Financial Section 2016

For the Year Ended March 31, 2016

ITOCHU Corporation

ITOCHU Corporation
Financial Section 2016

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.

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.
The following indicators are presented in accordance with IFRSs.

	Millions of Yen					Millions of U.S. Dollars (Note 4)
Years ended March 31	**2016**	2015	2014	2013	2012	**2016**
P/L (For the year):						
Revenues	**¥5,083,536**	¥5,591,435	¥5,587,526	¥4,699,466	¥ —	**$45,115**
Gross trading profit	**1,069,711**	1,089,064	1,045,022	945,778	—	**9,493**
Net profit attributable to ITOCHU	**240,376**	300,569	245,312	258,843	—	**2,133**
Comprehensive income attributable to ITOCHU	**(144,777)**	465,605	391,901	474,460	—	**(1,285)**
Per share (Yen and U.S. Dollars):						
Basic earnings attributable to ITOCHU (Note 1)	**152.14**	189.13	155.21	163.77	—	**1.35**
Cash dividends	**50.0**	46.0	46.0	40.0	44.0	**0.44**
Shareholders' equity (Note 1)	**1,388.66**	1,539.55	1,293.35	1,087.61	833.22	**12.32**
Adjusted profit (Note 2)	**418,994**	312,421	372,797	364,150	—	**3,718**
B/S (At year-end):						
Total assets	**¥8,036,395**	¥8,560,701	¥7,784,851	¥7,198,501	¥6,488,155	**$71,321**
Current interest-bearing debt	**426,820**	543,660	472,667	498,816	451,618	**3,788**
Long-term interest-bearing debt	**2,769,345**	2,548,504	2,420,713	2,282,067	2,084,800	**24,577**
Interest-bearing debt	**3,196,165**	3,092,164	2,893,380	2,780,883	2,536,418	**28,365**
Net interest-bearing debt	**2,555,644**	2,380,504	2,231,988	2,203,428	2,018,420	**22,681**
Total shareholders' equity	**2,193,677**	2,433,202	2,044,120	1,718,980	1,316,928	**19,468**
Cash flows (For the year):						
Cash flows from operating activities	**¥ 419,404**	¥ 403,629	¥ 428,101	¥ 236,517	¥ —	**$ 3,722**
Cash flows from investing activities	**(557,260)**	(276,103)	(270,377)	(203,811)	—	**(4,946)**
Cash flows from financing activities	**81,770**	(97,896)	(77,855)	2,978	—	**726**
Cash and cash equivalents at the end of the year	**632,871**	700,292	653,739	570,335	512,825	**5,617**
Ratios:						
ROA (%)	**2.9**	3.7	3.3	3.8	—	**—**
ROE (%)	**10.4**	13.4	13.0	17.1	—	**—**
Ratio of shareholders' equity to total assets (%)	**27.3**	28.4	26.3	23.9	20.3	**—**
Net debt-to-equity ratio (times)	**1.17**	0.98	1.09	1.28	1.53	**—**
Interest coverage (times) (Note 3)	**10.1**	12.7	12.5	12.1	—	**—**
Common stock information (For the year):						
Stock price (Yen and U.S. Dollars):						
Opening price	**¥ 1,282.0**	¥ 1,222.0	—	—	—	**$ 11.38**
High	**1,756.0**	1,429.0	—	—	—	**15.58**
Low	**1,170.0**	1,118.0	—	—	—	**10.38**
Closing price	**1,386.0**	1,301.5	—	—	—	**12.30**
Market capitalization (Yen and U.S. Dollars in billions)	**2,189**	2,057	—	—	—	**19.43**
Trading volume (yearly, million shares)	**1,886**	1,782	—	—	—	
Number of shares of common stock issued (at year-end, 1,000 shares)	**1,662,889**	1,662,889	—	—	—	**—**
Exchange rates into U.S. currency						
(Federal Reserve Bank of New York):						
At year-end	**¥ 112.42**	¥ 119.96	—	—	—	**—**
Average for the year	**120.04**	109.75	—	—	—	**—**
Range:						
Low	**125.58**	121.50	—	—	—	**—**
High	**111.30**	101.26	—	—	—	**—**
Number of employees (At year-end, consolidated)	**105,800**	110,487	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. Adjusted profit = Gross trading profit + Selling, general and administrative expenses + Interest expense + Interest income + Dividends received +Equity in earnings of associates and joint ventures
3. Interest coverage = (Gross trading profit + Selling, general and administrative expenses + Provision for doubtful accounts + interest income + Dividends received) / Interest expense
4. The Japanese yen amounts for the year ended March 31, 2016, have been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥112.68=US$1 (the official rate dated March 31, 2016, announced by The Bank of Tokyo-Mitsubishi UFJ, Ltd.).

Six-year Summary (U.S. GAAP)

ITOCHU Corporation and its Subsidiaries

	Millions of Yen					
Years ended March 31	2014	2013	2012	2011	2010	2009
P/L (For the year):						
Revenue	¥5,530,895	¥4,579,763	¥4,197,525	¥3,581,795	¥3,418,220	¥3,419,061
Gross trading profit	1,028,273	915,879	956,920	906,587	860,187	1,060,521
Net income attributable to ITOCHU	310,267	280,297	300,505	161,114	128,905	165,390
Comprehensive income (loss) attributable to ITOCHU	446,214	475,819	249,983	106,041	270,570	(92,334)
Per share (Yen):						
Basic net income attributable to ITOCHU (Note 1)	196.31	177.35	190.13	101.93	81.56	104.64
Cash dividends	46.0	40.0	44.0	18.0	15.0	18.5
Stockholders' equity (Note 1)	1,358.42	1,117.01	862.88	731.57	695.75	537.43
Adjusted profit (Note 2)	394,201	351,023	395,477	333,098	195,552	339,292
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
Current interest-bearing debt	464,992	482,544	450,968	288,973	289,963	628,792
Long-term interest-bearing debt	2,420,272	2,279,915	2,082,592	1,979,967	1,919,588	1,760,530
Interest-bearing debt	2,885,264	2,762,459	2,533,560	2,268,940	2,209,551	2,389,322
Net interest-bearing debt	2,224,279	2,185,623	2,014,898	1,630,764	1,721,464	1,756,764
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
Stockholders' equity	2,146,963	1,765,435	1,363,797	1,156,270	1,099,639	849,411
Cash flows (For the year):						
Cash flows from operating activities	¥ 418,396	¥ 245,661	¥ 212,830	¥ 335,361	¥ 293,597	¥ 276,854
Cash flows from investing activities	(266,692)	(199,990)	(416,315)	(230,866)	(195,698)	(326,033)
Cash flows from financing activities	(71,707)	(11,323)	84,704	53,202	(256,568)	258,322
Cash and cash equivalents at the end of the year	653,332	569,716	513,489	633,756	480,564	628,820
Ratios:						
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) (Note 3)	13.1	12.4	13.5	10.7	5.3	7.2
Common stock information (For the year):						
Stock price (Yen):						
Opening price	¥1,125.0	¥ 925.0	¥870.0	¥829.0	¥487.0	¥ 994.0
High	1,568.0	1,241.0	966.0	930.0	821.0	1,337.0
Low	1,033.0	755.0	676.0	659.0	486.0	380.0
Closing price	1,206.0	1,131.0	903.0	871.0	819.0	478.0
Market capitalization (Yen in billions)	1,906	1,788	1,427	1,377	1,294	756
Trading volume (yearly, million shares)	1,782.0	1,783.0	1,882.0	2,287.0	2,616.0	2,913.0
Number of shares of common stock issued (at year-end, 1,000 shares)	1,584,889	1,584,889	1,584,889	1,584,889	1,584,889	1,584,889
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. Adjusted profit = Gross trading profit + Selling, general and administrative expenses + Interest expense + Interest income + Dividends received + Equity in earnings of associated companies
3. Interest coverage = (Gross trading profit + Selling, general and administrative expenses + Provision for doubtful receivables + interest income + Dividends received) / Interest expense
4. 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.
5. 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.
6. 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 years ended March 31, 2011 and 2010 have been reclassified based on this new classification.
7. 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 years ended March 31, 2012 and 2011 has been reclassified in the same manner.

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

All of the financial information provided herein is based on the Consolidated Financial Statements included in this annual report. These Consolidated Financial Statements have been prepared in conformity with International Financial Reporting Standards (IFRSs).

Figures in yen for the year ended March 31, 2016, (Fiscal Year 2016 or the fiscal year), have been translated into U.S. dollars solely for the convenience of the reader based on the exchange rate of ¥112.68 = US$1, announced by The Bank of Tokyo-Mitsubishi UFJ, Ltd., on March 31, 2016.

ITOCHU Corporation is referred as "ITOCHU" or "the Company" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

In Fiscal year 2016, the global economy grew at a sluggish pace overall reflecting the moderate expansion of the developed countries including the U.S. and the Euro zones and economic deceleration or stagnation in economies of certain emerging countries centered in resource-supplying countries. The WTI crude oil price rose temporarily reaching the US$60 level per barrel in June due to the deterioration of the situation in the Middle East, however, from the ongoing situation of the oil supply far exceeding the demand, the price dropped to approximately the US$25 level in February. Afterward, against a backdrop of the meeting involving the major oil-producing nations to freeze the oil production, the oil price rose slightly but consequently remained at a low level at approximately the US$35-40 range in the second half of March.

Japan's economy continued to be stagnant, as sluggish growth of household income resulted in lower consumer spending, and the deterioration of overseas economic conditions and the ease in the effect of the yen depreciation resulted in lower exports. In addition, after the start of the new year, the circumstances of Japan's economy worsened further due to the deterioration of corporate and consumer sentiment resulting from the trend of yen appreciation and lower stock prices.

Against a backdrop of expectations for an increase in interest rates in the U.S., the U.S. dollar appreciated against the yen reaching approximately the ¥125 level in the mid-August. However, due to the unstable financial market resulting from the decline in the Chinese stock prices and yuan, the trend toward purchasing the yen as a risk-free asset strengthened, and as a result, the yen appreciated against the U.S. dollar temporarily reaching the ¥118 level in October. Afterward, before and after the increase of the interest rates in the U.S. in mid-December, the yen depreciated to the ¥123 level, but due to the concern of the economic outlook, the yen appreciated again. After the launch of negative interest rate by the Bank of Japan in January, there was a short-term trend toward the yen depreciation, but consequently the yen appreciated again to the ¥112 level in the end of March. The Nikkei Stock Average maintained above the ¥20,000 until mid-August, however, due to the confusion of the Chinese stock market, the price dropped to less than the ¥17,000 level in the late September. In the beginning of December, the price recovered temporarily reaching the ¥20,000 level but declined again to approximately the ¥16,000 level at the end of March from the effect of deterioration of overseas economic conditions and further yen appreciation. The yield on 10-year Japanese government bonds trended downward after reaching its peak at the 0.5% level in June, and subsequently turned negative from February after the launch of negative interest rate by the Bank of Japan.

Under the medium-term management plan, "Brand-new Deal 2017", the ITOCHU Group has two basic policies — "reinforcing our financial position", "building a platform for earnings of 400.0 billion yen".

The following shows specific results in the first year of "Brand-new Deal 2017".

Consumer-Related Sector:

ITOCHU and CITIC International Assets Management Limited has agreed to enter into a partnership with Bosideng International Holdings Limited (Bosideng), which is listed on the Hong Kong Stock Exchange. In the future, ITOCHU will fully utilize Bosideng's sales networks developed even into Chinese inland areas, and accelerate new projects for the brand business. ITOCHU will also continue to accelerate the Bosideng's growth strategies, as well as to accelerate the realization of synergies in alliance fields to achieve the further growth in earnings in the Chinese market. Concrete initiatives have already been launched, as ITOCHU has already dispatched staffs, and a part of Bosideng has begun to sell products under the Outdoor Products brand, for which ITOCHU holds trademark rights in China. In addition, four companies, CITIC Limited, Charoen Pokphand Group Company Ltd. (CPG), China Mobile Communications Corporation, the leading mobile carrier in China, and Shanghai Information Investment Inc., a company affiliated with Shanghai Municipality, have agreed to cooperate for entering the market of cross-border electronic commerce (cross-border e-commerce) in China. With changing consumer needs, the size of the cross-border e-commerce market of China has continued to grow and has great potential, guarantees for genuine commodities and high-quality after-sales services, as well as high-quality commodities are in demand in the market. ITOCHU will proceed with the four companies, which are highly influential in China, to early participate into the market of cross-border e-commerce in China. Also, we acquired 65% shares of PROVENCE HUILES that manufactures and sells vegetable oil mainly in Europe. In the vegetable oil business, ITOCHU will respond to rising health consciousness around the world, and aim to ensure a stable supply of high value-added vegetable oil by adding manufacturing and sales bases in Europe and South America to its existing business foundation in the United States.

On the other hand, as part of the effective utilization of limited management resources, ITOCHU have sold all shares of PrimeSource Building Products, Inc. (PrimeSource). PrimeSource was acquired by the ITOCHU Group in 1998, and has proven to be a significant contributor to the Group's results. Strong growth in the U.S. economy and the U.S. housing market is expected over the next few years, while the outlook for the operating performance of PrimeSource is expected to rise. Under these circumstances, the valuation of PrimeSource in the M&A market has increased significantly. To enable stable and sustainable growth in the medium and long terms, it has now been decided to sell the Group's stake in PrimeSource with the aim of raising asset efficiency by replacing strategic assets, as part of the effective utilization of limited management resources.

Natural Resource-Related Sector:
ITOCHU started full-scale operation at the mega-solar power plant jointly owned with Imabari Shipbuilding Co., Ltd. and Higaki Sangyo Kaisha, Ltd. This project marks the start of operations in ITOCHU's mega-solar power business in Japan. The plant solar panels capable of generating approximately 33,000 kilowatts of power are set up. The largest-scale solar power plant in Shikoku, the prospected annual energy production is approximately 37,000,000 kilowatt-hour, which corresponds to the yearly power consumption of about 10,000 households. To respond to future increases in domestic demand for electric power, ITOCHU will use its business knowhow and experience to help ensure the stable distribution of power in Japan. In addition, ITOCHU merged Nacional Minérios S.A. (a Brazilian producer and seller of iron ore (NAMISA)), and the mining division of the major Brazilian steel producer Companhia Siderúrgica Nacional (CSN). ITOCHU already owned a share in NAMISA through Brazil Japan Iron Ore Corporation (a consolidated subsidiary that ITOCHU established in collaboration with Japanese iron and steel producers) together with major steelmaking corporations in Korea and Taiwan as an international consortium, with the consortium owning a total 40% share in the company. As a result of this merger, ownership of the 40% of outstanding NAMISA shares owned by the consortium and the remaining 60% of outstanding NAMISA shares, the Casa de Pedra Mine (CdP) and various logistics assets (railway company shares and port facility usage rights) owned by CSN were all transferred to a newly established, integrated company. The CdP Mine is one of the richest and largest iron ore mines in the world, and it is hoped that this merger will make the new integrated company the most highly competitive iron-ore supplier in the region through its possession of a superior mine and well-developed facilities and infrastructure. After the merger, ITOCHU's percentage share in equity assets will fall from its original share of 21.95% in NAMISA to 7.6% share in the new integrated company, becoming a standard-type investment, but ITOCHU will aim to earn revenues through dividend payouts, etc., from the excellent CdP mine.

As a result of deeper mutual understanding and taking into consideration the progress of the strategic alliance within ITOCHU, CITIC Limited and CPG, through Chia Tai Bright Investment Company Limited (CTB), a company that is jointly owned by CPG and ITOCHU (the ratio of voting rights of 50:50 basis), it was agreed to move up the acquisition of the preferred shares that are convertible into ordinary shares equivalent to approximately 13.4% of voting rights, from October 2015 to August 2015, as well as the execution of conversion procedures from preferred shares into ordinary shares. As a result, CITIC Limited became an equity method associated company of CTB who owns 20% of the ordinary shares including those acquired in April 2015. ITOCHU signed a memorandum which prescribes joint development and fostering of talented human resources with two other companies, CITIC and CPG, and will aim to create a strong human resources network through short-to-long-term human resources dispatch and exchange, dispatch of employees to participate in existing training programs at each respective company, and hosting of newly created joint training seminars as the foundation that will underpin the strategic alliance. (Refer to Notes to Consolidated Financial Statements Note 13 Associates and Joint Ventures)

Business Results for Fiscal Year 2016—Comparison between Fiscal Year 2016 and Fiscal Year 2015

ITOCHU uses a Division Company system and the business results were as follows:

Revenues for the fiscal year ended March 31, 2016, decreased by 9.1%, or ¥507.9 billion, compared with the previous fiscal year, to ¥5,083.5 billion (US$45,115 million). This decrease was attributable to lower revenue from the Energy & Chemicals Company, mainly due to the decline in oil prices in energy trading transactions; lower revenue from the ICT, General Products & Realty Company, mainly due to the de-consolidation of housing-materials-related subsidiaries in the U.S. in this fiscal year; lower revenue from the Metals & Minerals Company, due to the decline in iron ore and coal prices, despite the increase in iron ore sales volume; higher revenue from the Food Company, due to the higher transaction volume in food-distribution-related subsidiaries.

Gross trading profit decreased by 1.8%, or ¥19.4 billion compared with the previous fiscal year, to ¥1,069.7 billion (US$9,493 million). This decrease was attributable to higher earnings from the Food Company due to the higher transaction volume in food-distribution-related subsidiaries and the stable performance in provisions-related subsidiaries; higher earnings from the Energy & Chemicals Company, due to the stable performance in the energy and chemical trading transactions and the acquisition of subsidiaries in energy-related companies in the previous fiscal year, despite the lower profitability in self-developed crude oil transactions accompanying the decline in oil prices; lower earnings from the Metals & Minerals Company, due to the decline in iron ore and coal prices, despite the increase in iron ore sales volume, the reduction of costs in iron ore, and the improvement in foreign currency translation in iron ore and coal companies; lower earnings from the Textile Company, due to the unfavorable sales in apparel-related companies and inventory revaluation loss, despite the income from EDWIN CO., LTD. from the second quarter of the previous fiscal year.

