10.3 billion (US$100 million), mainly due to an improvement in foreign currency translation.

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

Total financial income increased by ¥4.2 billion, compared with the previous fiscal year, to a gain of ¥29.3 billion (US$285 million). Net interest expenses, which is the total of interest income and interest expenses, improved by ¥0.1 billion, compared with the previous fiscal year, to an expense of ¥15.5 billion (US$150 million). Interest income increased by 26.1%, or ¥2.4 billion, compared with the previous fiscal year, to ¥11.6 billion (US$113 million). Interest expense increased by 9.1%, or ¥2.3 billion, compared with the previous fiscal year, to ¥27.1 billion (US$263 million). Dividends received increased by 7.4%, or ¥2.6 billion, compared with the previous fiscal year, to ¥37.2 billion (US$361 million), as dividends from plant-related and apparel-related investments increased. Furthermore, Other financial income increased by 23.8%, or ¥1.5 billion, compared with the previous fiscal year, to a gain of ¥7.6 billion (US$74 million), due to an increase in the gain on disposal and remeasurement of FVTPL financial assets.

### Equity in Earnings of Associates and Joint Ventures

Equity in earnings of associates and joint ventures decreased by 36.3%, or ¥31.9 billion, compared with the previous fiscal year, to a gain of ¥56.0 billion (US$544 million). This decrease was due to an unordinary tax expense in Brazilian iron ore companies, a decrease in equity in earnings of Colombian coal companies due to a decline in coal prices and a decrease in transaction volume, the impact of prolonged scheduled maintenance of overseas methanol companies, impairment losses on mineral-resources-related business, and an absence of an unordinary gain recognized on an investment in an industrial-textiles-related company in the previous fiscal year, despite the increases in equity in earnings of overseas pulp-related companies, automobile-related companies, and ship-related companies. Equity in earnings from U.S. oil and gas development companies was almost the same level due to improvement of income from operations which offset increased impairment losses.

### Gains on Disposal and Remeasurement of Investments in Subsidiaries, Associates and Joint Ventures

Gains on disposal and remeasurement of investments in subsidiaries, associates and joint ventures increased by ¥0.3 billion compared with the previous fiscal year, to a gain of ¥12.3 billion (US$119 million).

### Income Tax Expense

Income tax expense increased by 9.5%, or ¥9.2 billion, compared with the previous fiscal year, to expenses of ¥106.3 billion (US$1,033 million).

### Net Profit Attributable to ITOCHU

Net profit decreased by 9.9%, or ¥28.1 billion, compared with the previous fiscal year, to ¥254.4 billion (US$2,472 million). Consequently, Net profit attributable to ITOCHU, which is calculated as Net profit minus Net profit attributable to non-controlling interests of ¥9.1 billion (US$88 million), decreased by 5.2%, or ¥13.5 billion, compared with the previous fiscal year, to ¥245.3 billion (US$2,384 million).

## Performance of Subsidiaries and Associated Companies (U.S. GAAP)

### Profits / Losses of Group Companies Reporting Profits / Losses

Billions of Yen

| | 2014 | | | 2013 | | | Changes | | |
|---|---|---|---|---|---|---|---|---|---|
| Years ended March 31 | Profitable | Unprofitable | Total | Profitable | Unprofitable | Total | Profitable | Unprofitable | Total |
| Group companies excluding overseas trading subsidiaries | ¥284.0 | ¥(56.9) | ¥227.1 | ¥249.0 | ¥(43.6) | ¥205.4 | ¥35.0 | ¥(13.4) | ¥21.6 |
| Overseas trading subsidiaries | 35.0 | (0.1) | 34.9 | 23.9 | (0.0) | 23.9 | 11.1 | (0.0) | 11.1 |
| Total | ¥319.0 | ¥(57.0) | ¥262.0 | ¥272.9 | ¥(43.6) | ¥229.3 | ¥46.1 | ¥(13.4) | ¥32.7 |

### Share of Group Companies Reporting Profits

| | 2014 | | | 2013 | | | Changes | | |
|---|---|---|---|---|---|---|---|---|---|
| Years ended March 31 | Domestic | Overseas | Total | Domestic | Overseas | Total | Domestic | Overseas | Total |
| No. of companies reporting profits | 121 | 179 | 300 | 126 | 175 | 301 | (5) | 4 | (1) |
| No. of group companies | 138 | 216 | 354 | 145 | 211 | 356 | (7) | 5 | (2) |
| Share | 87.7% | 82.9% | 84.7% | 86.9% | 82.9% | 84.6% | 0.8pts. | (0.1pts.) | 0.2pts. |

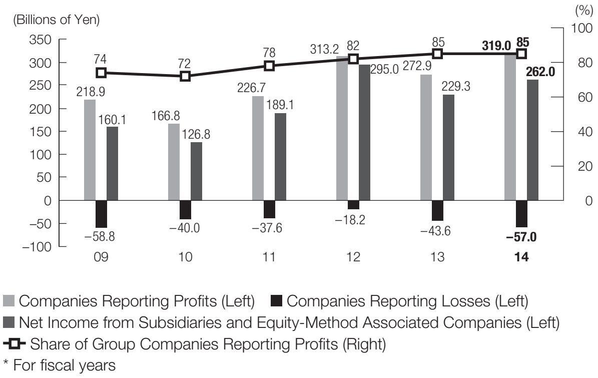
(*) Investment companies which are directly invested by ITOCHU and its Overseas trading subsidiaries are included in the above-mentioned number of companies. Investment companies which are considered to be part of the parent company are not included.

In the fiscal year, net income from subsidiaries and associated companies (aggregate profit / loss of subsidiaries and associated companies excluding overseas trading subsidiaries) increased by ¥21.6 billion, to ¥227.1 billion (US$2,206 million), due to an increase in profit from ITOCHU Minerals & Energy of Australia Pty Ltd, due to higher sales volume of iron ore and the effect of the yen depreciation, an increase in profit from the acquisition and favorable performance by the Dole business, due to stable market prices in the Asia fresh produce business, an increase in profit from ITOCHU FIBRE LIMITED, due to an increase in equity in earnings of an European pulp-related company (METSA FIBRE) from a rise in pulp prices and higher sales volume, and an increase in profit from ITOCHU PETROLEUM CO., (SINGAPORE) PTE. LTD. due to higher sales volume and an improvement in profitability of crude oil and fuel oil trading transactions.

Profits from overseas trading subsidiaries were up ¥11.1 billion, to ¥34.9 billion (US$340 million), due to a rise in earnings from an U.S. trading subsidiary stemming from stable performance by machinery-related companies and housing-material-related companies, and in addition, due to an increase in an Europe trading subsidiary owing to a rise in earnings of tyre companies, pulp companies and finance-related companies.

The aggregate income from Group companies (subsidiaries, associated companies, and overseas trading subsidiaries) reporting profits was up ¥46.1 billion, to ¥319.0 billion (US$3,100 million), due to the above-mentioned increases in profits from ITOCHU Minerals & Energy of Australia Pty Ltd and the acquisition of the Dole business. Meanwhile, the aggregate loss from Group companies reporting losses worsened by ¥13.4 billion, to ¥57.0 billion (US$554 million), due to the deterioration of LLC ITR from the disposal of inventories and unordinary tax expense, and the deterioration of JD Rockies Resources Limited mainly due to impairment losses. 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 by 0.2 points, to 84.7%.

#### Net Income from Subsidiaries and Equity-Method Associated Companies (U.S. GAAP)




* For fiscal years

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

**Major Group Companies Reporting Profits**

| | | Net income (loss) attributable to ITOCHU *1 | | |
|---|---|---|---|---|
| | | Billions of Yen | | |
| Year ended March 31 | Shares | **2014** | 2013 | Reasons for changes |
| **Domestic Subsidiaries** | | | | |
| NIPPON ACCESS, INC. | 93.8% | **¥11.6** | ¥10.8 | Increase due to gain on sales of property and equipment, despite a decrease in gross trading profit due to lower profitability |
| ITOCHU Techno-Solutions Corporation | 57.2 | **8.1** | 8.9 | Decrease due to lower transaction volume of business for mobile carriers and lower profitability accompanying increasingly stringent competition in the ICT area |
| Dole International Holdings, Inc. | 100.0 | **7.1** | 0.0 | Acquisition of Dole business in the first quarter of the current fiscal year. For Asia fresh produce business, favorable performance due to stable market prices, as for North American packaged food business, lower sales volume due to decrease in raw material supply |
| CONEXIO Corporation *2 | 60.3 | **5.4** | 4.2 | Increase due to stable sales volume and increase in gain on revaluation |
| China Foods Investment Corp. | 74.1 | **4.3** | 2.7 | Increase due to stable transaction volume in the beverage and instant noodles business, despite decrease due to the absence of unordinary gain recognized by the acquisition of Pepsi bottling business in the previous fiscal year |
| ITOCHU ENEX CO., LTD. | 54.0 | **3.9** | 3.2 | Increase due to favorable electric power transactions and gain on sales of investments |
| Brazil Japan Iron Ore Corporation | 67.5 | **3.8** | 10.4 | Decrease due to unordinary tax expense in investments in Brazil, despite improvement of foreign currency translation |
| ITOCHU CHEMICAL FRONTIER Corporation | 100.0 | **3.2** | 3.0 | Increase due to stable sales transactions and gain on sales of investments |
| ITOCHU PLASTICS INC. | 100.0 | **3.0** | 2.2 | Increase due to favorable export transactions centered on plastics and electronic materials |
| ITOCHU Kenzai Corp. | 100.0 | **3.0** | 1.5 | Increase due to higher transaction volume of housing materials and rise in plywood prices accompanying an increase in new housing construction starts, and gain on sales of investments |
| ITOCHU Property Development, Ltd. | 99.8 | **2.2** | 1.8 | Increase due to higher sales of condominiums |
| **Overseas Subsidiaries** | | | | |
| ITOCHU Minerals & Energy of Australia Pty Ltd *3 | 100.0 | **58.4** | 50.3 | For iron ore, increase due to higher sales volume and the effect of the yen depreciation, as for coal, decrease due to falling price, despite improvement in cost and the effect of the yen depreciation |
| ITOCHU Oil Exploration (Azerbaijan) Inc. | 100.0 | **15.7** | 13.1 | Increase mainly due to the effect of the yen depreciation |
| ITOCHU International Inc. | 100.0 | **10.9** | 7.7 | Increase due to stable performance of machinery-related companies and housing-material-related companies, the effect of the yen depreciation, and gain on sales of investments |
| ITOCHU FIBRE LIMITED *4 | 100.0 | **6.5** | 2.4 | Increase in equity in earnings of an European pulp-related company (METSA FIBRE) due to rise in pulp prices and higher sales volume as well as lower tax expense arising from changes in Finland tax rates, and the effect of the yen depreciation |
| ITOCHU Hong Kong Ltd. *5 | 100.0 | **5.5** | 3.4 | Increase due to higher transaction volume related to general merchandise, gain on sales of construction-related equity interest, increase in earnings of textile-related companies, and the effect of the yen depreciation |
| European Tyre Enterprise Limited *4 | 100.0 | **5.1** | 2.2 | Increase due to improvement in profitability, as well as lower tax expense arising from changes in U.K. tax rates |
| ITOCHU Europe PLC *4 | 100.0 | **4.6** | 1.5 | Increase in equity in earnings of tyre companies, pulp companies and finance-related companies, and the absence of unordinary loss recognized in the previous fiscal year |
| ITOCHU PETROLEUM CO., (SINGAPORE) PTE. LTD. | 100.0 | **4.3** | 0.8 | Increase due to higher sales volume and improvement in profitability of crude oil and fuel oil trading transaction |
| ITOCHU (China) Holding Co., Ltd. | 100.0 | **4.1** | 4.1 | Increase due to stable performance by chemical-related and machinery-related transactions and the effect of the yen depreciation, despite decrease due to the absence of gain on sales of investments in the previous fiscal year |
| ITOCHU (Thailand) Ltd. | 100.0 | **3.1** | 2.3 | Increase in textile medical supplies transactions, gain on sales of investments, and the effect of the yen depreciation |
| ITOCHU Australia Ltd. *3 | 100.0 | **2.6** | 2.0 | Increase due to rise in profit of ITOCHU Minerals & Energy of Australia Pty Ltd |
| ITOCHU Singapore Pte Ltd *5 | 100.0 | **2.4** | 1.8 | Increase due to stable performance of general-merchandise-related transactions |
| **Domestic Equity-method Associated Companies** | | | | |
| Marubeni-Itochu Steel Inc. | 50.0 | **13.0** | 12.8 | Increase due to stable performance of companies in Japan and the effect of the yen depreciation |
| FamilyMart Co., Ltd. | 31.5 | **7.3** | 9.1 | Decrease due to the absence of gain on sales of investments accompanying reorganization of business scheme of companies in Thailand in the previous fiscal year, despite improved profitability from earnings in China and other overseas companies |
| Japan Brazil Paper and Pulp Resources Development Co., Ltd. | 32.1 | **4.0** | 2.0 | Increase due to rise in pulp prices and depreciation of the Brazilian real (against the U.S. dollar) |
| **Overseas Equity-method Associated Companies** | | | | |
| PT. KARAWANG TATABINA INDUSTRIAL ESTATE | 50.0 | **¥ 1.8** | ¥ 0.8 | Increase due to rise in sales prices and depreciation of the Indonesian rupiah (against the U.S. dollar) |

**Major Group Companies Reporting Losses**

| Year ended March 31 | Shares | Net income (loss) attributable to ITOCHU *1 (Billions of Yen) 2014 | 2013 | Reasons for changes |
|---|---|---|---|---|
| **Overseas Subsidiaries** | | | | |
| JD Rockies Resources Limited | 100.0% | **¥(32.5)** | ¥(31.2) | Deterioration due to loss on sales of some leases and impairment losses of possessing properties in self-possessing shale oil development projects, although it remained at almost the same level due to improvement of income from operations which offset increased impairment losses in U.S. oil and gas development companies |
| LLC ITR | 100.0 | **¥ (2.9)** | ¥ (0.7) | Deterioration due to disposal of inventories and unordinary tax expense |

*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. CONEXIO Corporation changed its corporate name from ITC NETWORKS CORPORATION on October 1, 2013. The above figure of CONEXIO Corporation includes the recognition of gain on revaluation (3.3 billion yen after tax effect for FY2014/ 2.5 billion yen after tax effect FY2013).
*3 The above figure of ITOCHU Australia Ltd. includes 3.7% of net income from ITOCHU Minerals & Energy of Australia Pty Ltd.
*4. The above figure of ITOCHU Europe PLC includes 20.0% of net income from European Tyre Enterprise Limited and 10.0% of net income from ITOCHU FIBRE LIMITED.
*5. The above figure of ITOCHU Hong Kong Ltd. and ITOCHU Singapore Pte Ltd includes net income of associated companies which were transferred from ITOCHU due to the business restructuring in Textile Material & Fabric Division. As a result, profit for the same period of the previous fiscal year includes these companies' profit.

## Outlook for Fiscal Year 2015 (IFRS)

Looking ahead to the next year ending March 31, 2015, the pace of the global economy's growth is expected to accelerate gradually. Although economic sluggishness is expected to continue in some emerging countries, centered on the U.S.A., recovery trends in the economies of industrialized countries are expected to strengthen steadily. However, the financial climate is changing. Adequate caution remains necessary in relation to the risk of sudden changes in exchange rates, stock prices or commodities markets and the risk of these factors affecting the global economy through falls in asset value. In the Japanese economy, although it is likely to see the pace of growth soften due to a decrease stemming from the absence of the previous fiscal year's last-minute demand before the April consumption tax hike and the higher burden resulting from a tax increase, the support for growth in the fiscal year 2014 supplementary budget and continued monetary easing are expected to keep it on a recovery track.

Under those business conditions, in Fiscal Year 2015, the second half of the Medium-Term Management Plan—Brand-new Deal 2014, the ITOCHU Group expects stable earnings due to steady cultivation of new investments, continuous improvement of the management of our existing businesses, a further strengthening of the non-resource sectors and continuing cost reductions.

## Management Policy for the Future

### Promoting the Medium-Term Management Plan "Brand-new Deal 2014"

In FY 2015, the second half of the medium-term management plan, "Brand-new Deal 2014" (the two-year plan covering the period from FY2014 to FY2015), ITOCHU Group will continue to implement the basic business principles of "earn, cut, prevent", and to achieve further growth, "Brand-new Deal 2014" raises the three new basic policies outlined below.

The first is "boost profitability". We will steadily cultivate and expand revenues derived from the approximately ¥970 billion in new investment made during the term of the previous medium-term management plan. At the same time, we will continue striving to improve management in order to increase the profitability of existing businesses. Furthermore, we will aggressively take on promising new projects, making new investments over the two-year period of up to ¥800 billion on a net basis and ¥1,000 billion on a gross investment basis, further expanding our earnings platform.

The second is "pursue balanced growth". In new investment, we will seek to maintain a balance between non-resource and resource sectors; reinforce ITOCHU's strength in consumer-related fields; and achieve higher earnings in machinery, chemicals and other basic industry-related areas, as we will establish a strong position as the leading trading company in the non-resource sector. Furthermore, we will work to reinvigorate the domestic and trading businesses. The situation is different among the sectors, however, ITOCHU will display our strengths and bolster our comprehensive ability to the next level, by adding values and functions as a trading company and enhancing our presence.

The third is "maintain financial discipline and lean management". Along with investing aggressively, we will expand our operating cash flow, promote an exit from stock holdings in non-affiliate companies, and use amassed earnings to strengthen stockholders' equity. We will sustain a sound net debt-to-equity ratio. We also will continue working to improve the ratio of SG&A expense to gross trading profit, maintaining the lean management amid an uncertain management environment.

ITOCHU will also sustain efforts to strengthen its management foundation. As well as continuing to strengthen the overseas compliance system, we will establish a system for effective, efficient investigation/monitoring of bribery and collusive bidding risks in Japan and overseas. In corporate governance, we will pursue our system, which is based on the Board of Directors including outside directors and the Board of Corporate Auditors, over half of whom are outside corporate auditors.

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

Under the second half of the "Brand-new Deal 2014", for FY2015, the dividend policy will be: a consolidated dividend payout ratio of approximately 20% on Net income attributable to ITOCHU up to ¥200.0 billion, and a consolidated dividend payout ratio of approximately 30% on the portion of Net income attributable to ITOCHU exceeding ¥200.0 billion, with further addition of a fixed amount of ¥2 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 a Group Finance scheme utilizing Group Finance managing companies based in Asia, Europe and the U.S.A. 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 76% of consolidated interest-bearing debt.

Regarding funding methods, the Company uses indirect financing such as bank loans and direct financing such as bond issuance. As to indirect financing, the Company maintains favorable and wide-ranging relationships with various financial institutions, which 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 2013 to August 2015, 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 and a treasury company in the United Kingdom have registered a total of US$5.0 billion in a Euro Medium Term Note Programme (Euro MTN).

Ratings of the Company's long-term debt and short-term debt as of March 31, 2014 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) | AA– / Stable | J-1+ |
| Rating & Investment Information (R&I) | A / Positive * | a-1 |
| Moody's Investors Service | Baa1 / Stable | P-2 |
| Standard & Poor's (S&P) | A– / Stable | A-2 |

*As of May 30, 2014, the Company's ratings have been raised to A+ / Stable.

## Interest-Bearing Debt (U.S. GAAP)

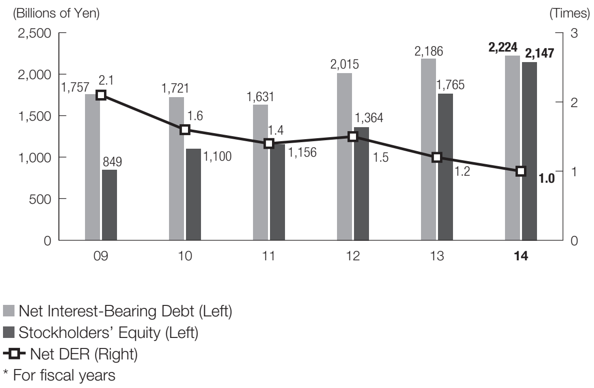
Interest-bearing debt as of March 31, 2014, increased by 4.4%, or ¥122.8 billion compared with March 31, 2013, to ¥2,885.3 billion (US$28,034 million). Net interest-bearing debt (interest-bearing debt after deducting Cash and cash equivalents and Time deposits) increased by 1.8%, or ¥38.7 billion, to ¥2,224.3 billion (US$21,612 million). Net DER (debt-to-equity ratio) was set to 1.0 times from 1.2. Furthermore, the ratio of long-term interest-bearing debt to total interest-bearing debt was 84%, up 1 point from 83% at March 31, 2014.

Details of interest-bearing debt as of March 31, 2013, and as of March 31, 2014, were as follows:

| | Billions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| Years ended March 31 | 2014 | 2013 | 2014 |
| Short-term debt: | | | |
| Short-term loans mainly from banks | ¥ 402.3 | ¥ 429.9 | $ 3,908 |
| Commercial paper | — | 6.0 | — |
| Current maturities of long-term debt: | | | |
| Current maturities of long-term loans mainly from banks | 62.7 | 41.1 | 609 |
| Current maturities of debentures | — | 5.5 | — |
| Short-term total | 465.0 | 482.5 | 4,517 |
| Long-term debt (Note): | | | |
| Long-term loans mainly from banks, less current maturities | 1,887.6 | 1,817.0 | 18,341 |
| Debentures | 532.6 | 462.9 | 5,176 |
| Long-term total | 2,420.3 | 2,279.9 | 23,517 |
| Total interest-bearing debt | 2,885.3 | 2,762.5 | 28,034 |
| Cash and cash equivalents and time deposits | 661.0 | 576.8 | 6,422 |
| Net interest-bearing debt | ¥2,224.3 | ¥2,185.6 | $21,612 |

(Note) Because "Long-term debt" in the Consolidated Balance Sheets (Condensed) 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) (U.S. GAAP)




* For fiscal years

## Financial Position (U.S. GAAP)

(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, 2014 increased by 10.3%, or ¥731.0 billion, compared with March 31, 2013 to ¥7,848.4 billion (US$76,258 million), due to the increase accompanying the acquisition of the Dole business, the conversion of a mobile-phone-related equity-method associated company into a consolidated subsidiary, new investments and loans to Australian mineral-resource-development-related business, and the effect of the yen depreciation.

Total ITOCHU stockholders' equity rose by 21.6%, or ¥381.5 billion, compared with March 31, 2013, to ¥2,147.0 billion (US$20,861 million), due to an increase in Net income attributable to ITOCHU and an improvement in Accumulated other comprehensive income (loss) due to the yen depreciation, which more than compensated for a decrease accompanying dividends payment.

As a result, Ratio of stockholders' equity to total assets rose by 2.6 points to 27.4% from March 31, 2013.

Total equity, or the sum of Total ITOCHU stockholders' equity and Noncontrolling interest, increased by 19.4%, or ¥410.2 billion, compared with March 31, 2013, to ¥2,522.8 billion (US$24,513 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:

Trade receivables (less allowance for doubtful receivables) increased by ¥101.8 billion, to ¥1,798.2 billion (US$17,472 million), due to the acquisition of the Dole business, conversion of a mobile-phone-related equity-method associated company into a consolidated subsidiary, and the effect of the yen depreciation.

Inventories increased by ¥92.1 billion, to ¥749.9 billion (US$7,287 million), due to the acquisition of the Dole business, accumulation of real estate for sale, and the effect of the yen depreciation.

Investments in and advances to associated companies increased by ¥171.2 billion, to ¥1,816.8 billion (US$17,653 million), due to accumulation of earnings of equity-method associated companies and the effect of the yen depreciation.

Other investments increased by ¥45.2 billion, to ¥575.5 billion (US$5,592 million), due to new investments in Australian mineral-resource-development-related business.

Other non-current receivables increased by ¥10.9 billion, to ¥150.7 billion (US$1,464 million), due to new loans to Australian mineral-resource-development-related business.

Property and equipment (less accumulated depreciation) increased by ¥52.7 billion, to ¥856.9 billion (US$8,326 million), due to the acquisition of the Dole business and the effect of the yen depreciation.

Other assets increased by ¥186.6 billion, to ¥612.2 billion (US$5,949 million), due to the acquisition of the Dole business, conversion of a mobile-phone-related equity-method associated company into a consolidated subsidiary, and the effect of the yen depreciation.

Deferred tax assets, non-current, decreased by ¥30.5 billion, to ¥20.9 billion (US$203 million). Furthermore, net deferred tax assets and deferred tax liabilities decreased by ¥57.0 billion, to liabilities of ¥2.5 billion (US$23 million).

Trade payables increased by ¥76.8 billion, to ¥1,545.9 billion (US$15,021 million), due to the acquisition of the Dole business and conversion of a mobile-phone-related equity-method associated company into a consolidated subsidiary.

### Financial Position (IFRS)

(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, 2014 increased by 8.1%, or ¥585.3 billion, compared with March 31, 2013 to ¥7,783.8 billion (US$75,629 million), due to the increase accompanying the acquisition of the Dole business, new investments and loans to Australian mineral-resource-development-related business, and the effect of the yen depreciation.

Total shareholders' equity rose by 19.0%, or ¥326.7 billion, compared with March 31, 2013, to ¥2,045.7 billion (US$19,876 million), due to an increase in Net profit attributable to ITOCHU and an increase in Translation adjustments due to the yen depreciation, which more than compensated for a decrease accompanying dividends payment.

As a result, the Ratio of shareholders' equity to total assets rose by 2.4 points to 26.3% from March 31, 2013.

Total equity, or the sum of Total shareholders' equity and Non-controlling interests, increased by 15.6%, or ¥324.3 billion, compared with March 31, 2013, to ¥2,399.5 billion (US$23,315 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:

Trade receivables increased by ¥47.9 billion, to ¥2,128.0 billion (US$20,676 million), due to the acquisition of the Dole business and the effect of the yen depreciation.

Inventories increased by ¥79.1 billion, to ¥744.4 billion (US$7,233 million), due to the acquisition of the Dole business, accumulation of real estate for sale, and the effect of the yen depreciation.

Investments accounted for by the equity method increased by ¥157.1 billion, to ¥1,728.4 billion (US$16,794 million), due to accumulation of earnings and the effect of the yen depreciation.

Other investments increased by ¥24.8 billion, to ¥565.9 billion (US$5,499 million), due to new investments in Australian mineral-resource-development-related business.

Non-current receivables increased by ¥32.6 billion, to ¥135.0 billion (US$1,312 million), due to new loans to Australian mineral-resource-development-related business.

Property, plant and equipment increased by ¥24.8 billion, to ¥747.7 billion (US$7,265 million), due to the acquisition of the Dole business and the effect of the yen depreciation, despite impairment losses on mineral-resources-related business.

Goodwill increased by ¥43.5 billion, to ¥194.9 billion (US$1,894 million), due to the acquisition of the Dole business and the effect of the yen depreciation.

Intangible assets increased by ¥64.2 billion, to ¥245.3 billion (US$2,384 million), due to the acquisition of the Dole business and the effect of the yen depreciation.

Trade payables increased by ¥52.7 billion, to ¥1,662.0 billion (US$16,148 million), due to the acquisition of the Dole business.

Deferred tax liabilities increased by ¥46.2 billion, to ¥117.4 billion (US$1,141 million). Furthermore, net of deferred tax liabilities and deferred tax assets increased by ¥44.6 billion, to ¥54.3 billion (US$528 million).

**Reserves for Liquidity (U.S. GAAP)**

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

As of March 31, 2014, against the necessary liquidity amount, which is the total of short-term interest-bearing debt and contingent liabilities of ¥925.1 billion (US$8,989 million), the amount of reserves, which is the sum of cash, cash equivalents, time deposits (¥661.0 billion), and commitment line agreements (yen long-term: ¥350.0 billion, multiple currency short-term: US$500 million) was ¥1062.5 billion (US$10,324 million). The Company believes that this amount constitutes adequate reserves for liquidity.

In addition, the amount held as other assets that can be converted to cash in a short period of time such as available-for-sale securities is ¥584.3 billion (US$5,677 million).

| | Billions of Yen | Millions of U.S. Dollars |
|---|---|---|
| | 2014 | |
| Years ended March 31 | Liquidity Reserves | Liquidity Reserves |
| 1. Cash, cash equivalents and time deposits | ¥ 661.0 | $ 6,422 |
| 2. Commitment line agreements | ¥ 401.5 | $ 3,902 |
| Total primary liquidity reserves | ¥1,062.5 | $10,324 |

| | Billions of Yen | Millions of U.S. Dollars |
|---|---|---|
| Years ended March 31 | 2014 | 2014 |
| Short-term interest-bearing debt | ¥402.3 | $3,908 |
| Current maturities of long-term interest-bearing debt | 412.7* | 4,010 |
| Contingent liabilities (Guarantees (substantial risk) for monetary indebtedness of equity-method associated companies and customers) | 110.1 | 1,071 |
| Total | ¥925.1 | $8,989 |

* The figure is the total of current maturities of long-term debt (¥62.7billion) in the Consolidated Balance Sheets and long-term commitment line with financial institutions (¥350.0 billion)

**Capital Resources (U.S. GAAP)**

The fundamental policy is to finance new expenditures for investment activities from operating revenue, disposal / collection of existing assets, and loans and the issuance of bonds while maintaining financial soundness.

Cash flows from operating activities for the year ended March 31, 2014, recorded a net cash-inflow of ¥418.4 billion (US$4,065 million), resulting from the stable performance in operating revenue in the overseas natural resources, energy, food, machinery, and ICT sectors as well as steady collections of trade receivables in the machinery, general merchandise, and food sectors.

Cash flows from investing activities recorded a net cash-outflow of ¥266.7 billion (US$2,591 million), due to the acquisition of the Dole business and new investments and loans to Australian mineral-resource-development-related business.

Cash flows from financing activities recorded a net cash-outflow of ¥71.7 billion (US$697 million), due to repayment of debt, despite an increase of debt accompanying new investments and loans.

Consequently, Cash and cash equivalents as of March 31, 2014, increased by 14.7%, or ¥83.6 billion, to ¥653.3 billion (US$6,348 million), compared with March 31, 2013.

A summary of cash flows for the years ended March 31, 2014 and 2013 were as follows:

| | Billions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| Years ended March 31 | 2014 | 2013 | 2014 |
| Cash flows from operating activities | ¥ 418.4 | ¥ 245.7 | $ 4,065 |
| Cash flows from investing activities | (266.7) | (200.0) | (2,591) |
| Cash flows from financing activities | (71.7) | (11.3) | (697) |
| Effect of exchange rate changes on cash and cash equivalents | 3.6 | 21.9 | 35 |
| Net increase in cash and cash equivalents | 83.6 | 56.2 | 812 |
| Cash and cash equivalents at the beginning of the year | 569.7 | 513.5 | 5,536 |
| Cash and cash equivalents at the end of the year | ¥ 653.3 | ¥ 569.7 | $ 6,348 |

**Capital Resources (IFRS)**

Cash flows from operating activities for the year ended March 31, 2014, recorded a net cash-inflow of ¥428.1 billion (US$4,160 million), resulting from the stable performance in operating revenue in the overseas natural resources, energy, food, machinery, and ICT sectors as well as steady collections of trade receivables in the machinery, general merchandise, and food sectors.

Cash flows from investing activities recorded a net cash-outflow of ¥270.4 billion (US$2,627 million), due to the acquisition of the Dole business and new investments and loans to Australian mineral-resource-development-related business.

Cash flows from financing activities recorded a net cash-outflow of ¥77.9 billion (US$756 million), due to repayment of debt, despite an increase of debt accompanying new investments and loans.

Consequently, Cash and cash equivalents as of March 31, 2014, increased by 14.6%, or ¥83.4 billion, to ¥653.7 billion (US$6,352 million), compared with March 31, 2013.

A summary of cash flows for the years ended March 31, 2014 and 2013 were as follows:

| | Billions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| Years ended March 31 | 2014 | 2013 | 2014 |
| Cash flows from operating activities | ¥ 428.1 | ¥ 236.5 | $ 4,160 |
| Cash flows from investing activities | (270.4) | (203.8) | (2,627) |
| Cash flows from financing activities | (77.9) | 3.0 | (756) |
| Net increase in cash and cash equivalents | 79.9 | 35.7 | 777 |
| Cash and cash equivalents at the beginning of the year | 570.3 | 512.8 | 5,542 |
| Effect of exchange rate changes on cash and cash equivalents | 3.5 | 21.8 | 33 |
| Cash and cash equivalents at the end of the year | ¥ 653.7 | ¥ 570.3 | $ 6,352 |

## Off-balance-sheet Arrangements and Aggregate Contractual Obligations (U.S. GAAP)

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, 2014 and 2013 were as follows:

| | Billions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| Years ended March 31 | 2014 | 2013 | 2014 |
| Guarantees for equity-method associated companies: | | | |
| Maximum potential amount of future | ¥100.0 | ¥ 94.2 | $ 972 |
| Amount of substantial risk | 79.2 | 74.7 | 769 |
| Guarantees for customers: | | | |
| Maximum potential amount of future | 64.7 | 88.8 | 629 |
| Amount of substantial risk | 54.2 | 72.2 | 527 |
| Total: | | | |
| Maximum potential amount of future | 164.7 | 183.0 | 1,601 |
| Amount of substantial risk | ¥133.4 | ¥146.9 | $1,296 |

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 has been excluded in determining the amount of substantial risk.

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) as well as payments under operating leases:

| | Billions of Yen | | | | |
|---|---|---|---|---|---|
| | 2014 | | | | |
| Years ended March 31 | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| Short-term loans payable | ¥ 402.3 | ¥402.3 | ¥ — | ¥ — | ¥ — |
| Long-term debt | 2,483.0 | 62.7 | 784.0 | 469.3 | 1,167.0 |
| Operating leases | ¥ 367.4 | ¥ 49.1 | ¥ 81.5 | ¥ 66.9 | ¥ 169.9 |

| | Millions of U.S. Dollars | | | | |
|---|---|---|---|---|---|
| | 2014 | | | | |
| Years ended March 31 | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| Short-term loans payable | $ 3,908 | $3,908 | $ — | $ — | $ — |
| Long-term debt | 24,126 | 609 | 7,618 | 4,560 | 11,339 |
| Operating leases | $ 3,570 | $ 477 | $ 792 | $ 650 | $ 1,651 |

# 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, 2014.

## (1) Corporate Result Risks Associated with 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. The characteristics of the Group's main areas of business are, 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 financial position and results of operations of ITOCHU Group.