Selling, general and administrative expenses increased by 3.1%, or ¥25.3 billion compared with the previous fiscal year, to ¥835.5 billion (US$7,415 million), due to the higher expenses in existing subsidiaries in the Food Company and the ICT, General Products & Realty Company, and the acquisition of EDWIN CO., LTD. and subsidiaries in energy-related companies in the previous fiscal year.

Provision for doubtful accounts increased by ¥1.6 billion compared with the previous fiscal year to a loss of ¥7.8 billion (US$69 million), due to an increase in allowance for doubtful accounts in foreign subsidiaries.

Gains on investments decreased by 33.8%, or ¥37.2 billion, compared with the previous fiscal year, to ¥72.7 billion (US$645 million), due to the absence of unordinary gain regarding the conversion of TING HSIN (CAYMAN ISLANDS) HOLDING CORP. to other investments in the previous fiscal year, despite the gain on sales of housing-materials-related subsidiaries in the U.S.

Losses on property, plant, equipment and intangible assets deteriorated by ¥150.8 billion compared with the previous fiscal year, to ¥155.1 billion (US$1,376 million) (losses), due to the recognition of the impairment loss and the loss accompanying the sale of certain assets in Australian coal-related business, and the impairment loss in European tire-related companies, the North Sea oil fields development project, and fresh food-related subsidiaries.

Other–net deteriorated by ¥12.7 billion compared with the previous fiscal year, to a loss of ¥6.0 billion (US$54 million), due to restructuring-related expenses in subsidiaries during the fiscal year.

Net interest expenses, which is the total of **Interest income** and **Interest expense**, improved by ¥11.0 billion compared with the previous fiscal year, to expenses of ¥400 million (US$4 million), due to higher interest income accompanying the providing of loan regarding the acquisition of CITIC Limited shares. **Dividends received** increased by 7.5%, or ¥2.6 billion, compared with the previous fiscal year to ¥37.5 billion (US$333 million), due to the higher dividends from the pipeline businesses, despite the lower dividends from oil and LNG projects. Consequently, Net financial income, which is the total of Net interest expenses and Dividends received, improved by ¥13.7 billion compared with the previous fiscal year to a gain of ¥37.1 billion (US$329 million).

Equity in earnings of associates and joint ventures increased by ¥137.6 billion compared with the previous fiscal year, to ¥147.7 billion (US$1,311 million). This increase was attributable to an improvement in the Metals & Minerals Company, due to the absence of the impairment loss in a Brazilian iron ore business in the previous fiscal year, despite the decrease in equity in earnings of Australian iron ore and coal business, and stagnant market conditions and lower demand in steel products-related companies; an improvement in the Energy & Chemicals Company, due to the absence of the impairment loss in an U.S. oil and gas development company in the previous fiscal year, despite the effect of the scheduled maintenance of methanol-related companies; an increase in the Others, Adjustments & Eliminations*, due to the start of equity pick-up of CITIC Limited from the third quarter of this fiscal year, and other factors.

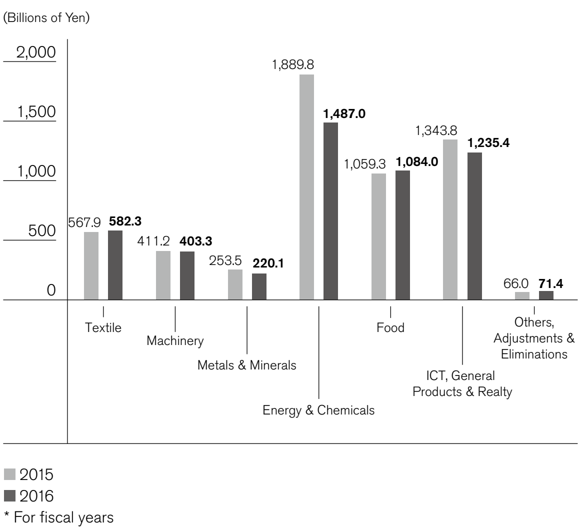
* Others, Adjustments & Eliminations includes gains and losses which cannot be allocated to each operating segment and internal eliminations between operating segments.

Consequently, **Net profit**, which is calculated as **Profit before tax** decreased by 22.9%, or ¥95.8 billion compared with the previous fiscal year, to ¥322.7 billion (US$2,864 million) minus **Income tax expense** of ¥46.4 billion (US$411 million), decreased by 6.5%, or ¥19.3 billion, compared with the previous fiscal year, to ¥276.4 billion (US$2,453 million). **Net profit attributable to ITOCHU**, which is calculated as **Net profit** minus **Net profit attributable to non-controlling interests** of ¥36.0 billion (US$320 million) (profit), decreased by 20.0%, or ¥60.2 billion, compared with the previous fiscal year, to ¥240.4 billion (US$2,133 million).

(Reference)

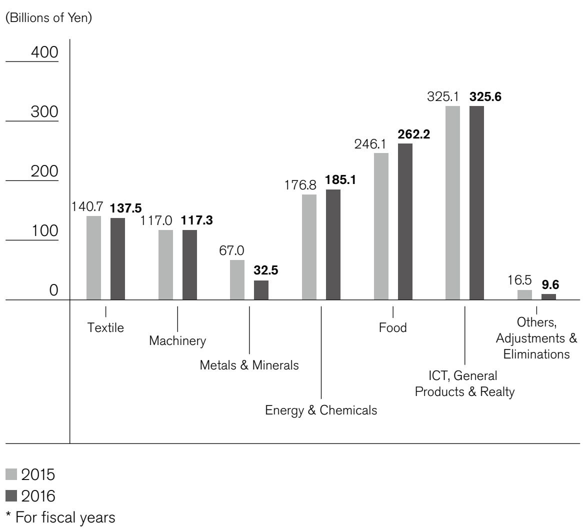
"Trading income" in accordance with Japanese accounting practices ("Trading income" = "Gross trading profit" + "Selling, general and administrative expenses" + "Provision for doubtful accounts") decreased by 17.0%, or ¥46.3 billion, compared with the previous fiscal year, to ¥226.4 billion (US$2,009 million). This decrease was attributable to higher earnings from the Energy and Chemicals Company, due to the higher gross trading profit, despite higher expenses accompanying the acquisition of subsidiaries in energy-related companies in the previous fiscal year and unordinary expenses in this fiscal year; lower earnings from the Metals & Minerals Company, mainly due to the lower gross trading profit; lower earnings from the Textile Company, mainly due to the lower gross trading profit.

Revenues by Operating Segment



* For fiscal years

Gross Trading Profit by Operating Segment



* For fiscal years

Operating Segment Information

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

Textile

Revenues increased by 2.5%, or ¥14.5 billion, to ¥582.3 billion (US$5,168 million), mainly due to the income from EDWIN CO., LTD from the second quarter of the previous fiscal year. Gross trading profit decreased by 2.3%, or ¥3.2 billion, to ¥137.5 billion (US$1,220 million), due to the unfavorable sales in apparel-related companies and inventory revaluation loss, despite the income from EDWIN CO., LTD. from the second quarter of the previous fiscal year. Net profit attributable to ITOCHU decreased by 54.7%, or ¥17.5 billion, to ¥14.5 billion (US$129 million), due to the lower gross trading profit and impairment loss in apparel-related companies, despite the gain on remeasurement from the conversion of a China-related company from an associated company to other investments. Total assets decreased by 5.6%, or ¥31.4 billion, to ¥524.5 billion (US$4,654 million), due to the decrease in trade receivables and inventories.

Machinery

Revenues slightly decreased by 1.9%, or ¥7.9 billion, to ¥403.3 billion (US$3,579 million), due to lower transaction volume in aviation-related transactions, despite the favorable performance in plant-related companies. Gross trading profit remained nearly at the same level at ¥117.3 billion (US$1,041 million), due to the favorable performance in plant-related companies, despite the absence of the favorable performance in IPP-related companies in North America in the previous fiscal year. Net profit attributable to ITOCHU decreased by 11.4%, or ¥6.2 billion, to ¥48.4 billion (US$429 million), due to the losses on investment and deterioration of tax expense, despite the gross trading profit remaining nearly at the same level compared with the previous fiscal year and the increase in equity in earnings of associates and joint ventures. Total assets decreased by 9.7%, or ¥105.6 billion, to ¥978.1 billion (US$8,680 million), due to the sales of investment securities and the conversion of a subsidiary to associates and joint ventures accompanying the asset replacement, and the effect from the appreciation of the yen.

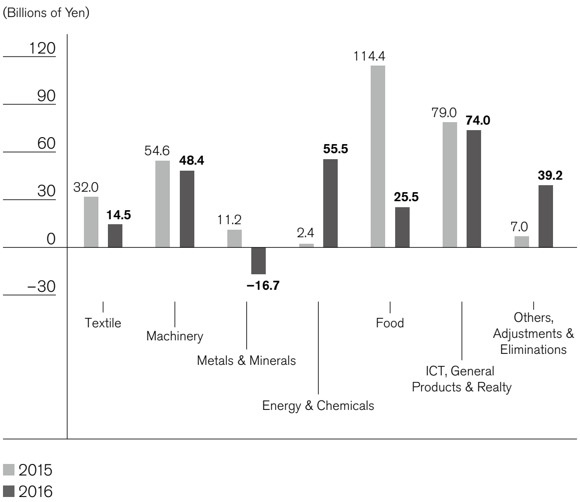
Metals & Minerals

Revenues decreased by 13.2%, or ¥33.4 billion, to ¥220.1 billion (US$1,953 million), due to the decline in iron ore and coal prices, despite the increase in iron ore sales volume. Gross trading profit declined by 51.5%, or ¥34.5 billion, to ¥32.5 billion (US$288 million), due to the decline in iron ore and coal prices, despite the increase in iron ore sales volume, the reduction of costs in iron ore, and the improvement in foreign currency translation in iron ore and coal companies. Net profit attributable to ITOCHU deteriorated by ¥27.9 billion, to a loss of ¥16.7 billion (US$148 million), due to lower gross trading profit, and recognition of the impairment loss and the loss accompanying the sale of certain assets in the Australian coal-related business, despite the absences of the impairment loss in a Brazilian iron ore business and reversal of deferred tax assets regarding MRRT in the previous fiscal year. Total assets decreased by 30.5%, or ¥385.4 billion, to ¥876.4 billion (US$7,778 million), due to the return of investment and remeasurement accompanying the merger of assets related to Brazilian iron ore business, loss on fair value remeasurement of Colombian coal companies (other investments), and the impairment in Australian coal-related business.

Energy & Chemicals

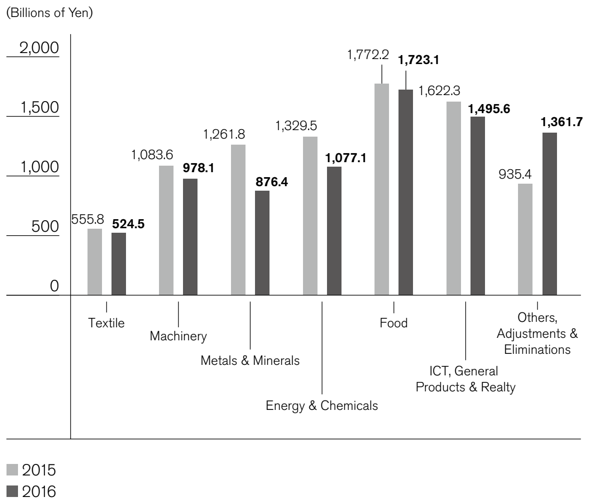
Revenues decreased by 21.3%, or ¥402.8 billion, to ¥1,487.0 billion (US$13,197 million), mainly due to the decline in oil prices in energy trading transactions. Gross trading profit rose by 4.7%, or ¥8.3 billion,

Net Profit by Operating Segment



* For fiscal years

Total Assets by Operating Segment



* As of March 31

to ¥185.1 billion (US$1,642 million), due to the stable performance in energy and chemical trading transactions and the acquisition of subsidiaries in energy-related companies in the previous fiscal year, despite the lower profitability in self-developed crude oil transactions accompanying the decline in oil prices. Net profit attributable to ITOCHU increased by 2,259.6%, or ¥53.1 billion, to ¥55.5 billion (US$492 million), due to higher gross trading profit, the absence of the impairment loss in an U.S. oil and gas development company in the previous fiscal year, and improvement in tax expenses accompanying its disposal in this fiscal year, despite the higher expenses accompanying the acquisition of subsidiaries in energy-related companies in the previous fiscal year, unordinary expenses in this fiscal year, and impairment loss in the North Sea oil fields development project. Total assets decreased by 19.0%, or ¥252.4 billion, to ¥1,077.1 billion (US$9,559 million), due to the decrease in trade receivables accompanying the decline in oil prices.

Food

Revenues increased by 2.3%, or ¥24.7 billion, to ¥1,084.0 billion (US$9,620 million), due to the higher transaction volume in food-distribution-related subsidiaries. Gross trading profit rose by 6.6%, or ¥16.1 billion, to ¥262.2 billion (US$2,327 million), due to higher transaction volume in food-distribution-related-subsidiaries and the stable performance in provisions-related subsidiaries. Net profit attributable to ITOCHU decreased by 77.7%, or ¥88.9 billion, to ¥25.5 billion (US$226 million), due to the absence of unordinary gain regarding the shares of TING HSIN (CAYMAN ISLANDS) HOLDING CORP. in the previous fiscal year and the impairment loss in fresh food-related subsidiaries, despite higher gross trading profit. Total assets decreased by 2.8%, or ¥49.1 billion, to ¥1,723.1 billion (US$15,292 million), due to the decrease in investment securities from the effect of the lower stock prices and the impairment in fresh food-related subsidiaries, despite the additional investment to CVS companies.

ICT, General Products & Realty

Revenues decreased by 8.1%, or ¥108.4 billion, to ¥1,235.4 billion (US$10,964 million), mainly due to the de-consolidation of housing-materials-related subsidiaries in the U.S. in this fiscal year. Gross trading profit increased by 0.2%, or ¥0.5 billion, to ¥325.6 billion (US$2,890 million), due to the stable performance in North American building-materials-related companies, logistics-related companies, European tire-related companies, and the effect from the depreciation of the yen, despite the de-consolidation of housing-materials-related subsidiaries in the U.S. in this fiscal year. Net profit attributable to ITOCHU decreased by 6.3%, or ¥5.0 billion, to ¥74.0 billion (US$657 million), due to the impairment loss in European tire-related companies, despite the increase in gross trading profit and equity in earnings of associates and joint ventures, improvement of expenses in mobile-phone-related companies, and the gain on sales of housing-materials-related subsidiaries in the U.S. Total assets decreased by 7.8%, or ¥126.7 billion, to ¥1,495.6 billion (US$13,273 million), due to the de-consolidation of housing-materials-related subsidiaries in the U.S. and the impairment in European tire-related companies.

Others, Adjustments & Eliminations

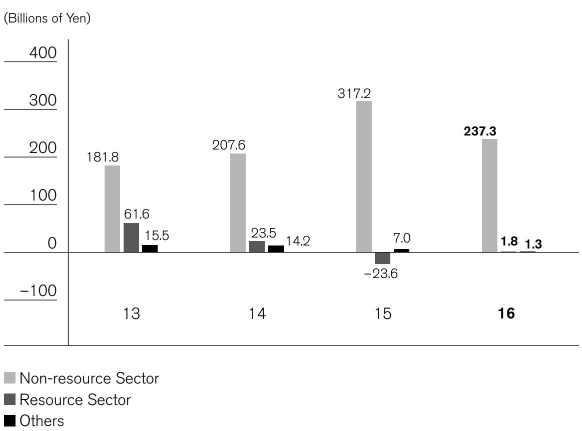
Net profit attributable to ITOCHU increased by 461.2%, or ¥32.2 billion, to ¥39.2 billion (US$348 million), due to the start of equity pick-up of CITIC Limited from the third quarter of this fiscal year, and other factors. Total assets increased by 45.6%, or ¥426.3 billion, to ¥1,361.7 billion (US$12,085 million), due to the investment and loan accompanying the acquisition of CITIC Limited shares.

Effective from April 1, 2016, the Company changed its organizational structure from six Division Companies to seven Division Companies. As a result, [ICT, General Products & Realty Company] became [General Products & Realty Company] and [ICT & Financial Business Company].

Segment Information

Years ended March 31	Billions of Yen 2016	Billions of Yen 2015	Millions of U.S. Dollars 2016
Revenues:			
Textile	**¥ 582.3**	¥ 567.9	**$ 5,168**
Machinery	**403.3**	411.2	**3,579**
Metals & Minerals	**220.1**	253.5	**1,953**
Energy & Chemicals	**1,487.0**	1,889.8	**13,197**
Food	**1,084.0**	1,059.3	**9,620**
ICT, General Products & Realty	**1,235.4**	1,343.8	**10,964**
Others, Adjustments & Eliminations	**71.4**	66.0	**634**
Total	**¥5,083.5**	¥5,591.4	**$45,115**
Gross trading profit:			
Textile	**¥ 137.5**	¥ 140.7	**$ 1,220**
Machinery	**117.3**	117.0	**1,041**
Metals & Minerals	**32.5**	67.0	**288**
Energy & Chemicals	**185.1**	176.8	**1,642**
Food	**262.2**	246.1	**2,327**
ICT, General Products & Realty	**325.6**	325.1	**2,890**
Others, Adjustments & Eliminations	**9.6**	16.5	**85**
Total	**¥1,069.7**	¥1,089.1	**$ 9,493**
Net profit attributable to ITOCHU:			
Textile	**¥ 14.5**	¥ 32.0	**$ 129**
Machinery	**48.4**	54.6	**429**
Metals & Minerals	**(16.7)**	11.2	**(148)**
Energy & Chemicals	**55.5**	2.4	**492**
Food	**25.5**	114.4	**226**
ICT, General Products & Realty	**74.0**	79.0	**657**
Others, Adjustments & Eliminations	**39.2**	7.0	**348**
Total	**¥ 240.4**	¥ 300.6	**$ 2,133**
Total assets as of March 31:			
Textile	**¥ 524.5**	¥ 555.8	**$ 4,654**
Machinery	**978.1**	1,083.6	**8,680**
Metals & Minerals	**876.4**	1,261.8	**7,778**
Energy & Chemicals	**1,077.1**	1,329.5	**9,559**
Food	**1,723.1**	1,772.2	**15,292**
ICT, General Products & Realty	**1,495.6**	1,622.3	**13,273**
Others, Adjustments & Eliminations	**1,361.7**	935.4	**12,085**
Total	**¥8,036.4**	¥8,560.7	**$71,321**

Earnings from Non-resource / Resource Sectors



* For fiscal years

Consolidated Cash Flows

(1) Cash flows from operating activities

Recorded a net cash-inflow of ¥419.4 billion (US$3,722 million), resulting from the steady collections in the Energy, Food, Metals & Minerals, and Machinery sectors, despite the increase in inventories in the construction, Realty & Logistics sector. Compared with the previous fiscal year, net cash-inflow increased by ¥15.8 billion.

(2) Cash flows from investing activities

Recorded a net cash-outflow of ¥557.3 billion (US$4,946 million), due to the investment and loan accompanying the acquisition of CITIC Limited shares (approximately ¥600.0 billion), despite the return of investment accompanying the merger of assets related to Brazilian iron ore business, approximately ¥130.0 billion* and the sales of housing-materials-related subsidiaries in the U.S., approximately ¥110.0 billion. Compared with the previous fiscal year, net cash-outflow increased by ¥281.2 billion.

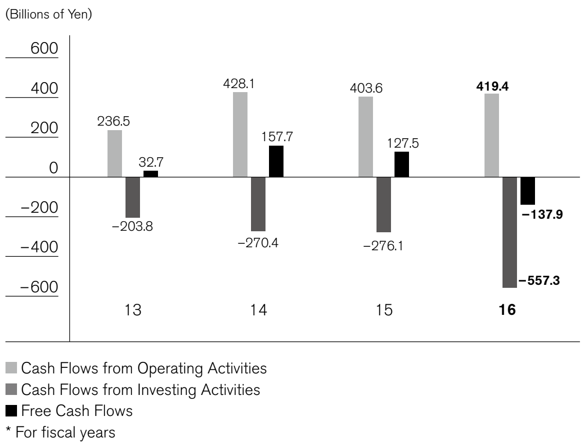
(3) Cash flows from financing activities

Recorded a net cash-inflow of ¥81.8 billion (US$726 million), due to increase in debt, despite the dividend payments, and the distribution to non-controlling interests of approximately ¥60.0 billion* accompanying the return of investment regarding the Brazilian iron ore business mentioned above. Compared with the previous fiscal year, net cash-inflow increased by ¥179.7 billion.

* ITOCHU's portion of net cash-inflow is approximately ¥70.0 billion

Consequently, Cash and cash equivalents as of March 31, 2016 decreased by ¥67.4 billion (9.6%) to ¥632.9 billion (US$5,617 million), compared with March 31, 2015.

Cash Flows



Discussion and Analysis of Results of Operations

The discussion and analysis of the financial position and results of operations for Fiscal Year 2016 were as follows.

Descriptions of the outlook for Fiscal Year 2017 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 2016. Thus, factors that could cause actual results to differ materially from such statements include, without limitation, the factors stated in the following Risk Information, other potential risks, and uncertain factors.

Analysis of Results of Operations in Fiscal Year 2016

Revenues

Revenues for the fiscal year ended March 31, 2016, decreased by 9.1%, or ¥507.9 billion compared with the previous fiscal year, to ¥5,083.5 billion (US$45,115 million). This decrease was attributable to lower revenue from the Energy & Chemicals Company, mainly due to the decline in oil prices in energy trading transactions; lower revenue from the ICT, General Products & Realty Company, mainly due to the de-consolidation of housing-materials-related subsidiaries in the U.S. in this fiscal year; lower revenue from the Metals & Minerals Company, due to the decline in iron ore and coal prices, despite the increase in iron ore sales volume; higher revenue from the Food Company, due to the higher transaction volume in food-distribution-related subsidiaries.

Furthermore, the breakdown of Revenues for the year ended March 31, 2016 was ¥4,362.2 billion (US$38,713 million) for Revenues from sale of goods, and ¥721.4 billion (US$6,402 million) for Revenues from rendering of services and royalties.

Gross Trading Profit

Gross trading profit decreased by 1.8%, or ¥19.4 billion compared with the previous fiscal year, to ¥1,069.7 billion (US$9,493 million). This decrease was attributable to higher earnings from the Food Company due to the higher transaction volume in food-distribution-related subsidiaries and the stable performance in provisions-related subsidiaries; higher earnings from the Energy & Chemicals Company, due to the stable performance in the energy and chemical trading transactions and the acquisition of subsidiaries in energy-related companies in the previous fiscal year, despite the lower profitability in self-developed crude oil transactions accompanying the decline in oil prices; lower earnings from the Metals & Minerals Company, due to the decline in iron ore and coal prices, despite the increase in iron ore sales volume, the reduction of costs in iron ore, and the improvement in foreign currency translation in iron ore and coal companies; lower earnings from the Textile Company, due to the unfavorable sales in apparel-related companies and inventory revaluation loss, despite the income from EDWIN CO., LTD. from the second quarter of the previous fiscal year.

Furthermore, the effect on the Gross trading profit due to the acquisitions resulted in a ¥7.2 billion (US$64 million) increase; the effect of foreign exchange fluctuations resulted in a ¥15.8 billion (US$140 million) increase; and the effect of deconsolidation of subsidiaries resulted in a ¥18.8 billion (US$167 million) decrease. Excluding these factors, the decrease in the Gross trading profit for the existing subsidiaries was ¥23.5 billion (US$209 million).

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 3.1%, or ¥25.3 billion compared with the previous fiscal year, to ¥835.5 billion (US$7,415 million), due to the higher expenses in existing subsidiaries in the Food Company and the ICT, General Products & Realty Company, and the acquisition of EDWIN CO., LTD. and subsidiaries in energy-related companies in the previous fiscal year.

Furthermore, the effect on Selling, general and administrative expenses due to the acquisitions resulted in a ¥5.4 billion (US$48 million) increase; the effect of foreign exchange fluctuations for the fiscal year ended March 31, 2016 resulted in a ¥13.9 billion (US$123 million) increase; and the effect of deconsolidation of subsidiaries resulted in a ¥12.1 billion (US$107 million) decrease. Excluding these factors, the increase in Selling, general and administrative expenses for the existing subsidiaries was ¥18.1 billion (US$161 million).

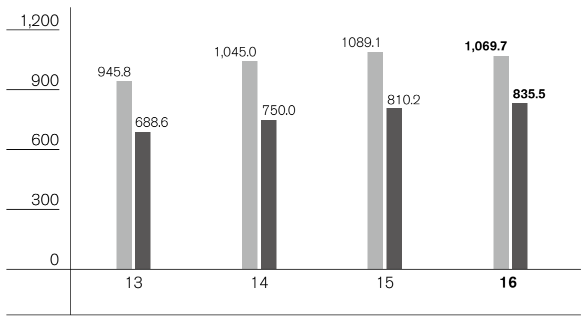
Provision for Doubtful Accounts

Provision for doubtful accounts increased by ¥1.6 billion compared with the previous fiscal year to a loss of ¥7.8 billion (US$69 million), due to an increase in allowance for doubtful accounts in foreign subsidiaries.

Gains on Investments

Gains on investments decreased by 33.8%, or ¥37.2 billion, compared with the previous fiscal year, to ¥72.7 billion (US$645 million), due to the absence of unordinary gain regarding the conversion of TING HSIN (CAYMAN ISLANDS) HOLDING CORP. to other investments in the previous fiscal year, despite the gain on sales of housing-materials-related subsidiaries in the U.S.

Gross Trading Profit;
Selling, General and Administrative Expenses
(Billions of Yen)



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

Losses on Property, Plant, Equipment and Intangible Assets

Losses on property, plant, equipment and intangible assets deteriorated by ¥150.8 billion compared with the previous fiscal year, to ¥155.1 billion (US$1,376 million) (losses), due to the recognition of the impairment loss and the loss accompanying the sale of certain assets in Australian coal-related business, and the impairment loss in European tire-related companies, the North Sea oil fields development project, and fresh food-related subsidiaries.

Other–net

Other-net deteriorated by ¥12.7 billion compared with the previous fiscal year, to a loss of ¥6.0 billion (US$54 million), due to restructuring-related expenses in subsidiaries during the fiscal year.

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

Net interest expenses, which is the total of Interest income and Interest expense, improved by ¥11.0 billion compared with the previous fiscal year, to expenses of ¥400 million (US$4 million), due to higher interest income accompanying the providing of loan regarding the acquisition of CITIC Limited shares. Dividends received increased by 7.5%, or ¥2.6 billion, compared with the previous fiscal year to ¥37.5 billion (US$333 million), due to the higher dividends from the pipeline businesses, despite the lower dividends from oil and LNG projects. Consequently, Total financial income, which is the total of Net interest expenses and Dividends received, improved by ¥13.7 billion compared with the previous fiscal year to a gain of ¥37.1 billion (US$329 million).

Equity in Earnings of Associates and Joint Ventures

Equity in earnings of associates and joint ventures increased by ¥137.6 billion compared with the previous fiscal year, to ¥147.7 billion (US$1,311 million). This increase was attributable to an improvement in the Metals & Minerals Company, due to the absence of the impairment loss in a Brazilian iron ore business in the previous fiscal year, despite the decrease in equity in earnings of Australian iron ore and coal business, and stagnant market conditions and lower demand in steel products-related companies; an improvement in the Energy & Chemicals Company, due to the absence of the impairment loss in an U.S. oil and gas development company in the previous fiscal year, despite the effect of the scheduled maintenance of methanol-related companies; an increase in the Others, Adjustments & Eliminations*, due to the start of equity pick-up of CITIC Limited from the third quarter of this fiscal year, and other factors.

* Others, Adjustments & Eliminations includes gains and losses which cannot be allocated to each operating segment and internal eliminations between operating segments.

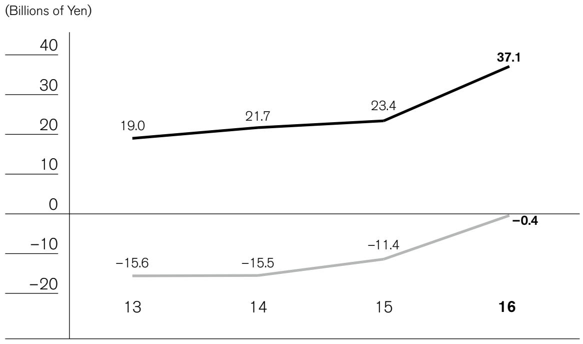
Net Profit Attributable to ITOCHU

Net Profit, which is calculated as Profit before tax decreased by 22.9%, or ¥95.8 billion compared with the previous fiscal year, to ¥322.7 billion (US$2,864 million) minus Income tax expense of ¥46.4 billion (US$411 million), decreased by 6.5%, or ¥19.3 billion, compared with the previous fiscal year, to ¥276.4 billion (US$2,453 million). Net profit attributable to ITOCHU, which is calculated as Net profit minus Net profit attributable to non-controlling interests of ¥36.0 billion (US$320 million) (profit), decreased by 20.0%, or ¥60.2 billion, compared with the previous fiscal year, to ¥240.4 billion (US$2,133 million).

Adjusted Profit

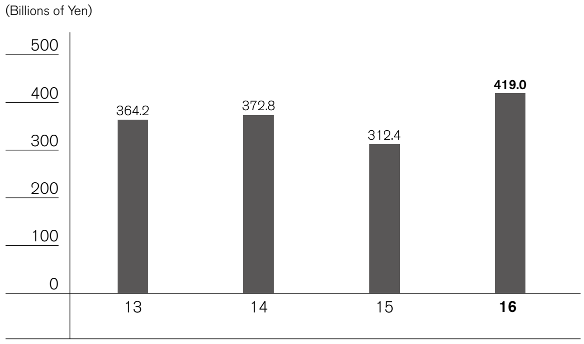
Adjusted profit (net of Gross trading profit, Selling, general and administrative expenses, Net interest expenses, Dividends received, and Equity in earnings of associates and joint ventures) increased by 34.1%, or ¥106.6 billion, to ¥419.0 billion (US$3,718 million), due to a significant increase in Equity in earnings of associates and joint ventures, despite a decrease in Gross trading profit and an increase in Selling, general and administrative expenses.

Net Financial Expenses



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

Adjusted Profit



* For fiscal years

Performance of Subsidiaries, Associates, and Joint Ventures

Group Companies Reporting Profits / Losses

Billions of Yen

	2016			2015			Changes		
Years ended March 31	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total
Group companies excluding overseas trading subsidiaries	**¥247.7**	**¥(114.3)**	**¥133.4**	¥261.8	¥(109.4)	¥152.4	¥(14.1)	¥(4.9)	¥(19.1)
Overseas trading subsidiaries	**35.4**	**(2.8)**	**32.7**	35.3	(0.3)	35.0	0.1	(2.4)	(2.4)
Total	**¥283.1**	**¥(117.1)**	**¥166.0**	¥297.1	¥(109.7)	¥187.4	¥(14.0)	¥(7.4)	¥(21.4)

Share of Group Companies Reporting Profits

	2016			2015			Changes		
Years ended March 31	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
No. of companies reporting profits	**113**	**154**	**267**	114	168	282	(1)	(14)	(15)
No. of group companies	**128**	**198**	**326**	134	208	342	(6)	(10)	(16)
Share	**88.3%**	**77.8%**	**81.9%**	85.1%	80.8%	82.5%	3.2 pts.	(3.0) pts.	(0.6) pts.

Note: Investment companies which are considered as part of the parent company (147 companies), and companies other than those which are directly invested by the Company and its overseas trading subsidiaries (468 companies) are not included in the number of companies.

In this fiscal year, net profit from subsidiaries, associates, and joint ventures (aggregate profit / loss of subsidiaries, associates, and joint ventures excluding overseas trading subsidiaries) decreased by ¥19.1 billion to ¥133.4 billion (US$1,184 million). This decrease was due to the deterioration of ITOCHU Minerals & Energy of Australia Pty Ltd. due to the decline in iron ore and coal prices, and the impairment loss and the loss accompanying the sale of certain assets in the coal-related business, the deterioration of European Tyre Enterprise Limited due to impairment loss, and the deterioration of Dole International Holdings, Inc., due to the decrease in production volume in the fresh food business and impairment loss, despite the improvement of Brazil Japan Iron Ore Corporation due to the absence of impairment loss in the previous fiscal year, and an increase in profit from CIECO BTC (UK) LIMITED and ITOCHU Oil Exploration (BTC) Inc. due to dividends from the pipeline businesses. Profits from overseas trading subsidiaries decreased by ¥2.4 billion, to ¥32.7 billion (US$290 million), due to the deterioration in the Europe trading subsidiary from the impairment loss in the tire-related companies and textile-related companies, and the absence of an unordinary gain in the previous fiscal year, and the decrease in profit of the Hong Kong trading subsidiary due to the lower equity in earnings of finance-related companies, despite the increase in profit from the U.S. trading subsidiary due to the favorable performance in the machinery-related sector and chemical-related sector, and the gain on sales of housing-materials-related subsidiaries.

Due to the factors mentioned above, the aggregate profit from Group companies (subsidiaries, associates and joint ventures, and overseas trading subsidiaries) reporting profits was down ¥14.0 billion, to ¥283.1 billion (US$2,512 million). Meanwhile, the aggregate loss from Group companies reporting losses increased by ¥7.4 billion, to ¥117.1 billion (US$1,039 million). Further, the share of Group companies reporting profits (the number of Group companies reporting profits out of the companies included in consolidation) decreased by 0.6 points, from 82.5% to 81.9%.