## (2) Market Risk

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

### a) Foreign Exchange Rate Risk

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

Further, ITOCHU's investments in overseas businesses expose ITOCHU Group to the risk that fluctuations in foreign exchange rates could affect 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 significantly affect the financial position and results of operations of ITOCHU Group.

### b) Interest Rate Risk

ITOCHU Group is exposed to interest rate risk in both raising and using money for investing, financing, and operating activities. Therefore, 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 Earnings at Risk (EaR) method, ITOCHU has set a certain limit (Loss Cut Limit) for interest expense and has executed hedging transactions primarily in the form of interest rate swaps to manage interest rate risk.

However, ITOCHU cannot completely avoid interest rate risk, even after having adopted these management methods. Therefore, interest rate trends could significantly affect the financial position and results of operations of ITOCHU Group.

### c) Commodity Price Risk

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

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

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

#### d) Stock Price Risk

In order to pursue business earnings and corporate value by strengthening relationship with customers or suppliers and submitting various proposals to investees, ITOCHU Group holds various marketable stocks that are exposed to stock price fluctuation risk. Therefore, the Group uses the Value at Risk (VaR) method to analyze and monitor the effect of stock price fluctuations on consolidated stockholders' equity periodically. However, stock price trends could significantly affect the financial position and results of operations of ITOCHU Group.

### (3) Credit Risk

Through sales receivables, loans, guaranties, and other formats, ITOCHU Group grants credit to its trading partners, both domestically and overseas. The Group therefore bears credit risk in relation to such credit becoming uncollectible due to the deteriorating credit status or insolvency of the Group's partners and in relation to assuming responsibilities to fulfill contracts because an involved party is unable to continue its business and therefore cannot fulfill its obligations under the contracts.

Therefore, when granting credit, ITOCHU Group works to reduce risk by conducting risk management through the establishment of credit limits and the acquisition of collateral or guaranties as needed. At the same time, the Group establishes allowances for doubtful receivables based on the creditworthiness, the status of collection, and the status of receivables in arrears of business partners. However, such management cannot completely avoid the actualization of credit risks, which could significantly affect the financial position and results of operations of ITOCHU Group.

### (4) Country Risk

ITOCHU Group conducts transactions and business activities in various countries and regions overseas. The Group is exposed to country risk, including unforeseen situations arising from the political, economic and social conditions of these countries and regions and national expropriation or remittance suspension due to changes in various laws and regulations. In addition to taking appropriate countermeasures for each transaction, with the aim of avoiding a concentration of exposure, ITOCHU Group works to reduce risk by setting total limit guidelines and limits for each country and setting credit policies appropriate to each country. However, the Group cannot completely avoid such risk.

The actualization of such risk could delay or incapacitate debt collection or operational implementation and could significantly affect the financial position and results of operations of ITOCHU Group.

### (5) Investment Risk

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

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

### (6) Risks Associated with Impairment Loss on Fixed Assets

ITOCHU Group is exposed to impairment loss risks on fixed assets held, such as real estate, aircraft, ships and assets related to natural resource development. ITOCHU at present has recognized necessary impairment losses.

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

### (7) Risks Associated with 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. Such occurrences could significantly affect the financial position and results of operations of ITOCHU Group.

### (8) Risks Associated with Pension Cost and Projected Benefit Obligations

The pension cost and projected benefit obligations of ITOCHU Group are calculated based on actuarial calculations that utilize a variety of assumptions. 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 additional contributions to pension assets might be necessary. Such occurrences could significantly affect the financial position and results of operations of ITOCHU Group.

### (9) Risks Associated with Deferred Taxes

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

Therefore, ITOCHU Group recognizes the realizable amount of deferred tax assets, taking into consideration future taxable income and feasible tax planning strategies.

However, allowance for deferred taxes may increase or decrease depending on changes in estimated taxable income in tax planning, changes in the tax system including changes in tax rates, and changes in tax planning strategies. Such occurrences could significantly affect the financial position and results of operations of ITOCHU Group.

### (10) Risks Due to Competition

As ITOCHU Group handles a vast array of products and services, the Group is open to competition from many different companies, both domestic and foreign overseas, 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 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 significantly affect 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 significantly affect the financial position and results of the operations of ITOCHU Group.

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

### (12) Risks Associated with Laws and Regulations

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

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

Also, 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. Such occurrences could significantly affect the financial position and results of operations of ITOCHU Group.

### (13) Risks Associated with 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. These efforts include establishing an environmental policy and building an environmental management system in order to minimize environmental risk, such as the risk of infringement of laws and regulations in the handling of goods the provision of services, and business investment. However, the occurrence of environmental pollution due to ITOCHU Group's business activities could lead to the delay or suspension of operations, the incurring of pollution disposal expenses or expenses due to compensation for damage, or the lowering of society's evaluation of the Group and could significantly affect the financial position and results of operations of ITOCHU Group.

### (14) Risks Associated with Natural Disasters, Climate Change, and Other Factors

In the countries and regions in which ITOCHU Group conducts business activities, natural disasters, such as earthquakes, or infectious diseases, such as new types of influenza, may adversely affect its business activities. ITOCHU has implemented measures such as developing Business Continuity Plans (BCPs) for large-scale disasters and the outbreak of new types of influenza, introducing a safety confirmation system, and conducting emergency drills. Also, various measures have been implemented individually in each Group company. However, since ITOCHU Group conducts business activities across a wide range of regions, when damage arises due to disasters or infectious diseases such as new types of influenza, it cannot completely avoid such damage. Therefore, such occurrences could significantly affect the financial position and results of operations of ITOCHU Group.

In addition, abnormal weather arising from climate change could affect ITOCHU Group's business activities adversely and could significantly affect the financial position and results of operations of ITOCHU Group.

### (15) 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 and operates 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 risk of sensitive information leakage due to unauthorized access from the outside or computer viruses and the risk of the stoppage of information systems due to equipment damage or problems with telecommunications circuitry. Depending on the scale of the damage, such occurrences could significantly affect the financial position and results of operations of ITOCHU Group.

# Consolidated Statement of Financial Position

ITOCHU Corporation and its Subsidiaries
As of March 31, 2014, 2013, and April 1, 2012 (date of transition)
Prepared in conformity with IFRSs

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| **Assets** | **2014** | 2013 | 2012 | **2014** |
| **Current assets** | | | | |
| Cash and cash equivalents (Notes 24 and 26) | **¥ 653,739** | ¥ 570,335 | ¥ 512,825 | **$ 6,352** |
| Time deposits (Notes 10 and 24) | **7,653** | 7,120 | 5,173 | **74** |
| Trade receivables (Notes 6 and 10) | **2,127,968** | 2,080,053 | 1,945,142 | **20,676** |
| Other current receivables (Note 6) | **103,019** | 109,802 | 115,254 | **1,001** |
| Other current financial assets (Notes 12, 25 and 26) | **29,172** | 36,191 | 36,652 | **283** |
| Inventories (Notes 7, 10 and 26) | **744,441** | 665,330 | 569,862 | **7,233** |
| Advances to suppliers | **94,560** | 74,900 | 106,079 | **919** |
| Other current assets | **78,984** | 70,029 | 81,710 | **768** |
| Total current assets | **3,839,536** | 3,613,760 | 3,372,697 | **37,306** |
| **Non-current assets** | | | | |
| Investments accounted for by the equity method (Notes 13 and 33) | **1,728,408** | 1,571,263 | 1,345,464 | **16,794** |
| Other investments (Notes 12 and 26) | **565,936** | 541,139 | 498,346 | **5,499** |
| Non-current receivables (Notes 6 and 33) | **135,033** | 102,430 | 86,323 | **1,312** |
| Non-current financial assets other than investments and receivables (Note 25) | **125,255** | 140,092 | 96,829 | **1,217** |
| Property, plant and equipment (Notes 5, 8, 10 and 16) | **747,664** | 722,883 | 620,498 | **7,265** |
| Investment property (Note 9) | **29,186** | 36,958 | 33,570 | **284** |
| Goodwill (Notes 5 and 11) | **194,934** | 151,469 | 140,658 | **1,894** |
| Intangible assets (Notes 5 and 11) | **245,312** | 181,089 | 133,071 | **2,384** |
| Deferred tax assets (Note 19) | **63,093** | 61,517 | 102,126 | **613** |
| Other non-current assets | **109,399** | 75,901 | 58,573 | **1,061** |
| Total non-current assets | **3,944,220** | 3,584,741 | 3,115,458 | **38,323** |
| **Total assets** | **¥7,783,756** | ¥7,198,501 | ¥6,488,155 | **$75,629** |

Refer to Notes to Consolidated Financial Statements.

| Liabilities and Equity | Millions of Yen 2014 | 2013 | 2012 | Millions of U.S. Dollars 2014 |
|---|---|---|---|---|
| **Current liabilities** | | | | |
| Short-term debentures and borrowings (Notes 10, 15 and 24) | **¥ 472,667** | ¥ 498,816 | ¥ 451,618 | **$ 4,593** |
| Trade payables (Notes 10 and 14) | **1,661,973** | 1,609,225 | 1,535,082 | **16,148** |
| Other current payables (Note 14) | **70,942** | 80,032 | 85,237 | **689** |
| Other current financial liabilities (Note 24) | **15,788** | 21,800 | 27,615 | **153** |
| Current tax liabilities (Note 19) | **36,200** | 37,741 | 48,660 | **352** |
| Advances from customers | **106,176** | 67,945 | 109,918 | **1,032** |
| Other current liabilities (Note 18) | **247,581** | 224,528 | 203,287 | **2,405** |
| Total current liabilities | **2,611,327** | 2,540,087 | 2,461,417 | **25,372** |
| **Non-current liabilities** | | | | |
| Long-term debentures and borrowings (Notes 10,15 and 24) | **2,420,713** | 2,282,067 | 2,084,800 | **23,520** |
| Other non-current financial liabilities (Note 14) | **103,279** | 105,733 | 100,073 | **1,003** |
| Non-current liabilities for employee benefits (Note 17) | **57,022** | 69,118 | 83,976 | **554** |
| Deferred tax liabilities (Note 19) | **117,438** | 71,229 | 48,032 | **1,141** |
| Other non-current liabilities (Note 18) | **74,440** | 55,073 | 67,227 | **724** |
| Total non-current liabilities | **2,772,892** | 2,583,220 | 2,384,108 | **26,942** |
| Total liabilities | **5,384,219** | 5,123,307 | 4,845,525 | **52,314** |
| **Equity** (Note 24) | | | | |
| Common stock (Note 21) | **202,241** | 202,241 | 202,241 | **1,965** |
| Capital surplus (Notes 19 and 21) | **113,055** | 113,031 | 110,094 | **1,098** |
| Retained earnings (Note 21) | **1,365,858** | 1,160,939 | 962,445 | **13,271** |
| Other components of equity (Notes 19 and 23) | | | | |
| Translation adjustments | **255,017** | 142,766 | — | **2,478** |
| FVTOCI financial assets (Note 12) | **116,292** | 104,709 | 47,580 | **1,130** |
| Cash flow hedges (Note 25) | **(3,980)** | (2,003) | (2,747) | **(39)** |
| Total other components of equity | **367,329** | 245,472 | 44,833 | **3,569** |
| Treasury stock (Note 21) | **(2,800)** | (2,703) | (2,685) | **(27)** |
| Total shareholders' equity | **2,045,683** | 1,718,980 | 1,316,928 | **19,876** |
| Non-controlling interests (Note 5) | **353,854** | 356,214 | 325,702 | **3,439** |
| Total equity | **2,399,537** | 2,075,194 | 1,642,630 | **23,315** |
| **Total liabilities and equity** | **¥7,783,756** | ¥7,198,501 | ¥6,488,155 | **$75,629** |

# Consolidated Statement of Comprehensive Income

ITOCHU Corporation and its Subsidiaries
Years ended March 31, 2014 and 2013
Prepared in conformity with IFRSs

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| **Revenues** (Notes 4, 13 and 25) | | | |
| Revenues from sale of goods | ¥ 5,086,703 | ¥ 4,227,877 | $ 49,424 |
| Revenues from rendering of services and royalties | 500,823 | 471,589 | 4,866 |
| Total revenues | 5,587,526 | 4,699,466 | 54,290 |
| **Cost** | | | |
| Cost of sale of goods | (4,208,152) | (3,422,763) | (40,888) |
| Cost of rendering of services and royalties | (334,352) | (330,925) | (3,248) |
| Total cost (Notes 7, 8, 11 and 13) | (4,542,504) | (3,753,688) | (44,136) |
| **Gross trading profit** (Note 4) | 1,045,022 | 945,778 | 10,154 |
| **Other gains** (losses) | | | |
| Selling, general and administrative expenses (Notes 5, 8, 11, 17 and 27) | (749,976) | (688,612) | (7,287) |
| Provision for doubtful accounts (Note 24) | (6,054) | (308) | (59) |
| Losses on property, plant, equipment and intangible assets (Notes 8, 9, 11 and 28) | (36,161) | (9,358) | (351) |
| Other–net (Note 29) | 10,324 | 7,027 | 100 |
| Total other losses | (781,867) | (691,251) | (7,597) |
| **Financial income (loss)** (Note 30) | | | |
| Interest income | 11,610 | 9,208 | 113 |
| Dividends received | 37,191 | 34,633 | 361 |
| Interest expense (Note 25) | (27,086) | (24,824) | (263) |
| Other financial income (Notes 25 and 26) | 7,581 | 6,124 | 74 |
| Total financial income | 29,296 | 25,141 | 285 |
| Equity in earnings of associates and joint ventures (Notes 4 and 13) | 56,036 | 87,967 | 544 |
| Gains on disposal and remeasurement of investments in subsidiaries, associates and joint ventures | 12,275 | 12,004 | 119 |
| **Profit before tax** | 360,762 | 379,639 | 3,505 |
| Income tax expense (Note 19) | (106,337) | (97,148) | (1,033) |
| **Net Profit** | 254,425 | 282,491 | 2,472 |
| **Net profit attributable to ITOCHU** (Note 4) | ¥ 245,312 | ¥ 258,843 | $ 2,384 |
| Net profit attributable to non-controlling interests | 9,113 | 23,648 | 88 |

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2014** | 2013 | **2014** |
| **Other comprehensive income for the year, net of tax** (Notes 19 and 23)**:** | | | |
| Items that will not be reclassified to profit or loss | | | |
| FVTOCI financial assets (Notes 12 and 26) | **¥ 18,692** | ¥ 67,042 | **$ 182** |
| Remeasurement of net defined pension liability (Note 17) | **11,235** | 4,139 | **109** |
| Other comprehensive income in associates and joint ventures (Notes 13 and 26) | **5,924** | 2,960 | **58** |
| Items that may be reclassified to profit or loss | | | |
| Translation adjustments (Note 25) | **65,481** | 114,703 | **636** |
| Cash flow hedges (Note 25) | **(4,287)** | 2,478 | **(42)** |
| Other comprehensive income in associates and joint ventures (Note 13) | **58,694** | 33,247 | **569** |
| Total other comprehensive income for the year, net of tax | **155,739** | 224,569 | **1,512** |
| **Total comprehensive income for the year** | **410,164** | 507,060 | **3,984** |
| **Total comprehensive income attributable to ITOCHU** | **¥391,901** | ¥474,460 | **$3,807** |
| Total comprehensive income attributable to non-controlling interests | **18,263** | 32,600 | **177** |

| | Yen | | U.S. Dollars |
|---|---|---|---|
| | **2014** | 2013 | **2014** |
| Basic earnings per share attributable to ITOCHU (Note 20) | **¥155.21** | ¥163.77 | **$1.51** |
| Diluted earnings per share attributable to ITOCHU (Note 20) | **¥154.71** | ¥163.77 | **$1.50** |

Refer to Notes to Consolidated Financial Statements.

# Consolidated Statement of Changes in Equity

ITOCHU Corporation and its Subsidiaries
Years ended March 31, 2014 and 2013
Prepared in conformity with IFRSs

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| **Common stock** (Note 21) | | | |
| Balance at the beginning of the year | ¥ 202,241 | ¥ 202,241 | $ 1,965 |
| Balance at the end of the year | 202,241 | 202,241 | 1,965 |
| **Capital surplus** (Note 21) | | | |
| Balance at the beginning of the year | 113,031 | 110,094 | 1,098 |
| Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests | 24 | 2,937 | 0 |
| Balance at the end of the year | 113,055 | 113,031 | 1,098 |
| **Retained earnings** (Note 21) | | | |
| Balance at the beginning of the year | 1,160,939 | 962,445 | 11,280 |
| Net profit attributable to ITOCHU | 245,312 | 258,843 | 2,384 |
| Transfer from other components of equity | 24,459 | 14,785 | 237 |
| Cash dividends (Note 22) | (64,852) | (75,134) | (630) |
| Balance at the end of the year | 1,365,858 | 1,160,939 | 13,271 |
| **Other components of equity** (Notes 12, 17, 19, 23 and 25) | | | |
| Balance at the beginning of the year | 245,472 | 44,833 | 2,385 |
| Other comprehensive income attributable to ITOCHU | 146,589 | 215,617 | 1,424 |
| Transfer to retained earnings | (24,459) | (14,785) | (237) |
| Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests | (273) | (193) | (3) |
| Balance at the end of the year | 367,329 | 245,472 | 3,569 |
| **Treasury stock** (Note 21) | | | |
| Balance at the beginning of the year | (2,703) | (2,685) | (26) |
| Net change in treasury stock | (97) | (18) | (1) |
| Balance at the end of the year | (2,800) | (2,703) | (27) |
| Total shareholders' equity | 2,045,683 | 1,718,980 | 19,876 |
| **Non-controlling interests** | | | |
| Balance at the beginning of the year | 356,214 | 325,702 | 3,461 |
| Net profit attributable to non-controlling interests | 9,113 | 23,648 | 88 |
| Other comprehensive income attributable to non-controlling interests (Notes 19 and 23) | 9,150 | 8,952 | 88 |
| Cash dividends to non-controlling interests | (13,415) | (6,812) | (130) |
| Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests | (7,208) | 4,724 | (68) |
| Balance at the end of the year | 353,854 | 356,214 | 3,439 |
| **Total equity** | ¥2,399,537 | ¥2,075,194 | $23,315 |

Refer to Notes to Consolidated Financial Statements.

# Consolidated Statement of Cash Flows

ITOCHU Corporation and its Subsidiaries
Years ended March 31, 2014 and 2013
Prepared in conformity with IFRSs

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| **Cash flows from operating activities** (Note 31) | | | |
| Net profit | ¥ 254,425 | ¥ 282,491 | $ 2,472 |
| Adjustments to reconcile net profit to net cash provided by operating activities | | | |
| Depreciation and amortization | 104,736 | 88,459 | 1,018 |
| Provision for doubtful accounts | 6,054 | 308 | 59 |
| Losses on property, plant, equipment and intangible assets | 36,161 | 9,358 | 351 |
| Financial income | (29,296) | (25,141) | (285) |
| Equity in earnings of associates and joint ventures | (56,036) | (87,967) | (544) |
| Gains on disposal and remeasurement of investments in subsidiaries, associates and joint ventures | (12,275) | (12,004) | (119) |
| Income tax expense | 106,337 | 97,148 | 1,033 |
| Change in trade receivables | 2,733 | (55,818) | 27 |
| Change in inventories | 15,021 | (53,062) | 146 |
| Change in trade payables | 11,796 | 19,230 | 115 |
| Other–net | 9,716 | (14,816) | 93 |
| Proceeds from interest | 11,500 | 9,265 | 112 |
| Proceeds from dividends | 93,303 | 86,065 | 907 |
| Payments for interest | (25,138) | (23,775) | (244) |
| Payments for income taxes | (100,936) | (83,224) | (981) |
| Net cash provided by operating activities | 428,101 | 236,517 | 4,160 |
| **Cash flows from investing activities** (Note 31) | | | |
| Payments for purchase of investments accounted for by the equity method | (55,933) | (104,024) | (544) |
| Proceeds from sale of investments accounted for by the equity method | 45,618 | 40,633 | 443 |
| Payments for purchase of other investments | (116,770) | (74,313) | (1,135) |
| Proceeds from sale of other investments | 96,352 | 94,131 | 936 |
| Acquisitions of subsidiaries, net of cash acquired | (129,317) | (31,896) | (1,256) |
| Sales of subsidiaries, net of cash held by subsidiaries | 2,799 | 708 | 27 |
| Origination of loans receivable | (76,786) | (44,659) | (746) |
| Collections of loans receivable | 48,631 | 32,022 | 473 |
| Payments for purchase of property, plant, equipment and intangible assets | (120,352) | (130,578) | (1,169) |
| Proceeds from sale of property, plant, equipment and intangible assets | 35,673 | 15,489 | 347 |
| Net increase in time deposits | (292) | (1,324) | (3) |
| Net cash used in investing activities | (270,377) | (203,811) | (2,627) |
| **Cash flows from financing activities** (Note 31) | | | |
| Proceeds from debentures and loans payable | 537,714 | 482,125 | 5,225 |
| Repayments of debentures and loans payable | (458,638) | (392,704) | (4,456) |
| Net increase (decrease) in other loans payable | (67,938) | 7,160 | (660) |
| Equity transactions with non-controlling interests | (12,291) | (11,645) | (120) |
| Cash dividends | (64,852) | (75,134) | (630) |
| Cash dividends to non-controlling interests | (11,814) | (6,812) | (115) |
| Net increase in treasury stock | (36) | (12) | (0) |
| Net cash provided by (used in) financing activities | (77,855) | 2,978 | (756) |
| **Net increase in cash and cash equivalents** | 79,869 | 35,684 | 777 |
| **Cash and cash equivalents at the beginning of the year** | 570,335 | 512,825 | 5,542 |
| **Effect of exchange rate changes on cash and cash equivalents** | 3,535 | 21,826 | 33 |
| **Cash and cash equivalents at the end of the year** | ¥ 653,739 | ¥ 570,335 | $ 6,352 |

Refer to Notes to Consolidated Financial Statements.

# Notes to Consolidated Financial Statements

ITOCHU Corporation and its Subsidiaries

## 1. Reporting Entity

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

The Company and its subsidiaries, by leveraging these comprehensive capabilities and via global networks spanning six division companies, operate in a wide range of industries. The Consumer-Related Sector covers Textiles, Food and ICT, General Products & Realty; the Basic Industry-Related Sector includes Machinery, Chemicals, petroleum products and steel products; and the Natural Resource-Related Sector includes Metals and Energy resources.

## 2. Basis of Preparation of Consolidated Financial Statements

### (1) Statement of Compliance to IFRSs

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

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

Further, the Company has adopted IFRS 1 “First-time Adoption of International Financial Reporting Standards” (IFRS 1). These are the first consolidated financial statements that the Company has prepared in accordance with IFRSs, and April 1, 2012, was the date of transition. An explanation of the effect of the transition to IFRSs on the consolidated financial position, and results of operations and cash flows are included in Note 35 “Explanation of Transition to IFRSs”.

### (2) Basis of Measurement

The Company prepares its consolidated financial statements based on historical cost, except for the cases stated separately in Note 3 “Summary of Significant Accounting Policies”.

### (3) Presentation Currency

The Company presents its consolidated financial statements in Japanese yen, which is its functional currency.

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

The translation of Japanese yen amounts into U.S. dollar amounts for the year ended March 31, 2014 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥102.92=U.S.$1 (the official rate as of March 31, 2014 announced by The Bank of Tokyo-Mitsubishi UFJ, Ltd.).

### (4) Early Adoption of New or Amended IFRSs or Interpretations

For the preparation of these consolidated financial statements, the Company voluntarily adopts IFRS 9 “Financial Instruments” (published in November 2009, amended October 2010) and the amended “Recoverable Amount Disclosures for Non-Financial Assets” (amended May 2013) of IAS 36 “Impairment of Assets”.

### (5) New or Amended IFRSs or Interpretations Not Yet Adopted

Among new or revised IFRSs or interpretations published by the date of approval of the consolidated financial statements, the Company has not adopted the following IFRSs as of March 31, 2014, because adoption is not mandatory.

The Company is currently evaluating the potential impacts that these applications will have on the consolidated financial statements, however, the Company believes that these adoptions will not significantly affect its results of operation or financial position.

| Standard | Title | Mandatory adoption (from fiscal years beginning on or after) | Fiscal year in which Company will adopt standard | Summary of new or revised standard |
|---|---|---|---|---|
| IFRS 3 | *Business Combinations* | July 1, 2014 | Year ending March 2016 | Clarification that formation of joint arrangements is outside the scope of IFRS 3 application |
| | | To be adopted for business combinations on or after July 1, 2014 | | Clarification of the accounting for subsequent measurement of transition requirements and classification of contingent consideration from a business combination |
| IFRS 7 | *Financial Instruments: Disclosures* | Not yet decided | | Revision of disclosure requirements regarding hedge accounting |
| IFRS 8 | *Operating Segments* | July 1, 2014 | Year ending March 2016 | Expansion and improvement of disclosure when operating segments are integrated<br>Clarification of requirement for disclosure of reconciliation tables showing reclassification from a reporting segment's total assets to a company's total assets |
| IFRS 9 | *Financial Instruments* | Not yet decided | | Amendment of general regulations for hedge accounting |
| IAS 19 | *Employee Benefits* | July 1, 2014 | Year ending March 2016 | Approval of simplified accounting when employees or third parties contribute to a defined benefit plan |
| IAS 32 | *Financial Instruments: Presentation* | January 1, 2014 | Year ending March 2015 | Clarification of presentation requirements for offsetting financial assets and financial liabilities |
| IAS 40 | *Investment Property* | To be adopted for investment property acquired on or after July 1, 2014 | | Clarification that guidelines of IFRS 3 should be followed in relation to whether the acquisition of investment property is an asset acquisition transaction or business combination transaction |
| IFRIC 21 | *Levies* | January 1, 2014 | Year ending March 2015 | Establishment of guidelines for accounting of liabilities in relation to public levies |
| IFRS 15 | *Revenue from Contracts with Customers* | January 1, 2017 | Year ending March 2018 | Establishment of accounting and disclosure for "Revenue from Contracts with Customers" |

## 3. Significant Accounting Policies

### (1) Basis of Consolidation

#### 1) Business combinations

The Company and its subsidiaries elected to apply the exemption for business combinations in IFRS 1 “First-time Adoption of International Financial Reporting Standards” (“IFRS 1”), so that business combinations that occurred prior to the date of transition are accounted for in accordance with U.S. GAAP, which is the previous GAAP, without retrospective application of IFRS 3 “Business Combinations” (“IFRS 3”).

Business combinations that occur after the date of transition are accounted for using the acquisition method in accordance with IFRS 3. That is, one of the parties to the business combination, as the acquirer, recognizes the acquisition-date fair value of the identifiable assets acquired from the acquiree, the liabilities assumed from the acquiree, and any non-controlling interest in the acquiree. (However, assets and liabilities that need to be measured at other than fair value in accordance with IFRS 3, such as deferred tax assets, deferred tax liabilities, and assets / liabilities related to employee benefit arrangements, are recognized at the amount stipulated in IFRS 3.) Any previously held equity interest or non-controlling interest is remeasured at acquisition-date fair value. Goodwill is then recognized as of the acquisition date, measured as the excess of the aggregate of the consideration transferred, the fair value of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer’s previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. In addition, for business combinations resulting in a bargain purchase, that is, for transactions where the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, measured in accordance with IFRS 3, 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 non-controlling interest in the acquiree, the excess amount is recognized as Gains on disposal and remeasurement of investments in subsidiaries, associates and joint ventures in the Consolidated Statement of Comprehensive Income.

Costs that are incurred by the acquirer in relation to the completion of a business combination are expensed when they are incurred, except for costs related to the issuance of debt instruments or equity instruments, which are capitalized as issuance costs if allowed under other IFRSs guidance.

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

#### 2) Subsidiaries

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

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

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

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

#### 3) Loss of control

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

#### 4) Business combinations under common control

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

**5) Associates and joint ventures**

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

A joint arrangement is a contractual arrangement in which multiple venturers undertake economic activities under joint control, and all significant operating and financial decisions require unanimous consent of parties sharing control. A joint venture is a specific type of joint arrangement under which operations are independent from each of the investing companies and the investing companies have rights only to the net assets of the arrangement.

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

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

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

**6) Joint operations**

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

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

**7) Transactions eliminated on consolidation**

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

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

### (2) Foreign Currency Translation

**1) Foreign currency transactions**

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

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

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

**2) Translation of foreign currency denominated financial statements of foreign subsidiaries and foreign associated companies and joint ventures**

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

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

The Company and its subsidiaries elected to apply the exemption in IFRS 1 and as of the date of transition, reclassified to retained earnings all cumulative translation adjustments that had been recognized under the previous GAAP. When a foreign operation is disposed of, cumulative translation adjustments related to that foreign operation are reclassified to profit or loss at the point when the gain or loss on disposal is recognized. However, the portion of cumulative translation adjustments attributed to non-controlling interest reduces non-controlling interests.

**3) Hedges of a net investment in foreign operations**

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

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

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

### (3) Financial Instruments

**1) Financial assets other than derivatives**

In accordance with IFRS 9 "Financial Instruments" ("IFRS 9"), financial assets other than derivatives are categorized in the following manner at the point of initial recognition. Those that meet the two conditions below are categorized as financial assets measured at amortized cost, and others are categorized as financial assets measured at fair value.

- The policy regarding the holding of these assets is that they are held with the objective of collecting contractual cash flows; and
- The contractual cash flows associated with these financial assets comprise only payments of principal and interest on the outstanding principal balance, and the dates of those cash flows are specified.

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

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

Financial assets measured at fair value are further classified into two categories. Those that are investments in equity instruments, such as investments in the common stock of other companies, but which are not held with the objective of obtaining gains on short-term sales, are in principle categorized as FVTOCI financial assets. Other financial assets are categorized as FVTPL financial assets.

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

Financial assets measured at fair value are remeasured at fair value at the end of each reporting period. Changes in fair value are recognized in profit or loss for FVTPL financial assets and in other comprehensive income for FVTOCI financial assets. For both FVTPL financial assets and FVTOCI financial assets, dividends received are recognized in profit or loss.

When a FVTOCI financial asset is sold, the difference between the carrying amount and the consideration received is recognized as other comprehensive income (FVTOCI financial assets), and the balance of accumulated other comprehensive income on the FVTOCI financial asset recognized through the point of the sale (accumulated FVTOCI financial assets) is reclassified to retained earnings.

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

**2) Cash equivalents**

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

**3) Financial liabilities other than derivatives**

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

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

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

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

**4) Derivative instruments and hedging activities**

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

A hedge of the variability of the fair value of a recognized asset or liability, or of an unrecognized firm commitment, that is expected to be highly effective and for which the hedging relationship, risk management objective, and hedge implementation strategy are documented at the inception of the hedge, is designated as a fair value hedge. Changes in the fair value of the derivatives, as well as changes in the fair value of the hedged items, are recognized in profit or loss.

A hedge of the variability of future cash flows arising in relation to a forecasted transaction or a recognized asset or liability, that is expected to be highly effective and for which the hedging relationship, risk management objective, and hedge implementation strategy are documented at the inception of the hedge, is designated as a cash flow hedge. With cash flow hedges, changes in the fair value of the derivative are recognized in other comprehensive income as Cash flow hedges. This treatment is continued until 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 recognized in profit or loss.

Changes in the fair value of hedging instruments for a net investment in foreign operations are handled as described in "3) Hedges of a net investment in foreign operations" of "(2) Foreign Currency Translation".

Changes in the fair value of derivatives other than those above are recognized in profit or loss.

The Company and its subsidiaries, in applying the rules above for fair value hedges, cash flow hedges, and hedges of a net investment in foreign operations, evaluate at the inception of the hedge whether or not the hedge will be highly effective. In addition, the Company and its subsidiaries subsequently continue to evaluate whether or not the derivative will be highly effective in offsetting changes in the fair value or future cash flows of the hedged item.

Hedge accounting is discontinued for ineffective hedges, if any. The changes in the fair value of the derivative instruments related to discontinued hedges are recognized in profit or loss in accordance with IAS 39 "Financial Instruments: Recognition and Measurement".

#### 5) Presentation of financial assets and liabilities

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

1) The Company has an unconditional, legally enforceable right to offset the recognized amounts; and
2) The Company intends to settle on a net amount basis or to simultaneously realize the asset and settle the liability.

### (4) Inventories

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

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

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

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

### (5) Property, Plant and Equipment

#### 1) Recognition and measurement

Excluding biological assets, the cost model is applied and property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Applying the exception under IFRS 1, some items are measured at the fair value of certain property, plant and equipment at the date of transition as deemed cost.

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

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

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

#### 2) Depreciation

Except for items that are not subject to depreciation, such as land, property, plant and equipment are mainly depreciated using the straight-line method or the unit-of-production method over their estimated useful lives (buildings and structures: 3–60 years, machinery and vehicles: 2–20 years, fixtures, fittings and office equipment: 2–20 years) from the time when they become available for use.

A leased asset is depreciated over its estimated useful life if there is a provision for ownership transfer or a bargain purchase option, and in other cases a leased asset is depreciated over the shorter of the lease period or the estimated useful life.

At the end of each period, the residual value, useful lives, and depreciation methods of property, plant and equipment are reviewed and the impact is adjusted prospectively.

### (6) Investment Property

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

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

Except for items that are not subject to depreciation, such as land, investment property is depreciated mainly using the straight-line method over its estimated useful life (2 years–50 years) from the time when it becomes available for use.

### (7) Goodwill and Intangible Assets

#### 1) Goodwill

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

#### 2) Intangible assets

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

Except for intangible assets for which useful lives cannot be determined, intangible assets are mainly depreciated using the straight-line method over their estimated useful lives (trademarks and other intangible assets: 6–36 years and software: 3–5 years) from the time when they become available for use. The amortization expenses allocated to each accounting period are recognized in profit or loss.