Major Group companies reporting profits or losses for the years ended March 31, 2016 and 2015 as follows:

Major Group Companies Reporting Profits

		Net profit (loss) attributable to ITOCHU *1			
		Billions of Yen			
Year ended March 31	Shares	**2016**	2015	Changes	Reasons for changes
Domestic Subsidiaries					
ITOCHU Techno-Solutions Corporation	58.2%	**¥10.4**	¥10.2	¥ 0.3	Increase due to the improvement in tax expenses, despite the higher selling, general and administrative expenses
NIPPON ACCESS, INC.	93.8	**8.9**	8.6	0.4	Increase due to the higher transaction volume and the improvement in profitability, despite the impairment in fixed assets and increase in logistic costs, and expenses accompanying the implementation of a new system
ITOCHU ENEX CO., LTD.	54.0	**4.1**	2.8	1.3	Increase due to the favorable performance in the energy trading businesses and electricity and utility businesses (electric power retail and heat supply)
CONEXIO Corporation	60.3	**3.7**	2.9	0.8	Increase due to the higher sales of mobile-related products and the improvement in expenses, despite the lower sales of mobile phones and commission from telecommunications carriers
ITOCHU PLASTICS INC.	100.0	**3.5**	3.5	(0.0)	Nearly at the same level due to the stable performance, despite the decline in foreign currency translation
ITOCHU CHEMICAL FRONTIER Corporation	100.0	**3.1**	3.1	(0.0)	Nearly at the same level due to stable performance
ITOCHU Property Development, Ltd.	99.8	**2.8**	2.4	0.4	Increase due to the stable performance in apartment/condominium sales and the improvement in expenses
ITOCHU Fuji Partners, Inc.	63.0	**2.3**	0.4	1.9	The income from the third quarter of the previous fiscal year
ITOCHU LOGISTICS CORP.	99.0	**2.1**	1.9	0.2	Increase due to the stable performance in the third-party logistics business
ITOCHU Metals Corporation	100.0	**2.0**	0.2	1.8	Increase due to the improvement in unordinary gains and losses
ITOCHU Kenzai Corp.	100.0	**1.7**	2.8	(1.0)	Decrease due to the absence of gain on sales of property, plant and equipment in the previous fiscal year, despite the stable performance
Overseas Subsidiaries					
ITOCHU International Inc.	100.0	**21.9**	12.2	9.6	Increase due to the favorable performance in the machinery-related sector and chemical-related sector, and the gain on sales of the housing-materials-related subsidiaries, despite the lower profit in the food-related sector
ITOCHU FIBRE LIMITED	100.0	**6.9**	5.9	1.0	Increase due to the depreciation of the Euro (against the U.S. dollar) and higher transaction volume, despite the stagnant market condition of softwood-pulp
CIECO BTC (UK) LIMITED	100.0	**5.7**	—	5.7	Newly established in the third quarter of this fiscal year Recognition of dividends from the pipeline businesses
ITOCHU Oil Exploration (BTC) Inc.	51.4	**5.2**	1.1	4.0	Increase due to the higher dividends from the pipeline businesses
ITOCHU Oil Exploration (Azerbaijan) Inc.	100.0	**5.0**	6.9	(1.9)	Decrease due to the decline in oil prices, despite the higher sales volume and mitigation of oil price decline by hedge transactions
ITOCHU (Thailand) Ltd.*3	100.0	**3.4**	3.3	0.1	Nearly at the same level due to the favorable performance in the finance-related companies, despite the absence of an unordinary gain in the previous fiscal year
ITOCHU (CHINA) HOLDING CO., LTD.	100.0	**3.1**	3.1	0.0	Nearly at the same level
ITOCHU Hong Kong Ltd.	100.0	**2.5**	4.3	(1.7)	Decrease due to the lower equity in earnings of finance-related companies
ITOCHU PETROLEUM CO., (SINGAPORE) PTE. LTD.	100.0	**2.3**	1.0	1.3	Increase due to the improvement in profitability in crude oil and fuel oil trading transactions
GCT MANAGEMENT (THAILAND) LTD.*3	100.0	**2.2**	2.2	0.1	Nearly at the same level due to the increase in earnings of finance-related companies, despite the absence of an unordinary gain in the previous fiscal year
Domestic Associates and Joint Ventures					
Century Tokyo Leasing Corporation	25.3	**9.6**	9.1	0.5	Increase due to the profit accompanying exit strategies from real estate financing and the expansion in aircraft leasing transactions
Marubeni-Itochu Steel Inc.	50.0	**6.6**	12.8	(6.2)	Decrease due to the stagnant steel market conditions and the lower energy related demand
FamilyMart Co., Ltd.	41.2	**6.1**	8.1	(2.0)	Decrease due to the absence of the gain on sales of affiliates in Korea in the previous fiscal year, despite the increase in trading income due to the favorable domestic business
Japan Brazil Paper and Pulp Resources Development Co., Ltd.	32.1	**3.7**	1.4	2.3	Increase due to the improvement in the market conditions of hardwood pulp and the depreciation of the Brazilian real (against the U.S. dollar)
BELLSYSTEM24 Holdings, Inc.*4	41.1	**3.4**	1.7	1.7	The income from the third quarter of the previous fiscal year
Overseas Associates and Joint Ventures					
HYLIFE GROUP HOLDINGS LTD.	49.9	**2.6**	2.1	0.5	Increase due to the gain from transfer of assets of certain production business, despite the absence of the higher pork prices in the previous fiscal year

Major Group Companies Reporting Losses

Year ended March 31	Shares	2016	2015	Changes	Reasons for changes
		Net profit (loss) attributable to ITOCHU *1			
		Billions of Yen			
Domestic Subsidiaries					
Dole International Holdings, Inc.	100.0%	**¥(16.9)**	¥ 4.8	¥(21.8)	Deterioration due to the decrease in production volume in the fresh food business and impairment loss, despite the improvement in profitability in the packaged food business
ITOCHU Home Fashion Corporation	100.0	**(1.1)**	(3.8)	2.7	Improvement due to the absence of an unordinary loss in the previous fiscal year, despite the loss from business restructuring
Brazil Japan Iron Ore Corporation*5	75.7	**(0.9)**	(44.8)	43.9	Improvement due to the absence of the impairment loss in the previous fiscal year, despite the loss on fair value remeasurement accompanying the merger of assets related to Brazilian iron ore investment
Overseas Subsidiaries					
European Tyre Enterprise Limited*2	100.0	**(29.9)**	4.7	(34.6)	Deterioration due to the impairment loss, despite the higher profit from premium tires and strengthening of related services
ITOCHU Minerals & Energy of Australia Pty Ltd	100.0	**(22.6)**	42.3	(64.9)	Deterioration due to the decline in iron ore and coal prices, and the impairment loss and the loss accompanying the sale of certain assets in the coal-related business, despite the absence of the reversal of deferred tax assets regarding MRRT in the previous fiscal year
CIECO Exploration and Production (UK) Limited	100.0	**(18.6)**	(0.1)	(18.6)	Deterioration due to the impairment loss in the North Sea oil fields development project
Bramhope Group Holdings Ltd.*2	100.0	**(5.6)**	(0.5)	(5.1)	Deterioration due to the impairment loss in the European apparel-related business and the reversal of deferred tax assets
Le Sportsac, Inc.	100.0	**(3.2)**	0.6	(3.8)	Deterioration due to the impairment loss in trademarks accompanying temporary decrease of the sales based on the product renewal toward brand revitalization
ITOCHU Coal Americas Inc.	100.0	**(2.3)**	0.1	(2.4)	Deterioration due to the absence of dividends from Colombian coal companies (converted from associated companies to other investments in the third quarter of the previous fiscal year) accompanying the decline in coal prices, resulting in recognition of only interest payments and expenses
ITOCHU Europe PLC*2	100.0	**(2.2)**	5.7	(7.9)	Deterioration due to the impairment loss in the tire-related companies and textile-related companies, and the absence of an unordinary gain in the previous fiscal year

*1. Net profit (losses) attributable to ITOCHU is the figure after adjusting to IFRS, which may be different from the figures each company announces.
*2. The above figures of ITOCHU Europe PLC includes 60.0% of net profit from Bramhope Group Holdings Ltd., 20.0% of net profit from European Tyre Enterprise Limited, and 10.0% of net profit from ITOCHU FIBRE LIMITED.
*3. The above figure of ITOCHU (Thailand) Ltd. includes 67.3% of net profit from GCT MANAGEMENT (THAILAND) LTD.
*4. BELLSYSTEM24 Holdings, Inc. was merged by absorption by ITOCHU's special purpose company BCJ-15, which held the shares of BELLSYSTEM24 Holdings, Inc. and changed its corporate name on September 1, 2015. The figures in the "Net profit attributable to ITOCHU FY2015" shows the result of BCJ-15.
*5. The above figures of Brazil Japan Iron Ore Corporation for fiscal year 2015 includes related tax effects.

Outlook for Fiscal Year 2017

Looking ahead to the next fiscal year ending March 31, 2017, we expect that the economies of developed countries including the U.S. and the Euro zones will continue to improve, and certain emerging countries may halt the worsening of the economic conditions due to the inflation control and the bottoming out of the resource prices. The global economy is expected to escape out the worst period, however, due to the increase in the concern of the geopolitical risks in the conflict regions, the uncertainty situation is expected to continue. In the Japanese economy, we anticipate a gradual recovery due to the political support including the monetary easing, however, the risks of an economic downturn will remain due to the unstable financial market.

Under those business conditions, in Fiscal Year 2017, the second year of the Medium-Term Management Plan "Brand-new Deal 2017", the ITOCHU Group expects earnings to increase due to the contribution from equity pick-up of CITIC Limited through the year, the expanded basic income in the non-resource sectors, and the absence of specific losses in this fiscal year.

Management Policy for the Future

Further Advancing the Medium-Term Management Plan "Brand-new Deal 2017"

Fiscal year 2017 is the second year of Brand-new Deal 2017, ITOCHU Group's medium-term management plan (the three-year plan covering the period from FY2016 to FY2018), and ITOCHU Group has positioned FY2017 as an extremely important year for the success of the plan. Accordingly, ITOCHU Group will once again return to the basic business principles of "earn, cut, prevent" and targeting further growth, ITOCHU Group has identified the following two points as the basic policies of Brand-new Deal 2017.

The first point is "reinforcing our financial position". We will take steps to achieve increases in asset quality and efficiency through aggressive asset replacement, and we will implement large strategic investments with the CITIC Limited. On that basis, we will implement other new investments within the scope of adjusted operating cash flow* and cash-inflow resulting from investment exits, and we will continue to generate adjusted free cash flow of more than 100.0 billion yen. In addition, we will implement management focusing on capital efficiency. In this way, we will strive for ROE of more than 13% while enhancing shareholders' equity.

The second point is "building a platform for earnings of 400.0 billion yen". The axis of our growth strategies will be the generation of synergies through cooperative initiatives with the CITIC Group and the CP Group, which have robust foundations in China and Asian regions, where high levels of economic growth are expected. At the same time, we will strive to steadily achieve growth in earnings targeting expanded returns from existing businesses and implementing rigorous selection of attractive new projects. In addition, we will take steps to further expand our earnings platform by leveraging our strengths and competitive advantages in the non-resource sector, and will aim to build a platform for Net profit attributable to ITOCHU of 400.0 billion yen.

We will also continue working to build a management foundation that will support these initiatives. Centered on fields with high risks, ITOCHU Corporation will step up compliance initiatives on a consolidated basis. In addition, we will continue to strengthen our system for effective, efficient investigation/monitoring of bribery and collusive bidding risks in Japan and overseas. In regard to corporate governance, with consideration for the general principles of the Corporate Governance Code of the Tokyo Stock Exchange, Inc., we will implement a range of initiatives to increase the transparency of decision-making and to strengthen the management supervision function of the Board of Directors. Moreover, in consideration of the third-party evaluation of the Board of Directors that was implemented in FY2016, we will continue to verify the effectiveness of the Board of Directors and to further enhance corporate governance in the future. In addition, we will continue working to enhance various policies that bring out the best in employees, strengthening training, and enhancing the working environment for employees' job satisfaction.

* Cash flows from operating activities after the deduction of changes in assets and liabilities

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

Under the "Brand-new Deal 2017", during the 3 years from FY2016, we will seek to annually surpass our record high dividends. In order to achieve this, whilst continuing our current dividend policy of a payout ratio of 20% for Net profit attributable to ITOCHU up to ¥200.0 billion and approximately 30% on the portion of Net profit attributable to ITOCHU exceeding ¥200.0 billion, we will guarantee a minimum dividend per share of ¥50 for FY2016, ¥55 for FY2017 and ¥60 for FY2018.

Liquidity and Capital Resources

Basic Funding Policy

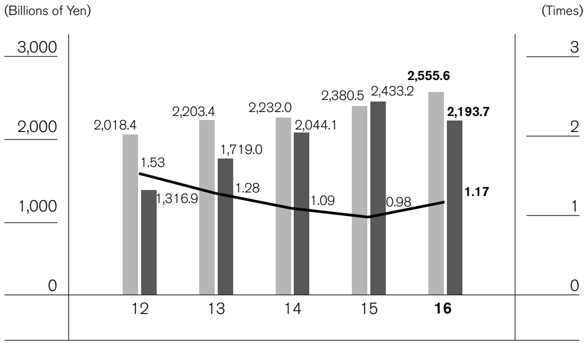
The Company aims to ensure flexibility in funding in response to changes in financial conditions and take advantage of opportunities to lower its overall financing costs. Also, as a means of enhancing the stability of its financing, the Company seeks to maintain funding through long-term sources and endeavors to find the optimum balance in its funding structure through diversified funding sources and methods. Further, the Company works to improve consolidated capital efficiency and funding structure by concentrating funding for domestic subsidiaries on Group Finance funded by the Company and domestic Group Finance accounted. Moreover, the Company established a Group Finance scheme utilizing Group Finance managing companies based in Asia, Europe and the United States for the funding of overseas subsidiaries. As a result, as of the end of the fiscal year under review, funding by the parent Company, domestic Group Finance accounted and overseas Group Finance accounted for approximately 63% 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 required funds. As to direct financing, the Company registered a new issuance of bonds up to ¥300.0 billion, covering the two-year period from August 2015 to August 2017, in accordance with the bond-issuance registration system in Japan. Also, the Company undertakes funding through commercial paper to heighten capital efficiency and lower capital costs. The Company and a treasury company in the United Kingdom have registered a total of US$5,000 million 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, 2016 were 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+ / Stable	a-1
Moody's Investors Service	Baa1 / Stable	P-2
Standard & Poor's (S&P)	A– / Outlook negative	A-2

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



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

Interest-Bearing Debt

Interest-bearing debt as of March 31, 2016, increased by 3.4%, or ¥104.0 billion compared with March 31, 2015, to ¥3,196.2 billion (US$28,365 million). Net interest-bearing debt (interest-bearing debt after deducting Cash and cash equivalents and Time deposits) increased by 7.4%, or ¥175.1 billion, to ¥2,555.6 billion (US$22,681 million). Net DER (debt-to-equity ratio) increased to 1.17 times from 0.98. Furthermore, the ratio of long-term interest-bearing debt to total interest-bearing debt was 87%, up 5 points from 82% as of March 31, 2016.

Details of interest-bearing debt as of March 31, 2016 and 2015 were as follows:

	Billions of Yen		Millions of U.S. Dollars
Years ended March 31	**2016**	2015	**2016**
Short-term debentures and borrowings			
Short-term and current maturities of long-term loans mainly from banks	**¥ 362.0**	¥ 537.7	**$ 3,213**
Commercial paper	**64.8**	1.0	**575**
Current maturities of debentures	**—**	5.0	**—**
Short-term total	**426.8**	543.7	**3,788**
Long-term debentures and borrowings			
Long-term loans mainly from banks, less current maturities	**2,297.5**	2,029.3	**20,390**
Debentures	**471.8**	519.2	**4,187**
Long-term total	**2,769.3**	2,548.5	**24,577**
Total interest-bearing debt	**3,196.2**	3,092.2	**28,365**
Cash and cash equivalents, time deposits	**640.5**	711.7	**5,684**
Net interest-bearing debt	**¥2,555.6**	¥2,380.5	**$22,681**

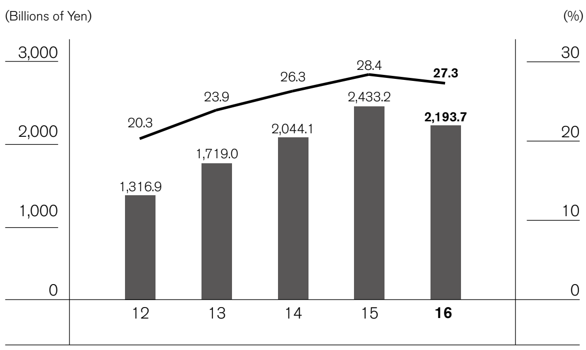
Financial Position

Total assets as of March 31, 2016 decreased by 6.1%, or ¥524.3 billion compared with March 31, 2015 to ¥8,036.4 billion (US$71,321 million), due to the return of investment regarding the merger of assets related to Brazilian iron ore business, the deconsolidation of the housing-materials-related subsidiaries in the U.S., decline in the stock price of investments and natural resource prices, and the effect from the appreciation of the yen, despite the increase from the investment and loan accompanying the acquisition of CITIC Limited shares, approximately ¥600.0 billion.

Total shareholders' equity decreased by 9.8%, or ¥239.5 billion, compared with March 31, 2015, to ¥2,193.7 billion (US$19,468 million), due to the dividend payments, decline in the stock price of investments and natural resource prices, and the effect from the appreciation of the yen, despite the increase in Net profit attributable to ITOCHU.

As a result, the Ratio of shareholders' equity to total assets decreased by 1.1 points to 27.3% from March 31, 2015. Total equity, or the sum of Total shareholders' equity and Noncontrolling interests, decreased by 10.8%, or ¥296.2 billion, compared with March 31, 2015, to ¥2,452.1 billion (US$21,761 million).

Ratio of Shareholders' Equity to Total Assets



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

The main increases and decreases in respective items of the Consolidated Statement of Financial Position compared with those of the previous fiscal year-end are as follows:

Trade receivables decreased by ¥257.8 billion, to ¥1,843.5 billion (US$16,361 million), due to the decline in oil prices in energy-related transactions and the lower food-related transactions.

Inventories decreased by ¥63.4 billion, to ¥717.1 billion (US$6,364 million), due to lower food-related and aviation-related transactions and the effect from the decline in oil prices.

Investments accounted for by the equity method decreased by ¥118.0 billion, to ¥1,500.1 billion (US$13,313 million), due to the return of investment accompanying the merger of assets related to Brazilian iron ore business, despite the investment to a company which owns CITIC Limited shares.

Other investments decreased by ¥225.5 billion, to ¥804.6 billion (US$7,140 million), due to the decline in the stock price of investments and natural resource prices.

Non-current receivables increased by ¥512.9 billion to ¥634.3 billion (US$5,629 million) due to the providing of loan accompanying the acquisition of CITIC Limited shares.

Property, plant and equipment decreased by ¥85.0 billion, to ¥701.6 billion (US$6,226 million), due to the recognition of the impairment in Australian coal-related business.

Goodwill decreased by ¥54.1 billion, to ¥144.1 billion (US$1,279 million), due to the recognition of impairment in European tire-related companies and fresh food-related subsidiaries.

Intangible assets decreased by ¥28.9 billion, to ¥261.8 billion (US$2,323 million), due to the recognition of impairment in apparel-related companies.

Trade payables decreased by ¥200.3 billion, to ¥1,469.5 billion (US$13,041 million), due to the decline in oil prices in energy-related transactions.

Deferred tax liabilities decreased by ¥86.5 billion, to ¥79.6 billion (US$707 million). Furthermore, net of deferred tax liabilities and deferred tax assets decreased by ¥94.9 billion, to ¥15.8 billion (US$141 million).

Reserves for Liquidity

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

As of March 31, 2016, against the necessary liquidity amount, which is the total of short-term interest-bearing debt and contingent liabilities of ¥1,375.9 billion (US$12,211 million), the amount of reserves, which is the sum of cash, cash equivalents, time deposits (¥640.5 billion), commitment line and long-term loan agreements concluded as of March 31, 2016 (yen: ¥350.0 billion, multiple currency: US$5,700 million) was ¥1,632.8 billion (US$14,491 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 ¥577.9 billion (US$5,129 million).

Year ended March 31	Billions of Yen 2016 Liquidity Reserves	Millions of U.S. Dollars 2016 Liquidity Reserves
1. Cash and cash equivalents, time deposits	**¥ 640.5**	**$ 5,684**
2. Commitment line and long-term loan agreements	**¥ 992.3**	**$ 8,807**
Total primary liquidity reserves	**¥1,632.8**	**$14,491**

Year ended March 31	Billions of Yen 2016	Millions of U.S. Dollars 2016
Short-term debentures and borrowings	**¥ 426.8**	**$ 3,788**
Long-term debentures and borrowings	**833.9***	**7,401**
Contingent liabilities (Financial guarantees (substantial risk) of associates and joint ventures, customers)	**115.2**	**1,022**
Total	**¥1,375.9**	**$12,211**

* Current maturities related to long-term commitment line and long-term loan agreements are presented as Long-term debentures and borrowings in the Consolidated Statement of Financial Position.

Capital Resources

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, 2016, was a net cash-inflow of ¥419.4 billion (US$3,722 million), resulting from the steady collections in the Energy, Food, Metals & Minerals, and Machinery sectors, despite the increase in inventories in the Construction, Realty & Logistics sector.

During Brand-new Deal 2017, ITOCHU Group's medium-term management plan (the three-year plan covering the period from FY2016 to 2018), we will implement large strategic investments with the CITIC Limited. On that basis, we will implement other new investments within the scope of adjusted operating cash flow*1 and cash-flow resulting from investment exits.

Cash flows from investing activities was a net cash-outflow of ¥557.3 billion (US$4,946 million), due to the investment and loan accompanying the acquisition of CITIC Limited shares (approximately ¥600.0 billion), despite the return of investment accompanying the merger of assets related to Brazilian iron ore business, approximately ¥130.0 billion*2 and the sales of the housing-materials-related subsidiaries in the U.S., approximately ¥110.0 billion.

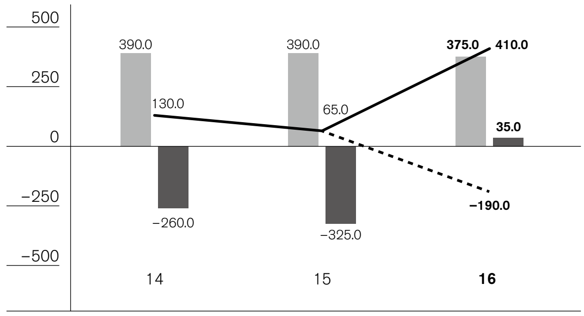
Cash flows from financing activities was a net cash-inflow of ¥81.8 billion (US$726 million), due to increase in debt, despite the dividend payments, and the distribution to non-controlling interests of approximately ¥60.0 billion*2 accompanying the return of investment regarding the Brazilian iron ore business mentioned above.

*1 "Cash flows from operating activities" after the deduction of changes in assets and liabilities
*2 ITOCHU's portion of net cash-inflow is approximately ¥70.0 billion

Consequently, Cash and cash equivalents as of March 31, 2016, decreased by 9.6%, or ¥67.4 billion, to ¥632.9 billion (US$5,617 million), compared with March 31, 2015.

Core Free Cash Flows (excluding CITIC)

(Billions of Yen)



■ Adjusted Operating CF*1
■ Net Investment CF (excluding CITIC)
— Core FCF*2 excluding CITIC
····· Core FCF*2 including CITIC
* For fiscal years
*1: "Operating Cash Flows" minus "increase/decrease of working capital"
*2: Exclude investment&loan relating to CITIC and increase/decrease of working capital

A summary of cash flows for the years ended March 31, 2016 and 2015 were as follows:

Years ended March 31	Billions of Yen 2016	2015	Millions of U.S. Dollars 2016
Cash flows from operating activities	**¥ 419.4**	¥ 403.6	**$ 3,722**
Cash flows from investing activities	**(557.3)**	(276.1)	**(4,946)**
Cash flows from financing activities	**81.8**	(97.9)	**726**
Net increase (decrease) in cash and cash equivalents	**(56.1)**	29.6	**(498)**
Cash and cash equivalents at the beginning of the year	**700.3**	653.7	**6,215**
Effect of exchange rate changes on cash and cash equivalents	**(11.3)**	16.9	**(100)**
Cash and cash equivalents at the end of the year	**¥ 632.9**	¥ 700.3	**$ 5,617**

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, 2016.

(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 business areas. It conducts diverse types of commercial transactions such as purchase and sale of products in the domestic market, import/export trade between overseas affiliates as well as development of energy, metal and mineral resources. For the characteristics of the Group's main areas of business, trade in machinery such as plants, automobiles and construction machineries, trade in mineral resources, energy and chemical products, and investments in development, they are all largely dependent on economic trends in the world, while the domestic economy has a relatively strong influence on the consumer and retail-related segments such as textiles and food. However, economic trends in the world have been 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 shareholders' equity through the accounting for foreign currency translation adjustments and the risk that fluctuations in foreign exchange rates could affect the amount of periodic income when converted to yen. These foreign exchange rate risks could significantly affect the financial position and results of operations of ITOCHU Group.

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 periodically to analyze and monitor the effect of stock price fluctuations on consolidated shareholders' equity. 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 allowance for doubtful accounts 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, anti-bribery- 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 considering cyber security risks.

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.

Significant Accounting Policies

The Company's Consolidated Financial Statements are prepared in conformity with the International Financial Reporting Standards (IFRSs). In preparing the Consolidated Financial Statements, the management of the Company is required to make a number of estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, contingent assets and liabilities as of each date of financial position, and revenues and expenses in each reporting period. Management periodically verifies and reviews its estimates, judgments and assumptions based on the available information that is considered to be reasonable, judging from historical experiences and circumstances. These estimates, judgments and assumptions, however, which are often accompanied by uncertainties, may differ from actual results. These differences may have an effect on the Company's Consolidated Financial Statements and the performance of every operating segment.

The following accounting policies relate to estimates, judgments and assumptions that management believes may materially affect the Consolidated Financial Statements.

Please refer to each Note to Consolidated Financial Statements regarding the amounts of assets, liabilities, income, and expenses related to the following accounting policies.

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.

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.

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

In impairment tests of property, plant and equipment, investment property, goodwill, intangible assets, and investments in associates and joint ventures, after identifying the related cash-generating units, their recoverable amount is recognized as the higher of the fair value less costs to sell or the value in use of the cash-generating units. Changes in uncertain future economic conditions may affect assumptions used to calculate the fair value less costs to sell or expected future cash flows and assumed discount rates that will result from the period of use and subsequent disposal of cash-generating units, which underlie the calculation of value in use. Accordingly, there are risks that such changes could result in material adjustments to the impairment losses of property, plant and equipment, investment property, goodwill, intangible assets, and investments in associates and joint ventures in the future accounting periods.

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

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

Measurement of provisions

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

Estimates of income taxes

To calculate income taxes, estimates and judgments about a variety of factors have to be made, including interpretation of tax regulations and the experience of past tax audits. Therefore, the income taxes that are estimated at the end of each period and the income taxes actually paid may differ. Such 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.

Accounting policies which the judgment of application significantly affects the amounts of assets, liabilities, income, and expenses are mainly as follows:

- Scope of subsidiaries or associates and joint ventures
- Classification of financial assets measured at amortized cost, FVTOCI financial assets, and FVTPL financial assets in financial assets other than derivatives
- Judgment about whether, in light of their economic nature, transactions are lease transactions
- Evaluation of whether there are indications of impairment or whether there are indications of reversals of impairment of financial assets measured at amortized cost
- Discrimination of cash-generating units in the conducting impairment tests for property, plant and equipment, investment property, goodwill, intangible assets, and investments in associates and joint ventures
- Evaluation of whether there are indications of impairment of property, plant and equipment, investment property, goodwill, intangible assets, and investments in associates 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 associates and joint ventures
- Recognition of provisions
- Judgment about the timing of revenue recognition and whether to present revenue as gross basis or net basis

Consolidated Statement of Financial Position

ITOCHU Corporation and its Subsidiaries
As of March 31, 2016 and 2015
Prepared in conformity with IFRSs

	Millions of Yen		Millions of U.S. Dollars
Assets	**2016**	2015	**2016**
Current assets			
Cash and cash equivalents	**¥ 632,871**	¥ 700,292	**$ 5,617**
Time deposits	**7,650**	11,368	**68**
Trade receivables (Note 6)	**1,843,541**	2,101,300	**16,361**
Other current receivables (Note 6)	**129,769**	132,495	**1,152**
Other current financial assets (Note 12)	**35,485**	53,109	**315**
Inventories (Note 7)	**717,124**	780,550	**6,364**
Advances to suppliers	**194,317**	167,812	**1,725**
Other current assets	**106,745**	191,026	**946**
Total current assets	**3,667,502**	4,137,952	**32,548**
Non-current assets			
Investments accounted for by the equity method (Note 13)	**1,500,094**	1,618,138	**13,313**
Other investments (Note 12)	**804,585**	1,030,078	**7,140**
Non-current receivables (Notes 6 and 13)	**634,324**	121,397	**5,629**
Non-current financial assets other than investments and receivables	**133,202**	148,391	**1,182**
Property, plant and equipment (Notes 8 and 16)	**701,565**	786,562	**6,226**
Investment property (Note 9)	**29,132**	32,899	**259**
Goodwill (Note 11)	**144,056**	198,205	**1,279**
Intangible assets (Note 11)	**261,806**	290,736	**2,323**
Deferred tax assets (Note 19)	**63,814**	55,450	**566**
Other non-current assets	**96,315**	140,893	**856**
Total non-current assets	**4,368,893**	4,422,749	**38,773**
Total assets (Note 4)	**¥8,036,395**	¥8,560,701	**$71,321**

Refer to Notes to Consolidated Financial Statements.

Liabilities and Equity	Millions of Yen 2016	Millions of Yen 2015	Millions of U.S. Dollars 2016
Current liabilities			
Short-term debentures and borrowings (Note 15)	**¥ 426,820**	¥ 543,660	**$ 3,788**
Trade payables (Note 14)	**1,469,505**	1,669,814	**13,041**
Other current payables (Note 14)	**67,837**	76,605	**602**
Other current financial liabilities	**25,164**	28,082	**223**
Current tax liabilities (Note 19)	**29,375**	35,513	**261**
Advances from customers	**170,194**	173,683	**1,510**
Other current liabilities (Note 18)	**284,303**	319,154	**2,524**
Total current liabilities	**2,473,198**	2,846,511	**21,949**
Non-current liabilities			
Long-term debentures and borrowings (Notes 13 and 15)	**2,769,345**	2,548,504	**24,577**
Other non-current financial liabilities (Note 14)	**105,722**	103,819	**938**
Non-current liabilities for employee benefits (Note 17)	**67,639**	56,404	**600**
Deferred tax liabilities (Note 19)	**79,637**	166,171	**707**
Other non-current liabilities (Note 18)	**88,799**	91,041	**789**
Total non-current liabilities	**3,111,142**	2,965,939	**27,611**
Total liabilities	**5,584,340**	5,812,450	**49,560**
Equity			
Common stock (Note 21)	**253,448**	253,448	**2,249**
Capital surplus (Note 21)	**156,688**	164,154	**1,391**
Retained earnings (Notes 21 and 22)	**1,748,375**	1,587,318	**15,516**
Other components of equity (Note 23)			
Translation adjustments	**202,795**	364,454	**1,799**
FVTOCI financial assets (Note 12)	**(51,630)**	176,487	**(458)**
Cash flow hedges (Note 25)	**(10,415)**	(8,517)	**(92)**
Total other components of equity	**140,750**	532,424	**1,249**
Treasury stock (Note 21)	**(105,584)**	(104,142)	**(937)**
Total shareholders' equity	**2,193,677**	2,433,202	**19,468**
Non-controlling interests	**258,378**	315,049	**2,293**
Total equity	**2,452,055**	2,748,251	**21,761**
Total liabilities and equity	**¥8,036,395**	¥8,560,701	**$71,321**

Consolidated Statement of Comprehensive Income

ITOCHU Corporation and its Subsidiaries
Years ended March 31, 2016 and 2015
Prepared in conformity with IFRSs

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Revenues (Note 4)			
Revenues from sale of goods	¥ 4,362,159	¥ 4,911,044	$ 38,713
Revenues from rendering of services and royalties	721,377	680,391	6,402
Total revenues	5,083,536	5,591,435	45,115
Cost			
Cost of sale of goods	(3,483,362)	(4,014,469)	(30,914)
Cost of rendering of services and royalties	(530,463)	(487,902)	(4,708)
Total cost	(4,013,825)	(4,502,371)	(35,622)
Gross trading profit (Note 4)	1,069,711	1,089,064	9,493
Other gains (losses)			
Selling, general and administrative expenses (Note 27)	(835,518)	(810,198)	(7,415)
Provision for doubtful accounts	(7,775)	(6,178)	(69)
Gains on investments (Notes 28 and 33)	72,680	109,860	645
Losses on property, plant, equipment and intangible assets (Notes 8, 11 and 29)	(155,104)	(4,274)	(1,376)
Other–net (Note 30)	(6,046)	6,686	(54)
Total other losses	(931,763)	(704,104)	(8,269)
Financial income (loss) (Note 31)			
Interest income	28,518	13,899	253
Dividends received	37,491	34,886	333
Interest expense	(28,918)	(25,346)	(257)
Total financial income	37,091	23,439	329
Equity in earnings of associates and joint ventures (Notes 4 and 13)	147,710	10,116	1,311
Profit before tax	322,749	418,515	2,864
Income tax expense (Note 19)	(46,381)	(122,894)	(411)
Net profit	276,368	295,621	2,453
Net profit attributable to ITOCHU (Note 4)	¥ 240,376	¥ 300,569	$ 2,133
Net profit attributable to non-controlling interests	35,992	(4,948)	320

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Other comprehensive income for the year, net of tax (Note 23)			
Items that will not be reclassified to profit or loss			
FVTOCI financial assets (Note 26)	**¥(222,543)**	¥ 46,244	**$(1,975)**
Remeasurement of net defined pension liability (Note 17)	**(8,468)**	6,463	**(75)**
Other comprehensive income in associates and joint ventures (Note 13)	**(8,857)**	12,064	**(79)**
Items that will be reclassified to profit or loss			
Translation adjustments (Note 26)	**(76,932)**	83,913	**(683)**
Cash flow hedges (Note 25)	**(2,101)**	(868)	**(19)**
Other comprehensive income in associates and joint ventures (Note 13)	**(86,126)**	21,214	**(764)**
Total other comprehensive income for the year, net of tax	**(405,027)**	169,030	**(3,595)**
Total comprehensive income for the year	**(128,659)**	464,651	**(1,142)**
Total comprehensive income attributable to ITOCHU	**¥(144,777)**	¥465,605	**$(1,285)**
Total comprehensive income attributable to non-controlling interests	**16,118**	(954)	**143**

	Yen		U.S. Dollars
	2016	2015	2016
Basic earnings per share attributable to ITOCHU (Note 20)	**¥152.14**	¥189.13	**$1.35**
Diluted earnings per share attributable to ITOCHU (Note 20)	**¥152.14**	¥187.29	**$1.35**

Refer to Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

ITOCHU Corporation and its Subsidiaries
Years ended March 31, 2016 and 2015
Prepared in conformity with IFRSs

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Common stock (Note 21)			
Balance at the beginning of the year	**¥ 253,448**	¥ 202,241	**$ 2,249**
Issuance of common stock	**—**	51,207	**—**
Balance at the end of the year	**253,448**	253,448	**2,249**
Capital surplus (Note 21)			
Balance at the beginning of the year	**164,154**	113,055	**1,457**
Issuance of common stock	**—**	50,918	**—**
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests	**(7,466)**	181	**(66)**
Balance at the end of the year	**156,688**	164,154	**1,391**
Retained earnings (Note 21)			
Balance at the beginning of the year	**1,587,318**	1,364,295	**14,087**
Net profit attributable to ITOCHU	**240,376**	300,569	**2,133**
Transfer from other components of equity	**(3,397)**	(17)	**(30)**
Cash dividends (Note 22)	**(75,922)**	(77,529)	**(674)**
Balance at the end of the year	**1,748,375**	1,587,318	**15,516**
Other components of equity (Note 23)			
Balance at the beginning of the year	**532,424**	367,329	**4,725**
Other comprehensive income attributable to ITOCHU	**(385,153)**	165,036	**(3,418)**
Transfer to retained earnings	**3,397**	17	**30**
Transfer to non-financial assets (Note 13)	**(9,807)**	—	**(87)**
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests	**(111)**	42	**(1)**
Balance at the end of the year	**140,750**	532,424	**1,249**
Treasury stock (Note 21)			
Balance at the beginning of the year	**(104,142)**	(2,800)	**(924)**
Net change in treasury stock	**(1,442)**	(101,342)	**(13)**
Balance at the end of the year	**(105,584)**	(104,142)	**(937)**
Total shareholders' equity	**2,193,677**	2,433,202	**19,468**
Non-controlling interests			
Balance at the beginning of the year	**315,049**	353,471	**2,796**
Net profit attributable to non-controlling interests	**35,992**	(4,948)	**320**
Other comprehensive income attributable to non-controlling interests (Note 23)	**(19,874)**	3,994	**(177)**
Cash dividends to non-controlling interests	**(9,228)**	(8,321)	**(82)**
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests	**(63,561)**	(29,147)	**(564)**
Balance at the end of the year	**258,378**	315,049	**2,293**
Total equity	**¥2,452,055**	¥2,748,251	**$21,761**