At the end of each period, the residual value, useful lives, and depreciation methods of intangible assets are reviewed and the impact is adjusted prospectively.

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

### (8) Leases

#### 1) Leases as lessee

The Company and its subsidiaries lease property, plant and equipment and intangible assets as lessees.

Whether or not an agreement is a lease and whether or not an agreement includes a lease is decided based on examination of the economic nature of transactions and regardless of whether or not an agreement's legal form is that of a lease agreement.

Among the lease transactions, those that substantially transfer all the risks and rewards of ownership to the Company or its subsidiaries are classified as finance lease agreements, and leases other than finance leases are classified as operating leases.

For finance leases, leased assets (presented in Property, plant and equipment or respective accounts of Intangible assets) and lease obligations (presented in Other current payables and Other non-current liabilities) are recognized at the lower of the fair value of the leased property or the present value of the minimum lease payments. Further, lease payments are categorized into amounts equivalent to the principal and interest of lease obligations, and the effective interest method is used to calculate the amount equivalent to the interest of each lease payment. The amount equivalent to the interest of each payment is presented in Interest expenses.

For operating leases, leased properties are not recognized as assets, and lease payments are recognized over the lease term on a straight line basis.

#### 2) Leases as lessor

The Company and its subsidiaries operate businesses that lease property, plant and equipment and intangible assets as lessors.

Whether or not an agreement is a lease and whether or not an agreement includes a lease is decided based on examination of the economic nature of transactions and regardless of whether or not an agreement's legal form is that of a lease agreement.

For finance leases, net investments in finance leases are recognized as lease receivables. Lease payments receivable are categorized into amounts equivalent to the principal and interest of lease receivables, and the effective interest method is used to calculate the amount equivalent to the interest of each lease payment receivable. The amount equivalent to the interest of each lease payment receivable is presented in Interest income. Further, if the main purpose of a finance lease is the sale of goods and the finance leases has been implemented in accordance with sales policies, the lower of the fair value of the assets subject to leases or minimum lease payments receivable discounted at the market rate of interest is recognized as profit, and the purchase price of the assets subject to leases is recognized in cost of sales.

For operating leases, lease payments receivable are recognized over the lease term on a straight line basis.

### (9) Impairment

#### 1) Financial assets measured at amortized cost

At the end of each period, based on individual assets or assets grouped according to credit risk, financial assets measured at amortized cost are assessed to determine whether there are any indications of impairment. Indications of impairment of financial assets measured at amortized cost include default on or reschedule of payment of principal or interest, reduction of or exemption from repayments or postponement of repayment schedules, marked deterioration of the debtor's financial position, and bankruptcy of the debtor.

If there are indications of impairment of financial assets measured at amortized cost, the difference between the carrying amount of the assets and the recoverable amount, which is the present value of estimated future cash flows discounted at the assets' initial effective rate of interest, is recognized as impairment loss, which is recognized in profit or loss.

Further, if, in periods after the recognition of impairment of financial assets measured at amortized cost, impairment losses decrease, and this decrease can be objectively attributed to events that occurred after recognition of impairment, the impairment losses are reversed based on the amortized cost method and to the extent of the carrying amount.

**2) Property, plant and equipment, investment property, goodwill, intangible assets, and investment in associated companies and joint ventures**

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

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

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

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

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

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

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

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

## (10) Employee Benefits

**1) Post-employment defined benefit plans**

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

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

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

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

**2) Post-employment defined contribution plans**

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

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

**3) Multi-employer plans**

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

**4) Short-term employee benefits**

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

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

### (11) Provisions

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

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

**1) Provisions for asset retirement obligations**

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

**2) Restructuring provisions**

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

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

**3) Provisions for losses on lawsuits**

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

**4) Provisions for losses on guarantees**

For provisions for loss that could be incurred as a result of fulfilling debt guarantee agreements, the estimated loss that could be incurred is recognized, if the guarantee (the guaranteed party) has defaulted on a specified debt, and if the guarantor has concluded an agreement according to which it promises to repay the debt on behalf of the guarantee or provide monetary compensation, and if it is probable that loss will be incurred as a result of fulfilling the agreement.

### (12) Equity

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

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

### (13) Revenues

**1) Sales of products**

Sales of products are recognized when all of the following conditions are satisfied.

- The significant risks and rewards of ownership of the goods are transferred to the customer;
- Neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold is retained;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company and its subsidiaries; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at fair value of the consideration received, after deducting sales tax that the Company and its subsidiaries have a direct obligation to collect and pay to such third parties as tax authorities.

The specific criteria for revenue recognition for each type of transaction are as follows.

Revenues from product sales include wholesale, retail sales, manufactured product sales, processed product sales, and the sale of real estate. Revenue from product sales are recognized 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.

Revenues from the sale of real estate are recognized at the time the conditions of transfer stipulated in agreements are met.

**2) Rendering of services and royalty transactions**

The revenues from rendering of services and royalty transactions are recognized in accordance with the progress of transactions as of the end of the period when the following conditions are satisfied.

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company and its subsidiaries;
- The progress of the transaction at the end of the reporting period can be measured reliably; and
- The costs arising from the transaction and costs required to complete the transaction can be measured reliably.

Revenues from rendering of services include the production of software to order, software maintenance, leasing of aircraft, real estate, and industrial machinery. Further, royalty transactions are transactions that grant intellectual property rights to customers.

Revenues from royalty transactions are recognized over the period in which customers are granted the right to use intellectual property rights.

Revenues from the production of software made to order are recognized based on the accumulated actual cost incurred at the end of the period as a percentage of estimated total cost, if the order amount or the total costs required until completion can be estimated reliably. If the order amount or the total costs required until completion cannot be estimated reliably, revenues equivalent to the portion of costs incurred that are judged to be recoverable are recognized. Further, revenues from software maintenance are recognized over the period that services are rendered.

Revenues from operating leases are recognized by being allocated equally over the lease period of future lease payments receivable.

Revenues from other services are recognized in accordance with progress at the end of the period.

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

For transactions in which the Company and its subsidiaries have capabilities to heighten the added value of the actual goods or services provided and act as principal and for which they assume significant risk related to the transactions, the gross transaction volume of the sales contracts with customers is presented as revenue in the Consolidated Statement of Comprehensive Income.

Meanwhile, for the following transactions, the gross transaction volume of the sales contracts less cost (i.e. net amount) is presented as Revenue in the Consolidated Statement of Comprehensive Income.

- Transactions in which the Company and its subsidiaries act as an agent to enable a third party to sell goods or render services
- Transactions in which, although the Company and its subsidiaries are involved as principal in legal form, the Company and its subsidiaries do not have capabilities to heighten the added value of the actual goods or services provided and do not assume significant risk related to the transactions

### (14) Finance Income and Costs

Finance income comprises interest income, dividend income, gain on changes of fair value of FVTPL financial assets, gain on disposal of FVTPL financial assets, and gain on changes of fair value of derivatives. Interest income is recognized when it arises according to the effective interest method. Dividend income is recognized when the right of the Company and its subsidiaries to receive payment is established.

Finance costs comprise interest expense, loss on changes of fair value of FVTPL financial assets, loss on disposal of FVTPL financial assets, impairment losses on financial assets measured at amortized cost excluding trade receivables, and loss on changes in the fair value of derivatives. Interest expense is recognized when it is incurred according to the effective interest method.

### (15) Income Taxes

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

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

Tax expenses for the period are measured based on taxes payable on the period's taxable profit and tax losses expected to be refunded. These tax amounts are calculated based on tax rates established, or substantially established, at the end of the period.

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

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

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

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

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

### (16) Earnings per Share

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

### (17) Mining Operations

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

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

### (18) Agriculture

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

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

### (19) Use of Estimates and Judgments

To prepare the consolidated financial statements, the Company and its subsidiaries make a variety of estimates and judgments. These estimates and judgments affect disclosures of amounts recognized for assets, liabilities, income, and expenses. Further, actual results may differ from these estimates and their underlying assumptions.

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

Assumptions and estimates that have a risk of resulting in material adjustments in the future accounting periods are mainly as follows. Also, please see the respective relevant notes hereinafter about the following items that relate to balances of assets and liabilities in the accounting period under review.

#### Measurement of the fair value of unlisted financial assets

Among financial assets measured at fair value, the fair value of unlisted stocks is measured by using the market comparable method, with reference to published information about listed stocks that belong to the same industry as the investee's industry, or by using the discounted cash flow method, which calculates the fair value by discounting the estimates of future cash flows related to dividends from investees to the present value. Changes in uncertain future economic conditions may affect the multiple applied for the market comparable method or the estimates of future cash flows and the discount rate applied for the discounted cash flow method. Accordingly, there are risks that such changes could result in material adjustments to the measurements of fair value of financial assets measured at unlisted fair value in the future accounting periods. (see Note 12 "Securities and Other Investments" and Note 26 "The Financial Instruments Measured at Fair Value")

#### Recoverable amount of financial assets that are measured at amortized cost and have indications of impairment

The recoverable amounts of financial assets that are measured at amortized cost and have indications of impairment are recognized as the related estimated future cash flows of the financial assets discounted at the initial effective interest rate to the present value. Changes in uncertain future economic conditions may affect the future cash flows related to the financial assets. Accordingly, there are risks that such changes could result in material adjustments to impairment losses related to financial assets measured at amortized cost in the future accounting periods. (see Note 12 "Securities and Other Investments")

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

In impairment tests of property, plant and equipment, investment property, goodwill, intangible assets, and investments in associated companies and joint ventures, after identifying the related cash-generating units, their recoverable amount is recognized as the higher of the fair value less costs to sell or the value in use of the cash-generating units. Changes in uncertain future economic conditions may affect assumptions used to calculate the fair value less costs to sell or expected future cash flows and assumed discount rates that will result from the period of use and subsequent disposal of cash-generating units, which underlie the calculation of value in use. Accordingly, there are risks that such changes could result in material adjustments to the impairment losses of property, plant and equipment, investment property, goodwill, intangible assets, and investments in associated companies and joint ventures in the future accounting periods. (see Note 8 “Property, Plant and Equipment”, Note 9 “Investment Property”, Note 11 “Goodwill and Other Intangible Assets”, and Note 13 “Associated Companies and Joint Ventures”)

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

For post-employment defined benefit plans, the fair value of defined benefit plan liabilities net of assets is recognized as liabilities or assets. Defined benefit plan liabilities are calculated based on the same types of assumptions used in the actuarial calculation, which include estimates of the discount rate, the retirement rate, the mortality rate, and the rate of compensation increase. These assumptions are established by comprehensively judging a variety of available information, including market trends such as interest rate changes. Uncertain future economic conditions or changes in social conditions may affect the assumptions used in the actuarial calculation. Accordingly, there are risks that such changes could result in material adjustments to the measurements of the fair value of defined benefit plan liabilities and assets in the future accounting periods. (see Note 17 “Retirement and Severance Benefits”)

**Measurement of provisions**

Provisions are measured based on the best estimate at the end of the period of the expenditures expected to be required to settle the future obligations. Estimates of expenditures expected to be required to settle future obligations are calculated based on a comprehensive consideration of possible future outcomes. Changes in uncertain future economic conditions may affect assumptions used to calculate the provisions. Accordingly, there are risks that such changes could result in material adjustments to measurements of provisions in the future accounting periods. (see Note 18 “Provisions”)

**Estimates of income taxes**

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

Further, deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences can be used. However, judgments on the recoverable amounts are made based on estimates of taxable amounts for each future fiscal year, which are determined based on the business plans of the Company and its subsidiaries. Changes in uncertain future economic conditions may affect the estimates of taxable amounts for future fiscal years. Accordingly, there are risks that such changes could result in material adjustments to the recognition of deferred tax assets in the future accounting periods. (see Note 19 “Income Taxes”)

Judgments in applying accounting policies significantly affect the amounts of assets, liabilities, income, and expenses that are recognized are mainly as follows:

- Scope of subsidiaries or associated companies and joint ventures (see Note 13 “Associated Companies and Joint Ventures” and Note 32 “Parent’s Ownership Interest in Subsidiaries”)
- Classification of financial assets measured at amortized cost, FVTOCI financial assets, and FVTPL financial assets in financial assets other than derivatives (see Note 12 “Securities and Other Investments”)
- Judgment about whether, in light of their economic nature, transactions are lease transactions (see Note 16 “Leases”)
- Evaluation of whether there are indications of impairment or whether there are indications of reversals of impairment of financial assets measured at amortized cost (see Note 12 “Securities and Other Investments”)
- Discrimination of cash-generating units in the conducting of impairment tests for property, plant and equipment, investment property, goodwill, intangible assets, and investments in associated companies and joint ventures (see Note 8 “Property, Plant and Equipment”, Note 9 “Investment Property”, Note 11 “Goodwill and Other Intangible Assets”, and Note 13 “Associated Companies and Joint Ventures”)
- Evaluation of whether there are indications of impairment of property, plant and equipment, investment property, goodwill, intangible assets, and investments in associated companies and joint ventures (see Note 8 “Property, Plant and Equipment”, Note 9 “Investment Property”, Note 11 “Goodwill and Other Intangible Assets”, and Note 13 “Associated Companies and Joint Ventures”)
- Evaluation of whether there are indications of reversals of impairment of property, plant and equipment, investment property, intangible assets, and investments in associated companies and joint ventures (see Note 8 “Property, Plant and Equipment”, Note 9 “Investment Property”, Note 11 “Goodwill and Other Intangible Assets”, and Note 13 “Associated Companies and Joint Ventures”)
- Recognition of provisions (see Note 18 “Provisions”)
- Judgment about the timing of revenue recognition and whether to present revenue as gross basis or net basis (see Note 4 “Segment Information” and Note 13 “Associated Companies and Joint Ventures”)

## 4. Segment Information

### (1) Operating Segments

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

The Company and its subsidiaries by leveraging these comprehensive capabilities and via global networks spanning six division companies, operate in a wide range of industries. The Consumer-Related Sector covers Textiles, Food and ICT, General Products & Realty; the Basic Industry-Related Sector includes Machinery, Chemicals, petroleum products and steel products; and the Natural Resource-Related Sector includes Metal and Energy resources.

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

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

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

Textile

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

Machinery

The Machinery segment is engaged in business activities for projects and related services and production of equipment for plants, bridges, railways, and other infrastructures; IPP and water resources and environment-related equipment; trading of ships, aircraft, automobiles, construction machinery, industrial machinery, machine tools, environmental equipment, electronic devices, and related equipment; and environmental business activities such as renewable and alternative energy businesses. In addition, the segment engages in medical device and pharmaceuticals transactions and related services in medical and health-related business area.

Metals & Minerals

The Metals & Minerals segment is engaged in metal and mineral resource development, processing of steel products, solar power generation / solar thermal power generation business, 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, steel products, nuclear fuels and solar power generation / solar thermal power generation in Japan and overseas.

Energy & Chemicals

The Energy & Chemicals segment is engaged in business activities such as energy resource development, trading of oil, petroleum products, and gas in Japan and overseas, as well as business and trading 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 in Japan and overseas.

ICT, General Products & Realty

The ICT, General Products & Realty segment is engaged in the general products sector such as building products & materials business, pulp and paper business, natural rubber business and tire business; in the ICT sector such as IT solution, internet-related service, and distribution of mobile phone devices and after-sales service; in the insurance and distribution sector such as various insurance business and logistics business; and in the construction and finance sector such as development, sales, lease, and operation of real estate and various financial service.

The Company's segment information is as follows: (Intersegment transactions are priced with reference to prices applicable to transactions with unaffiliated parties. There were no significant transactions that generate revenue with any single external customer for the years ended March 31, 2014 and 2013.)

| Millions of Yen — 2014 | Textile | Machinery | Metals & Minerals | Energy & Chemicals | Food | ICT, General Products & Realty | Others, Adjustments & Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| Revenues from external customers | ¥533,322 | ¥340,382 | ¥ 305,495 | ¥2,058,300 | ¥ 989,477 | ¥1,319,513 | ¥ 41,037 | ¥5,587,526 |
| Intersegment revenues | 52 | 4 | — | 5 | 236 | 19,341 | (19,638) | — |
| Total revenues | 533,374 | 340,386 | 305,495 | 2,058,305 | 989,713 | 1,338,854 | 21,399 | 5,587,526 |
| Gross trading profit | 131,149 | 100,834 | 94,140 | 174,778 | 240,817 | 297,380 | 5,924 | 1,045,022 |
| Equity in earnings (losses) of associates and joint ventures | 11,862 | 19,417 | 9,902 | (33,013) | 19,843 | 31,854 | (3,829) | 56,036 |
| Net profit attributable to ITOCHU | 23,960 | 35,945 | 44,505 | 12,114 | 50,838 | 63,775 | 14,175 | 245,312 |
| Total assets at March 31 | ¥475,658 | ¥947,466 | ¥1,249,174 | ¥1,338,161 | ¥1,552,021 | ¥1,522,416 | ¥698,860 | ¥7,783,756 |

| Millions of Yen — 2013 | Textile | Machinery | Metals & Minerals | Energy & Chemicals | Food | ICT, General Products & Realty | Others, Adjustments & Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| Revenues from external customers | ¥485,776 | ¥265,572 | ¥ 247,747 | ¥1,792,343 | ¥ 729,259 | ¥1,137,820 | ¥ 40,949 | ¥4,699,466 |
| Intersegment revenues | 20 | 4 | — | 6 | 227 | 17,109 | (17,366) | — |
| Total revenues | 485,796 | 265,576 | 247,747 | 1,792,349 | 729,486 | 1,154,929 | 23,583 | 4,699,466 |
| Gross trading profit | 128,922 | 89,967 | 81,336 | 165,391 | 203,529 | 262,818 | 13,815 | 945,778 |
| Equity in earnings (losses) of associates and joint ventures | 12,366 | 14,244 | 42,010 | (28,038) | 22,705 | 23,916 | 764 | 87,967 |
| Net profit attributable to ITOCHU | 30,689 | 29,085 | 72,985 | 15,228 | 43,578 | 51,777 | 15,501 | 258,843 |
| Total assets at March 31 | ¥467,501 | ¥887,117 | ¥1,162,365 | ¥1,390,839 | ¥1,351,064 | ¥1,406,264 | ¥533,351 | ¥7,198,501 |

| Millions of U.S. Dollars — 2014 | Textile | Machinery | Metals & Minerals | Energy & Chemicals | Food | ICT, General Products & Realty | Others, Adjustments & Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| Revenues from external customers | $5,182 | $3,307 | $ 2,968 | $19,999 | $ 9,614 | $12,821 | $ 399 | $54,290 |
| Intersegment revenues | 1 | — | — | — | 2 | 188 | (191) | — |
| Total revenues | 5,183 | 3,307 | 2,968 | 19,999 | 9,616 | 13,009 | 208 | 54,290 |
| Gross trading profit | 1,274 | 980 | 915 | 1,698 | 2,340 | 2,889 | 58 | 10,154 |
| Equity in earnings (losses) of associates and joint ventures | 115 | 189 | 96 | (321) | 193 | 309 | (37) | 544 |
| Net profit attributable to ITOCHU | 233 | 349 | 432 | 118 | 494 | 620 | 138 | 2,384 |
| Total assets at March 31 | $4,622 | $9,206 | $12,137 | $13,002 | $15,080 | $14,792 | $6,790 | $75,629 |

### (2) Information about Geographical Areas

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

| | Millions of Yen 2014 | Millions of Yen 2013 | Millions of U.S. Dollars 2014 |
|---|---|---|---|
| Japan | ¥3,511,388 | ¥3,251,079 | $34,118 |
| United States | 866,442 | 667,998 | 8,418 |
| Singapore | 444,582 | 181,894 | 4,320 |
| Australia | 236,165 | 189,816 | 2,295 |
| United Kingdom | 215,745 | 183,568 | 2,096 |
| Others | 313,204 | 225,111 | 3,043 |
| Consolidated | ¥5,587,526 | ¥4,699,466 | $54,290 |

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

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2014 |
| Japan | ¥ 554,979 | ¥ 569,087 | ¥499,686 | $ 5,392 |
| Australia | 261,038 | 285,120 | 210,935 | 2,536 |
| United Kingdom | 191,363 | 144,581 | 128,720 | 1,860 |
| Singapore | 135,410 | 910 | 701 | 1,316 |
| United States | 79,486 | 76,188 | 66,736 | 772 |
| Others | 103,823 | 92,382 | 79,525 | 1,009 |
| Consolidated | ¥1,326,099 | ¥1,168,268 | ¥986,303 | $12,885 |

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

## 5. Business Combinations

Major business combinations for the year ended March 31, 2014, were as follows:

**(Acquisition of the Asian fresh produce business and the worldwide packaged foods business of Dole Food)**

On April 1, 2013, through its subsidiary Dole International Holdings Inc. ("DIH"), the Company acquired from Dole Food Company, Inc. ("Dole Food") its shares of Dole Asia Holdings Pte. Ltd. ("DAH"), which operates the Asian fresh produce business of Dole Food and the worldwide packaged foods business of Dole Food except in the United States, and, through DIH's wholly owned subsidiary DPF Holdings Inc., its shares of Dole Packaged Foods, LLC, which operates the packaged foods business of Dole Food in the United States. As a result, Dole Asia Holdings Pte. Ltd. and Dole Packaged Foods, LLC became subsidiaries in which the Company holds 100% of the voting rights. The ¥18,626 million payment made during the year ended March 31, 2013, was applied as consideration on the date of acquisition.

Going forward, the Company plans to pursue globalization using its global production, processing, distribution, and sales systems, and integrating them with the management resources of the acquired businesses, such as high brand awareness worldwide and production, processing, and sales of fresh produce.

The following table summarizes the estimated fair values of consideration paid, non-controlling interests, assets acquired and liabilities assumed at the date of acquisition.

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| Fair value of consideration paid (Notes 1 and 2) | ¥156,924 | $1,525 |
| Fair value of non-controlling interests | 2,093 | 20 |
| Total | 159,017 | 1,545 |
| Fair value of assets acquired and liabilities | | |
| Current assets | 88,252 | 857 |
| Property, plant and equipment | 21,459 | 209 |
| Intangible assets | 62,360 | 606 |
| Other non-current assets | 8,306 | 81 |
| Current liabilities | (36,210) | (352) |
| Non-current liabilities | (14,466) | (141) |
| Net assets | 129,701 | 1,260 |
| Basis adjustment (Note 3) | 4,766 | 46 |
| Goodwill | 24,550 | 239 |
| Total | ¥159,017 | $1,545 |

Notes: 1. All consideration was paid in cash.
2. No contingent consideration was recognized.
3. The Company uses foreign currency forward contracts to hedge the foreign exchange rate risk of its investment in DAH. These transactions apply cash flow hedge accounting. The fair value of the hedging instruments on the date control was acquired was¥4,766 million (US$46 million), and this amount has been deducted from the initially recognized goodwill arising from the business combination.

The goodwill acquired was recognized in consideration of the excess earning power that is expected to result from future business development that utilizes the complementary relationships between the ITOCHU Group and the acquired businesses. This goodwill is not deductible for tax purposes and is included in the Food operating segment. The amount of goodwill as of March 31, 2014 is ¥27,628 million (US$268 million) after foreign currency translation.

The fair values of assets acquired, liabilities assumed, and non-controlling interest were determined based on 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 similar company comparison methods by a financial advisor.

The Company recorded the acquisition cost of ¥1,363 million in Selling, general and administrative expenses related to this business combination.

Major business combinations for the year ended March 31, 2013, were as follows:

**(Acquisition of Toyo Advanced Technologies Co., Ltd.)**

On July 20, 2012, the Company acquired from Mazda Motor Corporation ("Mazda") 70.0% of the shares of Toyo Advanced Technologies Co., Ltd. ("Toyo Advanced Technologies"), which accordingly became a subsidiary where the Company holds 70.0% of the voting rights. The principal business of Toyo Advanced Technologies is to manufacture and sell machine tools and automobile parts in Japan. Going forward, the Company aims to utilize its overseas networks to expand sales of Toyo Advance Technologies' machine tool business and in the automobile parts business to become a key parts supplier to Mazda, by supplying more high-value-added products, thereby strengthening the cooperative relationship between the Company and Mazda. The Company also aims to enhance Toyo Advanced Technologies' corporate value further through full-fledged management participation, including the dispatch of full-time directors.

The following table summarizes the estimated fair values of consideration paid, non-controlling interests, assets acquired and liabilities assumed at the date of acquisition.

| | Millions of Yen |
|---|---|
| Fair value of consideration paid (Notes 1 and 2) | ¥21,000 |
| Fair value of non-controlling interests | 9,000 |
| Total | 30,000 |
| Fair value of assets acquired and liabilities assumed | |
| Current assets | 18,199 |
| Property, plant and equipment | 8,143 |
| Intangible assets | 22,215 |
| Other non-current assets | 626 |
| Current liabilities | (10,073) |
| Non-current liabilities | (9,110) |
| Net assets | 30,000 |
| Total | ¥30,000 |

Notes: 1. All consideration was paid in cash.
2. No contingent consideration was recognized.

The fair values of assets acquired, liabilities assumed and non-controlling interest were determined based on 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 Company recorded the acquisition cost of ¥34 million in Selling, general and administrative expenses related to this business combination.

**(Merger of CONEXIO Corporation and Panasonic Telecom Co., Ltd.)**

On October 1, 2012 (the date of the merger), CONEXIO Corporation, a consolidated subsidiary of the Company in which the Company at that time held 60.34% of the voting rights (Changed name from ITC NETWORKS CORPORATION on October 1, 2013; "CONEXIO"), merged with Panasonic Telecom Co., Ltd. ("Panasonic Telecom"), with CONEXIO as the surviving company and Panasonic Telecom as the dissolved company. At the time of the merger, CONEXIO allocated 11,184,600 shares of common stock and ¥9,900 million in cash to the shareholders of Panasonic Telecom. This allocation was determined with reference to the results of calculations of the stock exchange ratio by multiple financial advisors and following comprehensive consideration of matters such as limitation of dilution to existing shareholders, shareholder composition of the new company following the business combination, and the possibility of the need for funds at the new company. The Company's voting rights in the subsidiary were consequently determined as 48.27%, but the accounting for CONEXIO as a subsidiary was continued in accordance with the definition of control provided in IFRS 10 "Consolidated Financial Statements".

The principal businesses of Panasonic Telecom are sales of mobile phone handsets and corporate solutions business. Going forward, CONEXIO will aim to diversify its revenue sources and achieve further growth by integrating Panasonic Telecom's network of carrier-certified shops, which is centered in the Kansai region, and CONEXIO's network of carrier-certified shops, which is centered in the Kanto region, as well as its mass retailer and corporate sales channels.

The following table summarizes the estimated fair values of consideration paid, assets acquired, and liabilities assumed at the date of the merger.

| | Millions of Yen |
|---|---|
| Fair value of consideration paid (Note) | |
| Common stock | ¥ 6,598 |
| Cash | 9,900 |
| Total | 16,498 |
| Fair value of assets acquired and liabilities assumed | |
| Current assets | 21,498 |
| Property, plant and equipment | 2,055 |
| Intangible assets | 13,754 |
| Other non-current assets | 1,412 |
| Current liabilities | (21,019) |
| Non-current liabilities | (3,650) |
| Net assets | 14,050 |
| Goodwill | 2,448 |
| Total | ¥ 16,498 |

Note: No contingent consideration was recognized.

The goodwill acquired was recognized in consideration of the excess earning power that is expected to result from future business development that utilizes the complementary relationships between CONEXIO and Panasonic Telecom. This goodwill is not deductible for tax purposes and is included in the ICT, General Products & Realty operating segment.

The fair values of consideration paid, assets acquired, and liabilities assumed were determined based on 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 by a financial advisor. The company recorded the acquisition cost of ¥74 million in Selling general and administrative expenses related to this business combination.

**(Results of operations from the respective dates of acquisition)**

The following table indicates operating performance included in the Consolidated Statement of Comprehensive Income for the year ended March 31, 2013, of Toyo Advanced Technologies Co., Ltd., and CONEXIO Corporation from the respective dates of acquisition:

| | Millions of Yen | | |
|---|---|---|---|
| | Toyo Advanced Technologies | CONEXIO | Total |
| Total revenues | ¥21,506 | ¥34,558 | ¥56,064 |
| Net profit | 314 | 729 | 1,043 |
| Net profit attributable to ITOCHU | ¥ 220 | ¥ 352 | ¥ 572 |

The following table indicates operating performance included in the Consolidated Statement of Comprehensive Income for the year ended March 31, 2014, of Dole Food from the date of acquisition:

| | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| Total revenues | **¥251,505** | **$2,444** |
| Net profit | **7,009** | **68** |
| Net profit attributable to ITOCHU | **¥ 6,762** | **$ 66** |

(Pro forma information)

The following table presents the unaudited pro forma results of operations, as if the business combinations involving Toyo Advanced Technologies, CONEXIO, and Dole Food had occurred on April 1, 2012:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2014** | 2013 | **2014** |
| Total revenues | **¥5,587,526** | ¥4,951,191 | **$54,290** |
| Net profit | **254,425** | 274,961 | **2,472** |
| Net profit attributable to ITOCHU | **¥ 245,312** | ¥ 250,843 | **$ 2,384** |

Further, in preparing the pro forma information above, adjustments have been made on the basis of assumed changes in the structure of investment and loans following the business combinations.

## 6. Trade and Other Receivables

The breakdown of trade receivables as of March 31, 2014, 2013, and the date of transition were as follows:

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2014 |
| Note receivables | ¥ 178,081 | ¥ 169,134 | ¥ 174,919 | $ 1,730 |
| Trade account receivables | 1,782,819 | 1,768,530 | 1,663,158 | 17,322 |
| Service fee receivables | 174,513 | 148,411 | 114,795 | 1,696 |
| Allowance for doubtful receivables (current) | (7,445) | (6,022) | (7,730) | (72) |
| Total | ¥2,127,968 | ¥2,080,053 | ¥1,945,142 | $20,676 |

The breakdown of other current receivables as of March 31, 2014, 2013, and the date of transition were as follows:

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2014 |
| Short-term loan receivables | ¥ 57,435 | ¥ 62,987 | ¥ 53,331 | $ 558 |
| Other accounts receivables (non-trade) | 20,492 | 27,931 | 47,945 | 199 |
| Others | 25,092 | 18,884 | 13,978 | 244 |
| Total | ¥103,019 | ¥109,802 | ¥115,254 | $1,001 |

The breakdown of non-current receivables as of March 31, 2014, 2013, and the date of transition were as follows:

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2014 |
| Long-term loan receivables | ¥133,102 | ¥100,589 | ¥ 87,955 | $1,293 |
| Others | 27,892 | 37,932 | 40,355 | 271 |
| Allowance for doubtful receivables (non-current) | (25,961) | (36,091) | (41,987) | (252) |
| Total | ¥135,033 | ¥102,430 | ¥ 86,323 | $1,312 |

## 7. Inventories

The breakdown of inventories as of March 31, 2014, 2013, and the date of transition were as follows:

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2014 |
| Merchandise | ¥504,517 | ¥490,603 | ¥436,999 | $4,902 |
| Finished goods | 58,266 | 25,695 | 22,504 | 566 |
| Real estate for sale | 101,875 | 94,061 | 73,237 | 990 |
| Raw materials and supplies | 48,426 | 36,644 | 27,298 | 470 |
| Work in progress | 31,357 | 18,327 | 9,824 | 305 |
| Total | ¥744,441 | ¥665,330 | ¥569,862 | $7,233 |

The write-down of inventories to net realizable value were ¥5,259 million (US$51 million) and ¥4,097 million as of March 31, 2014 and 2013, respectively. The write-down is included in the Cost of sale of goods in the Consolidated Statement of Comprehensive Income.

## 8. Property, Plant and Equipment

In the years ended March 31, 2014 and 2013, the changes in property, plant and equipment, at cost, in accumulated depreciation, and accumulated impairment losses were as follows:

(Cost)

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Land | Buildings and structures | Machinery and vehicles | Fixtures, fittings, and office equipment | Mineral rights | Construction in progress | Others | Total |
| Balance at March 31, 2013 | ¥106,588 | ¥350,637 | ¥540,350 | ¥88,691 | ¥93,806 | ¥ 60,322 | ¥ 17,480 | ¥1,257,874 |
| Acquisitions | **4,036** | **24,214** | **38,370** | **10,194** | **1,614** | **33,727** | **2,737** | **114,892** |
| Disposals | **(8,730)** | **(17,700)** | **(25,581)** | **(7,602)** | **(918)** | **(190)** | **(11,644)** | **(72,365)** |
| Acquisitions through business combinations | **4,175** | **9,522** | **8,994** | **46** | **—** | **4,003** | **—** | **26,740** |
| Effect of foreign currency exchange differences | **1,068** | **8,858** | **9,372** | **1,993** | **136** | **(968)** | **(583)** | **19,876** |
| Others | **3,172** | **10,799** | **32,225** | **(253)** | **—** | **(40,430)** | **2,600** | **8,113** |
| Balance at March 31, 2014 | **¥110,309** | **¥386,330** | **¥603,730** | **¥93,069** | **¥94,638** | **¥ 56,464** | **¥ 10,590** | **¥1,355,130** |

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Land | Buildings and structures | Machinery and vehicles | Fixtures, fittings, and office equipment | Mineral rights | Construction in progress | Others | Total |
| Balance at April 1, 2012 | ¥122,353 | ¥325,181 | ¥458,056 | ¥82,732 | ¥84,703 | ¥ 33,500 | ¥12,554 | ¥1,119,079 |
| Acquisitions | 428 | 20,635 | 37,922 | 10,374 | 1,711 | 43,105 | 3,408 | 117,583 |
| Disposals | (17,242) | (20,609) | (25,224) | (7,562) | (5,300) | (1,833) | (370) | (78,140) |
| Acquisitions through business combinations | 2,125 | 8,988 | 20,366 | 2,500 | — | 463 | — | 34,442 |
| Effect of foreign currency exchange differences | 666 | 11,886 | 38,385 | 1,588 | 11,899 | 7,221 | 2,308 | 73,953 |
| Others | (1,742) | 4,556 | 10,845 | (941) | 793 | (22,134) | (420) | (9,043) |
| Balance at March 31, 2013 | ¥106,588 | ¥350,637 | ¥540,350 | ¥88,691 | ¥93,806 | ¥ 60,322 | ¥17,480 | ¥1,257,874 |

| | Millions of U.S. Dollars | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Land | Buildings and structures | Machinery and vehicles | Fixtures, fittings, and office equipment | Mineral rights | Construction in progress | Others | Total |
| Balance at March 31, 2013 | $1,036 | $3,407 | $5,250 | $862 | $911 | $ 586 | $ 170 | $12,222 |
| Acquisitions | **39** | **235** | **373** | **99** | **16** | **328** | **26** | **1,116** |
| Disposals | **(85)** | **(172)** | **(249)** | **(74)** | **(8)** | **(2)** | **(113)** | **(703)** |
| Acquisitions through business combinations | **41** | **93** | **87** | **0** | **—** | **39** | **—** | **260** |
| Effect of foreign currency exchange differences | **10** | **86** | **92** | **19** | **1** | **(9)** | **(6)** | **193** |
| Others | **31** | **105** | **313** | **(2)** | **—** | **(393)** | **25** | **79** |
| Balance at March 31, 2014 | **$1,072** | **$3,754** | **$5,866** | **$904** | **$920** | **$ 549** | **$ 102** | **$13,167** |

(Accumulated depreciation and accumulated impairment losses)

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Land | Buildings and structures | Machinery and vehicles | Fixtures, fittings, and office equipment | Mineral rights | Construction in progress | Others | Total |
| Balance at March 31, 2013 | ¥(7,159) | ¥(163,157) | ¥(268,978) | ¥(58,493) | ¥(21,021) | ¥(2,896) | ¥(13,287) | ¥(534,991) |
| Depreciation | — | (15,388) | (41,881) | (9,916) | (1,949) | — | (3,442) | (72,576) |
| Impairment losses | (346) | (3,418) | (12,393) | (222) | (16,528) | (2,878) | (470) | (36,255) |
| Disposals | — | 12,132 | 21,048 | 6,903 | 70 | — | 11,480 | 51,633 |
| Effect of foreign currency exchange differences | — | (3,912) | (5,371) | (1,377) | (418) | — | 455 | (10,623) |
| Others | — | (2,916) | (2,168) | 895 | 98 | — | (563) | (4,654) |
| Balance at March 31, 2014 | ¥(7,505) | ¥(176,659) | ¥(309,743) | ¥(62,210) | ¥(39,748) | ¥(5,774) | ¥ (5,827) | ¥(607,466) |

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Land | Buildings and structures | Machinery and vehicles | Fixtures, fittings, and office equipment | Mineral rights | Construction in progress | Others | Total |
| Balance at April 1, 2012 | ¥(14,187) | ¥(160,823) | ¥(238,821) | ¥(56,003) | ¥(18,916) | ¥ (275) | ¥ (9,556) | ¥(498,581) |
| Depreciation | — | (13,618) | (30,347) | (8,544) | (2,292) | — | (2,268) | (57,069) |
| Impairment losses | (1,027) | (1,556) | (155) | (133) | (166) | (2,513) | — | (5,550) |
| Disposals | 7,782 | 15,039 | 23,117 | 6,390 | 3,284 | — | 222 | 55,834 |
| Effect of foreign currency exchange differences | — | (3,870) | (16,200) | (1,075) | (2,654) | (383) | (1,722) | (25,904) |
| Others | 273 | 1,671 | (6,572) | 872 | (277) | 275 | 37 | (3,721) |
| Balance at March 31, 2013 | ¥ (7,159) | ¥(163,157) | ¥(268,978) | ¥(58,493) | ¥(21,021) | ¥(2,896) | ¥(13,287) | ¥(534,991) |

| | Millions of U.S. Dollars | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Land | Buildings and structures | Machinery and vehicles | Fixtures, fittings, and office equipment | Mineral rights | Construction in progress | Others | Total |
| Balance at March 31, 2013 | $(70) | $(1,585) | $(2,613) | $(568) | $(204) | $(28) | $(130) | $(5,198) |
| Depreciation | — | (150) | (407) | (96) | (19) | — | (33) | (705) |
| Impairment losses | (3) | (33) | (120) | (2) | (161) | (28) | (5) | (352) |
| Disposals | — | 118 | 204 | 67 | 1 | — | 112 | 502 |
| Effect of foreign currency exchange differences | — | (38) | (52) | (13) | (4) | — | 4 | (103) |
| Others | — | (28) | (22) | 8 | 1 | — | (5) | (46) |
| Balance at March 31, 2014 | $(73) | $(1,716) | $(3,010) | $(604) | $(386) | $(56) | $ (57) | $(5,902) |

(Carrying amount)

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Land | Buildings and structures | Machinery and vehicles | Fixtures, fittings, and office equipment | Mineral rights | Construction in progress | Others | Total |
| At March 31, 2014 | ¥102,804 | ¥209,671 | ¥293,987 | ¥30,859 | ¥54,890 | ¥50,690 | ¥4,763 | ¥747,664 |
| At March 31, 2013 | 99,429 | 187,480 | 271,372 | 30,198 | 72,785 | 57,426 | 4,193 | 722,883 |
| At April 1, 2012 | ¥108,166 | ¥164,358 | ¥219,235 | ¥26,729 | ¥65,787 | ¥33,225 | ¥2,998 | ¥620,498 |

| | Millions of U.S. Dollars | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Land | Buildings and structures | Machinery and vehicles | Fixtures, fittings, and office equipment | Mineral rights | Construction in progress | Others | Total |
| At March 31, 2014 | $999 | $2,038 | $2,856 | $300 | $534 | $493 | $45 | $7,265 |

In the years ended March 31, 2014 and 2013, depreciation recognized during the periods were ¥72,576 million (US$705 million) and ¥57,069 million respectively. Depreciation is recognized in Cost of sale of goods, Cost of rendering of services and royalties, Selling, general and administrative expenses in the Consolidated Statement of Comprehensive Income.

Impairment losses by operating segment for the years ended March 31, 2014 and 2013, were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Textile | ¥ 826 | ¥ 366 | $ 8 |
| Machinery | 774 | 110 | 8 |
| Metals & Minerals | 30,475 | 2,513 | 295 |
| Energy & Chemicals | 3,255 | 367 | 32 |
| Food | 595 | 241 | 6 |
| ICT, General Products & Realty | 232 | 280 | 2 |
| Others, Adjustments & Eliminations | 98 | 1,673 | 1 |
| Total | ¥36,255 | ¥5,550 | $352 |

Impairment losses for property, plant and equipment of ¥36,255 million (US$352 million) for the year ended March 31, 2014, and ¥5,550 million for the year ended March 31, 2013, were recognized in Losses on property, plant, equipment and intangible assets in the Consolidated Statement of Comprehensive Income. In the year ended March 31, 2014, impaired assets were mainly mineral rights, machinery and vehicles in the Metals & Minerals operating segment. These impairment losses mainly resulted from deterioration in profitability due to the depreciation of coal and other variation of management environment. In the year ended March 31, 2013, impaired assets were mainly machinery and equipment in the Metals & Minerals segment. These impairment losses mainly resulted from certain alterations in development plans. In addition, others include impairment losses recognized due to remeasurement of the fair value less costs of disposal of land and buildings scheduled for disposal.

The recoverable amounts used in impairment tests for property, plant and equipment are calculated based on value in use and with the support of an independent expert. Value in use is calculated by discounting the estimated amount of future cash flows based on the business plans approved by the Board of Directors. In principle, business plans are limited to five years and are formulated in a manner that reflects past experience and is consistent with external information. The growth rate is determined with reference to the long-term average growth rate of the markets or countries to which the cash-generating unit belongs. The discount rate is determined with reference to such factors as the weighted average cost of capital for each cash generating unit (8-10%).

Impairment losses of mineral rights, machinery and vehicles in the Metals & Minerals operating segment recognized in the year ended March 31, 2014 are also based on the value in use calculated by the method above.

## 9. Investment Property

The changes in investment property at cost, in accumulated depreciation, and in accumulated impairment losses for the years ended March 31, 2014 and 2013 were as follows:

(Cost)

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Beginning of the year | ¥66,521 | ¥62,443 | $646 |
| Acquisitions | 2,635 | 2,079 | 26 |
| Acquisitions through business combinations | — | 2,330 | — |
| Disposals | (8,656) | (2,891) | (84) |
| Effect of foreign currency exchange differences | 129 | 74 | 1 |
| Transfers to and from property, plant and equipment | (5,594) | 2,512 | (54) |
| Others | (386) | (26) | (4) |
| End of the year | ¥54,649 | ¥66,521 | $531 |

(Accumulated depreciation and accumulated impairment losses)

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Beginning of the year | ¥(29,563) | ¥(28,873) | $(287) |
| Depreciation | (870) | (985) | (8) |
| Impairment losses | (461) | (221) | (4) |
| Disposals | 4,820 | 1,671 | 47 |
| Effect of foreign currency exchange differences | 2 | (17) | 0 |
| Transfers to and from property, plant and equipment | 1,519 | (1,171) | 15 |
| Others | (910) | 33 | (10) |
| End of the year | ¥(25,463) | ¥(29,563) | $(247) |

(Carrying amount and fair value)

| | Millions of Yen | |
|---|---|---|
| | Carrying amount | Fair Value |
| 2014 | ¥29,186 | ¥32,161 |
| 2013 | 36,958 | 40,884 |
| 2012 | ¥33,570 | ¥34,562 |

| | Millions of U.S. Dollars | |
|---|---|---|
| | Carrying amount | Fair Value |
| 2014 | $284 | $312 |

Rental income from investment property for the years ended March 31, 2014 and 2013 were ¥5,609 million (US$54 million) and ¥5,699 million respectively, and were reported in Revenues in the Consolidated Statement of Comprehensive Income. Expenses directly attributable to generating rental income for the years ended March 31, 2014 and 2013 were ¥2,772 million (US$27 million) and ¥2,543 respectively, and were included mainly in Cost.

## 10. Pledged Assets

The following assets were pledged as collateral at March 31, 2014, 2013, and the date of transition:

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | **2014** | 2013 | 2012 | **2014** |
| Time deposits | **¥ 187** | ¥ 199 | ¥ 257 | **$ 2** |
| Trade receivables and others | **19,248** | 15,444 | 20,385 | **187** |
| Inventories | **4,570** | 2,517 | 5,911 | **44** |
| Investments and non-current receivables | **21,912** | 23,158 | 20,579 | **213** |
| Property, plant and equipment, at cost, less accumulated depreciation, and others | **9,486** | 11,163 | 16,741 | **92** |
| Total | **¥55,403** | ¥52,481 | ¥63,873 | **$538** |

Collateral was pledged to secure the following obligations at March 31, 2014, 2013, and the date of transition:

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | **2014** | 2013 | 2012 | **2014** |
| Loan payables (current) | **¥ 5,438** | ¥ 4,121 | ¥ 2,770 | **$ 53** |
| Trade payables and others | **4,269** | 2,328 | 3,285 | **41** |
| Non-current liabilities | **4,025** | 5,913 | 8,829 | **39** |
| Total | **¥13,732** | ¥12,362 | ¥14,884 | **$133** |

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

## 11. Goodwill and Intangible Assets

### (1) Goodwill

The changes in goodwill by operating segment during the years ended March 31, 2014 and 2013, were as follows:

(Cost)

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Textile | Machinery | Metals & Minerals | Energy & Chemicals | Food | ICT, General Products & Realty | Others, Adjustments & Eliminations | Total |
| Balance at April 1, 2013 | ¥21,119 | ¥10,017 | ¥ 1,819 | ¥1,871 | ¥20,925 | ¥111,883 | ¥1,432 | ¥169,066 |
| Acquisitions through business combinations | — | — | — | — | 24,550 | — | — | 24,550 |
| Decrease through divestitures | — | — | (1,819) | — | — | — | — | (1,819) |
| Effect of foreign currency exchange differences, and others | 26 | 1,930 | — | 171 | 3,079 | 17,635 | 135 | 22,976 |
| Balance at March 31, 2014 | ¥21,145 | ¥11,947 | ¥ — | ¥2,042 | ¥48,554 | ¥129,518 | ¥1,567 | ¥214,773 |

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Textile | Machinery | Metals & Minerals | Energy & Chemicals | Food | ICT, General Products & Realty | Others, Adjustments & Eliminations | Total |
| Balance at April 1, 2012 | ¥21,084 | ¥ 8,508 | ¥1,590 | ¥1,637 | ¥20,924 | ¥101,228 | ¥1,957 | ¥156,928 |
| Acquisitions through business combinations | — | 517 | — | — | — | 2,448 | — | 2,965 |
| Decrease through divestitures | — | — | — | — | — | (124) | (705) | (829) |
| Effect of foreign currency exchange differences, and others | 35 | 992 | 229 | 234 | 1 | 8,331 | 180 | 10,002 |
| Balance at March 31, 2013 | ¥21,119 | ¥10,017 | ¥1,819 | ¥1,871 | ¥20,925 | ¥111,883 | ¥1,432 | ¥169,066 |

| | Millions of U.S. Dollars | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Textile | Machinery | Metals & Minerals | Energy & Chemicals | Food | ICT, General Products & Realty | Others, Adjustments & Eliminations | Total |
| Balance at April 1, 2013 | $205 | $ 97 | $ 18 | $19 | $203 | $1,087 | $14 | $1,643 |
| Acquisitions through business combinations | — | — | — | — | 239 | — | — | 239 |
| Decrease through divestitures | — | — | (18) | — | — | — | — | (18) |
| Effect of foreign currency exchange differences, and others | 0 | 19 | — | 2 | 30 | 171 | 1 | 223 |
| Balance at March 31, 2014 | $205 | $116 | $ — | $21 | $472 | $1,258 | $15 | $2,087 |

(Accumulated impairment losses)

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Textile | Machinery | Metals & Minerals | Energy & Chemicals | Food | ICT, General Products & Realty | Others, Adjustments & Eliminations | Total |
| Balance at April 1, 2013 | ¥ (8,534) | ¥(4,467) | ¥(1,819) | ¥(1,345) | ¥— | ¥— | ¥(1,432) | ¥(17,597) |
| Impairment losses recognized in profit or loss | (1,858) | (1,544) | — | — | — | — | — | (3,402) |
| Decrease through divestitures | — | — | 1,819 | — | — | — | — | 1,819 |
| Effect of foreign currency exchange differences, and others | (9) | (388) | — | (127) | — | — | (135) | (659) |
| Balance at March 31, 2014 | ¥(10,401) | ¥(6,399) | ¥ — | ¥(1,472) | ¥— | ¥— | ¥(1,567) | ¥(19,839) |

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Textile | Machinery | Metals & Minerals | Energy & Chemicals | Food | ICT, General Products & Realty | Others, Adjustments & Eliminations | Total |
| Balance at April 1, 2012 | ¥(8,534) | ¥(4,082) | ¥ (398) | ¥(1,175) | ¥— | ¥(124) | ¥(1,957) | ¥(16,270) |
| Impairment losses recognized in profit or loss | — | — | (1,192) | — | — | — | — | (1,192) |
| Decrease through divestitures | — | — | — | — | — | 124 | 705 | 829 |
| Effect of foreign currency exchange differences, and others | — | (385) | (229) | (170) | — | — | (180) | (964) |
| Balance at March 31, 2013 | ¥(8,534) | ¥(4,467) | ¥(1,819) | ¥(1,345) | ¥— | ¥ — | ¥(1,432) | ¥(17,597) |

| | Millions of U.S. Dollars | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Textile | Machinery | Metals & Minerals | Energy & Chemicals | Food | ICT, General Products & Realty | Others, Adjustments & Eliminations | Total |
| Balance at April 1, 2013 | $ (83) | $(43) | $(18) | $(13) | $— | $— | $(14) | $(171) |
| Impairment losses recognized in profit or loss | **(18)** | **(15)** | **—** | **—** | **—** | **—** | **—** | **(33)** |
| Decrease through divestitures | **—** | **—** | **18** | **—** | **—** | **—** | **—** | **18** |
| Effect of foreign currency exchange differences, and others | **(0)** | **(4)** | **—** | **(2)** | **—** | **—** | **(1)** | **(7)** |
| Balance at March 31, 2014 | **$(101)** | **$(62)** | **$ —** | **$(15)** | **$—** | **$—** | **$(15)** | **$(193)** |

As a result of testing for impairment of goodwill, impairment losses amounting to ¥3,402 million (US$33 million) and ¥1,192 million were recognized during the years ended March 31, 2014 and 2013, respectively. The impairment losses were recorded in “Losses on property, plant, equipment and intangible assets” in the Consolidated Statement of Comprehensive Income. For the year ended March 31, 2014, impairment losses in the Textile segment were mainly recognized for part of the domestic apparel businesses due to lower profitability, and in the Machinery segment were mainly recognized for a plant-related business in the U.S.A. resulting from decrease in expected future cash flows due to change of management environment. For the year ended March 31, 2013, impairment losses in the Metals & Minerals segment were recognized for a solar-related business in the U.S.A. due to lower profitability.

(Carrying amount)

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Textile | Machinery | Metals & Minerals | Energy & Chemicals | Food | ICT, General Products & Realty | Others, Adjustments & Eliminations | Total |
| Balance at April 1, 2013 | ¥12,585 | ¥5,550 | ¥— | ¥526 | ¥20,925 | ¥111,883 | ¥— | ¥151,469 |
| Balance at March 31, 2014 | **¥10,744** | **¥5,548** | **¥—** | **¥570** | **¥48,554** | **¥129,518** | **¥—** | **¥194,934** |

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Textile | Machinery | Metals & Minerals | Energy & Chemicals | Food | ICT, General Products & Realty | Others, Adjustments & Eliminations | Total |
| Balance at April 1, 2012 | ¥12,550 | ¥4,426 | ¥1,192 | ¥462 | ¥20,924 | ¥101,104 | ¥— | ¥140,658 |
| Balance at March 31, 2013 | ¥12,585 | ¥5,550 | ¥ — | ¥526 | ¥20,925 | ¥111,883 | ¥— | ¥151,469 |

| | Millions of U.S. Dollars | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Textile | Machinery | Metals & Minerals | Energy & Chemicals | Food | ICT, General Products & Realty | Others, Adjustments & Eliminations | Total |
| Balance at March 31, 2014 | **$104** | **$54** | **$—** | **$6** | **$472** | **$1,258** | **$—** | **$1,894** |

The goodwill balance at March 31, 2014, included ¥75,947 million (US$738 million) recognized as a result of the acquisition of the Kwik-Fit Group in the ICT, General Products & Realty segment and ¥27,628 million (US$268 million) recognized as a result of the acquisition of the Dole business in the Food segment.

The goodwill balance at March 31, 2013, included ¥63,468 million recognized as a result of the acquisition of the Kwik-Fit Group in the ICT, General Products & Realty segment. The increase of the goodwill balance recognized as a result of the acquisition of the Kwik-Fit Group is due to the foreign currency exchange differences.

The recoverable amounts used in impairment tests for goodwill are calculated based on value in use and with the support of an independent expert. Value in use is calculated by discounting the estimated amount of future cash flows based on the business plans approved by the Board of Directors. In principle, business plans are limited to five years and are formulated in a manner that reflects past experience and is consistent with external information. The growth rate is determined with reference to the long-term average growth rate of the markets or countries to which the cash-generating unit belongs. The discount rate is determined with reference to such factors as the weighted average cost of capital for each cash generating unit (about 5–12%).

**(2) Intangible Assets**

The changes in intangible assets for the years ended March 31, 2014 and 2013, were as follows:

(Cost)

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Trademarks | Software | Others | Total |
| Balance at April 1, 2013 | ¥ 88,314 | ¥82,791 | ¥ 82,211 | ¥253,316 |
| Acquisitions through business combinations | **48,178** | **—** | **14,788** | **62,966** |
| Individual acquisition | **932** | **12,326** | **5,289** | **18,547** |
| Disposals | **(175)** | **(4,746)** | **(1,929)** | **(6,850)** |
| Decrease through divestitures | **—** | **(52)** | **(4)** | **(56)** |
| Effect of foreign currency exchange differences, and others | **14,241** | **2,138** | **(282)** | **16,097** |
| Balance at March 31, 2014 | **¥151,490** | **¥92,457** | **¥100,073** | **¥344,020** |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Trademarks | Software | Others | Total |
| Balance at April 1, 2012 | ¥73,517 | ¥80,387 | ¥41,894 | ¥195,798 |
| Acquisitions through business combinations | 5,875 | 188 | 36,224 | 42,287 |
| Individual acquisition | 3,960 | 12,016 | 8,546 | 24,522 |
| Disposals | (758) | (8,626) | (3,697) | (13,081) |
| Decrease through divestitures | (80) | (3,026) | (60) | (3,166) |
| Effect of foreign currency exchange differences, and others | 5,800 | 1,852 | (696) | 6,956 |
| Balance at March 31, 2013 | ¥88,314 | ¥82,791 | ¥82,211 | ¥253,316 |

| | Millions of U.S. Dollars | | | |
|---|---|---|---|---|
| | Trademarks | Software | Others | Total |
| Balance at April 1, 2013 | $ 859 | $804 | $799 | $2,462 |
| Acquisitions through business combinations | **468** | **—** | **144** | **612** |
| Individual acquisition | **9** | **120** | **51** | **180** |
| Disposals | **(2)** | **(45)** | **(19)** | **(66)** |
| Decrease through divestitures | **—** | **(1)** | **0** | **(1)** |
| Effect of foreign currency exchange differences, and others | **138** | **21** | **(3)** | **156** |
| Balance at March 31, 2014 | **$1,472** | **$899** | **$972** | **$3,343** |

(Accumulated depreciation and accumulated impairment losses)

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Trademarks | Software | Others | Total |
| Balance at April 1, 2013 | ¥ (4,728) | ¥(46,043) | ¥(21,456) | ¥(72,227) |
| Amortization expenses | **(1,772)** | **(12,655)** | **(7,097)** | **(21,524)** |
| Impairment losses recognized in profit or loss | **(4,308)** | **(84)** | **(807)** | **(5,199)** |
| Disposals | **172** | **3,607** | **1,574** | **5,353** |
| Decrease through divestitures | **—** | **29** | **—** | **29** |
| Effect of foreign currency exchange differences, and others | **(441)** | **(1,420)** | **(3,279)** | **(5,140)** |
| Balance at March 31, 2014 | **¥(11,077)** | **¥(56,566)** | **¥(31,065)** | **¥(98,708)** |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Trademarks | Software | Others | Total |
| Balance at April 1, 2012 | ¥(3,381) | ¥(42,355) | ¥(16,991) | ¥(62,727) |
| Amortization expenses | (1,610) | (12,704) | (7,736) | (22,050) |
| Impairment losses recognized in profit or loss | — | (565) | (340) | (905) |
| Disposals | 758 | 8,419 | 3,630 | 12,807 |
| Decrease through divestitures | 51 | 1,264 | 11 | 1,326 |
| Effect of foreign currency exchange differences, and others | (546) | (102) | (30) | (678) |
| Balance at March 31, 2013 | ¥(4,728) | ¥(46,043) | ¥(21,456) | ¥(72,227) |

| | Millions of U.S. Dollars | | | |
|---|---|---|---|---|
| | Trademarks | Software | Others | Total |
| Balance at April 1, 2013 | $ (47) | $(447) | $(208) | $(702) |
| Amortization expenses | **(17)** | **(123)** | **(69)** | **(209)** |
| Impairment losses recognized in profit or loss | **(42)** | **(1)** | **(7)** | **(50)** |
| Disposals | **2** | **35** | **15** | **52** |
| Decrease through divestitures | **—** | **0** | **—** | **0** |
| Effect of foreign currency exchange differences, and others | **(4)** | **(14)** | **(32)** | **(50)** |
| Balance at March 31, 2014 | **$(108)** | **$(550)** | **$(301)** | **$(959)** |

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

The impairment losses during the year ended March 31, 2014, mainly consisted of losses on part of brand trademarks of ¥4,239 million (US$41 million) in Textile segment due to lower profitability. The impairment losses were recorded in “Losses on property, plant, equipment and intangible assets” in the Consolidated Statement of Comprehensive Income.

(Carrying amount)

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Trademarks | Software | Others | Total |
| Balance at April 1, 2013 | ¥ 83,586 | ¥36,748 | ¥60,755 | ¥181,089 |
| Balance at March 31, 2014 | **¥140,413** | **¥35,891** | **¥69,008** | **¥245,312** |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Trademarks | Software | Others | Total |
| Balance at April 1, 2012 | ¥70,136 | ¥38,032 | ¥24,903 | ¥133,071 |
| Balance at March 31, 2013 | ¥83,586 | ¥36,748 | ¥60,755 | ¥181,089 |

| | Millions of U.S. Dollars | | | |
|---|---|---|---|---|
| | Trademarks | Software | Others | Total |
| Balance at March 31, 2014 | **$1,364** | **$349** | **$671** | **$2,384** |

For the year ended March 31, 2014, “Others” include ¥14,761 million (US$143 million) of customer relationships and technology related intangible asset in Toyo Advanced Technologies Co., Ltd, ¥13,719 million (US$133 million) of sales network in CONEXIO Corporation and ¥13,473 million (US$131 million) of customer relationships in Dole International Holdings Co., Ltd.

For the year ended March 31, 2013, “Others” include ¥15,993 million of customer relationships and technology related intangible asset in Toyo Advanced Technologies Co., Ltd, ¥14,783 million of sales network in CONEXIO Corporation.

For the years ended March 31, 2014 and 2013, the balance of intangible assets with indefinite useful lives were ¥105,069 million (US$1,021 million) and ¥42,522 million, respectively.

The balance of Intangible assets with indefinite useful lives at March 31, 2014, included ¥53,210 million (US$517 million) of trademarks of Dole and ¥48,892 million (US$475 million) of trademarks of Kwik-Fit. The balance of Intangible assets with indefinite useful lives at March 31, 2013, included ¥40,858 million of trademarks of Kwik-Fit. The increase of the balance of trademarks of Kwik-Fit is due to the exchange differences on translating foreign operations. These trademarks were acquired through business combinations and will basically continue to exist as long as the businesses that use them continue to operate. Accordingly, the Company considers them to have indefinite useful lives.

The recoverable amount used in impairment tests for intangible assets is calculated based on value in use and with the support of an independent expert. Value in use is calculated by discounting the estimated amount of future cash flows based on the business plans approved by the Board of Directors. In principle, business plans are limited to five years and are formulated in a manner that reflects past experience and is consistent with external information. The growth rate is determined with reference to the long-term average growth rate of the markets or countries to which the cash-generating unit belongs. The discount rate is determined with reference to such factors as the weighted average cost of capital for each cash generating unit (about 5–20%).

## 12. Securities and Other Investments

With exception of equity securities that the Company and its subsidiaries account for using the equity method, and equity securities the Company and its subsidiaries own with an intention of generating gains through short-term, repeated purchases and sales (financial assets measured at fair value through profit or loss (FVTPL financial assets)), equity securities are classified as financial instruments measured at fair value through other comprehensive income (FVTOCI financial assets). Given that certain stocks the Company and its subsidiaries own are owned based on the assumption of long-term ownership with an intention of strengthening business relationships, the relevant stocks are designated and classified as FVTOCI financial assets.

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

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2014 |
| Securities: | | | | |
| FVTPL financial assets | ¥ 904 | ¥ 106 | ¥ 303 | $ 9 |
| FVTOCI financial assets | — | 956 | — | — |
| Amortized cost | 3,555 | 1,870 | 2,467 | 34 |
| Total | ¥ 4,459 | ¥ 2,932 | ¥ 2,770 | $ 43 |
| Other Investments: | | | | |
| FVTPL financial assets | 19,966 | 29,075 | 24,297 | 194 |
| FVTOCI financial assets | 541,294 | 505,280 | 467,249 | 5,260 |
| Amortized cost | 4,676 | 6,784 | 6,800 | 45 |
| Total | ¥565,936 | ¥541,139 | ¥498,346 | $5,499 |

The securities, included in Other current financial assets and Other investments, measured at amortized cost as of March 31, 2014, 2013, and the date of transition, are ¥8,231 million (US$80 million), ¥8,654 million and ¥9,267 million, respectively.

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

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2014 |
| Marketable equity securities | ¥241,050 | ¥274,873 | ¥259,593 | $2,342 |
| Nonmarketable equity securities | 300,244 | 231,363 | 207,656 | 2,917 |
| Total | ¥541,294 | ¥506,236 | ¥467,249 | $5,259 |

The nonmarketable equity securities are mainly consisted by investments in natural resource-related sectors, such as metal and mineral resources, petroleum, and natural gas. The total fair value of such natural resource-related sectors as of March 31, 2014, 2013, and the date of transition, were ¥229,617 million (US$2,231 million), ¥157,514 million and ¥140,893 million, respectively. The investments include RAS LAFFAN LNG Co., LTD., Sakhalin Oil and Gas Development Co., Platreef Resources Ltd, The Baku-Tbilisi-Ceyhan Pipeline Co., and BHP Iron Ore Jimblebar which was invested in fiscal year 2014.

The main marketable equity securities that the Company and its subsidiaries own as FVTOCI financial assets as of March 31, 2014, 2013, and the date of transition were as follows:

March 31, 2014

| Stock | Millions of Yen | Millions of U.S. Dollars |
|---|---|---|
| ISUZU MOTORS LIMITED | ¥80,113 | $778 |
| NISSIN FOODS HOLDINGS CO., LTD. | 25,137 | 244 |
| Mazda Motor Corporation | 13,857 | 135 |
| Advance Residence Investment Corporation | 7,649 | 74 |
| SKY Perfect JSAT Holdings Inc. | 7,510 | 73 |
| Seven & i Holdings Co., Ltd. | 6,810 | 66 |
| UNY Group Holdings Co., Ltd. | 4,293 | 42 |
| Showa Sangyo Co., Ltd. | 4,280 | 42 |
| Internet Initiative Japan Inc. | 3,577 | 35 |
| Mizuho Financial Group, Inc. | 3,502 | 34 |
| AKEBONO BRAKE INDUSTRY CO., LTD. | 2,979 | 29 |
| Kanemi Co., Ltd. | 2,978 | 29 |
| Sumitomo Mitsui Financial Group | 2,680 | 26 |
| Nippon Flour Mills Co., Ltd. | 2,543 | 25 |
| Izumiya Co., Ltd. | ¥ 1,326 | $ 13 |

March 31, 2013

| Stock | Millions of Yen |
|---|---|
| ISUZU MOTORS LIMITED | ¥74,979 |
| NISSIN FOODS HOLDINGS CO., LTD. | 34,203 |
| Mazda Motor Corporation | 15,008 |
| Advance Residence Investment Corporation | 8,975 |
| Internet Initiative Japan Inc. | 6,780 |
| SKY Perfect JSAT Holdings Inc. | 6,021 |
| Seven & i Holdings Co., Ltd. | 5,378 |
| UNY Group Holdings Co., Ltd. | 5,195 |
| Showa Sangyo Co., Ltd. | 4,976 |
| AKEBONO BRAKE INDUSTRY CO., LTD. | 4,464 |
| Taiwan FamilyMart Co., Ltd. | 3,740 |
| Mizuho Financial Group, Inc. | 3,416 |
| Kenedix, Inc. | 3,048 |
| Mitsubishi UFJ Financial Group, Inc. | 2,909 |
| Kanemi Co., Ltd. | ¥ 2,331 |

Date of transition

| Stock | Millions of Yen |
|---|---|
| ISUZU MOTORS LIMITED | ¥65,523 |
| NISSIN FOODS HOLDINGS CO., LTD. | 24,141 |
| Kurita Water Industries Ltd. | 15,105 |
| Mazda Motor Corporation | 7,745 |
| Mizuho Financial Group, Inc. | 7,572 |
| MEGMILK SNOW BRAND Co., Ltd. | 5,719 |
| Advance Residence Investment Corporation | 5,467 |
| UNY Group Holdings Co., Ltd. | 5,337 |
| AKEBONO BRAKE INDUSTRY CO., LTD. | 5,002 |
| SKY Perfect JSAT Holdings Inc. | 4,959 |
| Seven & i Holdings Co., Ltd. | 4,244 |
| Showa Sangyo Co., Ltd. | 4,160 |
| Taiwan FamilyMart Co., Ltd. | 3,788 |
| Internet Initiative Japan Inc. | 3,088 |
| JAPAN PETROLEUM EXPLORATION CO., LTD. | ¥ 2,691 |

FVTOCI financial assets for which the Company discontinued recognition in the year ended March 31, 2014, and the year ended March 31, 2013, were as follows:

| Millions of Yen | | | | | | Millions of U.S. Dollars | | |
|---|---|---|---|---|---|---|---|---|
| 2014 | | | 2013 | | | 2014 | | |
| Fair value at date of sale | Cumulative gains (losses) | Dividends | Fair value at date of sale | Cumulative gains (losses) | Dividends | Fair value at date of sale | Cumulative gains (losses) | Dividends |
| ¥76,699 | ¥18,781 | ¥2,940 | ¥75,764 | ¥13,958 | ¥1,251 | $745 | $182 | $29 |

Cumulative gains (losses) (net of tax) reclassified from other comprehensive income (loss) ("FVTOCI financial assets") to retained earnings for the years ended March 31, 2014 and 2013, were ¥11,399 million (US$111 million) and ¥11,084 million, respectively. The results are mainly due to equity securities sold because of changes in business relationships, and in relation to stocks for which the Company discontinued recognition as FVTOCI financial assets due to the change in classification of equity securities from FVTOCI financial assets to subsidiaries or equity-method associated companies.