Refer to Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

ITOCHU Corporation and its Subsidiaries
Years ended March 31, 2016 and 2015
Prepared in conformity with IFRSs

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Cash flows from operating activities			
Net profit	¥ 276,368	¥ 295,621	$ 2,453
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation and amortization	123,417	108,807	1,095
Provision for doubtful accounts	7,775	6,178	69
Gains on investments	(72,680)	(109,860)	(645)
Losses on property, plant, equipment and intangible assets	155,104	4,274	1,376
Financial income	(37,091)	(23,439)	(329)
Equity in earnings of associates and joint ventures	(147,710)	(10,116)	(1,311)
Income tax expense	46,381	122,894	411
Change in trade receivables	216,244	79,133	1,919
Change in inventories	35,373	(19,867)	314
Change in trade payables	(163,361)	(36,054)	(1,450)
Other–net	(43,028)	(5,464)	(381)
Proceeds from interest	24,651	13,640	219
Proceeds from dividends	97,340	88,023	864
Payments for interest	(26,301)	(25,329)	(233)
Payments for income taxes	(73,078)	(84,812)	(649)
Net cash provided by operating activities	419,404	403,629	3,722
Cash flows from investing activities			
Payments for purchase of investments accounted for by the equity method	(82,818)	(204,517)	(735)
Proceeds from sale of investments accounted for by the equity method	147,357	39,592	1,308
Payments for purchase of other investments	(99,951)	(57,669)	(887)
Proceeds from sale of other investments	59,262	35,330	525
Acquisitions of subsidiaries, net of cash acquired (Note 32)	—	9,049	—
Sales of subsidiaries, net of cash held by subsidiaries (Note 32)	108,795	—	966
Origination of loans receivable (Note 13)	(1,232,417)	(73,709)	(10,937)
Collections of loans receivable (Note 13)	618,534	66,709	5,489
Payments for purchase of property, plant, equipment and intangible assets	(95,866)	(115,844)	(851)
Proceeds from sale of property, plant, equipment and intangible assets	17,111	28,264	152
Net (increase) decrease in time deposits	2,733	(3,308)	24
Net cash used in investing activities	(557,260)	(276,103)	(4,946)
Cash flows from financing activities			
Proceeds from debentures and loans payable (Note 13)	1,577,602	878,744	14,001
Repayments of debentures and loans payable	(1,265,438)	(830,011)	(11,230)
Net decrease in other loans payable	(79,338)	(53,429)	(705)
Proceeds from issuance of common stock (Note 21)	—	101,963	—
Equity transactions with non-controlling interests	(64,531)	(6,138)	(573)
Cash dividends (Note 22)	(75,922)	(77,529)	(674)
Cash dividends to non-controlling interests	(9,288)	(9,787)	(82)
Net increase in treasury stock (Note 21)	(1,315)	(101,709)	(11)
Net cash provided by (used in) financing activities	81,770	(97,896)	726
Net increase (decrease) in cash and cash equivalents	(56,086)	29,630	(498)
Cash and cash equivalents at the beginning of the year	700,292	653,739	6,215
Effect of exchange rate changes on cash and cash equivalents	(11,335)	16,923	(100)
Cash and cash equivalents at the end of the year	¥ 632,871	¥ 700,292	$ 5,617

Refer to Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

ITOCHU Corporation and its Subsidiaries

1. Reporting Entity

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

By leveraging these comprehensive capabilities and via global networks spanning six Division Companies, the Company operates 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.

Effective from April 1, 2016, the Company changed its organizational structure from six Division Companies to seven Division Companies. As a result, [ICT, General Products & Realty Company] became [General Products & Realty Company] and [ICT & Financial Business Company].

2. Basis of Preparation of Consolidated Financial Statements

(1) Statement of Compliance with IFRSs

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

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

* IFRSs are standards and interpretations issued by the International Accounting Standards Board (IASB). They comprise International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations and SIC Interpretations.

(2) Basis of Measurement

The Company prepares its Consolidated Financial Statements based on historical cost, except for the cases stated separately in Note 3 Significant Accounting Policies.

(3) Presentation Currency

The Company presents 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, 2016 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥112.68=US$1 (the official rate as of March 31, 2016 announced by The Bank of Tokyo-Mitsubishi UFJ, Ltd.).

(4) Changes in Accounting Policies

The Company and its subsidiaries have applied standards or interpretations in IFRSs which are required to be applied from the fiscal year ended March 31, 2016.

(5) New or Amended IFRSs or Interpretations Not Yet Applied

Of the new or amended standards or interpretations in IFRSs published by the date of approval of the Consolidated Financial Statements, the Company has not applied the following standards or interpretations as of March 31, 2016.

The Company is currently evaluating the potential impacts that the application of these standards and interpretations will have on the Consolidated Financial Statements which are not currently estimable.

Standard	Title	Mandatory application (from fiscal years beginning on or after)	Fiscal year in which the Company will apply standard	Summary of new or revised standard
IFRS 7	*Financial Instruments: Disclosures*	January 1, 2016	Year ending March 2017	Clarification of applicability of disclosure requirements on offsetting financial assets and financial liabilities to condensed interim financial statements.
IAS 16	*Property, Plant and Equipment*	January 1, 2016	Year ending March 2017	Amendments of the guideline that biological assets that meet the definition of bearer plants should be accounted for in accordance with IAS 16.
IAS 41	*Agriculture*			
IAS 19	*Employee Benefits*	January 1, 2016	Year ending March 2017	Clarification of guidelines regarding the currency of high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations.
IAS 7	*Statement of Cash Flows*	January 1, 2017	Year ending March 2018	Amendments of disclosure requirements on changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash transactions.
IAS 12	*Income Taxes*	January 1, 2017	Year ending March 2018	Clarification of the accounting that the unrealized losses on debt instruments measured at fair value but at cost for tax purposes may give rise to deductible temporary differences.
IFRS 9	*Financial Instruments*	January 1, 2018	Year ending March 2019	Amendments of classification and measurement of financial assets; Introduction of an expected loss impairment model for financial assets.
IFRS 15	*Revenue from Contracts with Customers*	January 1, 2018	Year ending March 2019	Establishment of accounting and disclosure requirements for “Revenue from Contracts with Customers”.
IFRS 16	*Leases*	January 1, 2019	Year ending March 2020	Amendments of lease accounting and enhanced disclosure requirements.

3. Significant Accounting Policies

(1) Basis of Consolidation

1) Business combinations

The Company and its subsidiaries apply the acquisition method in accordance with IFRS 3 "Business Combinations". That is, one of the parties to the business combination, as the acquirer, recognizes the acquisition-date fair value of the identifiable assets acquired from the acquiree, 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 profit in the Consolidated Statement of Comprehensive Income.

Costs that are incurred by the acquirer in relation to the completion of a business combination are expensed when they are incurred, except for costs related to the issuance of debt instruments or equity instruments, 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, adjustments are made as necessary to bring them into conformity with the accounting policies of the Company.

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

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

3) Loss of control

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

4) Business combinations under common control

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

5) Associates and joint ventures

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

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

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

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

6) Joint operations

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

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

7) Transactions eliminated on consolidation

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

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

(2) Foreign Currency Translation

1) Foreign currency transactions

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

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

Exchange differences resulting from retranslation are recognized in profit or loss. However, exchange differences resulting from retranslation of 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 associates and joint ventures

In translating the foreign currency denominated financial statements of foreign subsidiaries and foreign associates 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).

When a foreign operation is disposed of, cumulative translation adjustments related to that foreign operation are reclassified to profit or loss at the point when the gain or loss on disposal is recognized. However, the portion of cumulative translation adjustments attributed to non-controlling interest reduces non-controlling interests.

3) Hedges of a net investment in foreign operations

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

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

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

(3) Financial Instruments

1) Financial assets other than derivatives

In accordance with IFRS 9 “Financial Instruments,” the Company and its subsidiaries initially recognize financial assets other than derivatives on the accrual date for trade receivables and other receivables, and on the transaction date for sales and purchase of other financial assets. An overview of the classification and measurement models of financial assets other than derivatives is as follows.

At the point of initial recognition of the financial assets, those that meet both of the two conditions below are categorized as financial assets measured at amortized cost, and others are categorized as financial assets measured at fair value

- 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).

Within financial assets measured at fair value, equity instruments with the objective of obtaining gains on short-term sales or debt instruments are categorized as FVTPL financial assets, and other equity instruments held long-term primarily with the objective of strengthening transaction relationships are categorized as FVTOCI 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 (or other comprehensive income when FVTOCI financial assets are designated as hedges).
- A hedge of the variability of future cash flows arising in relation to a forecasted transaction or a recognized asset or liability, 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. For those designated as cash flow hedges, changes in the fair value of the derivative are recognized in other comprehensive income as Cash flow hedges. This treatment is continued until the variability in future cash flows arising in relation to the forecasted transactions or the recognized assets or liabilities are realized. The ineffective portion of the hedge is recognized in profit or loss.
- Changes in the fair value of hedging instruments for a net investment in foreign operations are handled as described in "3) Hedges of a net investment in foreign operations" of "(2) Foreign Currency Translation".
- Changes in the fair value of derivatives other than those above are recognized in profit or loss.

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 effective. In addition, the Company and its subsidiaries subsequently continue to evaluate whether or not the derivative will be effective in offsetting changes in the fair value or future cash flows of the hedged item.

Hedge accounting is discontinued for ineffective hedges, if any.

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.

- The Company currently has a legally enforceable right to offset the recognized amounts; and
- The Company intends to settle on a net amount basis or to simultaneously realize the asset and settle the liability.

(4) Inventories

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

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

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

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

(5) Property, Plant and Equipment

1) Recognition and measurement

Excluding biological assets, the cost model is applied and property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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

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

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

2) Depreciation

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 (2–50 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 trademarks and other intangible assets for which the useful life cannot be determined. Intangible assets for which the useful life cannot be determined are not amortized. Impairment tests of intangible assets for which the useful life cannot be determined are conducted based on cash-generating units at least once a year, or whenever there are changes in situations or events that indicate the possibility of impairment.

(8) Leases

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 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 associates and joint ventures

At the end of each quarter, property, plant and equipment, investment property, goodwill, intangible assets, and investment in associates and joint ventures are assessed to determine whether there are any indications of impairment. If it is determined that there are indications of impairment, the impairment tests stated below are conducted. In addition, regardless of whether or not there are indications of impairment, impairment tests of goodwill and intangible assets for which the useful 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 associates and joint ventures is not classified separately, but included as part of the carrying amount of the investments. Investments in associates 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 the related services are recognized in profit or loss.

3) Multi-employer plans

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

4) Short-term employee benefits

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

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

(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, plant and equipment and restore sites on which they are located will be fulfilled, or if it is presumed that outside third parties expect the obligations to be fulfilled.

2) Restructuring provisions

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

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

3) Provisions for losses on lawsuits

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

4) Provisions for losses on guarantees

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.

5) Levies

Levies are outflows of resource embodying economic benefits, which governments levy on companies in accordance with laws and regulations, and the estimated amount of payments for levies is recognized when the obligation to pay arises.

(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 third parties such 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 the progress of transactions as of the end of the period.

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

For transactions in which the Company and its subsidiaries act as principal and have capabilities to heighten the added value of the actual goods or services provided, and for which they assume significant risk related to the transactions, the gross transaction amount 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 amount 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 and dividend income. Interest income is recognized when it arises according to the effective interest method. Dividend income is recognized when the right of the Company and its subsidiaries to receive payment is established.

Finance costs comprise interest expense. Interest expense is recognized when it is incurred according to the effective interest method.

(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, associates, and joint ventures are not recognized as deferred tax liabilities if the Company and its subsidiaries are able to control the timing of the reversal of the temporary differences, and it is probable that the taxable temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for deductible temporary differences arising from investments in subsidiaries, associates, and joint ventures, if the deductible temporary differences will reverse in the foreseeable future and only to the extent that it is probable that future taxable 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 assets used for exploration and evaluation are recognized in non-current assets, and other expenditures are in principle recognized when they are incurred in profit or loss.

For expenditures incurred during the development phase, projects proven as commercially viable are recognized in Property, plant and equipment or Intangible assets, according to the nature of the expenses, and then amortized using the unit-of-production method from the time production begins. During the production phase, stripping costs are capitalized and amortized using the unit-of-production method, if 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 refer to 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. (Refer to Note 12 Securities and Other Investments and Note 26 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. (Refer to Note 12 Securities and Other Investments)

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

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

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

For post-employment defined benefit plans, the fair value of defined benefit plan liabilities net of assets is recognized as liabilities or assets. Defined benefit plan liabilities are calculated based on the same types of assumptions used in the actuarial calculation, which include estimates of the discount rate, the retirement rate, the mortality rate, and the rate of compensation increase. These assumptions are established by comprehensively judging a variety of available information, including market trends such as interest rate changes. Uncertain future economic conditions or changes in social conditions may affect the assumptions used in the actuarial calculation. Accordingly, there are risks that such changes could result in material adjustments to the measurements of the fair value of defined benefit plan liabilities and assets in the future accounting periods. (Refer to 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. (Refer to 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. (Refer to Note 19 Income Taxes)

Accounting policies which the judgment of application significantly affects the amounts of assets, liabilities, income, and expenses are mainly as follows:

- Scope of subsidiaries or associates and joint ventures (Refer to Note 13 Associates and Joint Ventures and Note 33 Parent's Ownership Interest in Subsidiaries)
- Classification of financial assets measured at amortized cost, FVTOCI financial assets, and FVTPL financial assets in financial assets other than derivatives (Refer to Note 12 Securities and Other Investments)
- Judgment about whether, in light of their economic nature, transactions are lease transactions (Refer to 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 (Refer to Note 12 Securities and Other Investments)
- Discrimination of cash-generating units in conducting impairment tests for property, plant and equipment, investment property, goodwill, intangible assets, and investments in associates and joint ventures (Refer to Note 8 Property, Plant and Equipment, Note 9 Investment Property, Note 11 Goodwill and Intangible Assets, and Note 13 Associates and Joint Ventures)
- Evaluation of whether there are indications of impairment of property, plant and equipment, investment property, goodwill, intangible assets, and investments in associates and joint ventures (Refer to Note 8 Property, Plant and Equipment, Note 9 Investment Property, Note 11 Goodwill and Intangible Assets, and Note 13 Associates 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 associates and joint ventures (Refer to Note 8 Property, Plant and Equipment, Note 9 Investment Property, Note 11 Goodwill and Intangible Assets, and Note 13 Associates and Joint Ventures)
- Recognition of provisions (Refer to Note 18 Provisions)
- Judgment about the timing of revenue recognition and whether to present revenue as gross basis or net basis (Refer to Note 4 Segment Information and Note 13 Associates 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.

By leveraging these comprehensive capabilities and via global networks spanning six Division Companies, the Company and its subsidiaries 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 in 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 & Minerals, Energy & 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 the production and sales of all stages of the textile business from raw materials, threads, textiles to the final products for garments, home furnishings, and industrial materials, on a worldwide scale. In addition, the segment promotes overseas brand businesses and retail operations related to Internet shopping.

Machinery

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 transactions in medical-related business areas.

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 trading of energy-related products such as oil, petroleum products, LPG, LNG, natural gas, and electric power, as well as related projects, the exploration, development, and production of petroleum and gas-related projects, and the business and trading in organic chemicals, inorganic chemicals, pharmaceutical products, plastics, fine chemicals, and electronic materials.

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 solutions, internet-related service, and distribution of mobile phone devices and after-sales service; in the construction and distribution sector such as development, sales, lease, and operation of real estate and logistics business; in the finance and insurance sector such as various financial service and insurance business.

Effective from April 1, 2016, the Company changed its organizational structure from six Division Companies to seven Division Companies. As a result, [ICT, General Products & Realty Company] became [General Products & Realty Company] and [ICT & Financial Business Company].

The Company's segment information were 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, 2016 and 2015.

	Millions of Yen							
	2016							
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Eliminations	Total
Revenues from external customers	**¥582,343**	**¥403,309**	**¥220,052**	**¥1,487,032**	**¥1,084,000**	**¥1,235,373**	**¥ 71,427**	**¥5,083,536**
Intersegment revenues	**482**	**1**	**—**	**851**	**321**	**18,448**	**(20,103)**	**—**
Total revenues	**582,825**	**403,310**	**220,052**	**1,487,883**	**1,084,321**	**1,253,821**	**51,324**	**5,083,536**
Gross trading profit	**137,463**	**117,280**	**32,485**	**185,051**	**262,214**	**325,643**	**9,575**	**1,069,711**
Equity in earnings (losses) of associates and joint ventures	**9,530**	**21,626**	**18,347**	**(329)**	**17,280**	**40,713**	**40,543**	**147,710**
Net profit attributable to ITOCHU	**14,499**	**48,371**	**(16,652)**	**55,450**	**25,484**	**74,022**	**39,202**	**240,376**
Reportable segment assets	**¥524,452**	**¥978,067**	**¥876,386**	**¥1,077,095**	**¥1,723,074**	**¥1,495,609**	**¥1,361,712**	**¥8,036,395**

	Millions of Yen							
	2015							
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Eliminations	Total
Revenues from external customers	¥567,883	¥ 411,225	¥ 253,490	¥1,889,790	¥1,059,266	¥1,343,811	¥ 65,970	¥5,591,435
Intersegment revenues	30	77	—	956	272	19,863	(21,198)	—
Total revenues	567,913	411,302	253,490	1,890,746	1,059,538	1,363,674	44,772	5,591,435
Gross trading profit	140,688	116,961	66,999	176,761	246,069	325,126	16,460	1,089,064
Equity in earnings (losses) of associates and joint ventures	11,653	20,124	(46,831)	(39,597)	26,967	34,818	2,982	10,116
Net profit attributable to ITOCHU	32,013	54,608	11,206	2,350	114,431	78,975	6,986	300,569
Reportable segment assets	¥555,842	¥1,083,637	¥1,261,754	¥1,329,507	¥1,772,166	¥1,622,347	¥935,448	¥8,560,701

	Millions of U.S. Dollars							
	2016							
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Eliminations	Total
Revenues from external customers	**$5,168**	**$3,579**	**$1,953**	**$13,197**	**$ 9,620**	**$10,964**	**$ 634**	**$45,115**
Intersegment revenues	**5**	**0**	**—**	**8**	**3**	**163**	**(179)**	**—**
Total revenues	**5,173**	**3,579**	**1,953**	**13,205**	**9,623**	**11,127**	**455**	**45,115**
Gross trading profit	**1,220**	**1,041**	**288**	**1,642**	**2,327**	**2,890**	**85**	**9,493**
Equity in earnings (losses) of associates and joint ventures	**85**	**192**	**163**	**(3)**	**153**	**361**	**360**	**1,311**
Net profit attributable to ITOCHU	**129**	**429**	**(148)**	**492**	**226**	**657**	**348**	**2,133**
Reportable segment assets	**$4,654**	**$8,680**	**$7,778**	**$ 9,559**	**$15,292**	**$13,273**	**$12,085**	**$71,321**

Note: Others, Adjustments & Eliminations includes gains and losses which cannot be allocated to each operating segment and internal eliminations between operating segments.