## 13. Associated Companies and Joint Ventures

For investments in associated companies and joint ventures, the total carrying amounts on the Consolidated Statement of Financial Position as of March 31, 2014, 2013, and the date of transition were as follows:

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2014 |
| Investment | | | | |
| Associated companies | ¥1,255,739 | ¥1,131,473 | ¥ 912,042 | $12,201 |
| Joint ventures | 472,669 | 439,790 | 433,422 | 4,593 |
| Total | ¥1,728,408 | ¥1,571,263 | ¥1,345,464 | $16,794 |

For investments in associated companies and joint ventures, the share of profit of associated companies and joint ventures in comprehensive income for the years ended March 31, 2014 and 2013 were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Associated companies | | | |
| Share of profit or loss | ¥ 67,143 | ¥ 59,588 | $ 652 |
| Share of other comprehensive income | 38,860 | 22,143 | 378 |
| Subtotal | 106,003 | 81,731 | 1,030 |
| Joint ventures | | | |
| Share of profit or loss | (11,107) | 28,379 | (108) |
| Share of other comprehensive income | 25,758 | 14,064 | 250 |
| Subtotal | 14,651 | 42,443 | 142 |
| Share of comprehensive income | | | |
| Total share of profit or loss of associated companies and joint ventures | 56,036 | 87,967 | 544 |
| Total share of other comprehensive income of associated companies and joint ventures | 64,618 | 36,207 | 627 |
| Total | ¥120,654 | ¥124,174 | $1,171 |

In investments in associated companies, the company recognized an impairment loss of ¥2,717 million (US$26 million) in pulp-related businesses due to deterioration in future net cash flow during the year ended March 31, 2014.

The Company recognized an impairment loss of ¥549 million on its investment in GOODMAN CO., LTD., due to deterioration in earning power and ¥558 million in pulp-related businesses due to deterioration in future net cash flow respectively, during the year ended March 31, 2013.

These impairment losses are measured by comprehensive consideration, and value and stock prices are examined by a third party to calculate the recoverable amount. The impairment losses related to these associated companies are presented in Equity in earnings of associated companies and joint ventures.

The recoverable amounts used in impairment tests for investments in associated companies and joint ventures are calculated based on value in use and with the support of an independent expert. Value in use is calculated by discounting the estimated amount of future cash flows based on the business plans approved by the Board of Directors. In principle, business plans are limited to five years and are formulated in a manner that reflects past experience and is consistent with external information. The growth rate is determined with reference to the long-term average growth rate of the markets or countries to which the cash-generating unit belongs. The discount rate is determined with reference to such factors as the weighted average cost of capital for each cash generating unit (about 3–13%).

The differences between the carrying amounts of the investment in associated companies and the Company and its subsidiaries' equity interest in the underlying net assets of such associated companies were ¥477,295 million (US$4,638 million), ¥474,783 million and ¥443,112 million at March 31, 2014, 2013, and the date of transition, respectively. The differences consist of certain fair value adjustments (net of tax) at the time of the investments in associated companies and goodwill. The fair value adjustments are primarily attributed to mineral rights and intangible assets.

Certain associated companies and joint ventures raise funds through project finance and there are usage restrictions on deposits.

Nacional Minérios S.A. (hereinafter "NAMISA"), an investee categorized as an associated company and joint venture of the Company, received a tax assessment notice from the Brazilian tax authorities, the Secretariat of the Federal Revenue of Brazil, in December 2012. The tax assessment notice relates to the amortization of goodwill which arose when a consortium of Japanese and Korean companies, including the Company, acquired shares in NAMISA in 2008. The Company's proportionate interest related to the tax assessment is ¥18,677 million, including interest and penalties of ¥12,205 million. NAMISA filed an administrative defense against the tax assessment notice in January 2013, and NAMISA recorded no liabilities related to this assessment.

The balances of receivables and payables involving principal related parties for the Company and its subsidiaries were as follows:

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | **2014** | 2013 | 2012 | **2014** |
| Balance of receivables | | | | |
| Associated companies | **¥216,164** | ¥178,609 | ¥164,330 | **$2,100** |
| Joint ventures | **18,916** | 48,429 | 21,139 | **184** |
| Total | **235,080** | 227,038 | 185,469 | **2,284** |
| Balance of payables | | | | |
| Associated companies | **61,979** | 33,393 | 27,759 | **602** |
| Joint ventures | **1,595** | 8,852 | 10,395 | **16** |
| Total | **¥ 63,574** | ¥ 42,245 | ¥ 38,154 | **$ 618** |

Total revenues and costs by the Company and its subsidiaries involving principal related parties were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2014** | 2013 | **2014** |
| Revenues | | | |
| Associated companies | **¥152,245** | ¥ 93,234 | **$1,479** |
| Joint ventures | **68,469** | 49,993 | **665** |
| Total | **220,714** | 143,227 | **2,144** |
| Costs | | | |
| Associated companies | **232,973** | 278,830 | **2,264** |
| Joint ventures | **11,563** | 6,988 | **112** |
| Total | **¥244,536** | ¥285,818 | **$2,376** |

## 14. Trade and Other Payables

The breakdown of trade payables as of March 31, 2014, 2013, and the date of transition were as follows:

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2014 |
| Note payables | ¥ 213,001 | ¥ 180,400 | ¥ 174,276 | $ 2,069 |
| Account payables | 1,365,402 | 1,351,091 | 1,289,520 | 13,267 |
| Other payables (trade) | 83,570 | 77,734 | 71,286 | 812 |
| Total | ¥1,661,973 | ¥1,609,225 | ¥1,535,082 | $16,148 |

The breakdown of other current payables as of March 31, 2014, 2013, and the date of transition were as follows:

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2014 |
| Other payables (non-trade) | ¥18,609 | ¥21,085 | ¥12,954 | $181 |
| Lease obligations (current) | 19,959 | 16,144 | 15,731 | 194 |
| Deposits received | 32,374 | 42,803 | 56,552 | 314 |
| Total | ¥70,942 | ¥80,032 | ¥85,237 | $689 |

The breakdown of other non-current financial liabilities as of March 31, 2014, 2013, and the date of transition were as follows:

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2014 |
| Lease obligations (non-current) | ¥ 67,520 | ¥ 65,968 | ¥ 65,905 | $ 656 |
| Others | 35,759 | 39,765 | 34,168 | 347 |
| Total | ¥103,279 | ¥105,733 | ¥100,073 | $1,003 |

## 15. Debentures and Borrowings

The breakdown of Short-term debentures and borrowings as of March 31, 2014, 2013, and the date of transition were as follows:

| | Millions of Yen | Interest rate (%) | Millions of Yen | Interest rate (%) | Millions of Yen | Interest rate (%) | Millions of U.S. Dollars |
|---|---|---|---|---|---|---|---|
| | 2014 | | 2013 | | 2012 | | 2014 |
| Current loans from financial institutions | ¥409,937 | 1.4% | ¥446,136 | 1.3% | ¥358,856 | 1.1% | $3,984 |
| Commercial paper | — | — | 6,017 | 0.3% | 57,061 | 0.1% | — |
| Subtotal | 409,937 | | 452,153 | | 415,917 | | 3,984 |
| Current portion of long-term debentures and borrowings | 62,730 | | 46,663 | | 35,701 | | 609 |
| Total | ¥472,667 | | ¥498,816 | | ¥451,618 | | $4,593 |

Note: Interest rates represent the weighted average interest rates based on balances as of March 31, 2014, 2013, and the date of transition. The interest rates of Current portion of long-term debentures and borrowings are included in the breakdown of Long-term debentures and borrowings below.

The breakdown of Long-term debentures and borrowings as of March 31, 2014, 2013, and the date of transition were as follows:

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | **2014** | 2013 | 2012 | **2014** |
| Banks and other financial institutions | | | | |
| Secured | | | | |
| Due 2013–2029, interest rate mainly 0.7%–8.0% | **¥ 4,025** | ¥ 5,960 | ¥ 8,540 | **$ 40** |
| Unsecured | | | | |
| Due 2012–2027, interest rate mainly 0.1%–10.9% | **1,908,437** | 1,825,470 | 1,732,694 | **18,544** |
| Debentures | | | | |
| Unsecured bonds and notes | | | | |
| Issued in 2005, 1.46% Yen Bonds due 2012 | **—** | — | 10,000 | **—** |
| Issued in 2006, 2.17% Yen Bonds due 2016 | **15,000** | 15,000 | 15,000 | **146** |
| Issued in 2006, 2.09% Yen Bonds due 2016 | **10,000** | 10,000 | 10,000 | **97** |
| Issued in 2007, 2.11% Yen Bonds due 2017 | **10,000** | 10,000 | 10,000 | **97** |
| Issued in 2007, 2.02% Yen Bonds due 2017 | **10,000** | 10,000 | 10,000 | **97** |
| Issued in 2007, 1.99% Yen Bonds due 2017 | **10,000** | 10,000 | 10,000 | **97** |
| Issued in 2007, 1.90% Yen Bonds due 2017 | **10,000** | 10,000 | 10,000 | **97** |
| Issued in 2008, 2.28% Yen Bonds due 2018 | **20,000** | 20,000 | 20,000 | **194** |
| Issued in 2009, 1.49% Yen Bonds due 2014 | **25,000** | 25,000 | 25,000 | **244** |
| Issued in 2009, 1.91% Yen Bonds due 2019 | **15,000** | 15,000 | 15,000 | **146** |
| Issued in 2009, 1.65% Yen Bonds due 2019 | **10,000** | 10,000 | 10,000 | **97** |
| Issued in 2010, 1.65% Yen Bonds due 2020 | **20,000** | 20,000 | 20,000 | **194** |
| Issued in 2010, 0.653% Yen Bonds due 2015 | **20,000** | 20,000 | 20,000 | **194** |
| Issued in 2010, 1.53% Yen Bonds due 2020 | **10,000** | 10,000 | 10,000 | **97** |
| Issued in 2010, 0.558% Yen Bonds due 2015 | **20,000** | 20,000 | 20,000 | **194** |
| Issued in 2010, 1.412% Yen Bonds due 2020 | **10,000** | 10,000 | 10,000 | **97** |
| Issued in 2011, 0.613% Yen Bonds due 2016 | **10,000** | 10,000 | 10,000 | **97** |
| Issued in 2011, 1.378% Yen Bonds due 2021 | **20,000** | 20,000 | 20,000 | **194** |
| Issued in 2011, 1.135% Yen Bonds due 2020 | **10,000** | 10,000 | 10,000 | **97** |
| Issued in 2011, 0.51% Yen Bonds due 2016 | **10,000** | 10,000 | 10,000 | **97** |
| Issued in 2011, 1.221% Yen Bonds due 2021 | **20,000** | 20,000 | 20,000 | **194** |
| Issued in 2011, 0.732% Yen Bonds due 2018 | **10,000** | 10,000 | 10,000 | **97** |
| Issued in 2012, 1.181% Yen Bonds due 2022 | **20,000** | 20,000 | 20,000 | **194** |
| Issued in 2012, floating rate U.S. Dollar Bonds due 2015 | **15,438** | 14,108 | 12,329 | **150** |
| Issued in 2012, 0.407% Yen Bonds due 2017 | **10,000** | 10,000 | — | **97** |
| Issued in 2012, 0.362% Yen Bonds due 2017 | **20,000** | 20,000 | — | **194** |
| Issued in 2012, 0.964% Yen Bonds due 2022 | **10,000** | 10,000 | — | **97** |
| Issued in 2012, floating rate Yen Bonds due 2022 | **10,000** | 10,000 | — | **97** |
| Issued in 2012, 0.95% Yen Bonds due 2022 | **10,000** | 10,000 | — | **97** |
| Issued in 2013, 0.206% Yen Bonds due 2016 | **10,000** | 10,000 | — | **97** |
| Issued in 2013, 0.267% Yen Bonds due 2018 | **10,000** | 10,000 | — | **97** |
| Issued in 2013, 0.862% Yen Bonds due 2023 | **10,000** | 10,000 | — | **97** |
| Issued in 2013, 0.406% Yen Bonds due 2018 | **10,000** | — | — | **97** |
| Issued in 2013, 1.167% Yen Bonds due 2025 | **10,000** | — | — | **97** |
| Issued in 2013, 0.33% Yen Bonds due 2018 | **10,000** | — | — | **97** |
| Issued in 2013, 0.843% Yen Bonds due 2023 | **10,000** | — | — | **97** |
| Issued in 2014, 0.56% Yen Bonds due 2021 | **30,000** | — | — | **292** |
| Issued in and after 2008, debentures and others issued by subsidiaries, maturing through 2022 | **30,218** | 34,916 | 20,404 | **295** |
| Subtotal | **2,433,118** | 2,285,454 | 2,098,967 | **23,640** |
| Fair value hedge adjustment | **50,325** | 43,276 | 21,534 | **489** |
| Total | **2,483,443** | 2,328,730 | 2,120,501 | **24,129** |
| Less: Current portion of long-term debentures and borrowings | **(62,730)** | (46,663) | (35,701) | **(609)** |
| Long-term debentures and borrowings | **¥2,420,713** | ¥2,282,067 | ¥2,084,800 | **$23,520** |

The agreements for certain loans from the Japan Bank for International Cooperation ("JBIC"), which are included in long term debt from banks and other financial institutions, require the borrower, upon request from the lender, through its earnings from the business operations, or through the proceeds from the sale of common stock or debentures, to repay a certain portion of the loans outstanding before the scheduled maturity dates. The Company has never received such requests and does not expect that any such request will be made.

Borrowings from the above-mentioned banks and other financial institutions include borrowings by subsidiaries in emerging countries.

The Company and certain subsidiaries have entered into interest rate swap agreements for certain Long-term debentures and borrowings as a means of managing their exposure to interest rate fluctuations.

## 16. Leases

### (1) Lessor

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

The schedule of future minimum lease payments receivable under noncancelable operating leases as of March 31, 2014 and 2013, were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2014** | 2013 | **2014** |
| Less than 1 year | **¥ 6,259** | ¥ 5,939 | **$ 61** |
| 1–5 years | **14,655** | 11,518 | **142** |
| More than 5 years | **18,292** | 15,432 | **178** |
| Total | **¥39,206** | ¥32,889 | **$381** |

The Company and its subsidiaries lease ICT-related equipment, construction machinery, and certain other assets under finance leases. The schedule of gross investment in the lease, present value of minimum lease payments receivable, and the amount of unearned finance income as of March 31, 2014, 2013, and the date of transition, were as follows:

| | Millions of Yen | | | Millions of U.S. Dollars | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|---|---|---|---|
| | Gross investment in the lease | | | | Present value of minimum lease payments receivable | | | |
| | **2014** | 2013 | 2012 | **2014** | **2014** | 2013 | 2012 | **2014** |
| Less than 1 year | **¥11,683** | ¥10,635 | ¥ 8,068 | **$114** | **¥10,931** | ¥ 9,296 | ¥ 7,842 | **$106** |
| 1–5 years | **23,092** | 23,224 | 19,140 | **224** | **20,440** | 20,719 | 16,491 | **199** |
| More than 5 years | **9,925** | 10,501 | 8,408 | **96** | **6,821** | 8,027 | 5,929 | **66** |
| Total | **44,700** | 44,360 | 35,616 | **434** | **¥38,192** | ¥38,042 | ¥30,262 | **$371** |
| Unguaranteed residual value | **(300)** | (300) | (301) | **(3)** | | | | |
| Less: Unearned finance income | **(6,345)** | (6,163) | (5,206) | **(62)** | | | | |
| Less: Present value of ungaranteed residual value | **(163)** | (155) | (148) | **(1)** | | | | |
| Present value of minimum lease payments receivable | **¥38,192** | ¥38,042 | ¥30,262 | **$371** | | | | |

As of March 31, 2014, 2013, and the date of transition, the accumulated allowance for uncollectible minimum lease payments receivable were ¥136 million (US$1 million), ¥155 million and ¥183 million, respectively.

### (2) Lessee

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 the Company and its subsidiaries were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | **2014** | 2013 | **2014** |
| Less than 1 year | **¥ 49,132** | ¥ 46,935 | **$ 477** |
| 1–5 years | **148,399** | 131,949 | **1,442** |
| More than 5 years | **169,916** | 146,051 | **1,651** |
| Total | **¥367,447** | ¥324,935 | **$3,570** |

As of March 31, 2014 and 2013, the total of future minimum lease payments to be received under noncancelable subleases were ¥34,202 million (US$332 million) and ¥27,401 million, respecively.

In the years ended March 31, 2014 and 2013, lease payments recognized as expense under operating leases were ¥82,829 million (US$805 million) and ¥68,922 million, respectively, and sublease payments received were ¥6,603 million (US$64 million) and ¥6,484 million, respectively.

There are lease contracts which contain a renewal option. However, there are no significant lease contracts which contain an escalation clause. Also, there are contracts which contain a clause that modifies the amount of lease payment to move in tandem with the long-term prime lending rate every 5 years, however, contingent rent is not incurred.

The Company and its subsidiaries lease buildings, machinery and equipment, and certain other assets under finance leases. The cost and accumulated depreciation and accumulated impairment losses of such leased assets by classes as of March 31, 2014, 2013, and the date of transition, were as follows:

| | Millions of Yen | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2014 | | | 2013 | | | 2012 | | |
| | Cost | Accumulated depreciation and Accumulated impairment losses | Carrying amount | Cost | Accumulated depreciation and Accumulated impairment losses | Carrying amount | Cost | Accumulated depreciation and Accumulated impairment losses | Carrying amount |
| Buildings and structures | ¥ 46,493 | ¥23,256 | ¥23,237 | ¥ 44,591 | ¥23,519 | ¥21,072 | ¥ 47,381 | ¥23,675 | ¥23,706 |
| Machinery and equipment | 36,198 | 16,945 | 19,253 | 31,323 | 13,357 | 17,966 | 29,890 | 12,650 | 17,240 |
| Others | 27,611 | 13,775 | 13,836 | 25,455 | 10,303 | 15,152 | 25,816 | 9,703 | 16,113 |
| Total | ¥110,302 | ¥53,976 | ¥56,326 | ¥101,369 | ¥47,179 | ¥54,190 | ¥103,087 | ¥46,028 | ¥57,059 |

| | Millions of U.S. Dollars | | |
|---|---|---|---|
| | 2014 | | |
| | Cost | Accumulated depreciation and Accumulated impairment losses | Carrying amount |
| Buildings and structures | $ 452 | $226 | $226 |
| Machinery and equipment | 352 | 165 | 187 |
| Others | 268 | 134 | 134 |
| Total | $1,072 | $525 | $547 |

The schedule of future minimum lease payments, present value of future minimum lease payments, and the amount of future financial costs as of March 31, 2014, 2013, and the date of transition, were as follows:

| | Millions of Yen | | | Millions of U.S. Dollars | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|---|---|---|---|
| | Future minimum lease payments | | | | Present value of future minimum lease payments | | | |
| | 2014 | 2013 | 2012 | 2014 | 2014 | 2013 | 2012 | 2014 |
| Less than 1 year | ¥ 23,247 | ¥ 19,729 | ¥ 18,928 | $ 226 | ¥21,697 | ¥18,963 | ¥18,224 | $211 |
| 1–5 years | 53,209 | 54,476 | 54,784 | 517 | 43,252 | 45,630 | 44,553 | 420 |
| More than 5 years | 29,023 | 27,474 | 28,996 | 282 | 21,378 | 18,170 | 19,107 | 208 |
| Total | 105,479 | 101,679 | 102,708 | 1,025 | ¥86,327 | ¥82,763 | ¥81,884 | $839 |
| Less: Future financial cost | (19,152) | (18,916) | (20,824) | (186) | | | | |
| Present value of future minimum lease payments | ¥ 86,327 | ¥ 82,763 | ¥ 81,884 | $ 839 | | | | |

As of March 31, 2014 and 2013, the total of future minimum lease payments to be received under noncancelable subleases were ¥28,372 million (US$276 million) and ¥27,809 million.

There are lease contracts which contain a renewal or purchase option. However, there are no significant lease contracts which contain an escalation clause. Also, there are contracts which contain a clause that modifies the amount of lease payment to move in tandem with the long-term prime lending rate every 5 years, however, contingent rent is not incurred.

## 17. 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.

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

Certain subsidiaries and associated companies participate in the ITOCHU United Pension Fund.

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

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

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

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

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

As of March 31, 2013, the ITOCHU United Pension Fund was under-funded in the amount of ¥15,304 million. The ITOCHU United Pension Fund obtained an approval from the Minister of Health, Labor and Welfare on April 1, 2013, for an exemption from the obligation to pay benefits for future employee services related to the substitutional portion, which would result in the transfer of pension obligations and related assets to the government. As a result of the periodical revaluation and revision of premium, it is expected that the amount of under-funded will be supplemented by the revised premium.

The amount of contributions of participating subsidiaries to the ITOCHU United Pension Fund was ¥2,045 million (US$20 million), ¥2,006 million for the years ended March 31, 2014 and 2013, respectively. The planned amount of contributions in the year ending March 31, 2015, is approximately ¥2,000 million. The portion of participating subsidiaries' contributions as a percentage of all contributions to the ITOCHU United Pension Fund is approximately 70% in the year ended March 31, 2014.

Changes in the defined benefit obligations were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Projected benefit obligations at the beginning of the year | ¥330,101 | ¥325,115 | $3,207 |
| Service cost | 10,078 | 7,768 | 98 |
| Current service cost | 10,157 | 7,760 | 99 |
| Prior service cost | (79) | 8 | (1) |
| Interest cost | 4,301 | 5,082 | 42 |
| Plan participants' contributions | 611 | 599 | 6 |
| Remeasurements | (4,114) | 13,006 | (40) |
| Benefits paid from plan assets | (16,572) | (17,064) | (161) |
| Benefits paid by employer | (996) | (1,201) | (10) |
| Foreign currency translation adjustments | 2,701 | 1,378 | 26 |
| Acquisitions and divestitures | 5,217 | 1,789 | 51 |
| Settlements | (217) | (6,371) | (2) |
| Projected benefit obligations at the end of the year | ¥331,110 | ¥330,101 | $3,217 |

Changes in the fair value of plan assets were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Fair value of plan assets at the beginning of the year | ¥271,842 | ¥250,655 | $2,641 |
| Interest income | 3,676 | 4,440 | 36 |
| Remeasurements | 16,432 | 19,112 | 160 |
| Employer contributions | 6,592 | 16,144 | 64 |
| Plan participants' contributions | 611 | 599 | 6 |
| Benefits paid from plan assets | (16,572) | (17,064) | (161) |
| Foreign currency translation adjustments | 2,168 | 979 | 21 |
| Acquisitions and divestitures | (324) | (76) | (3) |
| Settlements | — | (3,057) | — |
| Other | — | 110 | — |
| Fair value of plan assets at the end of the year | ¥284,425 | ¥271,842 | $2,764 |

In the year ended March 31, 2013, the Company established an employee pension trust, from which ¥5,133 million is included in "Employer contributions" above.

As of March 31, 2014 and 2013, and the date of transition, 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 26 "The Financial Instruments Measured at Fair Value".

| | Millions of Yen | | |
|---|---|---|---|
| | 2014 | | |
| | Level 1 | Level 2 | Total |
| Equity instruments: | | | |
| Domestic | **¥38,970** | **¥ 26,848** | **¥ 65,818** |
| Overseas | **6,289** | **23,594** | **29,883** |
| Debt instruments: | | | |
| Domestic | **11,174** | **66,317** | **77,491** |
| Overseas | **10,893** | **20,419** | **31,312** |
| Other assets: | | | |
| Cash and cash equivalents | **27,494** | **—** | **27,494** |
| Life insurance company general accounts | **—** | **34,523** | **34,523** |
| Others | **—** | **17,904** | **17,904** |
| Total | **¥94,820** | **¥189,605** | **¥284,425** |

| | Millions of Yen | | |
|---|---|---|---|
| | 2013 | | |
| | Level 1 | Level 2 | Total |
| Equity instruments: | | | |
| Domestic | ¥ 36,398 | ¥ 27,490 | ¥ 63,888 |
| Overseas | 5,087 | 26,408 | 31,495 |
| Debt instruments: | | | |
| Domestic | 6,340 | 59,181 | 65,521 |
| Overseas | 12,038 | 8,692 | 20,730 |
| Other assets: | | | |
| Cash and cash equivalents | 41,433 | 34 | 41,467 |
| Life insurance company general accounts | — | 34,714 | 34,714 |
| Others | — | 14,027 | 14,027 |
| Total | ¥101,296 | ¥170,546 | ¥271,842 |

| | Millions of Yen | | |
|---|---|---|---|
| | 2012 | | |
| | Level 1 | Level 2 | Total |
| Equity instruments: | | | |
| Domestic | ¥40,784 | ¥ 26,870 | ¥ 67,654 |
| Overseas | 2,808 | 36,561 | 39,369 |
| Debt instruments: | | | |
| Domestic | 6,436 | 57,997 | 64,433 |
| Overseas | 11,000 | 9,951 | 20,951 |
| Other assets: | | | |
| Cash and cash equivalents | 11,879 | 22 | 11,901 |
| Life insurance company general accounts | — | 37,483 | 37,483 |
| Others | — | 8,864 | 8,864 |
| Total | ¥72,907 | ¥177,748 | ¥250,655 |

| | Millions of U.S. Dollars | | |
|---|---|---|---|
| | 2014 | | |
| | Level 1 | Level 2 | Total |
| Equity instruments: | | | |
| Domestic | $379 | $ 261 | $ 640 |
| Overseas | 61 | 229 | 290 |
| Debt instruments: | | | |
| Domestic | 109 | 644 | 753 |
| Overseas | 106 | 198 | 304 |
| Other assets: | | | |
| Cash and cash equivalents | 267 | — | 267 |
| Life insurance company general accounts | — | 335 | 335 |
| Others | — | 174 | 174 |
| Total | $922 | $1,841 | $2,763 |

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 investment policy for its portfolio of plan assets is to invest approximately 65% in domestic and overseas debt securities, approximately 25% in domestic and overseas equity securities and approximately 10% in alternative investments. The Company's allocation of assets may also include Cash and cash equivalents, and Life insurance company general accounts, as appropriate. The Company's basic policy is to emphasize asset liquidity and a thorough diversification of its investments. In addition, the Company has established an employee pension trust mainly comprised of domestic equity securities as a part of plan assets. The Company's holdings of equity instruments consist primarily of shares in listed companies. Debt instruments principally comprise highly-rated government bonds. The Insurance Business law Enforcement Regulations stipulate that the investment of assets in corporate pension plans (general account) be conducted in a manner that provides a specific assumed interest rate and a principal guarantee.

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

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

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

The planned amount of contributions for all defined benefit pension plans in the year ending March 31, 2015, is approximately ¥4,800 million.

The assumptions regarding the defined benefit obligation were as follows:

| | 2014 | 2013 |
|---|---|---|
| Discount rate | 1.4% | 1.2% |
| Rate of compensation increase | 3.8% | 3.6% |
| Mortality rate | 0.04 – 0.78% | 0.05 – 0.72% |
| Retirement rate | 0.2 – 9.8% | 0.2 – 9.8% |
| Lump sum election rate | 29.9% | 30.1% |

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

As of the end of the reporting period, a movement of 1% in the discount rate would have an effect of ¥23,739 million on the defined benefit obligation and an effect of ¥537 million on service cost. This analysis is based on the premise that the actuarial assumptions other than the discount rate do not fluctuate and that only the discount rate fluctuates. This method of analysis is based on assumptions, and it is possible that the actual calculation could be influenced by fluctuations in other variables.

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

The recognized expenses with respect to the defined contribution plan for the years ended March 31, 2014 and 2013, were ¥3,851 million (US$37million) and ¥3,194 million, respectively.

**Details of Compensation**

Details of compensation and bonus for the Company's directors in the year ended March 31, 2014, were as follows:

| | | Millions of Yen | Millions of U.S. Dollars | |
|---|---|---|---|---|
| Type | Number of people | Amount paid | Amount paid | Details |
| Directors | 15 | ¥1,556 | $ 15 | (1) Monthly compensation: ¥817 million |
| (Outside directors) | (3) | ¥ (21) | $(0.2) | (2) Directors' bonuses to be paid: ¥739 million |

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

## 18. Provisions

The changes in provisions in Other current liabilities and Other non-current liabilities for the years ended March 31, 2014 and 2013, were as follows:

| | Millions of Yen | | |
|---|---|---|---|
| | Provisions for asset retirement obligations | Other provisions | Total |
| Balance at April 1, 2013 | ¥36,680 | ¥4,871 | ¥41,551 |
| Provisions | **7,491** | **6,455** | **13,946** |
| Provisions charged-off | **(1,228)** | **(713)** | **(1,941)** |
| Provisions reversed | **(12)** | **(987)** | **(999)** |
| Accretion expense | **1,451** | **—** | **1,451** |
| Others | **2,610** | **186** | **2,796** |
| Balance at March 31, 2014 | **¥46,992** | **¥9,812** | **¥56,804** |

| | Millions of Yen | | |
|---|---|---|---|
| | Provisions for asset retirement obligations | Other provisions | Total |
| Balance at April 1, 2012 | ¥31,089 | ¥10,365 | ¥ 41,454 |
| Provisions | 3,994 | 3,181 | 7,175 |
| Provisions charged-off | (372) | (1,761) | (2,133) |
| Provisions reversed | (3,504) | (6,856) | (10,360) |
| Accretion expense | 1,064 | — | 1,064 |
| Others | 4,409 | (58) | 4,351 |
| Balance at March 31, 2013 | ¥36,680 | ¥ 4,871 | ¥41,551 |

| | Millions of U.S. Dollars | | |
|---|---|---|---|
| | Provisions for asset retirement obligations | Other provisions | Total |
| Balance at April 1, 2013 | $357 | $ 47 | $404 |
| Provisions | 73 | 63 | 136 |
| Provisions charged-off | (12) | (7) | (19) |
| Provisions reversed | 0 | (10) | (10) |
| Accretion expense | 14 | — | 14 |
| Others | 25 | 2 | 27 |
| Balance at March 31, 2014 | $457 | $ 95 | $552 |

The provisions for asset retirement obligations are principally related to the costs of dismantlement of coal mining, iron-ore mining, and crude oil drilling facilities of subsidiaries. Others include provision for loss on guarantees.

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

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2014 |
| Other current liabilities | ¥ 7,301 | ¥ 3,205 | ¥ 3,680 | $ 71 |
| Other non-current liabilities | 49,503 | 38,346 | 37,774 | 481 |
| Total | ¥56,804 | ¥41,551 | ¥41,454 | $552 |

## 19. 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 38.0%. Foreign subsidiaries are subject to income taxes of the countries where they operate.

In addition, the Company adopted a consolidated taxation system effective from the year ended March 31, 2003.

In Japan, on December 2, 2011, the "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (the "2011 Revised Income Tax Act") and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (the "Securing Financial Resources for Reconstruction Act") were promulgated. Thereafter, on March 31, 2014, the "Act for Partial Revision for the Income Tax Act" (the "2014 Revised Income Tax Act") was promulgated. Consequently, for fiscal years beginning in the period from April 1, 2012, to March 31, 2014, the normal income tax rate is 38.0%, and for fiscal years beginning on or after April 1, 2014, the normal income tax rate is 36.0%. The Company and its domestic subsidiaries, in consideration of the above-mentioned 2011 Revised Income Tax Act, Securing Financial Resources for Reconstruction Act, and 2014 Revised Income Tax Act, have recorded deferred tax assets and deferred tax liabilities.

Amounts provided for income taxes for the years ended March 31, 2014 and 2013, were allocated as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Income tax expense | | | |
| Current tax expense | ¥ (88,249) | ¥(76,663) | $ (857) |
| Deferred tax expense | (18,088) | (20,485) | (176) |
| Total | (106,337) | (97,148) | (1,033) |
| Income taxes recognized directly in equity | | | |
| Capital surplus | 1,316 | (254) | 13 |
| Total | 1,316 | (254) | 13 |
| Income tax related to each component of other comprehensive income | | | |
| Translation adjustments | (5,422) | (3,132) | (53) |
| Remeasurement of net defined pension liability | (6,736) | (2,598) | (65) |
| FVTOCI financial assets | (10,531) | (32,398) | (102) |
| Cash flow hedges | 1,010 | (782) | 9 |
| Other comprehensive income in associates and joint ventures | (1,809) | (2,220) | (17) |
| Total | ¥ (23,488) | ¥(41,130) | $ (228) |

The influence on current tax expense related to tax expense of prior periods recognized in the years ended March 31, 2014 and 2013 is not significant. Deferred tax expense relating to the origination and reversal of temporary differences recognized in the years ended March 31, 2014 and 2013, were ¥17,810 million (US$173 million) (expense) and ¥33,253 million (expense), respectively.

The reconciliations between the normal income tax rate and the effective tax rate (average effective tax rate) for the years ended March 31, 2014 and 2013 were as follows:

| | 2014 | 2013 |
|---|---|---|
| Normal income tax rate | 38.0% | 38.0% |
| Items not deductible or not taxable for tax purposes | 0.8 | 0.8 |
| Difference of tax rates for foreign subsidiaries | (2.1) | (1.0) |
| Tax effect on dividends received | (0.6) | (0.1) |
| Effect on deferred tax assets and deferred tax liabilities from a change in the tax regulation (Note 1) | 0.4 | — |
| Effect of new tax system (Minerals Resource Rent Tax) (Note 2) | 0.8 | 0.3 |
| Change in temporary differences for which no deferred tax asset is recognized (Note 3) | (0.3) | (5.3) |
| Equity in earnings of associates and joint ventures | (5.9) | (8.8) |
| Tax effect on equity interests in subsidiaries, associates, and joint ventures | (1.7) | 1.7 |
| Others | 0.1 | 0.0 |
| Effective income tax rate (average effective income tax rate) | 29.5% | 25.6% |

Notes: 1. Deferred tax expense relating to changes in tax rates for the year ended March 31, 2014 was ¥1,374 million (US$13 million) (expense) and was due to changes in the tax regulations in Japan and U.K. Deferred tax expense relating to changes in tax rates for the year ended March 31, 2013 is not significant.
2. Tax expenses relating to the imposition of new taxes for the years ended March 31, 2014 and 2013, were ¥2,834 million (US$28 million) (expense) and ¥1,178 million (expense), respectively, and was due to the Minerals Resource Rent Tax in Australia.
3. The total amount of current tax expense and deferred tax expense accompanying the reassessment of the realizability of unrecognized deferred tax assets and changes in the assumption of reversing deductible temporary differences at March 31, 2014 and 2013, were ¥1,096 million (US$11 million) (income) and ¥20,162 million (income), respectively.