(2) Information about Geographical Areas

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

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Japan	**¥3,295,824**	¥3,551,589	**$29,250**
United States	**755,758**	871,745	**6,707**
Singapore	**344,870**	402,675	**3,061**
United Kingdom	**222,138**	225,379	**1,971**
Australia	**147,831**	193,809	**1,312**
Others	**317,115**	346,238	**2,814**
Consolidated total	**¥5,083,536**	¥5,591,435	**$45,115**

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
	2016	2015	2016
Japan	**¥ 591,544**	¥ 611,276	**$ 5,250**
Australia	**192,890**	261,513	**1,712**
United Kingdom	**146,450**	216,234	**1,300**
Singapore	**126,343**	164,885	**1,121**
United States	**70,567**	80,198	**626**
Others	**102,030**	110,861	**905**
Consolidated total	**¥1,229,824**	¥1,444,967	**$10,914**

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

5. Business Combinations

There were no major business combinations for the year ended March 31, 2016.

Major business combination for the year ended March 31, 2015 was as follow:

(Acquisition of EDWIN CO., LTD.)

On June 30, 2014 (the acquisition date), through a capital increase by third-party allotment, the Company acquired shares of EDWIN CO., LTD., which is Japan's largest manufacturer and distributor of jeans. As a result, the Company holds 98.5% of the voting right of EDWIN, which became a subsidiary of the Company. In regard to the capital increase by third-party allotment, the Company's payment of ¥9,850 million was made entirely in cash. In addition, in regard to the loan made on the same day, the payment of ¥32,400 million was made entirely in cash.

Going forward, the Company will continue to refortify the Group's principal jeans business while respecting the traditions and identity of the EDWIN Group, as well as strengthen internal control and other aspects of the business management structure. Moreover, taking maximum advantage of the Company's wealth of experience and global networks in all areas of the textile industry, from materials to apparel and brands, the Company will expand the product line-up to items other than jeans. Also, the Company will pursue to further strengthen the relationship with the existing customers of the EDWIN Group and will proactively challenge to develop new markets, including overseas markets, with a view to further enhancing the corporate value of the EDWIN Group and expanding its business.

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

	Millions of Yen
Fair value of consideration paid (Notes 1 and 2)	¥ 9,850
Fair value of non-controlling interests	1,107
Total	10,957
Fair value of assets acquired and liabilities assumed	
Current assets	38,986
Property, plant and equipment	6,702
Intangible assets	16,491
Other non-current assets	9,550
Current liabilities	(42,242)
Non-current liabilities	(15,869)
Net assets	13,618

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

As shown above, the fair values of assets acquired and liabilities assumed exceeded the net of fair values of consideration paid and non-controlling interests by ¥2,661 million. This reflects the examination of the fair values of the assets acquired and liabilities assumed making full use of the information available. The Company recognized this difference as a gain from a bargain purchase and recognized the entire amount in Gains on investments in the Consolidated Statement of Comprehensive Income for the year ended March 31, 2015. In regard to this gain, the Company recognized an income tax expense of ¥831 million as tax effect.

The fair values of assets acquired, liabilities assumed, and non-controlling interest were determined based on the analysis of financial status 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.

(Results of operations from the acquisition date)

The following table indicates operating performance included in the Consolidated Statement of Comprehensive Income for the year ended March 31, 2015, of EDWIN CO., LTD., from the acquisition date:

	Millions of Yen
Total revenues	¥34,368
Net profit	2,206
Net profit attributable to ITOCHU	2,164

6. Trade and Other Receivables

The breakdown of trade receivables as of March 31, 2016 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Note receivables	**¥ 162,793**	¥ 170,082	**$ 1,445**
Trade account receivables	**1,516,634**	1,742,861	**13,460**
Service fee receivables	**169,707**	197,194	**1,506**
Allowance for doubtful accounts (current)	**(5,593)**	(8,837)	**(50)**
Total	**¥1,843,541**	¥2,101,300	**$16,361**

The breakdown of other current receivables as of March 31, 2016 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Short-term loan receivables	**¥ 75,777**	¥ 81,073	**$ 673**
Other accounts receivables	**33,034**	27,142	**293**
Allowance for doubtful accounts (current)	**(11,098)**	(3,040)	**(98)**
Others	**32,056**	27,320	**284**
Total	**¥129,769**	¥132,495	**$1,152**

The breakdown of non-current receivables as of March 31, 2016 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Long-term loan receivables	**¥632,977**	¥116,973	**$5,617**
Others	**15,329**	22,217	**136**
Allowance for doubtful accounts (non current)	**(13,982)**	(17,793)	**(124)**
Total	**¥634,324**	¥121,397	**$5,629**

7. Inventories

The breakdown of Inventories as of March 31, 2016 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Merchandise	¥451,737	¥510,622	$4,009
Finished goods	80,998	81,474	719
Real estate for sale	107,210	97,313	951
Raw materials and supplies	45,406	55,984	403
Work in progress	31,773	35,157	282
Total	¥717,124	¥780,550	$6,364

The write-downs of inventories to net realizable value were ¥6,639 million (US$59 million) and ¥5,339 million as of March 31, 2016 and 2015, respectively. The write-down is included in Cost of sale of goods in the Consolidated Statement of Comprehensive Income.

8. Property, Plant and Equipment

The cost, accumulated depreciation and accumulated impairment losses, and carrying amount of property, plant and equipment, for the years ended March 31, 2016 and 2015 were as follows:

	Millions of Yen							
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Mineral rights	Construction in progress	Others	Total
Balance as of March 31, 2016								
Cost	¥112,340	¥ 408,348	¥ 597,340	¥102,139	¥ 79,856	¥21,335	¥14,064	¥1,335,422
Accumulated depreciation and accumulated impairment losses	(8,141)	(199,285)	(309,740)	(65,783)	(43,402)	(100)	(7,406)	(633,857)
Carrying amount	104,199	209,063	287,600	36,356	36,454	21,235	6,658	701,565

	Millions of Yen							
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Mineral rights	Construction in progress	Others	Total
Balance as of March 31, 2015								
Cost	¥115,381	¥ 417,578	¥ 664,029	¥104,579	¥ 92,625	¥46,946	¥11,400	¥1,452,538
Accumulated depreciation and accumulated impairment losses	(7,818)	(200,421)	(337,853)	(69,672)	(38,629)	(5,774)	(5,809)	(665,976)
Carrying amount	107,563	217,157	326,176	34,907	53,996	41,172	5,591	786,562

	Millions of U.S. Dollars							
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Mineral rights	Construction in progress	Others	Total
Balance as of March 31, 2016								
Cost	$997	$ 3,624	$ 5,301	$ 906	$ 709	$189	$125	$11,851
Accumulated depreciation and accumulated impairment losses	(72)	(1,769)	(2,749)	(583)	(385)	(1)	(66)	(5,625)
Carrying amount	925	1,855	2,552	323	324	188	59	6,226

The changes in the carrying amount of property, plant and equipment, for the years ended March 31, 2016 and 2015 were as follows:

	Millions of Yen							
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Mineral rights	Construction in progress	Others	Total
Balance as of April 1, 2015	¥107,563	¥217,157	¥326,176	¥ 34,907	¥ 53,996	¥ 41,172	¥ 5,591	¥786,562
Acquisitions through business combinations	**1,253**	**3,540**	**8,174**	**345**	**—**	**54**	**35**	**13,401**
Individual acquisitions	**489**	**18,508**	**20,630**	**12,699**	**1,855**	**32,760**	**3,999**	**90,940**
Disposals and decrease through divestitures	**(4,970)**	**(8,745)**	**(5,549)**	**(1,922)**	**—**	**(187)**	**(1,260)**	**(22,633)**
Depreciation	**—**	**(16,476)**	**(46,055)**	**(11,863)**	**(2,529)**	**—**	**(3,901)**	**(80,824)**
Impairment losses recognized in profit or loss	**(809)**	**(6,818)**	**(35,586)**	**(224)**	**(13,987)**	**(838)**	**(893)**	**(59,155)**
Effect of foreign currency exchange differences	**(43)**	**(4,107)**	**(10,479)**	**(457)**	**(2,881)**	**(1,665)**	**(369)**	**(20,001)**
Others	**716**	**6,004**	**30,289**	**2,871**	**—**	**(50,061)**	**3,456**	**(6,725)**
Balance as of March 31, 2016	**¥104,199**	**¥209,063**	**¥287,600**	**¥ 36,356**	**¥ 36,454**	**¥ 21,235**	**¥ 6,658**	**¥701,565**

	Millions of Yen							
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Mineral rights	Construction in progress	Others	Total
Balance as of April 1, 2014	¥102,804	¥209,671	¥293,987	¥ 30,859	¥54,890	¥ 50,690	¥ 4,763	¥747,664
Acquisitions through business combinations	9,965	23,434	9,104	2,892	—	71	62	45,528
Individual acquisitions	2,022	11,462	14,853	12,439	1,484	61,384	2,026	105,670
Disposals and decrease through divestitures	(4,034)	(3,982)	(4,419)	(988)	—	(1,814)	(91)	(15,328)
Depreciation	—	(16,848)	(41,702)	(10,910)	(1,805)	—	(1,475)	(72,740)
Impairment losses recognized in profit or loss	(313)	(4,498)	(1,709)	(167)	(1,126)	—	—	(7,813)
Effect of foreign currency exchange differences	475	2,690	2,183	256	553	168	(178)	6,147
Others	(3,356)	(4,772)	53,879	526	—	(69,327)	484	(22,566)
Balance as of March 31, 2015	¥107,563	¥217,157	¥326,176	¥ 34,907	¥53,996	¥ 41,172	¥ 5,591	¥786,562

	Millions of U.S. Dollars							
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Mineral rights	Construction in progress	Others	Total
Balance as of April 1, 2015	$955	$1,927	$2,895	$ 310	$ 480	$ 365	$ 49	$6,981
Acquisitions through business combinations	**11**	**32**	**73**	**3**	**—**	**0**	**0**	**119**
Individual acquisitions	**4**	**164**	**183**	**113**	**16**	**291**	**36**	**807**
Disposals and decrease through divestitures	**(44)**	**(78)**	**(48)**	**(17)**	**—**	**(2)**	**(12)**	**(201)**
Depreciation	**—**	**(146)**	**(409)**	**(105)**	**(22)**	**—**	**(35)**	**(717)**
Impairment losses recognized in profit or loss	**(7)**	**(61)**	**(317)**	**(2)**	**(124)**	**(7)**	**(7)**	**(525)**
Effect of foreign currency exchange differences	**0**	**(36)**	**(94)**	**(4)**	**(26)**	**(15)**	**(3)**	**(178)**
Others	**6**	**53**	**269**	**25**	**—**	**(444)**	**31**	**(60)**
Balance as of March 31, 2016	**$925**	**$1,855**	**$2,552**	**$ 323**	**$ 324**	**$ 188**	**$ 59**	**$6,226**

Depreciation of property, plant and equipment, is recognized in Cost of sale of goods, Cost of rendering of services and royalties, and Selling, general and administrative expenses in the Consolidated Statement of Comprehensive Income.

The amount of the impairment losses during the year ended March 31, 2016 was ¥59,155 million (US$525 million).

In the Australian coal-related business in the Metals & Minerals segment, having reviewed the long-term forecast for coal prices in line with stagnant coal market conditions, the Company recognized an impairment loss of ¥28,920 million (US$257 million) mainly on machinery and vehicles, and mineral rights. Moreover, as a result of concluding the sales agreement of certain interests in coal-related assets to avoid the risk of further loss due to continuous holding of these interests, an impairment loss of ¥21,594 million (US$192 million) was recognized as a potential loss upon the sale.

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

The amount of the impairment losses during the year ended March 31, 2015 was ¥7,813 million.

In the Chinese company in the Metals & Minerals segment, due to the deterioration in profitability from the change in business environment, the Company recognized an impairment loss in ¥4,366 million mainly on buildings and structures, and machinery and vehicles.

The recoverable amounts used in impairment tests for property, plant and equipment are calculated based on value in use or fair value less costs to sell 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 are consistent with external information. The growth rate is determined with reference to the long-term average growth rate of the markets or countries to which the cash-generating unit belongs. The discount rate is determined with reference to such factors as the weighted average cost of capital for each cash generating unit (approximately 8–12%).

9. Investment Property

The cost, accumulated depreciation and accumulated impairment losses, and carrying amount of investment property for the years ended March 31, 2016 and 2015 were as follows:

	Millions of Yen
	Investment property
Balance as of March 31, 2016	
Cost	**¥ 58,990**
Accumulated depreciation and accumulated impairment losses	**(29,858)**
Carrying amount	**29,132**

	Millions of Yen
	Investment property
Balance as of March 31, 2015	
Cost	¥ 63,378
Accumulated depreciation and accumulated impairment losses	(30,479)
Carrying amount	32,899

	Millions of U.S. Dollars
	Investment property
Balance as of March 31, 2016	
Cost	**$ 524**
Accumulated depreciation and accumulated impairment losses	**(265)**
Carrying amount	**259**

The changes in the carrying amount of investment property for the years ended March 31, 2016 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Beginning of the year	¥32,899	¥29,186	$292
Acquisitions through business combinations	—	2,483	—
Individual acquisitions	452	207	4
Disposals and decrease through divestitures	(1,031)	(3,788)	(9)
Depreciation	(1,007)	(1,187)	(9)
Impairment losses recognized in profit or loss	(469)	(445)	(4)
Effect of foreign currency exchange differences	(197)	262	(2)
Transfers to and from property, plant and equipment	(408)	6,359	(4)
Others	(1,107)	(178)	(9)
End of the year	¥29,132	¥32,899	$259

Fair values of investment property for the years ended March 31, 2016 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Fair Value	¥32,596	¥35,888	$289

Fair values of investment property are mainly measured by the discounted cash flow method, conducted by independent real estate appraisers, and are classified as Level 3 under IFRS 13 Fair Value Measurement.

Rental income from investment property for the years ended March 31, 2016 and 2015 were ¥6,929 million (US$61 million) and ¥6,627 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, 2016 and 2015 were ¥3,349 million (US$30 million) and ¥2,825 million, respectively, and were included mainly in Cost.

10. Pledged Assets

The following assets were pledged as collateral as of March 31, 2016 and 2015:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Cash and cash equivalents, and Time deposits	¥ 1,504	¥ 172	$ 13
Trade receivables and others	4,633	6,422	41
Inventories	17,972	3,833	160
Investments and Non-current receivables	6,687	23,205	59
Property, plant and equipment, and others	18,874	7,957	168
Total	¥49,670	¥41,589	$441

Collateral was pledged to secure the following obligations as of March 31, 2016 and 2015:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Short-term borrowings (Note)	¥ 6,264	¥ 3,814	$ 56
Trade payables and others	3,075	3,770	27
Long-term borrowings	13,655	3,539	121
Total	¥22,994	¥11,123	$204

Note: Short-term borrowings as of March 31, 2016 and 2015 included the current portion of Long-term borrowings of ¥5,707 million (US$51 million) and ¥554 million, respectively.