Deferred tax assets are not recognized for temporary differences and tax loss carryforwards if they are not probable to be realized based on the estimates of future taxable income for each taxable entity. Temporary differences for which no deferred tax assets were recognized for the years ended March 31, 2014, 2013 and the date of transition, were as follows:

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2014 |
| Deductible temporary differences | ¥716,013 | ¥713,242 | ¥683,103 | $6,957 |
| Tax loss carryforwards / tax credit carryforwards | 41,292 | 31,116 | 29,908 | 401 |
| Total | ¥757,305 | ¥744,358 | ¥713,011 | $7,358 |

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

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2014 |
| Within 1 year | ¥ 657 | ¥ 543 | ¥ 3,893 | $ 6 |
| Within 2 years | 1,140 | 1,120 | 615 | 11 |
| Within 3 years | 914 | 524 | 1,417 | 9 |
| Within 4 years | 2,168 | 528 | 983 | 21 |
| Within 5 years | 1,525 | 3,104 | 1,642 | 15 |
| After 5 to 10 years | 22,643 | 17,221 | 14,731 | 220 |
| After 10 years (or no expiration date) | 12,245 | 8,076 | 6,627 | 119 |
| Total | ¥41,292 | ¥31,116 | ¥29,908 | $401 |

The total amount of taxable temporary differences arising from investments in subsidiaries, associated companies, and joint ventures, for which deferred tax liabilities have not been recognized at March 31, 2014, 2013, and the date of transition, were not significant.

Significant components of deferred tax assets and liabilities at March 31, 2014, 2013, and the date of transition, were as follows:

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2014 |
| Deferred tax assets: | | | | |
| Inventories and Property, plant and equipment | ¥ 63,784 | ¥ 58,549 | ¥ 70,180 | $ 620 |
| Allowance for doubtful receivables | 14,754 | 27,214 | 7,893 | 143 |
| Net operating loss carryforwards | 14,900 | 11,419 | 14,859 | 145 |
| Non-current liabilities for employee benefits | 57,359 | 65,547 | 72,282 | 557 |
| Securities and investments | 14,195 | 15,730 | 15,600 | 138 |
| Minerals Resource Rent Tax | 5,449 | 5,636 | 4,918 | 53 |
| Others | 49,173 | 48,399 | 48,684 | 478 |
| Total deferred tax assets | 219,614 | 232,494 | 234,416 | 2,134 |
| Deferred tax liabilities: | | | | |
| Non-current liabilities for employee benefits | (45,582) | (46,323) | (47,324) | (443) |
| Securities and investments | (73,140) | (63,187) | (25,306) | (711) |
| Equity interests in subsidiaries, associates, and joint ventures | (70,152) | (65,092) | (48,953) | (682) |
| Property, plant and equipment and Intangible assets | (65,474) | (53,467) | (45,814) | (636) |
| Others | (19,611) | (14,137) | (12,925) | (190) |
| Total deferred tax liabilities | (273,959) | (242,206) | (180,322) | (2,662) |
| Net deferred tax assets (liabilities) | ¥ (54,345) | ¥ (9,712) | ¥ 54,094 | $ (528) |

The details of changes in deferred tax assets and deferred tax liabilities for the years ended March 31, 2014 and 2013, were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Net deferred tax assets (liabilities) | | | |
| Balance at the beginning of the year | ¥ (9,712) | ¥ 54,094 | $ (94) |
| Deferred tax expense for the current period | (18,088) | (20,485) | (176) |
| Deferred taxes recognized directly in equity | | | |
| Capital surplus | 1,316 | (254) | 13 |
| Deferred tax related to each component of other comprehensive income | | | |
| Translation adjustments | (5,422) | (3,132) | (53) |
| Remeasurement of net defined pension liability | (6,736) | (2,598) | (65) |
| FVTOCI financial assets | (3,362) | (30,764) | (33) |
| Cash flow hedges | 1,010 | (782) | 9 |
| Other comprehensive income in associates and joint ventures | (1,809) | (2,220) | (17) |
| Changes in deferred tax assets (liabilities) accompanying business combination (Note) | (11,542) | (3,571) | (112) |
| Balance at the end of the year | ¥(54,345) | ¥ (9,712) | $(528) |

Note: The influence on the benefits of deferred tax assets recognized after the date of acquisition is not significant.

## 20. Earnings per Share Attributable to ITOCHU

The calculation of basic and diluted earnings per share attributable to ITOCHU for the years ended March 31, 2014 and 2013, were as follows:

Diluted earnings per share attributable to ITOCHU for the year ended March 31, 2013, is presented as the same amount as Basic earnings per share attributable to ITOCHU due to the anti-dilutive effect of convertible preferred stock issued by associated companies.

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Net profit attributable to ITOCHU | ¥245,312 | ¥258,843 | $2,384 |
| Effect of dilutive securities: | | | |
| Convertible preferred stock | (799) | — | (8) |
| Diluted net profit attributable to ITOCHU | ¥244,513 | 258,843 | $2,376 |

| | Number of Shares | |
|---|---|---|
| | 2014 | 2013 |
| Weighted-average number of common shares outstanding | 1,580,494,251 | 1,580,515,991 |

| | Yen | | U.S. Dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Earnings per share | | | |
| Basic earnings per share attributable to ITOCHU | ¥155.21 | ¥163.77 | $1.51 |
| Diluted earnings per share attributable to ITOCHU | ¥154.71 | ¥163.77 | $1.50 |

## 21. Common Stock, Capital Surplus, and Retained Earnings

### (1) Common Stock

The number of shares authorized and issued were as follows:

| | Number of Shares | |
|---|---|---|
| | 2014 | 2013 |
| Authorized | | |
| Common stock | 3,000,000,000 | 3,000,000,000 |
| Issued | | |
| Balance at the beginning of the year | 1,584,889,504 | 1,584,889,504 |
| Adjustment for the year | — | — |
| Balance at the end of the year | 1,584,889,504 | 1,584,889,504 |

The number of shares of treasury stock included in the number of shares issued above at March 31, 2014, 2013, and the date of transition were 4,407,941 shares, 4,383,289 shares, and 4,366,546 shares, respectively. Also, the issued shares stated above are fully paid. Furthermore, the common shares issued have no par value.

The Companies Act of Japan (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 Companies Act.

### (2) Capital Surplus and Retained Earnings

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

The Companies Act provides 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 accounting standards in Japan. The adjustments to conform with IFRSs included in the consolidated financial statements have no effect on the determination of the available balance of dividends or the purchase of treasury stocks under the Companies Act. The amount available as dividends or the purchase of treasury stocks under the Companies Act was ¥560,972 million (US$5,451 million) as of March 31, 2014. This amount available as dividends or the purchase of treasury stocks might change as a result of 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 it is resolved by the Board of Directors, to dispose of treasury stock, or to purchase it as prescribed in their articles of incorporation. The amount of treasury stock to be purchased must be within the amount available as previously described.

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

## 22. Dividends

(1) Dividends paid during the years ended March 31, 2014 and 2013 were as follows:

| Resolution | Class of shares | Amount of dividends<br>Millions of Yen<br>(Millions of U.S. Dollars) | Dividends per share<br>Yen<br>(U.S. Dollars) | Record date | Effective date |
|---|---|---|---|---|---|
| Ordinary general meeting of shareholders held on June 22, 2012 | Ordinary shares | ¥43,499 | ¥27.50 | March 31, 2012 | June 25, 2012 |
| Board of Directors' meeting held on November 2, 2012 | Ordinary shares | ¥31,635 | ¥20.00 | September 30, 2012 | December 3, 2012 |
| Ordinary general meeting of shareholders held on June 21, 2013 | Ordinary shares | ¥31,635<br>($307) | ¥20.00<br>($0.19) | March 31, 2013 | June 24, 2013 |
| Board of Directors' meeting held on November 5, 2013 | Ordinary shares | ¥33,217<br>($323) | ¥21.00<br>($0.20) | September 30, 2013 | December 2, 2013 |

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

| Resolution | Class of shares | Amount of dividends<br>Millions of Yen<br>(Millions of U.S. Dollars) | Source of dividends | Dividends per share<br>Yen<br>(U.S. Dollars) | Record date | Effective date |
|---|---|---|---|---|---|---|
| Ordinary general meeting of shareholders held on June 20, 2014 | Ordinary shares | ¥39,543<br>($384) | Retained earnings | ¥25.00<br>($0.24) | March 31, 2014 | June 23, 2014 |

## 23. Other Components of Equity and Other Comprehensive Income (Loss)

### (1) Other Components of Equity

Changes in other components of equity were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Translation adjustments | | | |
| Balance at the beginning of the year | ¥142,766 | ¥ — | $1,387 |
| Adjustment for the year | 112,251 | 142,766 | 1,091 |
| Balance at the end of the year | 255,017 | 142,766 | 2,478 |
| FVTOCI financial assets | | | |
| Balance at the beginning of the year | 104,709 | 47,580 | 1,017 |
| Adjustment for the year | 22,982 | 68,213 | 224 |
| Transfer to retained earnings | (11,399) | (11,084) | (111) |
| Balance at the end of the year | 116,292 | 104,709 | 1,130 |
| Cash flow hedges | | | |
| Balance at the beginning of the year | (2,003) | (2,747) | (20) |
| Adjustment for the year | (1,977) | 744 | (19) |
| Balance at the end of the year | (3,980) | (2,003) | (39) |
| Remeasurement of net defined pension liabilitiy | | | |
| Balance at the beginning of the year | — | — | — |
| Adjustment for the year | 13,060 | 3,701 | 127 |
| Transfer to retained earnings | (13,060) | (3,701) | (127) |
| Balance at the end of the year | — | — | — |
| Other components of equity | | | |
| Balance at the beginning of the year | 245,472 | 44,833 | 2,384 |
| Adjustment for the year | 146,316 | 215,424 | 1,423 |
| Transfer to retained earnings | (24,459) | (14,785) | (238) |
| Balance at the end of the year | ¥367,329 | ¥245,472 | $3,569 |

### (2) Other Comprehensive Income (Loss)

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

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | | 2013 | | |
| | Before tax effects | Tax effects | Net of tax effects | Before tax effects | Tax effects | Net of tax effects |
| Translation adjustments | | | | | | |
| Amount arising during the year on translation adjustment | ¥ 70,697 | ¥ (5,422) | ¥ 65,275 | ¥117,873 | ¥ (3,132) | ¥114,741 |
| Reclassification to profit or loss for the year | 206 | 0 | 206 | (38) | 0 | (38) |
| Adjustment for the year | 70,903 | (5,422) | 65,481 | 117,835 | (3,132) | 114,703 |
| FVTOCI financial assets | | | | | | |
| Amount arising during the year on FVTOCI financial assets | 29,223 | (10,531) | 18,692 | 99,440 | (32,398) | 67,042 |
| Adjustment for the year | 29,223 | (10,531) | 18,692 | 99,440 | (32,398) | 67,042 |
| Cash flow hedges | | | | | | |
| Amount arising during the year on derivative instruments for cash flow hedges | (10,133) | 2,271 | (7,862) | 5,627 | (1,668) | 3,959 |
| Reclassification to profit or loss for the year | 4,836 | (1,261) | 3,575 | (2,367) | 886 | (1,481) |
| Adjustment for the year | (5,297) | 1,010 | (4,287) | 3,260 | (782) | 2,478 |
| Remeasurement of net defined pension liability | | | | | | |
| Amount arising during the year on net defined pension liability | 17,971 | (6,736) | 11,235 | 6,737 | (2,598) | 4,139 |
| Adjustment for the year | 17,971 | (6,736) | 11,235 | 6,737 | (2,598) | 4,139 |
| Other comprehensive income in associates and joint ventures | | | | | | |
| Amount arising during the year | 69,093 | (1,862) | 67,231 | 38,366 | (2,220) | 36,146 |
| Reclassification to profit or loss for the year | (2,666) | 53 | (2,613) | 61 | 0 | 61 |
| Adjustment for the year | 66,427 | (1,809) | 64,618 | 38,427 | (2,220) | 36,207 |
| Total other comprehensive income for the year, net of tax | ¥179,227 | ¥(23,488) | ¥155,739 | ¥265,699 | ¥(41,130) | ¥224,569 |

| | Millions of U.S. Dollars | | |
|---|---|---|---|
| | 2014 | | |
| | Before tax effects | Tax effects | Net of tax effects |
| Translation adjustments | | | |
| Amount arising during the year on translation adjustment | $ 687 | $ (53) | $ 634 |
| Reclassification to profit or loss for the year | 2 | 0 | 2 |
| Adjustment for the year | 689 | (53) | 636 |
| FVTOCI financial assets | | | |
| Amount arising during the year on FVTOCI financial assets | 284 | (102) | 182 |
| Adjustment for the year | 284 | (102) | 182 |
| Cash flow hedges | | | |
| Amount arising during the year on derivative instruments for cash flow hedges | (98) | 21 | (77) |
| Reclassification to profit or loss for the year | 47 | (12) | 35 |
| Adjustment for the year | (51) | 9 | (42) |
| Remeasurement of net defined pension liability | | | |
| Amount arising during the year on net defined pension liability | 174 | (65) | 109 |
| Adjustment for the year | 174 | (65) | 109 |
| Other comprehensive income in associates and joint ventures | | | |
| Amount arising during the year | 670 | (18) | 652 |
| Reclassification to profit or loss for the year | (26) | 1 | (25) |
| Adjustment for the year | 644 | (17) | 627 |
| Total other comprehensive income for the year, net of tax | $1,740 | $(228) | $1,512 |

Note: In the Amount arising during the year on derivative instruments for cash flow hedges above, for the years ended March 31, 2014 and 2013, the amount (net of tax) that was removed from equity accompanying the acquisition or incurrence of a non-financial asset or non-financial liability, which was a hedged highly probable transaction, were ¥3,050 million (US$30 million) (deduction) and ¥10 million (addition), respectively. In addition, the amount that was included in the initial cost of the non-financial asset or non-financial liability were ¥4,766 million (US$46 million) (deduction) and ¥15 million (addition), respectively.

## 24. Financial Instruments

### (1) Capital Management

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

Notes: 1. NET DER (Net debt-to-equity ratio) = net interest-bearing debt / shareholders' equity. Net interest-bearing debt is calculated by subtracting cash, cash equivalents, and time deposits from the total of interest-bearing debt, debentures, and debt (current and non-current).
2. Risk assets are calculated based on the maximum amount of the possible future losses from all assets on the balance sheet, including investments, as well as for all off-balance-sheet transactions.

The net interest-bearing debt and shareholders' equity for the Company and its subsidiaries as of March 31, 2014 and 2013, were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Interest-bearing Debt | ¥2,893,380 | ¥2,780,883 | $28,113 |
| Cash and cash equivalents | 653,739 | 570,335 | 6,352 |
| Time deposit | 7,653 | 7,120 | 74 |
| Net Interest-bearing Debt | 2,231,988 | 2,203,428 | 21,687 |
| Shareholders' equity | ¥2,045,683 | ¥1,718,980 | $19,876 |

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

### (2) Financial Risk Management Policy

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

#### 1) Interest rate risk management

The Company and its subsidiaries are exposed to interest rate risk in both raising and using money for investing, financing, and operating activities. Among interest insensitive assets such as investment securities or fixed assets, the part acquired using floating interest loans is considered to be the interest mismatch amount exposed to interest rate risk. The Company and its subsidiaries seek to quantify the interest rate risk to better control the fluctuation of gains and losses due to interest rate changes. As of March 31, 2014, the interest rate mismatch amount was ¥826,205 million (US$8,028 million), and the effect on interest expense from a 1% increase in interest rate would be approximately ¥5,288 million (US$51 million) (net of tax). This amount is calculated by multiplying the interest mismatch balance of the Company and its subsidiaries as of March 31, 2014, by 1%. This analysis is made without consideration of factors such as future changes in the balance, foreign exchange rate fluctuations, and dispersing effects for floating-rate borrowings derived from the interest rate reset date, and is based on the assumption that all other variable factors are held constant.

To manage interest rate risk, the Company, using the Earnings at Risk ("EaR") management method, has established a loss limit for interest expense, and executes hedging transactions when necessary, primarily interest rate swap contracts.

However, the Company and its subsidiaries still cannot guarantee a complete avoidance of interest rate risk, even after having adopted these management methods.

#### 2) Foreign exchange rate risk management

The Company and its subsidiaries are exposed to foreign exchange rate risk related to transactions in foreign currencies due to their significant involvement in import / export trading. Therefore, the Company and its subsidiaries work to minimize foreign exchange rate risk through hedge transactions that utilize derivatives such as forward exchange contracts. However, the Company and its subsidiaries cannot guarantee a complete elimination of such foreign exchange rate risk by utilizing these hedging techniques.

The net exposures to foreign exchange rate risk for the Company and its subsidiaries as of March 31, 2014 and 2013, were as follows:

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | | | | | | | |
| | U.S. dollar | Euro | Pound | Yuan | Australian dollar | Brazilian real | Other | Total |
| Short-term balance | **¥(10,611)** | **¥(32,853)** | **¥ 34,114** | **¥15,327** | **¥ 1,289** | **¥4,799** | **¥21,091** | **¥33,156** |
| Long-term balance | **20,969** | **30,868** | **(30,655)** | **2,732** | **(11,307)** | **—** | **16,200** | **28,807** |
| Total | **¥ 10,358** | **¥ (1,985)** | **¥ 3,459** | **¥18,059** | **¥(10,018)** | **¥4,799** | **¥37,291** | **¥61,963** |

| | Millions of Yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | | | | | | | |
| | U.S. dollar | Euro | Pound | Yuan | Australian dollar | Brazilian real | Other | Total |
| Short-term balance | ¥(21,309) | ¥(29,777) | ¥ 25,719 | ¥35,354 | ¥9,380 | ¥11,389 | ¥6,718 | ¥37,474 |
| Long-term balance | 28,172 | 26,251 | (26,232) | (6) | 28 | — | 1,926 | 30,139 |
| Total | ¥ 6,863 | ¥ (3,526) | ¥ (513) | ¥35,348 | ¥9,408 | ¥11,389 | ¥8,644 | ¥67,613 |

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

For the Company and its subsidiaries' short-term and long-term balances of positions exposed to foreign exchange rate risk as of March 31, 2014, the effect (loss) from a 1% increase in the Japanese yen would be approximately ¥620 million (US$6 million) for the Company and its subsidiaries' profit before tax, and approximately ¥397 million (US$4 million) for the Company and its subsidiaries' profit after tax. However, this analysis is based on the assumption that other variable factors such as balanes and interest rates are held constant.

The Company and its subsidiaries' investments in overseas businesses expose the Company and its subsidiaries to the risk that fluctuations in foreign exchange rates could affect shareholders' equity through the accounting of foreign currency translation adjustments and the risk that fluctuations in foreign exchange rates could affect the amount of periodic income when converted to Japanese yen. Also, there are risks that fluctuations in foreign exchange rates could affect shareholders' equity for FVTOCI financial assets in foreign currency. These foreign exchange rate risks could seriously affect the financial position and results of operations of the Company and its subsidiaries.

**3) Liquidity risk management**

The Company and its subsidiaries are exposed to liquidity risk in both raising and using money for investing, financing, operating activities.

In addition to securing flexibility in fund-raising in response to changes in financial conditions and reducing the cost of funds, the Company and its subsidiaries have taken steps to diversify their sources of funds and methods of fund-raising. In regard to liquidity, in addition to cash and cash equivalents, and time deposits ¥661,392 million (US$6,426 million) as of March 31, 2014, the Company and its subsidiaries have commitment line agreements (Yen long-term: ¥350,000 million; multiple currency short-term: US$500 million) and believe that the Company and its subsidiaries have sufficient liquidity even for unexpected circumstances.

As of March 31, 2014 and 2013, the remaining contractual maturities of the Company and its subsidiaries' debentures and borrowings, trade and other payables, and contingent liabilities (guarantee for substantial risk for monetary indebtedness of associated companies and customers) other than derivative financial liabilities were as follows:

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2014 | | | |
| | Less than 1 year | 1–5 years | More than 5 years | Total |
| Debentures and borrowings (Short-term and Long-term) | **¥ 472,667** | **¥1,253,804** | **¥1,166,909** | **¥2,893,380** |
| Trade payables, other current payables, and other financial liabilities | **1,752,955** | **77,447** | **21,580** | **1,851,982** |
| Contingent liabilities | **¥ 44,916** | **¥ 55,115** | **¥ 33,329** | **¥ 133,360** |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2013 | | | |
| | Less than 1 year | 1–5 years | More than 5 years | Total |
| Debentures and borrowings (Short-term and Long-term) | ¥ 498,816 | ¥1,381,073 | ¥900,994 | ¥2,780,883 |
| Trade payables, other current payables, and other financial liabilities | 1,722,785 | 72,105 | 21,900 | 1,816,790 |
| Contingent liabilities | ¥ 56,049 | ¥ 51,030 | ¥ 39,831 | ¥ 146,910 |

| | Millions of U.S. Dollars | | | |
|---|---|---|---|---|
| | 2014 | | | |
| | Less than 1 year | 1–5 years | More than 5 years | Total |
| Debentures and borrowings (Short-term and Long-term) | $ 4,593 | $12,182 | $11,338 | $28,113 |
| Trade and other payables | 17,032 | 752 | 210 | 17,994 |
| Contingent liabilities | $ 436 | $ 536 | $ 324 | $ 1,296 |

The remaining contractual maturities of derivatives for the Company and its subsidiaries as of March 31, 2014 and 2013, were as follows: The amounts for derivatives that will be net settled with other contracts are also presented in gross amounts.

| | | Millions of Yen | | | |
|---|---|---|---|---|---|
| | | 2014 | | | |
| | | Less than 1 year | 1–5 years | More than 5 years | Total |
| Currency derivatives | Income | ¥ 9,160 | ¥32,710 | ¥ 15 | ¥41,885 |
| | Expenditures | (4,748) | (279) | — | (5,027) |
| Interest rate derivatives | Income | 425 | 12,426 | 11,842 | 24,693 |
| | Expenditures | (581) | (562) | (73) | (1,216) |
| Commodity derivatives | Income | 6,087 | 61 | — | 6,148 |
| | Expenditures | (7,868) | (673) | — | (8,541) |
| Other | Income | — | — | — | — |
| | Expenditures | ¥ — | ¥ — | ¥ — | ¥ — |

| | | Millions of Yen | | | |
|---|---|---|---|---|---|
| | | 2013 | | | |
| | | Less than 1 year | 1–5 years | More than 5 years | Total |
| Currency derivatives | Income | ¥ 18,779 | ¥19,717 | ¥ — | ¥ 38,496 |
| | Expenditures | (15,252) | (1,025) | (34) | (16,311) |
| Interest rate derivatives | Income | 2,684 | 12,840 | 13,773 | 29,297 |
| | Expenditures | (253) | (661) | — | (914) |
| Commodity derivatives | Income | 12,112 | 55 | — | 12,167 |
| | Expenditures | (11,616) | (2) | — | (11,618) |
| Other | Income | 17 | — | — | 17 |
| | Expenditures | ¥ (14) | ¥ — | ¥ — | ¥ (14) |

| | | Millions of U.S. Dollars | | | |
|---|---|---|---|---|---|
| | | 2014 | | | |
| | | Less than 1 year | 1–5 years | More than 5 years | Total |
| Currency derivatives | Income | $ 89 | $318 | $ 0 | $407 |
| | Expenditures | (46) | (3) | — | (49) |
| Interest rate derivatives | Income | 4 | 121 | 115 | 240 |
| | Expenditures | (6) | (5) | (1) | (12) |
| Commodity derivatives | Income | 59 | 1 | — | 60 |
| | Expenditures | (76) | (7) | — | (83) |
| Other | Income | — | — | — | — |
| | Expenditures | $ — | $ — | $ — | $ — |

**4) Credit risk management**

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

Therefore, when granting credit, the Company and its subsidiaries work to reduce risk by conducting risk management through the establishment of credit limits and the acquisition of collateral or guaranties as needed. At the same time, the Company and its subsidiaries establish allowances for doubtful receivables based on the creditworthiness, the status of collection, and the status of receivables in arrears of business partners. The Company and its subsidiaries are not exposed to credit risk that is significantly concentrated on an individual counterparty.

In the consolidated financial statements, the carrying amounts of financial assets after impairment and the contract amounts for guarantees and financing commitments are the maximum amount of credit risk exposure associated with the Company and its subsidiaries' financial assets, and do not include the valuation of collateral that has been obtained.

The maximum exposure to credit risk as of March 31, 2014 and 2013, were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Trade receivables (including doubtful account receivables) | ¥2,163,305 | ¥2,123,855 | $21,019 |
| Loans | 190,537 | 163,576 | 1,851 |
| Guarantees (substantial risk) | 133,360 | 146,910 | 1,296 |
| Other | 199,706 | 223,591 | 1,941 |
| The maximum exposure | ¥2,686,908 | ¥2,657,932 | $26,107 |
| Less: Allowance for doubtful receivables | (37,560) | (45,386) | (365) |
| The maximum exposure (after allowance for doubtful receivables) | ¥2,649,348 | ¥2,612,546 | $25,742 |

The credit risk exposure for each operating segment as of March 31, 2014 and 2013, were as follows:

| | Millions of Yen 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Trade receivables | Loans | Guarantees (substantial risk) | Other | Allowances for doubtful receivables | Total |
| Textile | ¥ 173,523 | ¥ 6,364 | ¥ 221 | ¥ 13,544 | ¥ (3,424) | ¥ 190,228 |
| Machinery | 206,474 | 101,971 | 74,510 | 18,709 | (14,628) | 387,036 |
| Metals & Minerals | 115,307 | 31,260 | 9,763 | 11,759 | (436) | 167,653 |
| Energy & Chemicals | 674,632 | 21,568 | 11,715 | 32,634 | (4,977) | 735,572 |
| Food | 539,745 | 7,692 | 14,876 | 39,842 | (3,895) | 598,260 |
| ICT, General Products & Realty | 428,457 | 19,937 | 17,044 | 23,558 | (7,311) | 481,685 |
| Other | 25,167 | 1,745 | 5,231 | 59,660 | (2,889) | 88,914 |
| Total | ¥2,163,305 | ¥190,537 | ¥133,360 | ¥199,706 | ¥(37,560) | ¥2,649,348 |

| | Millions of Yen 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Trade receivables | Loans | Guarantees (substantial risk) | Other | Allowances for doubtful receivables | Total |
| Textile | ¥ 169,406 | ¥ 7,275 | ¥ 188 | ¥ 13,005 | ¥ (3,259) | ¥ 186,615 |
| Machinery | 212,824 | 90,840 | 87,002 | 20,916 | (21,601) | 389,981 |
| Metals & Minerals | 102,408 | 15,361 | 13,515 | 20,806 | (798) | 151,292 |
| Energy & Chemicals | 696,307 | 20,405 | 15,795 | 62,446 | (3,109) | 791,844 |
| Food | 554,993 | 7,633 | 13,631 | 51,750 | (6,054) | 621,953 |
| ICT, General Products & Realty | 380,095 | 15,646 | 11,136 | 25,083 | (6,281) | 425,679 |
| Other | 7,822 | 6,416 | 5,643 | 29,585 | (4,284) | 45,182 |
| Total | ¥2,123,855 | ¥163,576 | ¥146,910 | ¥223,591 | ¥(45,386) | ¥2,612,546 |

| | Millions of U.S. Dollars 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Trade receivables | Loans | Guarantees (substantial risk) | Other | Allowances for doubtful receivables | Total |
| Textile | $ 1,686 | $ 62 | $ 2 | $ 132 | $ (33) | $ 1,849 |
| Machinery | 2,006 | 991 | 724 | 182 | (142) | 3,761 |
| Metals & Minerals | 1,120 | 304 | 95 | 114 | (4) | 1,629 |
| Energy & Chemicals | 6,555 | 209 | 114 | 317 | (49) | 7,146 |
| Food | 5,244 | 75 | 144 | 387 | (38) | 5,812 |
| ICT, General Products & Realty | 4,163 | 193 | 166 | 229 | (71) | 4,680 |
| Other | 245 | 17 | 51 | 580 | (28) | 865 |
| Total | $21,019 | $1,851 | $1,296 | $1,941 | $(365) | $25,742 |

For the loans included in the above, as of March 31, 2014 and 2013, collateral had been secured in the amounts of ¥5,793 million (US$56 million) and ¥6,702 million, respectively. Properties and other credit enhancement held by the Company and its subsidiaries as collateral are assessed at fair value.

An ageing analysis of receivables that were past due at the reporting date but not impaired as of March 31, 2014 and 2013, were as follows. The following includes amounts that are expected to be recoverable due to insurance or the acquisition of collateral. At this point, the Company and its subsidiaries have concluded that it is not necessary to recognize impairment.

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Less than 90 days | ¥37,916 | ¥42,143 | $368 |
| 90 days–1 year | 8,557 | 15,572 | 83 |
| More than 1 year | 1,411 | 4,854 | 14 |
| Total | ¥47,884 | ¥62,569 | $465 |

The changes in allowance for doubtful receivables for the years ended March 31, 2014 and 2013, were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Balance at the beginning of the year | ¥(45,386) | ¥(54,001) | $(441) |
| Provision for doubtful receivables–net | (6,054) | (308) | (59) |
| Charge-offs | 8,680 | 10,171 | 84 |
| Exchange differences on translation of foreign operations and others | 5,200 | (1,248) | 51 |
| Balance at the end of the year | ¥(37,560) | ¥(45,386) | $(365) |

The balances of impaired trade receivables as of March 31, 2014 and 2013, were ¥34,870 million (US$339 million) and ¥38,360 million, respectively, and the corresponding allowance for doubtful receivables were ¥26,174 million (US$254 million) and ¥29,383 million, respectively.

**5) Commodity price risk management**

The Company and its subsidiaries conduct actual demand transactions that are based on the hedge selling of a variety of commodities. As a result, because it holds long or short positions in light of market prices, in some cases the Company and its subsidiaries are exposed to commodity price fluctuation risk. Therefore, the Company and its subsidiaries have analyzed inventories and purchase and sales contracts, and each Division Company has established middle and back offices for major commodities, which establish a balance limit and loss cut limit for each commodity and conduct monitoring, management, and periodic reviews. In these ways, the Company and its subsidiaries work to reduce commodity price risk.

Commodity price risk exposure as of March 31, 2014 and 2013, were as follows:

| | Millions of Yen | | | | Millions of U.S. Dollars | |
|---|---|---|---|---|---|---|
| | 2014 | | 2013 | | 2014 | |
| | Long | Short | Long | Short | Long | Short |
| Commodity | ¥17,449 | ¥400 | ¥6,190 | ¥990 | $170 | $4 |

Commodity price sensitivity analysis

The Company and its subsidiaries use the Value at Risk (“VaR”) method to measure the risk of commodity transactions that are sensitive to market conditions. The following table shows year-end and average VaR figures as of March 31, 2014 and 2013. (Method: variance-covariance method / confidence interval 99% / holding period: 5 days / measurement frequency: weekly)

| | Millions of Yen | | | | Millions of U.S. Dollars | |
|---|---|---|---|---|---|---|
| | 2014 | | 2013 | | 2014 | |
| | March 31 | Average | March 31 | Average | March 31 | Average |
| Commodity | ¥770 | ¥406 | ¥260 | ¥295 | $7 | $4 |

#### 6) Stock price risk management

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

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

The fair values of marketable equity securities (total of FVTOCI and FVTPL financial assets) held as of March 31, 2014, and March 31, 2013, were ¥241,407 million (US$2,346 million) and ¥279,061 million, respectively.

Stock price sensitivity analysis

The Company and its subsidiaries use the VaR method to measure stock price risk. The following table shows year-end VaR figures as of March 31, 2014 and 2013. (Method: variance-covariance method / confidence interval 99% / holding period: 10 days / measurement frequency: weekly)

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Marketable equity securities | ¥23,238 | ¥17,024 | $226 |

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

The Company and its subsidiaries confirm that the VaR measurement model is sufficiently accurate by periodically conducting back testing in which VaR is compared with actual gains or losses.

### (3) Fair Value of Financial Instruments

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

The Company and its subsidiaries are engaged in transactions with numerous counterparties to ensure that there are no significant counterparties.

The carrying amounts and estimated fair values for the purpose of the disclosure requirements of IFRS 13 "Fair value measurement", and valuation techniques for Non-current receivables, Non-current financial assets other than investments and receivables, Long-term debentures and borrowings and Other non-current financial liabilities as of March 31, 2014, 2013 and the date of transition were as follows: (For fair value of Short-term investments and Other investments, and for fair value of asset / liability derivatives, see Note 12 "Securities and Other Investments" and Note 25 "Derivative Instruments and Hedging Activities", respectively, and see Note 26 "Fair Value Measurements" for these calculations.)

| | Millions of Yen 2014 Carrying amount | Fair Value |
|---|---|---|
| Financial assets: | | |
| Non-current receivables and Non-current financial assets other than investments and receivables (including allowance for doubtful receivables) | **¥ 188,213** | **¥ 189,286** |
| Financial liabilities: | | |
| Long-term debentures and borrowings and Other non-current financial liabilities | **¥2,454,555** | **¥2,461,043** |

| | Millions of Yen 2013 Carrying amount | Fair Value |
|---|---|---|
| Financial assets: | | |
| Non-current receivables and Non-current financial assets other than investments and receivables (including allowance for doubtful receivables) | ¥ 181,405 | ¥ 183,191 |
| Financial liabilities: | | |
| Long-term debentures and borrowings and Other non-current financial liabilities | ¥2,320,169 | ¥2,327,784 |

| | Millions of Yen 2012 Carrying amount | Fair Value |
|---|---|---|
| Financial assets: | | |
| Non-current receivables and Non-current financial assets other than investments and receivables (including allowance for doubtful receivables) | ¥ 148,107 | ¥ 149,471 |
| Financial liabilities: | | |
| Long-term debentures and borrowings and Other non-current financial liabilities | ¥2,112,609 | ¥2,118,023 |

| | Millions of U.S. Dollars 2014 Carrying amount | Fair Value |
|---|---|---|
| Financial assets: | | |
| Non-current receivables and Non-current financial assets other than investments and receivables (including allowance for doubtful receivables) | **$ 1,829** | **$ 1,839** |
| Financial liabilities: | | |
| Long-term debentures and borrowings and Other non-current financial liabilities | **$23,849** | **$23,912** |

Valuation Techniques for Fair Values of Non-current receivables and Non-current financial assets other than investments and receivables:

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

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

Valuation Techniques for Fair Values of Long-term debentures and borrowings and Other non-current financial liabilities:

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

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

**(4) Offsetting of Financial Assets and Financial Liabilities**

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

The following table provides offsetting information of financial assets and financial liabilities with the same counterparty as of March 31, 2014, 2013, and the date of transition.

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | **2014** | 2013 | 2012 | **2014** |
| The amount of financial assets | **¥3,683,785** | ¥3,555,802 | ¥3,350,545 | **$35,793** |
| The amount of possible offsetting under master netting arrangement or similar arrangement | **(183,947)** | (175,800) | (195,797) | **(1,787)** |
| Cash collateral paid | **(155)** | (278) | (121) | **(2)** |
| Net | **¥3,499,683** | ¥3,379,724 | ¥3,154,627 | **$34,004** |

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | **2014** | 2013 | 2012 | **2014** |
| The amount of total trade payables | **¥4,746,505** | ¥4,563,202 | ¥4,284,417 | **$46,118** |
| The amount of possible offsetting under master netting arrangement or similar arrangement | **(183,947)** | (175,800) | (195,797) | **(1,787)** |
| Cash collateral received | **(2,164)** | (122) | (2,084) | **(21)** |
| Net | **¥4,560,394** | ¥4,387,280 | ¥4,086,536 | **$44,310** |

The amount which was offset in accordance with the criteria for offsetting financial assets and financial liabilities in the Consolidated Statement of Financial Position was not material.

## 25. Derivative Instruments and Hedging Activities

**Fair value hedges:**

A fair value hedge is a hedge of the variability of fair value of a recognized asset or liability or of an unrecognized firm commitment. The changes in fair value of recognized assets or liabilities, or unrecognized firm commitments and related derivative instruments that are designated and qualify as fair value hedges are recognized in profit or loss, if the hedges are considered highly effective. The profit or loss of the hedged items and hedging instruments nearly offset one another.

The Company and its subsidiaries use currency derivatives to hedge the risk of variability in the fair value of unrecognized firm commitments. Further, the Company and its subsidiaries use interest rate derivatives to hedge the risk of variability in the fair value of loan receivables and borrowings, for which they agree to receive or pay interest on a fixed rate basis. The Company and its subsidiaries use commodity derivatives to hedge the risk of variability in the fair value of unrecognized firm commitments and inventories.

**Cash flow hedges:**

Cash flow hedges are hedges of the variability of cash flow to be received or paid related to forecasted transactions, or recognized assets or liabilities. The changes in fair value of derivative instruments that are designated and qualify as cash flow hedges are recognized in other comprehensive income, if the hedges are considered highly effective. This treatment is continued until profit or loss is affected by the variability in cash flows to be received or paid, related to the unrecognized forecasted transactions or the recognized assets or liabilities designated as the hedged items. The ineffective portion of the hedge is reported in profit or loss.

The Company and its subsidiaries hold currency derivatives and commodity derivatives to hedge the risk of variability in cash flow to be received or paid related to forecasted transactions. Further, the Company and its subsidiaries hold interest rate derivatives to hedge the risk of variability in cash flow due to variability of interest rates in the future.

At March 31, 2014, the maximum length of period which cash flows are expected to occur and which cash flows are expected to affect the profit or loss is December, 2026.

For the years ended March 31, 2014 and 2013, the amount reclassified from other comprehensive income into profit or loss because it was probable that forecasted transactions would not occur were not material.

For the years ended March 31, 2014 and 2013, amounts of hedge ineffectiveness and the net income (losses) excluded from the assessment of hedge effectiveness were not material.

For the years ended March 31, 2014 and 2013, the amount (net of tax) that was removed from equity accompanying the acquisition or incurrence of non-financial asset or non-financial liability, which was a hedged highly probable transaction, were ¥3,050 million (US$30 million) (deduction) and ¥10 million (addition), respectively. In addition, the amount that was included in the initial cost of the non-financial asset or non-financial liability were ¥4,766 million (US$46 million) (deduction) and ¥15 million (addition), respectively.

For the years ended March 31, 2014 and 2013, amounts of hedge ineffectiveness were not material.

The fair values of derivative instruments as of March 31, 2014, 2013, and the date of transition were as follows:

| | Millions of Yen 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Fair value hedges | | Cash flow hedges | | Derivatives not designated as hedges | |
| | Derivative assets | Derivative liabilities | Derivative assets | Derivative liabilities | Derivative assets | Derivative liabilities |
| Currency derivatives | ¥ 1,647 | ¥ 466 | ¥28,186 | ¥ 779 | ¥12,052 | ¥3,782 |
| Interest rate derivatives | 23,268 | — | 102 | 858 | 1,323 | 358 |
| Commodity derivatives | 1,781 | 2,917 | 562 | 5 | 3,805 | 5,619 |
| Other | — | — | — | — | — | — |
| Total | ¥26,696 | ¥3,383 | ¥28,850 | ¥1,642 | ¥17,180 | ¥9,759 |

| | Millions of Yen 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Fair value hedges | | Cash flow hedges | | Derivatives not designated as hedges | |
| | Derivative assets | Derivative liabilities | Derivative assets | Derivative liabilities | Derivative assets | Derivative liabilities |
| Currency derivatives | ¥ 2,180 | ¥1,504 | ¥19,445 | ¥ 14 | ¥16,872 | ¥14,793 |
| Interest rate derivatives | 29,080 | — | — | 692 | 216 | 222 |
| Commodity derivatives | 1,072 | 544 | 349 | — | 10,746 | 11,074 |
| Other | — | — | — | — | 17 | 14 |
| Total | ¥32,332 | ¥2,048 | ¥19,794 | ¥706 | ¥27,851 | ¥26,103 |

| | Millions of Yen 2012 | | | | | |
|---|---|---|---|---|---|---|
| | Fair value hedges | | Cash flow hedges | | Derivatives not designated as hedges | |
| | Derivative assets | Derivative liabilities | Derivative assets | Derivative liabilities | Derivative assets | Derivative liabilities |
| Currency derivatives | ¥ 586 | ¥2,287 | ¥ 530 | ¥ 299 | ¥12,138 | ¥10,403 |
| Interest rate derivatives | 21,534 | — | — | 856 | 234 | 252 |
| Commodity derivatives | 1,243 | 1,175 | 684 | — | 15,213 | 18,350 |
| Other | — | — | — | — | 6 | — |
| Total | ¥23,363 | ¥3,462 | ¥1,214 | ¥1,155 | ¥27,591 | ¥29,005 |

| | Millions of U.S. Dollars 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Fair value hedges | | Cash flow hedges | | Derivatives not designated as hedges | |
| | Derivative assets | Derivative liabilities | Derivative assets | Derivative liabilities | Derivative assets | Derivative liabilities |
| Currency derivatives | $ 16 | $ 5 | $274 | $ 8 | $117 | $37 |
| Interest rate derivatives | 226 | — | 1 | 8 | 13 | 3 |
| Commodity derivatives | 17 | 28 | 5 | 0 | 37 | 55 |
| Other | — | — | — | — | — | — |
| Total | $259 | $33 | $280 | $16 | $167 | $95 |

Profit or loss related to derivative instruments for the years ended March 31, 2014 and 2013, were as follows:

## Fair Value Hedges

| | Millions of Yen 2014 | |
|---|---|---|
| | Account in which derivative income (loss) is recognized in profit or loss | Amount of derivative income (loss) recognized in profit or loss |
| Currency derivatives | Other finance income (loss) | ¥ 732 |
| Interest rate derivatives | Interest expense | 1,420 |
| Commodity derivatives | Revenues from sale of goods | 920 |
| Total | | ¥3,072 |

| | Millions of Yen | |
|---|---|---|
| | 2013 | |
| | Account in which derivative income (loss) is recognized in profit or loss | Amount of derivative income (loss) recognized in profit or loss |
| Currency derivatives | Other finance income (loss) | ¥ 2,594 |
| Interest rate derivatives | Interest expense | 14,271 |
| Commodity derivatives | Revenues from sale of goods | 367 |
| Total | | ¥17,232 |

| | Millions of U.S. Dollars | |
|---|---|---|
| | 2014 | |
| | Account in which derivative income (loss) is recognized in profit or loss | Amount of derivative income (loss) recognized in profit or loss |
| Currency derivatives | Other finance income (loss) | **$ 7** |
| Interest rate derivatives | Interest expense | **14** |
| Commodity derivatives | Revenues from sale of goods | **9** |
| Total | | **$30** |

Cash Flow Hedges

| | Millions of Yen | | |
|---|---|---|---|
| | 2014 | | |
| | Amount of derivative income (loss) recognized in OCI | Main account in profit or loss which OCI is reclassified into profit or loss | Amount of OCI reclassified into profit or loss |
| Currency derivatives | **¥(9,562)** | Other finance income (loss) | **¥ 4,677** |
| Interest rate derivatives | **(85)** | Interest expense | **22** |
| Commodity derivatives | **1,593** | Revenues from sale of goods | **(1,985)** |
| Total | **¥(8,054)** | | **¥ 2,714** |

| | Millions of Yen | | |
|---|---|---|---|
| | 2013 | | |
| | Amount of derivative income (loss) recognized in OCI | Main account in profit or loss which OCI is reclassified into profit or loss | Amount of OCI reclassified into profit or loss |
| Currency derivatives | ¥7,527 | Other finance income (loss) | ¥(2,522) |
| Interest rate derivatives | 352 | Interest expense | (187) |
| Commodity derivatives | (572) | Revenues from sale of goods | (281) |
| Total | ¥7,307 | | ¥(2,990) |

| | Millions of U.S. Dollars | | |
|---|---|---|---|
| | 2014 | | |
| | Amount of derivative income (loss) recognized in OCI | Main account in profit or loss which OCI is reclassified into profit or loss | Amount of OCI reclassified into profit or loss |
| Currency derivatives | **$(92)** | Other finance income (loss) | **$ 45** |
| Interest rate derivatives | **(1)** | Interest expense | **—** |
| Commodity derivatives | **15** | Revenues from sale of goods | **(19)** |
| Total | **$(78)** | | **$ 26** |

## 26. The Financial Instruments Measured at Fair Value

The Company and its subsidiaries define, in accordance with IFRS 13 “Fair Value Measurements”, fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 “Fair Value Measurements”, also establishes a hierarchy for inputs used in measuring fair value and requires that each fair value be categorized into one of the following three levels based on its observability of inputs.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for identical assets or liabilities.

The Company and its subsidiaries use the following valuation techniques for the assets and liabilities that are measured at fair value on a recurring basis.

The cash equivalents that are measured at fair value on a recurring basis consist primarily of commercial papers with original maturities of three months or less. The Company and its subsidiaries measure the fair value using the quoted market prices and classify them as Level 2.

The inventories that are measured at fair value primarily consist of products which are principally acquired with the purpose of selling in the short-term and generating a profit from fluctuations in price. The Company and its subsidiaries measure the fair value using the price formula based on commodity transaction prices and classify them as Level 2.

The financial instruments classified as FVTPL and FVTOCI financial assets primarily consist of securities that are listed on exchanges and alternative investments. Securities that are listed on exchanges are measured using quoted market prices. When quoted prices in active markets in which transactions occur with sufficient frequency are available, they are 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.

Stocks that are not listed on exchanges are measured at fair value based on comprehensive consideration of various unobservable inputs that are available to the Company and its subsidiaries, including expectation of future income of the investee, the net asset value of the subject stock, and the actual value of significant assets held by the said investee, and are then included in Level 3.

The alternative investments (securities classified as FVTPL or FVTOCI financial assets 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, are classified as Level 3.

The best available valuation technique and inputs are applied to measure the fair value of assets and liabilities by considering its nature, feature, and risk. The assets and liabilities that are classified as Level 3 are mainly measured by discounted cash flow.

The fair value of assets and liabilities that are measured by discounted cash flow fluctuate by the discount rates that are applied. These discount rates are applied to each financial asset by calculating the risk free rate, which includes country risk premium. (Approximately 7–9%)

If an assumption that alteration of one or more of the unobservable inputs has been reasonably made, the effect is insignificant.

Derivative assets and derivative liabilities consist of currency derivatives, interest rate derivatives, and commodity derivatives. The derivative instruments that are traded in the active market are valued at quoted market prices and classified as Level 1. The other derivative instruments that are measured using commonly used fair value pricing models, such as the Black-Scholes model, based upon observable inputs only, are classified as Level 2.

The information by level for assets and liabilities that were measured at fair value on a recurring basis at March 31, 2014, 2013, and the date of transition were as follows:

| | Millions of Yen | | | |
|---|---|---|---|---|
| | **2014** | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Cash equivalents | **¥ —** | **¥15,999** | **¥ —** | **¥ 15,999** |
| Inventories | **—** | **24,932** | **—** | **24,932** |
| Securities and other investments | | | | |
| FVTPL financial assets | **357** | **13,107** | **7,406** | **20,870** |
| FVTOCI financial assets | **241,050** | **—** | **300,244** | **541,294** |
| Derivative assets | **3,200** | **69,526** | **—** | **72,726** |
| Liabilities | | | | |
| Derivative liabilities | **¥ 4,677** | **¥10,107** | **¥ —** | **¥ 14,784** |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2013 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Cash equivalents | ¥ — | ¥14,997 | ¥ — | ¥ 14,997 |
| Inventories | — | 37,678 | — | 37,678 |
| Securities and other investments | | | | |
| FVTPL financial assets | 4,188 | 12,630 | 12,363 | 29,181 |
| FVTOCI financial assets | 274,873 | 956 | 230,407 | 506,236 |
| Derivative assets | 8,104 | 71,873 | — | 79,977 |
| Liabilities | | | | |
| Derivative liabilities | ¥ 7,323 | ¥21,534 | ¥ — | ¥ 28,857 |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2012 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Cash equivalents | ¥ — | ¥21,599 | ¥ — | ¥ 21,599 |
| Inventories | — | 25,123 | — | 25,123 |
| Securities and other investments | | | | |
| FVTPL financial assets | 3,143 | 7,359 | 14,098 | 24,600 |
| FVTOCI financial assets | 259,593 | — | 207,656 | 467,249 |
| Derivative assets | 5,807 | 46,361 | — | 52,168 |
| Liabilities | | | | |
| Derivative liabilities | ¥ 5,215 | ¥28,407 | ¥ — | ¥ 33,622 |

| | Millions of U.S. Dollars | | | |
|---|---|---|---|---|
| | 2014 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Cash equivalents | $ — | $155 | $ — | $ 155 |
| Inventories | — | 242 | — | 242 |
| Securities and other investments | | | | |
| FVTPL financial assets | 3 | 128 | 72 | 203 |
| FVTOCI financial assets | 2,342 | — | 2,917 | 5,259 |
| Derivative assets | 31 | 676 | — | 707 |
| Liabilities | | | | |
| Derivative liabilities | $ 45 | $ 99 | $ — | $ 144 |

The changes in Level 3 items for the years ended March 31, 2014 and 2013 were as follows:

| | Millions of Yen | |
|---|---|---|
| | 2014 | |
| | FVTPL financial assets | FVTOCI financial assets |
| Beginning Balance | ¥12,363 | ¥230,407 |
| Total gains or losses | 1 | (2,618) |
| Included in other financial income (loss) | 1 | — |
| Included in other comprehensive income (loss) (FVTOCI financial assets) | — | (2,618) |
| Purchases | 188 | 77,761 |
| Sales | (5) | (5,509) |
| Settlements and others | (5,141) | 203 |
| Ending balance | 7,406 | 300,244 |
| The amount of total gains or losses (in other financial income (loss)) for the period relating to assets still held at March 31, 2014 | ¥ — | ¥ — |

| | Millions of Yen | |
|---|---|---|
| | 2013 | |
| | FVTPL financial assets | FVTOCI financial assets |
| Beginning Balance | ¥14,098 | ¥207,656 |
| Total gains or losses | (77) | 22,373 |
| Included in other financial income (loss) | (77) | — |
| Included in other comprehensive income (loss) (FVTOCI financial assets) | — | 22,373 |
| Purchases | 318 | 8,434 |
| Sales | (64) | (6,713) |
| Settlements and others | (1,912) | (1,343) |
| Ending balance | 12,363 | 230,407 |
| The amount of total gains or losses (in other financial income (loss)) for the period relating to assets still held at March 31, 2013 | ¥ (59) | ¥ — |

| | Millions of U.S. Dollars | |
|---|---|---|
| | 2014 | |
| | FVTPL financial assets | FVTOCI financial assets |
| Beginning Balance | $120 | $2,239 |
| Total gains or losses | 0 | (25) |
| Included in other financial income (loss) | 0 | — |
| Included in other comprehensive income (loss) (Unrealized holding gains (losses) on securities) | — | (25) |
| Purchases | 2 | 755 |
| Sales | (0) | (54) |
| Settlements and others | (50) | 2 |
| Ending balance | 72 | 2,917 |
| The amount of total gains or losses (in other financial income (loss)) for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at March 31, 2014 | $ — | $ — |

## 27. Selling, General and Administrative Expenses

The breakdown of Selling, general and administrative expenses for the years ended March 31, 2014 and 2013, were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Personnel expenses | ¥386,126 | ¥354,081 | $3,752 |
| Depreciation | 26,858 | 26,614 | 261 |
| Amortization | 12,951 | 11,313 | 126 |
| Service charge | 65,212 | 62,547 | 634 |
| Distribution costs | 56,665 | 54,245 | 550 |
| Rent and operating lease expenses | 53,815 | 51,210 | 523 |
| Others | 148,349 | 128,602 | 1,441 |
| Total | ¥749,976 | ¥688,612 | $7,287 |

## 28. Gain and Loss on Property, Plant, Equipment and Intangible Assets

The breakdown of gain and loss on property, plant, equipment and intangible assets for the years ended March 31, 2014 and 2013, were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Gain on sales of property, plant and equipment | ¥ 11,783 | ¥ 1,150 | $ 114 |
| Loss on disposal and sales of property, plant and equipment | (3,131) | (3,739) | (30) |
| Impairment losses on property, plant and equipment | (41,915) | (6,676) | (407) |
| Impairment losses on goodwill | (3,402) | (1,192) | (33) |
| Others | 504 | 1,099 | 5 |
| Total | ¥(36,161) | ¥(9,358) | $(351) |

## 29. Other, Net

The breakdown of other, net, for the years ended March 31, 2014 and 2013, were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Net foreign exchange gains (losses) | ¥ 3,179 | ¥ (5,367) | $ 31 |
| Others | 7,145 | 12,394 | 69 |
| Total | ¥10,324 | ¥ 7,027 | $100 |

## 30. Financial Income (Loss)

The breakdown of Financial income (loss), for the years ended March 31, 2014 and 2013, were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Interest income | | | |
| Financial assets measured at amortized cost | ¥ 11,610 | ¥ 9,208 | $ 113 |
| Subtotal | 11,610 | 9,208 | 113 |
| Dividends received | | | |
| FVTPL financial assets | 364 | 227 | 3 |
| FVTOCI financial assets | 36,827 | 34,406 | 358 |
| Subtotal | 37,191 | 34,633 | 361 |
| Interest expense | | | |
| Financial liabilities measured at amortized cost | (26,411) | (37,444) | (257) |
| Derivatives | 1,398 | 14,458 | 14 |
| Others | (2,073) | (1,838) | (20) |
| Subtotal | (27,086) | (24,824) | (263) |
| Other financial income | | | |
| FVTPL financial assets | 2,447 | 490 | 24 |
| Financial assets measured at amortized cost (Note 1) | 277 | 524 | 3 |
| Others (Note 2) | 4,857 | 5,110 | 47 |
| Subtotal | 7,581 | 6,124 | 74 |
| Total | ¥ 29,296 | ¥ 25,141 | $ 285 |

Notes: 1. The Financial assets measured at amortized cost includes gains arising from the derecognition of financial assets measured at amortized cost of ¥250 million (US$2 million) for the year ended March 31, 2014, and ¥517 million for the year ended March 31, 2013.
2. The Others mainly includes income (loss) from currency swaps.

## 31. Cash Flow Information

Supplemental cash flow information for the years ended March 31, 2014 and 2013, were as follows:

| | Millions of Yen | | Millions of U.S. Dollars |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| Acquisitions of subsidiaries | | | |
| Fair value of assets acquired | ¥180,377 | ¥ 87,902 | $1,753 |
| Fair value of liabilities assumed | (50,676) | (43,852) | (493) |
| Net assets, before deduction of cash acquired | 129,701 | 44,050 | 1,260 |
| Goodwill and Non-controlling interests | 27,223 | (6,552) | 265 |
| Fair value of consideration paid | 156,924 | 37,498 | 1,525 |
| Non-cash consideration paid | — | (6,598) | — |
| Income taxes paid as a result of acquisition of subsidiaries | — | 5,405 | — |
| Effect of exchange rate changes | (4,766) | — | (46) |
| Consideration paid in the previous fiscal year | (18,626) | — | (181) |
| Cash acquired | (4,215) | (4,409) | (42) |
| Acquisitions of subsidiaries, net of cash acquired | ¥129,317 | ¥ 31,896 | $1,256 |

The fair values of assets acquired and liabilities assumed upon the acquisition of subsidiaries are shown in note 5.

For the years ended March 31, 2014 and 2013, the total amounts of income taxes paid included in cash flows from operating activities and investing activities were ¥100,936 million (US$981 million) and ¥88,629 million, respectively.

## 32. Parent's Ownership Interest in Subsidiaries

As of March 31, 2014, subsidiaries were as follows:

| Name | Location | Voting shares (%) |
|---|---|---|
| **Textile** | | |
| LEILIAN CO., LTD. | Setagaya-ku, Tokyo | 99.1 |
| SANKEI CO., LTD. | Koto-ku, Tokyo | 100.0 |
| JAVA HOLDINGS CO., LTD. | Chuo-ku, Kobe | 65.0 |
| JOI'X CORPORATION | Chuo-ku, Tokyo | 100.0 |
| ITOCHU Textile Prominent (ASIA) Ltd. | Hong Kong, China | 100.0<br>(40.0) |
| ITOCHU TEXTILE (CHINA) CO., LTD. | Shanghai, China | 100.0<br>(40.0) |
| 70 other companies | | |
| **Machinery** | | |
| IMECS Co., Ltd. | Minato-ku, Tokyo | 100.0 |
| ITOCHU Plantech Inc. | Minato-ku, Tokyo | 100.0 |
| JAPAN AEROSPACE CORPORATION | Minato-ku, Tokyo | 100.0 |
| ITOCHU Automobile Corporation | Minato-ku, Tokyo | 100.0 |
| ITOCHU CONSTRUCTION MACHINERY CO., LTD. | Chuo-ku, Tokyo | 100.0 |
| ITOCHU AVIATION, CO., LTD. | Minato-ku, Tokyo | 100.0 |
| ITOCHU MACHINE-TECHNOS CORPORATION | Chiyoda-ku, Tokyo | 100.0 |
| Century Medical, Inc. | Shinagawa-ku, Tokyo | 100.0 |
| Toyo Advanced Technologies Co., Ltd. | Minami-ku, Hiroshima | 70.0 |
| I-Power Investment, Inc. | Wilmington, Delaware, U.S.A. | 100.0 |
| ITOCHU Automobile America Inc. | Detroit, Michigan, U.S.A. | 100.0 |
| PT. SUZUKI Finance Indonesia | Jakarta, Indonesia | 70.0<br>(15.0) |
| VEHICLES MIDDLE EAST FZCO | Dubai, U.A.E. | 100.0<br>(20.0) |
| MULTIQUIP INC. | Carson, California, U.S.A. | 100.0<br>(80.0) |
| I-ENVIRONMENT INVESTMENTS LIMITED | London, U.K. | 100.0<br>(20.0) |
| 83 other companies | | |
| **Metals & Minerals** | | |
| ITOCHU Metals Corporation | Minato-ku, Tokyo | 100.0 |
| Brazil Japan Iron Ore Corporation | Minato-ku, Tokyo | 67.5 |
| ITOCHU Minerals & Energy of Australia Pty Ltd | Perth, W.A., Australia | 100.0<br>(3.7) |
| ITC Platinum Development Ltd | London, U.K. | 75.0 |
| ITOCHU Coal Americas Inc. | Wilmington, DE, U.S.A. | 100.0 |
| 4 other companies | | |
| **Energy & Chemicals** | | |
| ITOCHU ENEX CO., LTD. | Minato-ku, Tokyo | 54.0<br>(0.0) |
| ITOCHU PLASTICS INC. | Shibuya-ku, Tokyo | 100.0 |
| ITOCHU CHEMICAL FRONTIER Corporation | Minato-ku, Tokyo | 100.0 |
| C.I. Kasei Co., Ltd. | Chuo-ku, Tokyo | 98.3 |
| ITOCHU Retail Link Corporation | Chuo-ku, Tokyo | 100.0 |
| ITOCHU PETROLEUM CO., (SINGAPORE) PTE. LTD. | Singapore | 100.0 |
| ITOCHU Oil Exploration (Azerbaijan) Inc. | Grand Cayman, Cayman Islands | 100.0 |
| IPC (USA), Inc. | Irvine, California, U.S.A. | 100.0 |
| IPC EUROPE LTD. | London, U.K. | 100.0 |
| JD Rockies Resources Limited | New Castle, DE, U.S.A. | 100.0 |
| ITOCHU Plastics Pte., Ltd. | Singapore | 100.0<br>(30.0) |
| PTAGENT. CORPORATION | Shanghai, China | 100.0<br>(40.0) |
| CIECO Exploration and Production (UK) Limited | London, U.K. | 100.0 |
| 106 other companies | | |

| Name | Location | Voting shares (%) |
|---|---|---|
| **Food** | | |
| ITOCHU Sugar Co., Ltd. | Hekinan, Aichi | 100.0 |
| ITOCHU Feed Mills Co., Ltd. | Koto-ku, Tokyo | 99.9<br>(0.0) |
| ITOCHU Food Sales & Marketing Co., Ltd. | Minato-ku, Tokyo | 100.0 |
| ITOCHU-SHOKUHIN Co., Ltd. | Chuo-ku, Osaka | 51.7<br>(0.1) |
| NIPPON ACCESS, INC. | Shinagawa-ku, Tokyo | 93.8 |
| China Foods Investment Corp. | Minato-ku, Tokyo | 74.1 |
| Dole International Holdings, Inc. | Chiyoda-ku, Tokyo | 100.0 |
| 86 other companies | | |
| **ICT, General Products & Realty** | | |
| ITOCHU Kenzai Corp. | Chuo-ku, Tokyo | 100.0 |
| ITOCHU Pulp & Paper Corp. | Chuo-ku, Tokyo | 100.0 |
| ITOCHU Techno-Solutions Corporation | Chiyoda-ku, Tokyo | 57.2<br>(0.0) |
| CONEXIO Corporation | Shibuya-ku, Tokyo | 60.3 |
| Excite Japan Co., Ltd. | Minato-ku, Tokyo | 57.4<br>(0.6) |
| ITOCHU LOGISTICS CORP. | Minato-ku, Tokyo | 99.0 |
| ITOCHU Property Development, Ltd. | Minato-ku, Tokyo | 99.8 |
| ITOCHU BUILDING PRODUCTS CO., INC. | New York, U.S.A. | 100.0<br>(80.0) |
| PrimeSource Building Products, Inc. | Irving, Texas, U.S.A. | 100.0<br>(80.0) |
| RUBBERNET (ASIA) PTE LTD. | Singapore | 80.0 |
| P.T. ANEKA BUMI PRATAMA | Palembang, Indonesia | 100.0 |
| European Tyre Enterprise Limited | Letchworth, U.K. | 100.0<br>(20.0) |
| ITOCHU FIBRE LIMITED | London, U.K. | 100.0<br>(10.0) |
| 113 other companies | | |
| **Headquarters** | | |
| ITOCHU TREASURY CENTRE ASIA PTE. LTD. | Singapore | 100.0 |
| ITOCHU TREASURY CENTRE EUROPE PLC | London, U.K. | 100.0 |
| ITOCHU Treasury Center Americas Inc. | Delaware, U.S.A. | 100.0 |
| 9 other companies | | |
| **Overseas Trading Subsidiaries** | | |
| ITOCHU International Inc. | New York, N.Y., U.S.A. | 100.0 |
| ITOCHU Europe PLC | London, U.K. | 100.0 |
| ITOCHU Singapore Pte Ltd | Singapore | 100.0 |
| ITOCHU Korea LTD. | Seoul, Korea | 100.0 |
| ITOCHU (Thailand) Ltd. | Bangkok, Thailand | 100.0 |
| ITOCHU Hong Kong Ltd. | Hong Kong, China | 100.0 |
| ITOCHU Latin America, S.A. | Panama, Republic of Panama | 100.0 |
| ITOCHU BRASIL S.A. | Sao Paulo, Brazil | 100.0 |
| ITOCHU Australia Ltd. | Sydney, N.S.W., Australia | 100.0 |
| ITOCHU MIDDLE EAST FZE | Dubai, U.A.E. | 100.0 |
| ITOCHU (China) Holding Co., Ltd. | Beijing, China | 100.0 |
| ITOCHU TAIWAN CORPORATION | Taipei, Taiwan | 100.0 |
| 29 other companies | | |

Notes: 1. The above numbers of subsidiaries do not include investment companies considered part of the parent (127 companies).
2. Figures in parentheses are indirect voting share percentages.

## 33. Structured Entities

Structured entity based on IFRS 12 "Disclose of Interests in Other Entities", is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. The Company and its subsidiaries are involved in structured entities which are funded in the aim of running business such as ocean plying vessels, asset management, and leasing through investments and loans.

As of March 31, 2014, 2013, and the date of transition, the total assets of unconsolidated structured entities within the structured entities were ¥145,859 million (US$1,417 million), ¥129,669 million, and ¥113,452 million, respectively. Unconsolidated structured entities primarily raise funds through loans from banks.

The book value of assets in the Consolidated Statement of Financial Position at March 31, 2014, 2013, and the date of transition which the Company and its subsidiaries recognized associated with the involvement in unconsolidated structured entities, were as follows:

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|---|---|---|---|
| | **2014** | 2013 | 2012 | **2014** |
| Other current receivables | **¥ 1,213** | ¥1,031 | ¥ 787 | **$ 12** |
| Investments accounted for by the equity method | **5,029** | 5,518 | 4,418 | **49** |
| Non-current receivables | **4,934** | 3,343 | 2,696 | **48** |
| Total | **¥11,176** | ¥9,892 | ¥7,901 | **$109** |

In addition, as of March 31, 2014, 2013, and the date of transition, the maximum exposure to losses in relation to the unconsolidated structured entities were ¥40,384 million (US$392 million), ¥ 37,603 million, and ¥32,192 million, respectively. The differences between the maximum exposure to losses and the amounts of assets recognized in the Consolidated Statement of Financial Position were mainly due to guarantees.

## 34. Contingent Liabilities

The Company and its subsidiaries issue various guarantees for indebtedness of associated companies, joint ventures, 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, 2014, 2013, and the date of transition were as follows:

The maximum potential amount of future payments represents the amounts without consideration of possible recoveries that the Company and its subsidiaries could be obliged to pay if there were defaults by third parties.

The amount of substantial risk represents the actual amount of liability incurred by the guaranteed parties within the maximum potential amount of future payments. The amounts that may be recovered from third parties have been excluded in determining the amount of substantial risk.

| | Millions of Yen | | |
|---|---|---|---|
| | 2014 | | |
| | Guarantees for monetary indebtedness | Other guarantees | Total |
| Guarantees for associated companies and joint ventures: | | | |
| Maximum potential amount of future payments | ¥ 80,946 | ¥19,393 | ¥100,339 |
| Amount of substantial risk | 64,211 | 15,327 | 79,538 |
| Guarantees for customers: | | | |
| Maximum potential amount of future payments | 52,168 | 12,228 | 64,396 |
| Amount of substantial risk | 45,854 | 7,968 | 53,822 |
| Total: | | | |
| Maximum potential amount of future payments | ¥133,114 | ¥31,621 | ¥164,735 |
| Amount of substantial risk | 110,065 | 23,295 | 133,360 |

| | Millions of Yen | | |
|---|---|---|---|
| | 2013 | | |
| | Guarantees for monetary indebtedness | Other guarantees | Total |
| Guarantees for associated companies and joint ventures: | | | |
| Maximum potential amount of future payments | ¥ 76,307 | ¥18,278 | ¥ 94,585 |
| Amount of substantial risk | 60,700 | 14,418 | 75,118 |
| Guarantees for customers: | | | |
| Maximum potential amount of future payments | 66,430 | 21,963 | 88,393 |
| Amount of substantial risk | 53,778 | 18,014 | 71,792 |
| Total: | | | |
| Maximum potential amount of future payments | ¥142,737 | ¥40,241 | ¥182,978 |
| Amount of substantial risk | 114,478 | 32,432 | 146,910 |

| | Millions of Yen | | |
|---|---|---|---|
| | 2012 | | |
| | Guarantees for monetary indebtedness | Other guarantees | Total |
| Guarantees for associated companies and joint ventures: | | | |
| Maximum potential amount of future payments | ¥ 87,996 | ¥18,385 | ¥106,381 |
| Amount of substantial risk | 70,454 | 15,042 | 85,496 |
| Guarantees for customers: | | | |
| Maximum potential amount of future payments | 70,856 | 7,391 | 78,247 |
| Amount of substantial risk | 55,282 | 4,168 | 59,450 |
| Total: | | | |
| Maximum potential amount of future payments | ¥158,852 | ¥25,776 | ¥184,628 |
| Amount of substantial risk | 125,736 | 19,210 | 144,946 |

| | Millions of U.S. Dollars | | |
|---|---|---|---|
| | 2014 | | |
| | Guarantees for monetary indebtedness | Other guarantees | Total |
| Guarantees for associated companies and joint ventures: | | | |
| Maximum potential amount of future payments | $ 786 | $189 | $ 975 |
| Amount of substantial risk | 624 | 149 | 773 |
| Guarantees for customers: | | | |
| Maximum potential amount of future payments | 507 | 119 | 626 |
| Amount of substantial risk | 446 | 77 | 523 |
| Total: | | | |
| Maximum potential amount of future payments | $1,293 | $308 | $1,601 |
| Amount of substantial risk | 1,070 | 226 | 1,296 |

As of March 31, 2014, for those guarantees, the Company does not expect any significant contingencies which may lead to demands of performance on guarantees, nor does the Company expect an increase of guarantee amounts due to the deterioration of management conditions of the guaranteed party.

The Company guarantees housing loans of its employees and those of certain subsidiaries as a part of the employee benefits. These guarantees are included in the guarantees above. If the employees default on a payment, the Company would be required to make payments under the contracts. The maximum potential amount of future payments under the contracts were ¥5,904 million (US$57 million), ¥6,365 million, and ¥6,737 million at March 31, 2014, 2013, and the date of transition, respectively. No provisions relating to the guarantees have been recognized in the consolidated financial statements.

The amounts that may be recovered from third parties have not been excluded from determining the maximum potential amount of future payments. The recoverable amounts were ¥11,197 million (US$109 million), ¥16,208 million, and ¥22,925 million at March 31, 2014, 2013, and the date of transition, respectively.

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

However, there is no assurance that domestic or overseas business activities of the Company and its subsidiaries may not become subject to any such lawsuits, arbitrations, or other legal proceedings in the future.

## 35. Explanation of Transition to IFRS

From the accounting period from April 1, 2013 to March 31, 2014, the consolidated financial statements are prepared in conformity with IFRSs.

In principle, IFRS 1 "First-time adoption of International Financial Reporting Standards", requires retrospective application of IFRSs for first time adopters. However, IFRS 1 provides certain voluntary exemptions and mandatory exceptions from full retrospective application of IFRSs.

### Exemptions under IFRS 1

**Business combinations**

Electing to apply the exemption under IFRS 1, the Company has elected to apply IFRS 3 "Business Combinations", from April 1, 2012, onward and not to retrospectively apply IFRS 3 to business combinations that occurred before the date of transition.

**Deemed cost**

Electing to apply the exemption under IFRS 1, the Company has measured the fair value of certain Property, plant and equipment and Investment property at the date of transition and recognized the fair value as the deemed cost as of the date of transition.

**Foreign currency translation adjustments**

Electing to apply the exemption under IFRS 1, the Company transferred to Retained earnings all foreign currency translation adjustments at the date of transition.

### Mandatory Exceptions under IFRS 1

IFRS 1 prohibits certain aspects of retrospective application. Subject to this prohibition are estimates, derecognition of financial assets and financial liabilities, hedge accounting, non-controlling interests, classification and measurement of financial assets, and embedded derivatives. The Company applied the requirements of IFRS 1 in relation to these items prospectively from the date of transition.

### Reconciliation of U.S. GAAP to IFRS

The reconciliation table that IFRSs require first time adopters of IFRSs to disclose is as follows.

In preparing its Consolidated Statement of Financial Position as of the date of transition, the Company has adjusted amounts previously reported in its consolidated financial statements prepared in accordance with U.S. GAAP.

The effect of the transition from U.S. GAAP to IFRSs on the Company's consolidated financial position, financial results, and cash flows were as follows:

Reconciliation of equity as of the date of transition (April 1, 2012)

| | Millions of Yen | | | |
|---|---|---|---|---|
| Assets | U.S. GAAP | Adjustments | IFRS | Assets |
| **Current assets** | | | | **Current assets** |
| Cash and cash equivalents | ¥ 513,489 | ¥ (664) | ¥ 512,825 | Cash and cash equivalents |
| Time deposits | 5,173 | — | 5,173 | Time deposits |
| Short-term investments | 2,770 | (2,770) | — | |
| Trade receivables | 1,653,412 | 291,730 | 1,945,142 | Trade receivables |
| | — | 115,254 | 115,254 | Other current receivables |
| Due from associated companies | 159,348 | (159,348) | — | |
| | — | 36,652 | 36,652 | Other current financial assets |
| Inventories | 574,345 | (4,483) | 569,862 | Inventories |
| Advances to suppliers | 91,965 | 14,114 | 106,079 | Advances to suppliers |
| Prepaid expenses | 31,981 | (31,981) | — | |
| Deferred tax assets | 48,755 | (48,755) | — | |
| Other current assets | 298,848 | (217,138) | 81,710 | Other current assets |
| Total current assets | 3,380,086 | (7,389) | 3,372,697 | Total current assets |
| **Investments and non-current receivables** | | | | **Non-current assets** |
| Investments in and advances to associated companies | 1,395,351 | (1,395,351) | — | |
| | — | 1,345,464 | 1,345,464 | Investments accounted for by the equity method |
| Other investments | 484,014 | 14,332 | 498,346 | Other investments |
| Other non-current receivables | 137,199 | (50,876) | 86,323 | Non-current receivables |
| | — | 96,829 | 96,829 | Non-current financial assets other than investments and receivables |
| Allowance for doubtful receivables | (42,087) | 42,087 | — | |
| Property and equipment, at cost | 707,933 | (87,435) | 620,498 | Property, plant and equipment |
| | — | 33,570 | 33,570 | Investment property |
| Goodwill | 149,506 | (8,848) | 140,658 | Goodwill |
| Other intangible assets, less accumulated amortization | 134,603 | (1,532) | 133,071 | Intangible assets |
| Prepaid pension cost | 67 | (67) | — | |
| Deferred tax assets, non-current | 80,729 | 21,397 | 102,126 | Deferred tax assets |
| Other assets | 79,872 | (21,299) | 58,573 | Other non-current assets |
| Total non-current assets | 3,127,187 | (11,729) | 3,115,458 | Total non-current assets |
| **Total assets** | ¥6,507,273 | ¥ (19,118) | ¥6,488,155 | **Total assets** |

| | Millions of Yen | | | |
|---|---|---|---|---|
| Liabilities and Equity | U.S. GAAP | Adjustments | Δ106 | Liabilities and Equity |
| **Current liabilities** | | | | **Current liabilities** |
| Short-term debt | ¥ 415,268 | ¥ (415,268) | ¥ — | |
| Current maturities of long-term debt | 35,700 | (35,700) | — | |
| | — | 451,618 | 451,618 | Short-term debentures and borrowings |
| Trade payables | 1,434,241 | 100,841 | 1,535,082 | Trade payables |
| | — | 85,237 | 85,237 | Other current payables |
| Due to associated companies | 38,368 | (38,368) | — | |
| Accrued expenses | 156,787 | (156,787) | — | |
| | — | 27,615 | 27,615 | Other current financial liabilities |
| Income taxes payable | 48,548 | 112 | 48,660 | Current tax liabilities |
| Advances from customers | 95,575 | 14,343 | 109,918 | Advances from customers |
| Deferred tax liabilities | 691 | (691) | — | |
| Other current liabilities | 225,896 | (22,609) | 203,287 | Other current liabilities |
| Total current liabilities | 2,451,074 | 10,343 | 2,461,417 | Total current liabilities |
| | | | | **Non-current liabilities** |
| Long-term debt, excluding current maturities | 2,259,717 | (2,259,717) | — | |
| | — | 2,084,800 | 2,084,800 | Long-term debentures and borrowings |
| | — | 100,073 | 100,073 | Other non-current financial liabilities |
| Accrued retirement and severance benefits | 64,304 | (64,304) | — | |
| | — | 83,976 | 83,976 | Non-current liabilities for employee benefits |
| Deferred tax liabilities, non-current | 36,037 | 11,995 | 48,032 | Deferred tax liabilities |
| | — | 67,227 | 67,227 | Other non-current liabilities |
| Total non-current liabilities | 2,360,058 | 24,050 | 2,384,108 | Total non-current liabilities |
| Total liabilities | 4,811,132 | 34,393 | 4,845,525 | Total liabilities |
| **Equity** | | | | **Equity** |
| Common stock | 202,241 | — | 202,241 | Common stock |
| Capital surplus | 112,370 | (2,276) | 110,094 | Capital surplus |
| Retained earnings | 1,296,265 | (333,820) | 962,445 | Retained earnings |
| Accumulated other comprehensive income (loss) | (244,394) | 289,227 | 44,833 | Other components of equity |
| Treasury stock, at cost | (2,685) | — | (2,685) | Treasury stock |
| Total ITOCHU stockholders' equity | 1,363,797 | (46,869) | 1,316,928 | Total shareholders' equity |
| Noncontrolling interest | 332,344 | (6,642) | 325,702 | Non-controlling interests |
| Total equity | 1,696,141 | (53,511) | 1,642,630 | Total equity |
| **Total liabilities and equity** | ¥6,507,273 | ¥ (19,118) | ¥6,488,155 | **Total liabilities and equity** |

Reconciliation of equity as of the end of the previous accounting period (March 31, 2013)

| | Millions of Yen | | | |
|---|---|---|---|---|
| Assets | U.S. GAAP | Adjustments | IFRS | Assets |
| **Current assets** | | | | **Current assets** |
| Cash and cash equivalents | ¥ 569,716 | ¥ 619 | ¥ 570,335 | Cash and cash equivalents |
| Time deposits | 7,120 | — | 7,120 | Time deposits |
| Short-term investments | 3,655 | (3,655) | — | |
| Trade receivables | 1,696,415 | 383,638 | 2,080,053 | Trade receivables |
| | — | 109,802 | 109,802 | Other current receivables |
| Due from associated companies | 194,449 | (194,449) | — | |
| | — | 36,191 | 36,191 | Other current financial assets |
| Inventories | 657,853 | 7,477 | 665,330 | Inventories |
| Advances to suppliers | 70,871 | 4,029 | 74,900 | Advances to suppliers |
| Prepaid expenses | 39,355 | (39,355) | — | |
| Deferred tax assets | 47,810 | (47,810) | — | |
| Other current assets | 268,939 | (198,910) | 70,029 | Other current assets |
| Total current assets | 3,556,183 | 57,577 | 3,613,760 | Total current assets |
| **Investments and non-current receivables** | | | | **Non-current assets** |
| Investments in and advances to associated companies | 1,645,568 | (1,645,568) | — | |
| | — | 1,571,263 | 1,571,263 | Investments accounted for by the equity method |
| Other investments | 530,293 | 10,846 | 541,139 | Other investments |
| Other non-current receivables | 139,790 | (37,360) | 102,430 | Non-current receivables |
| | — | 140,092 | 140,092 | Non-current financial assets other than investments and receivables |
| Allowance for doubtful receivables | (35,929) | 35,929 | — | |
| Property and equipment, at cost | 804,255 | (81,372) | 722,883 | Property, plant and equipment |
| | — | 36,958 | 36,958 | Investment property |
| Goodwill | 157,914 | (6,445) | 151,469 | Goodwill |
| Other intangible assets, less accumulated amortization | 166,299 | 14,790 | 181,089 | Intangible assets |
| Prepaid pension cost | 223 | (223) | — | |
| Deferred tax assets, non-current | 51,447 | 10,070 | 61,517 | Deferred tax assets |
| Other assets | 101,403 | (25,502) | 75,901 | Other non-current assets |
| Total non-current assets | 3,561,263 | 23,478 | 3,584,741 | Total non-current assets |
| **Total assets** | ¥7,117,446 | ¥ 81,055 | ¥7,198,501 | **Total assets** |

| Liabilities and Equity | U.S. GAAP | Adjustments | IFRS | Liabilities and Equity |
|---|---|---|---|---|
| | | Millions of Yen | | |
| **Current liabilities** | | | | **Current liabilities** |
| Short-term debt | ¥ 435,880 | ¥ (435,880) | ¥ — | |
| Current maturities of long-term debt | 46,664 | (46,664) | — | |
| | — | 498,816 | 498,816 | Short-term debentures and borrowings |
| Trade payables | 1,469,155 | 140,070 | 1,609,225 | Trade payables |
| | — | 80,032 | 80,032 | Other current payables |
| Due to associated companies | 42,606 | (42,606) | — | |
| Accrued expenses | 166,714 | (166,714) | — | |
| | — | 21,800 | 21,800 | Other current financial liabilities |
| Income taxes payable | 37,758 | (17) | 37,741 | Current tax liabilities |
| Advances from customers | 66,689 | 1,256 | 67,945 | Advances from customers |
| Deferred tax liabilities | 574 | (574) | — | |
| Other current liabilities | 209,901 | 14,627 | 224,528 | Other current liabilities |
| Total current liabilities | 2,475,941 | 64,146 | 2,540,087 | Total current liabilities |
| | | | | **Non-current liabilities** |
| Long-term debt, excluding current maturities | 2,447,868 | (2,447,868) | — | |
| | — | 2,282,067 | 2,282,067 | Long-term debentures and borrowings |
| | — | 105,733 | 105,733 | Other non-current financial liabilities |
| Accrued retirement and severance benefits | 36,804 | (36,804) | — | |
| | — | 69,118 | 69,118 | Non-current liabilities for employee benefits |
| Deferred tax liabilities, non-current | 44,214 | 27,015 | 71,229 | Deferred tax liabilities |
| | — | 55,073 | 55,073 | Other non-current liabilities |
| Total non-current liabilities | 2,528,886 | 54,334 | 2,583,220 | Total non-current liabilities |
| Total liabilities | 5,004,827 | 118,480 | 5,123,307 | Total liabilities |
| **Equity** | | | | **Equity** |
| Common stock | 202,241 | — | 202,241 | Common stock |
| Capital surplus | 113,408 | (377) | 113,031 | Capital surplus |
| Retained earnings | 1,501,428 | (340,489) | 1,160,939 | Retained earnings |
| Accumulated other comprehensive income (loss) | (48,939) | 294,411 | 245,472 | Other components of equity |
| Treasury stock, at cost | (2,703) | — | (2,703) | Treasury stock |
| Total ITOCHU stockholders' equity | 1,765,435 | (46,455) | 1,718,980 | Total shareholders' equity |
| Noncontrolling interest | 347,184 | 9,030 | 356,214 | Non-controlling interests |
| Total equity | 2,112,619 | (37,425) | 2,075,194 | Total equity |
| **Total liabilities and equity** | ¥7,117,446 | ¥ 81,055 | ¥7,198,501 | **Total liabilities and equity** |

Reconciliation of comprehensive income for the previous consolidated accounting period (from April 1, 2012, to March 31, 2013)

| | Millions of Yen | | | |
|---|---|---|---|---|
| | U.S. GAAP | Adjustments | IFRS | |
| **Revenue** | | | | **Revenues** |
| Sales revenue | ¥ 4,245,976 | ¥ (18,099) | ¥ 4,227,877 | Revenues from sale of goods |
| Trading margins and commissions on trading transactions | 333,787 | (333,787) | — | |
| | — | 471,589 | 471,589 | Revenues from rendering of services and royalities |
| Total revenue | 4,579,763 | 119,703 | 4,699,466 | Total revenues |
| **Cost** | | | | **Cost** |
| Cost of sales | (3,663,884) | 241,121 | (3,422,763) | Cost of sale of goods |
| | — | (330,925) | (330,925) | Cost of rendering of services and royalities |
| | (3,663,884) | (89,804) | (3,753,688) | Total cost |
| Gross trading profit | 915,879 | 29,899 | 945,778 | Gross trading profit |
| **Other income (expenses)** | | | | **Other gains (losses)** |
| Selling, general and administrative expenses | (671,319) | (17,293) | (688,612) | Selling, general and administrative expenses |
| Provision for doubtful receivables | (341) | 33 | (308) | Provision for doubtful accounts |
| Loss on property and equipment–net | (9,273) | (85) | (9,358) | Losses on property, plant, equipment and intangible assets |
| Other–net | 9,738 | (2,711) | 7,027 | Other–net |
| | | (20,056) | (691,251) | Total other losses |
| | | | | **Financial income (loss)** |
| Interest income | 9,153 | 55 | 9,208 | Interest income |
| Dividends received | 34,626 | 7 | 34,633 | Dividends received |
| Interest expense | (23,207) | (1,617) | (24,824) | Interest expense |
| | — | 6,124 | 6,124 | Other financial income |
| | | 4,569 | 25,141 | Total financial income |
| Gain on investments–net | 45,856 | (45,856) | — | |
| | — | 87,967 | 87,967 | Equity in earnings of associates and joint ventures |
| | — | 12,004 | 12,004 | Gains on disposal and remeasurement of investments in subsidiaries, associates and joint ventures |
| **Income before income taxes and equity in earnings of associated companies** | 311,112 | 68,527 | 379,639 | **Profit before tax** |
| Income taxes | (94,333) | (2,815) | (97,148) | Income tax expense |
| Income before equity in earnings of associated companies | 216,779 | — | — | |
| Equity in earnings of associated companies | 85,891 | (85,891) | — | |
| **Net income** | 302,670 | (20,179) | 282,491 | **Net profit** |
| **Net income attributable to ITOCHU** | 280,297 | (21,454) | 258,843 | **Net profit attributable to ITOCHU** |
| Net income attributable to the noncontrolling interest | ¥ 22,373 | ¥ 1,275 | ¥ 23,648 | Net profit attributable to non-controlling interests |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | U.S. GAAP | Adjustments | IFRS | |
| **Other comprehensive income (loss) (net of tax)** | | | | **Other comprehensive income for the year, net of tax:** |
| | | | | Items that will not be reclassified to profit or loss |
| Unrealized holding gains on securities | ¥ 35,731 | ¥ 31,311 | ¥ 67,042 | FVTOCI financial assets |
| Pension liability adjustments | 10,546 | (6,407) | 4,139 | Remeasurement of net defined pension liabiity |
| | — | 2,960 | 2,960 | Other comprehensive income in associates and joint ventures |
| | | | | Items that may be reclassified to profit or loss |
| Foreign currency translation adjustments | 157,696 | (42,993) | 114,703 | Translation adjustments |
| Unrealized holding gains on derivative instruments | 397 | 2,081 | 2,478 | Cash flow hedges |
| | — | 33,247 | 33,247 | Other comprehensive income in associates and joint ventures |
| Total other comprehensive income (loss) (net of tax) | 204,370 | 20,199 | 224,569 | Total other comprehensive income for the year, net of tax |
| **Comprehensive income (loss)** | 507,040 | 20 | 507,060 | **Total comprehensive income for the year** |
| **Comprehensive income (loss) attributable to ITOCHU** | 475,819 | (1,359) | 474,460 | **Total comprehensive income attributable to ITOCHU** |
| Comprehensive income (loss) attributable to the noncontrolling interest | ¥ 31,221 | ¥ 1,379 | ¥ 32,600 | Total comprehensive income attributable to non-controlling interests |

| | Yen | | |
|---|---|---|---|
| | U.S. GAAP | IFRS | |
| Net income (attributable to ITOCHU) per common share | | | Earnings per share (attributable to ITOCHU) |
| Basic | ¥177.35 | ¥163.77 | Basic |
| Diluted | ¥177.35 | ¥163.77 | Diluted |

The following reclassifications affected the presentation of the Consolidated Statement of Financial Position and did not affect the Consolidated Statement of Comprehensive Income or Retained earnings.

1)
Under U.S. GAAP, trade receivables and payables that are recognized in the normal course of trading operations are classified as non-current items when the maturity date is more than one year from the next business day after the last day of the accounting period. Under IFRSs, however, even trade receivables and payables that have a maturity date that is more than one year ahead are presented as current assets or liabilities if they are recognized as part of the normal operating cycle. Accordingly, applicable trade receivables and payables have been reclassified from non-current items into current items.

2)
IFRSs does not permit deferred tax assets or liabilities to be classified as current assets or liabilities. Under U.S. GAAP, however, deferred tax assets or liabilities are classified as current assets or liabilities, or non-current assets or liabilities. Accordingly, all deferred tax assets or liabilities that were classified as current assets or liabilities under U.S. GAAP have been reclassified into non-current assets or liabilities.

Notes for adjustments on equity

(1) Impairment
Under U.S. GAAP, if there are indications of the possibility of impairment for property, plant and equipment or intangible assets with service lives that can be determined, the amount surpassing the fair value is recognized as impairment of the assets, but only if a comparison of the carrying amount and the undiscounted future cash flows of the assets shows that the carrying amount exceeds the undiscounted future cash flows.

Under IFRSs, if there are indications of the possibility of impairment of assets, the amount by which the carrying amount of the assets exceeds the recoverable amount (the higher of value in use or fair value less costs to sell) is recognized as impairment of property, plant and equipment.

As a result of the differences in the above-mentioned methods, at the end of the previous accounting period, impairment losses (net of tax) of ¥650 million were recognized in Equity in earnings of associated companies and joint ventures.

Further, under U.S. GAAP, for impairment tests of goodwill, the fair value of reporting units and their carrying value including goodwill are compared. If the fair value of reporting units is less than the carrying value of reporting units, the fair value of goodwill is calculated, and if the calculated fair value of goodwill is less than the carrying value, the difference is recognized as impairment losses on goodwill.

Under IFRSs, if the carrying value of cash-generating units including goodwill surpasses the recoverable amount, the amount by which it is surpassed is recognized as impairment losses. For impairment losses arising in cash-generating units including goodwill, first goodwill is impaired, and if there is an amount remaining, impairment losses are recognized for other assets within cash-generating units.

As a result of the differences in the above-mentioned methods, at the date of transition, primarily in the Textile segment, impairment losses of ¥8,848 million, ¥220 million, and ¥2,800 million were recognized for Goodwill, Property, plant and equipment, and Intangible assets, respectively. The differences after deduction of a tax effect of ¥1,526 million (income) and non-controlling interests of ¥3,652 million related to the impairment losses from impairment effects above, ¥6,690 million was recognized in Retained earnings.

The recoverable amounts used in impairment tests for Goodwill, Property, plant and equipment, and Intangible assets are calculated based on value in use and with the support of an independent appraiser. Value in use is calculated by discounting the estimated amount of future cash flows based on the business plans approved by the Board of Directors. In principle, business plans are limited to five years and are formulated in a manner that reflects past experience and is consistent with external information. The growth rate is determined with reference to the long-term average growth rate of the markets or countries to which the cash-generating unit belongs. The discount rate is determined with reference to such factors as the weighted average cost of capital for each cash-generating unit (about 7–8%).

(2) Deemed Cost

Electing to apply the exemption, the Company has used the fair value of certain Property, plant and equipment and Investment property at the date of transition as the deemed cost. Under U.S. GAAP, the carrying amount and fair value of Property, plant and equipment and Investment property subject to the provision were ¥199,887 million and ¥137,957 million, respectively, at the date of transition.

Property, plant and equipment, Investment property, and Investments accounted for by the equity method at the date of transition were reduced ¥58,581 million, ¥2,972 million, and ¥21,236 million, respectively. Further, ¥24,488 million (income) was recognized as a tax effect related to the treatment. The net amount after a deduction of ¥5,000 million of non-controlling interests, a difference of ¥53,301 million (loss) has affected Retained earnings. Also, for the previous accounting period, as a result of applying the provision, compared with the outstanding amounts under U.S. GAAP, Property, plant and equipment, Investment property, and Investments accounted for by the equity method were reduced by ¥54,480 million, ¥2,842 million, and ¥21,672 million, respectively, and deferred tax liabilities were reduced by ¥23,138 million. The net amount after a deduction of ¥5,553 million of non-controlling interests, a difference of ¥50,303 million (loss) affected Retained earnings. Net profit in the previous accounting period increased by ¥2,998 million.

(3) FVTOCI Financial Assets

According to IFRS1, the Company can judge the clarification of financial assets on IFRS 9, not from the facts and conditions at the initial recognition date, but from those at the date of transition.

Based on IFRS 9, the Company uses the fair value to evaluate financial instruments classified as FVTOCI financial assets, regardless of whether an active market exists. Changes in the fair value are recognized in other comprehensive income (loss), and net gains or losses on disposal and remeasurements are not recognized in profit or loss.

Meanwhile, under U.S. GAAP, if decreases in fair value are judged to be other-than temporary, the amount by which the cost of acquisition surpasses the fair value is recognized as impairment losses, and recognized in Retained earnings through net profit.

Therefore, on the date of transition, the effect on Retained earnings resulting from impairment losses recognized in the past in accordance with U.S. GAAP has been reclassified into other components of equity.

At the end of the previous accounting period and at the date of transition, the amounts reclassified from Retained earnings into other components of equity were ¥66,954 million (loss) and ¥82,560 million (loss), respectively.

Further, arising from differences in the above-mentioned standards, the effect of disposal or evaluation on net profit for the previous accounting period was ¥19,990 million (loss).

In addition, financial assets without active markets were recognized at cost under the previous accounting standards. However, at the date of transition, the financial assets were evaluated at fair value, and the effect of this has been recognized in other components of equity.

Adjustments to other investments at the end of the previous accounting period and at the date of transition, were ¥119,395 million and ¥101,410 million, respectively. After adjustment of deferred tax liabilities of ¥41,717 million and ¥35,517 million, and deduction of non-controlling interests of ¥2,604 million and ¥2,945 million, respectively, the adjustments to other investments of ¥75,074 million and ¥62,948 million, respectively, have been recognized in other components of equity.

(4) Employee Benefits

Under U.S. GAAP, for post-employment defined benefit plans, the difference between the fair value of plan assets and the projected benefit obligations is recognized as an asset or liability. The net actuarial loss balance and prior service cost balance are respectively recognized after tax effect in accumulated other comprehensive income in the Consolidated Balance Sheets. Further, the amount recognized in accumulated other comprehensive income is, subsequently, recognized as a part of pension cost in the Consolidated Statements of Income.

Under IFRSs, for post-employment defined benefit plans, the fair value of plan assets net of the present value of defined benefit obligation is recognized as an asset or liability. All actuarial gains or losses arising from post-employment defined benefit plans are recognized (as Remeasurement of net defined pension liability) in other comprehensive income or loss and immediately reclassified into Retained earnings. Further, prior service cost is immediately recognized as a part of pension cost.

Due to differences in the above-mentioned standards, accumulated other comprehensive income (loss) under U.S. GAAP of ¥87,373 million (loss) and ¥97,861 million (loss) at the end of the previous accounting period and at the date of transition, have been reclassified to Retained earnings. Further, the effect on Net profit attributable to ITOCHU for the previous accounting period was ¥3,884 million (income).

(5) Foreign Currency Translation Adjustments
Electing to apply the exemption under IFRS 1, the Company transferred to retained earnings all foreign currency translation adjustments that were recognized under U.S. GAAP at the date of transition.

The amount reclassified to retained earnings at the date of transition was ¥208,781 million (loss). Further, regarding Net profit attributable to ITOCHU for the previous accounting period, the effect on Gain (loss) on disposal and remeasurements of investments in subsidiaries, associates and joint ventures was ¥1,322 million (income).

(6) Scope of Consolidation
Under U.S. GAAP, entities for which a company substantially determines financial, operational, or business policies are treated as consolidated subsidiaries. The equity method is applied to associated companies for which the company influences financial and operational policies significantly.

Under IFRSs, entities that a company controls are treated as consolidated subsidiaries. Entities that the company does not control but for which it is able to be involved in determining financial and operational policies and has significant influence are treated as associated companies accounted for by the equity method. In addition, the equity method is used for joint ventures. For joint operations, an amount equivalent to the equity interest in the assets or liabilities and earnings or expenses of the joint operations is recognized in financial statements.

Due to differences in the above-mentioned standards, total assets at the date of transition increased by ¥4,319 million, and total assets increased by ¥78,561 million at the end of the previous accounting period.

(7) Income Taxes
Deferred tax assets (net of deferred tax liabilities) at the end of the previous accounting period and at the date of transition decreased by ¥64,181 million and ¥38,662 million, respectively. Due to the decreases, Retained earnings at the end of the previous accounting period and at the date of transition decreased by ¥24,173 million and ¥19,600 million, respectively. Further, regarding the effect on the Consolidated Statement of Comprehensive Income of the previous accounting period, compared with income taxes under U.S. GAAP, Income tax expense increased by ¥2,815 million.

The adjustments (1)–(6) above were factors contributing to a decrease in deferred tax assets. However, other factors included variation in the treatment of temporary differences associated with investments in affiliates and the treatment of tax effects related to unrealized intercompany transactions.

Regarding the treatment of temporary differences associated with investments in affiliates, under U.S. GAAP, if there are deductible temporary differences arising from investments in associated companies, after judging the recoverability of the temporary differences, they are recognized in deferred tax assets. Meanwhile, under IFRSs, there is a difference because, if there are deductible temporary differences arising from investments in associated companies, they are recognized in deferred tax assets only if it is probable that the temporary differences will reverse in the foreseeable future and to the extent that taxable amount will be gained.

As for the treatment of tax effects related to intercompany unrealized transactions, under U.S. GAAP, the taxes and revenues of the seller were accounted for using a deferred approach. However, under IFRSs, based on the asset and liability approach, for deductible temporary differences, after analysis of recoverability, deferred taxes are recognized at the tax rate of the buyer.

Adjustment to cash flows at the end of the previous accounting period (from April 1, 2012, to March 31, 2013):

In the Consolidated Statement of Cash Flows that has been presented in conformity with IFRSs, cash flows from operating activities decreased by ¥9,144 million, cash flows from investing activities decreased by ¥3,821 million, and cash flows from financing activities increased by ¥14,301 million compared with the presentation in U.S.GAAP, mainly due to a difference in scope of consolidation.

## 36. Approval of Consolidated Financial Statements

The consolidated financial statements were approved at the Board of Directors meeting held on June 20, 2014.

## 37. Material Subsequent Events

The Company evaluated subsequent events through June 20, 2014, when the consolidated financial statements are available to be issued. Subsequent events were as follows:

The Company issued both 0.487% Yen Bonds due 2021 in Japan in an aggregate amount of ¥10,000 million (US$97 million) and 0.785% Yen Bonds due 2024 in Japan in an aggregate amount of ¥10,000 million (US$97 million) on May 30, 2014, in accordance with the resolution approved at the Board of Directors meeting held on May 16, 2013.

# Independent Auditor's Report

Deloitte.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of ITOCHU Corporation:

We have audited the accompanying consolidated financial statements of ITOCHU Corporation and its subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the related notes to the consolidated financial statements (all expressed in Japanese yen).

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ITOCHU Corporation and its subsidiaries as at March 31, 2014, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

**Report on Management's Report on Internal Control over Financial Reporting**

Notwithstanding the second paragraph of the "Auditor's Responsibility" section, we have performed an audit of management's report on internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act of Japan. A translated copy of management's report on ICFR along with a translated copy of our report is included within this annual report as information for readers.

Deloitte Touche Tohmatsu LLC

June 30, 2014

# Supplementary Explanation

**Internal Controls Over Financial Reporting in Japan**

The Financial Instruments and Exchange Act in Japan ("the Act") requires the management of Japanese public companies to annually evaluate whether internal controls over financial reporting ("ICFR") are effective as of each fiscal year-end and to disclose the assessment to investors in "Management Internal Control Report." The Act also requires that the independent auditor of the financial statements of these companies report on management's assessment of the effectiveness of ICFR in an Independent Auditor's Report ("indirect reporting"). Under the Act these reports are required for fiscal years beginning on or after April 1, 2008.

We have thus evaluated its internal controls over financial reporting as of March 31, 2014 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, 2014, we concluded that its internal control system over financial reporting as of March 31, 2014 was effective and reported such in its Management Internal Control Report.

Our Independent Auditors, Deloitte Touche Tohmatsu LLC, performed an audit of the Management Internal Control Report under the Act.

An English translation of the Management Internal Control Report and the Independent Auditor's Report filed under the Act is attached on the following pages.

ITOCHU Corporation

# Management Internal Control Report (Translation)

NOTE TO READERS:

Following is an English translation of management's report on internal control over financial reporting ("ICFR") filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

( TRANSLATION )

**1. [Matters relating to the basic framework for internal control over financial reporting]**

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, 2014, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting on a consolidation basis ("company-level controls") and based on the results of this assessment, we selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and associated companies, from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts on financial reporting based upon four key financial figures: "Revenue", "Gross trading profit", "Total assets" (for associated companies, carrying amount of investments in associated companies), and "Profit before tax" before elimination of inter-company transactions for the year ended March 31, 2014. The Company and 122 consolidated subsidiaries and associated companies (the "122 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 122 entities, we reasonably determined the required scope of assessment of internal controls over business processes.

(Note) The 122 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 122 entities, however we included major special purpose entities into the scope of assessment. Regarding entities other than the 122 entities and the major special purpose entities, we concluded that they do not have any material impact on the consolidated financial statements and, thus, we did not include them in the scope of assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, we selected locations and business units to be tested based upon revenue and gross trading profit (before elimination of inter-company transactions). In addition, we also added locations and business units by considering qualitative aspects such as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management's judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting. We selected the Company and 38 entities as "significant locations and/or business units". We verified that combined revenue and gross trading profit of in-scope entities exceeded two thirds of totals for the year ended March 31, 2014. We included in the scope of assessment, at the selected significant locations and/or business units, business processes relating to revenue, gross trading profit, accounts receivable, inventories, and investments as significant accounts that may have a material impact on the business objectives of the Company.

**3. [Matters relating to the results of the assessment]**

As a result of the assessment described above, as of the end of this fiscal year, we concluded that the Company's internal control over financial reporting was effectively maintained.

**4. [Remarks]**

We have nothing to be reported as remarks.

**5. [Points to be noted]**

We have nothing to be reported as points to be noted.

# Independent Auditor's Report
# (filed under the Financial Instruments and Exchange Act of Japan)

NOTE TO READERS:

Following is an English translation of the Independent Auditor's Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

( TRANSLATION )

## INDEPENDENT AUDITOR'S REPORT

**(filed under the Financial Instruments and Exchange Act of Japan)**

June 30, 2014

To the Board of Directors of ITOCHU Corporation:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Masahiro Ishizuka

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Yasuhiro Katsushima

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Haruko Nagayama

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Hiroyuki Yamada

## [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 statement of financial position as of March 31, 2014 of ITOCHU Corporation (the "Company") and its subsidiaries, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from April 1, 2013 to March 31, 2014, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ITOCHU Corporation and its subsidiaries as of March 31, 2014, and the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

## [Audit of Internal Control]

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of ITOCHU Corporation as of March 31, 2014.

### Management's Responsibility for the Report on Internal Control

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

### Auditor's Responsibility

Our responsibility is to express an opinion on management's report on internal control based on our internal control audit. We conducted our internal control 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 is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 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 as of March 31, 2014 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

### Interest

Our firm and the engagement partners do not have any 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.

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