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 cost, accumulated impairment losses, and carrying amount of goodwill for the years ended March 31, 2016 and 2015 were as follows:

	Millions of Yen							
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Eliminations	Total
Balance as of March 31, 2016								
Cost	**¥ 21,173**	**¥12,921**	**¥—**	**¥942**	**¥ 55,461**	**¥115,189**	**¥ 1,716**	**¥207,402**
Accumulated impairment losses	**(12,174)**	**(6,872)**	**—**	**(88)**	**(15,169)**	**(27,327)**	**(1,716)**	**(63,346)**
Carrying amount	**8,999**	**6,049**	**—**	**854**	**40,292**	**87,862**	**—**	**144,056**

	Millions of Yen							
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Eliminations	Total
Balance as of March 31, 2015								
Cost	¥ 21,195	¥13,705	¥—	¥927	¥55,908	¥124,250	¥ 1,830	¥217,815
Accumulated impairment losses	(10,451)	(7,235)	—	(94)	—	—	(1,830)	(19,610)
Carrying amount	10,744	6,470	—	833	55,908	124,250	—	198,205

	Millions of U.S. Dollars							
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Eliminations	Total
Balance as of March 31, 2016								
Cost	**$ 188**	**$115**	**$—**	**$ 8**	**$ 493**	**$1,022**	**$ 15**	**$1,841**
Accumulated impairment losses	**(108)**	**(61)**	**—**	**(1)**	**(135)**	**(242)**	**(15)**	**(562)**
Carrying amount	**80**	**54**	**—**	**7**	**358**	**780**	**—**	**1,279**

The changes in the carrying amount of goodwill for the years ended March 31, 2016 and 2015 were as follows:

	Millions of Yen							
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Eliminations	Total
Balance as of April 1, 2015	¥10,744	¥6,470	¥—	¥833	¥ 55,908	¥124,250	¥—	¥198,205
Acquisitions through business combinations	**—**	**—**	**—**	**81**	**2,462**	**—**	**—**	**2,543**
Decrease through divestitures	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Impairment losses recognized in profit or loss	**(1,745)**	**—**	**—**	**—**	**(16,242)**	**(30,902)**	**—**	**(48,889)**
Effect of foreign currency exchange differences, and others	**—**	**(421)**	**—**	**(60)**	**(1,836)**	**(5,486)**	**—**	**(7,803)**
Balance as of March 31, 2016	**¥ 8,999**	**¥6,049**	**¥—**	**¥854**	**¥ 40,292**	**¥ 87,862**	**¥—**	**¥144,056**

	Millions of Yen							
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Eliminations	Total
Balance as of April 1, 2014	¥10,744	¥5,548	¥—	¥570	¥48,554	¥129,518	¥—	¥194,934
Acquisitions through business combinations	—	—	—	158	1,726	—	—	1,884
Decrease through divestitures	—	—	—	—	—	—	—	—
Impairment losses recognized in profit or loss	—	—	—	—	—	—	—	—
Effect of foreign currency exchange differences, and others	—	922	—	105	5,628	(5,268)	—	1,387
Balance as of March 31, 2015	¥10,744	¥6,470	¥—	¥833	¥55,908	¥124,250	¥—	¥198,205

	Millions of U.S. Dollars							
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	ICT, General Products & Realty	Others, Adjustments & Eliminations	Total
Balance as of April 1, 2015	$ 95	$57	$—	$ 7	$ 496	$1,103	$—	$1,758
Acquisitions through business combinations	**—**	**—**	**—**	**1**	**22**	**—**	**—**	**23**
Decrease through divestitures	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Impairment losses recognized in profit or loss	**(15)**	**—**	**—**	**—**	**(144)**	**(274)**	**—**	**(433)**
Effect of foreign currency exchange differences, and others	**—**	**(3)**	**—**	**(1)**	**(16)**	**(49)**	**—**	**(69)**
Balance as of March 31, 2016	**$ 80**	**$54**	**$—**	**$ 7**	**$ 358**	**$ 780**	**$—**	**$1,279**

The goodwill balance as of March 31, 2016 and 2015 included goodwill resulting from the acquisition of the Kwik-Fit Group in the ICT, General Products & Realty segment and the Dole business in the Food segment.

The goodwill balance resulting from the acquisition of the Kwik-Fit Group as of March 31, 2016 and 2015 were ¥42,971 million (US$381 million) and ¥78,944 million, respectively.

The goodwill balance resulting from the acquisition of the Dole business as of March 31, 2016 and 2015 were ¥16,983 million (US$151 million) and ¥34,984 million, respectively.

The decrease in the goodwill balance is mainly due to impairment.

As a result of impairment tests for goodwill, impairment losses amounting to ¥48,889 million (US$434 million) were recognized during the year ended March 31, 2016.

Regarding the goodwill balance resulting from the acquisition of the Kwik-Fit Group, due to the delay in the recovery of demand in the U.K. passenger car tires market, the earnings for the Kwik-Fit Group anticipated at the time of the acquisition have not yet been secured. Accordingly, the Company revised its demand forecast over the medium term, and recognized an impairment loss of ¥30,902 million (US$274 million).

Regarding the goodwill balance resulting from the acquisition of the Dole business, in the Asian fresh food-related business, the Company revised the business plans for Dole considering potential weather risk, etc., in light of lower-than-expected results due to a decline in the production volume of fresh food due to the impact of unseasonable weather and other factors. Consequently, an impairment loss of ¥15,072 million (US$134 million) has been recognized.

Impairment losses were not recognized during the year ended March 31, 2015.

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

The recoverable amounts used in impairment tests for goodwill are based on value in use calculated with the support by independent appraisers. 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 are consistent with external information. The growth rate is determined with reference to the long-term average growth rate of the markets or countries to which the cash-generating unit belongs. The discount rate is determined with reference to such factors as the weighted average cost of capital for each cash generating unit (approximately 5–13%).

(2) Intangible Assets

The cost, accumulated amortization and accumulated impairment losses, and carrying amount of intangible assets for the years ended March 31, 2016 and 2015 were as follows:

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of March 31, 2016				
Cost	**¥166,887**	**¥ 99,279**	**¥126,539**	**¥ 392,705**
Accumulated amortization and accumulated impairment losses	**(17,219)**	**(63,429)**	**(50,251)**	**(130,899)**
Carrying amount	**149,668**	**35,850**	**76,288**	**261,806**

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of March 31, 2015				
Cost	¥173,935	¥100,169	¥117,562	¥ 391,666
Accumulated amortization and accumulated impairment losses	(6,712)	(62,414)	(31,804)	(100,930)
Carrying amount	167,223	37,755	85,758	290,736

	Millions of U.S. Dollars			
	Trademarks	Software	Others	Total
Balance as of March 31, 2016				
Cost	**$1,481**	**$ 881**	**$1,123**	**$ 3,485**
Accumulated amortization and accumulated impairment losses	**(153)**	**(563)**	**(446)**	**(1,162)**
Carrying amount	**1,328**	**318**	**677**	**2,323**

The changes in the carrying amount of intangible assets for the years ended March 31, 2016 and 2015 were as follows:

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of April 1, 2015	¥167,223	¥ 37,755	¥ 85,758	¥290,736
Acquisitions through business combinations	**81**	**156**	**6,630**	**6,867**
Individual acquisitions	**2,844**	**12,151**	**4,565**	**19,560**
Disposals	**(1,769)**	**(882)**	**(174)**	**(2,825)**
Decrease through divestitures	**—**	**(52)**	**(3)**	**(55)**
Amortization expenses	**(2,409)**	**(13,197)**	**(9,579)**	**(25,185)**
Impairment losses recognized in profit or loss	**(7,523)**	**(68)**	**(10,646)**	**(18,237)**
Effect of foreign currency exchange differences, and others	**(8,779)**	**(13)**	**(263)**	**(9,055)**
Balance as of March 31, 2016	**¥149,668**	**¥ 35,850**	**¥ 76,288**	**¥261,806**

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of April 1, 2014	¥140,413	¥ 35,891	¥69,008	¥245,312
Acquisitions through business combinations	23,160	96	14,203	37,459
Individual acquisitions	355	13,575	3,330	17,260
Disposals	(28)	(228)	(192)	(448)
Decrease through divestitures	—	(20)	(7)	(27)
Amortization expenses	(2,007)	(12,183)	(7,365)	(21,555)
Impairment losses recognized in profit or loss	—	(585)	(357)	(942)
Effect of foreign currency exchange differences, and others	5,330	1,209	7,138	13,677
Balance as of March 31, 2015	¥167,223	¥ 37,755	¥85,758	¥290,736

	Millions of U.S. Dollars			
	Trademarks	Software	Others	Total
Balance as of April 1, 2015	$1,484	$ 335	$761	$2,580
Acquisitions through business combinations	**1**	**1**	**59**	**61**
Individual acquisitions	**25**	**108**	**40**	**173**
Disposals	**(16)**	**(8)**	**(2)**	**(26)**
Decrease through divestitures	**—**	**(0)**	**(0)**	**(0)**
Amortization expenses	**(21)**	**(117)**	**(85)**	**(223)**
Impairment losses recognized in profit or loss	**(67)**	**(1)**	**(94)**	**(162)**
Effect of foreign currency exchange differences, and others	**(78)**	**(0)**	**(2)**	**(80)**
Balance as of March 31, 2016	**$1,328**	**$ 318**	**$677**	**$2,323**

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

The amount of impairment losses during the year ended March 31, 2016 was ¥18,237 million (US$162 million). Regarding trademarks and customer relationships in the domestic apparel business of the Textile segment, performance continued to fall below planned levels as a result of stagnant domestic apparel market conditions. The Company revised the business plans considering structural reforms including revised shop and sales strategies. Consequently, an impairment loss of ¥9,088 million (US$81 million) has been recognized. Regarding customer relationships in Dole International Holdings Co., Ltd. of the Food segment, in Asian fresh food-related business, the Company revised the business plans for Dole considering potential weather risk, etc., in light of lower-than-expected results due to a decline in the production volume of fresh food due to the impact of unseasonable weather and other factors. Consequently, an impairment loss of ¥2,954 million (US$26 million) has been recognized.

The amount of impairment losses during the year ended March 31, 2015 was ¥942 million.

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

The carrying amount of "Others" for the year ended March 31, 2016, included ¥11,973 million (US$106 million) of customer relationships and technology related intangible assets in Toyo Advanced Technologies Co., Ltd., ¥11,783 million (US$105 million) of sales network in CONEXIO Corporation and ¥10,128 million (US$90 million) of customer relationships in Dole International Holdings Co., Ltd.

The carrying amount of "Others" for the year ended March 31, 2015, included ¥14,907 million of customer relationships in Dole International Holdings Co., Ltd., ¥13,531 million of customer relationships and technology related intangible assets in Toyo Advanced Technologies Co., Ltd. and ¥12,636 million of sales network in CONEXIO Corporation.

The carrying amount of intangible assets with indefinite useful lives for the years ended March 31, 2016 and 2015 were ¥106,727 million (US$947 million) and ¥116,462 million, respectively. The balance of intangible assets with indefinite useful lives for the year ended March 31, 2016, included ¥58,361 million (US$518 million) of trademarks of Dole and ¥45,075 million (US$400 million) of trademarks of Kwik-Fit. The balance of intangible assets with indefinite useful lives for the year ended March 31, 2015, included ¥62,240 million of trademarks of Dole and ¥50,821 million of trademarks of Kwik-Fit. The decrease in the balance of trademarks of Dole and Kwik-Fit are mainly due to the foreign currency exchange differences. 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 amounts used in impairment tests for intangible assets are based on value in use calculated with the support by independent appraisers. 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 are consistent with external information. The growth rate is determined with reference to the long-term average growth rate of the markets or countries to which the cash-generating unit belongs. The discount rate is determined with reference to such factors as the weighted average cost of capital for each cash generating unit (approximately 5–21%).

12. Securities and Other Investments

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

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Securities:			
FVTPL financial assets	¥ 6,410	¥ —	$ 57
FVTOCI financial assets	—	—	—
Amortized cost*	22	52	0
Total	¥ 6,432	¥ 52	$ 57
Other Investments:			
FVTPL financial assets	¥ 47,452	¥ 20,485	$ 421
FVTOCI financial assets	743,527	995,758	6,598
Amortized cost*	13,606	13,835	121
Total	¥804,585	¥1,030,078	$7,140

* The fair values of the securities, included in Other current financial assets and Other investments, measured at amortized cost are approximately the same as their carrying amounts.

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
	2016	2015	2016
Marketable equity securities	¥253,789	¥315,820	$2,252
Nonmarketable equity securities	489,738	679,938	4,346
Total	¥743,527	¥995,758	$6,598

The Nonmarketable equity securities mainly consisted of investments in TING HSIN (CAYMAN ISLANDS) HOLDING CORP. and natural resource-related sectors, such as metal and mineral resources, petroleum, and natural gas. The total fair value of the investments in such natural resource-related sectors as of March 31, 2016 and 2015 were ¥308,298 million (US$2,736 million) and ¥459,879 million, respectively. These investments included Drummond International, LLC, BHP Iron Ore (Jimblebar) Pty Ltd, CONGONHAS MINÉRIOS S.A., RAS LAFFAN LNG CO., LTD., and Ivanplats Proprietary Limited.

The main marketable equity securities that the Company and its subsidiaries owned as FVTOCI financial assets as of March 31, 2016 and 2015 were as follows:

March 31, 2016

Stock	Millions of Yen	Millions of U.S. Dollars
ISUZU MOTORS LIMITED	**¥61,514**	**$546**
NISSIN FOODS HOLDINGS CO., LTD.	**28,815**	**256**
Seven & i Holdings Co., Ltd.	**15,258**	**135**
Mazda Motor Corporation	**10,568**	**94**
Advance Residence Investment Corporation	**10,029**	**89**
UNY Group Holdings Co., Ltd.	**6,320**	**56**
Showa Sangyo Co., Ltd.	**5,918**	**53**
Scatec Solar ASA	**5,193**	**46**
Adways Inc.	**4,898**	**43**
SINANEN HOLDINGS CO., LTD.	**4,629**	**41**
Internet Initiative Japan Inc.	**4,515**	**40**
Nippon Flour Mills Co., Ltd.	**4,213**	**37**
H2O RETAILING CORPORATION	**4,083**	**36**
SEIBU HOLDINGS INC.	**3,886**	**34**
Kanemi Co., Ltd.	**3,420**	**30**

March 31, 2015

Stock	Millions of Yen
ISUZU MOTORS LIMITED	¥107,910
NISSIN FOODS HOLDINGS CO., LTD.	32,192
Seven & i Holdings Co., Ltd.	16,064
Mazda Motor Corporation	14,759
Advance Residence Investment Corporation	10,141
Scatec Solar ASA	9,608
Showa Sangyo Co., Ltd.	5,867
Adways Inc.	5,843
UNY Group Holdings Co., Ltd.	5,352
SEIBU HOLDINGS INC.	5,067
SINANEN CO., LTD.	4,797
H2O RETAILING CORPORATION	4,736
Internet Initiative Japan Inc.	3,886
Mizuho Financial Group, Inc.	3,666
Kanemi Co., Ltd.	3,470

FVTOCI financial assets which the Company derecognized in the years ended March 31, 2016 and 2015 were as follows:

Millions of Yen						Millions of U.S. Dollars		
2016			2015			**2016**		
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
¥33,434	**¥10,860**	**¥931**	¥23,204	¥(6,897)	¥1,361	**$297**	**$96**	**$8**

Cumulative gains (losses) (net of tax) reclassified from other comprehensive income (loss) (FVTOCI financial assets) to retained earnings for the years ended March 31, 2016 and 2015 due to derecognition of FVTOCI financial assets were ¥7,005 million (US$62 million) and ¥7,130 million (loss), respectively. The reclassification was mainly due to the derecognition of FVTOCI financial assets caused by sale of equity securities as a result of reconsideration of business relationships and the change in classification of equity securities from FVTOCI financial assets to investments in subsidiaries or associates.

13. Associates and Joint Ventures

(1) The total carrying amounts of investments in associates and joint ventures

For investments in associates and joint ventures, the total carrying amounts in the Consolidated Statement of Financial Position as of March 31, 2016 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Investment			
Associates	**¥1,172,594**	¥1,163,979	**$10,406**
Joint ventures	**327,500**	454,159	**2,907**
Total	**¥1,500,094**	¥1,618,138	**$13,313**

The differences between the carrying amounts of the investment in associates and joint ventures and the Company and its subsidiaries' equity interest in the underlying net assets of such associates and joint ventures were ¥293,345 million (US$2,603 million) and ¥317,924 million as of March 31, 2016 and 2015, respectively. The differences consist of certain fair value adjustments (net of tax) at the time of the investments in associates, and goodwill. The fair value adjustments are primarily attributed to intangible assets.

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

(2) The share of profit and other comprehensive income of associates and joint ventures

For investments in associates and joint ventures, the share of profit and other comprehensive income of associates and joint ventures in comprehensive income for the years ended March 31, 2016 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Associates			
Share of profit or loss	**¥ 93,505**	¥ 60,878	**$ 830**
Share of other comprehensive income	**(81,594)**	16,182	**(724)**
Subtotal	**11,911**	77,060	**106**
Joint ventures			
Share of profit or loss	**54,205**	(50,762)	**481**
Share of other comprehensive income	**(13,389)**	17,096	**(119)**
Subtotal	**40,816**	(33,666)	**362**
Share of comprehensive income			
Total share of profit or loss of associates and joint ventures	**147,710**	10,116	**1,311**
Total share of other comprehensive income of associates and joint ventures	**(94,983)**	33,278	**(843)**
Total	**¥ 52,727**	¥ 43,394	**$ 468**

In Investments accounted for by the equity method, the Company recognized an impairment losses of ¥5,203 million (US$46 million) for the year ended March 31, 2016. The Company did not recognize any impairment losses for the year ended March 31, 2015.

In measuring the impairment losses on investments in associates and joint ventures, the recoverable amount is calculated by comprehensive consideration, referencing values measured by third parties or stock prices. The impairment losses were included in "Gains on investments" in the Consolidated Statement of Comprehensive Income.

The recoverable amounts used in impairment tests for investments in associates and joint ventures are based on value in use calculated with the support of independent appraisers. 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 (approximately 3–13%).

(3) The balances of receivables and payables involving associates and joint ventures

For investments in associates and joint ventures, the balances of receivables and payables for the years ended March 31, 2016 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Balance of receivables			
Associates	¥162,745	¥162,708	$1,444
Joint ventures	575,345	59,311	5,106
Total	¥738,090	¥222,019	$6,550
Balance of payables			
Associates	54,439	58,733	483
Joint ventures	2,558	2,519	23
Total	¥ 56,997	¥ 61,252	$ 506

(4) Total revenues and total purchases from associates and joint ventures

For investments in associates and joint ventures, total revenues and total purchases included in Cost for the years ended March 31, 2016 and 2015 as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Revenues			
Associates	¥163,772	¥166,007	$1,453
Joint ventures	22,244	53,074	197
Total	¥186,016	¥219,081	$1,650
Purchases			
Associates	297,190	327,300	2,637
Joint ventures	23,418	38,721	208
Total	¥320,608	¥366,021	$2,845

(5) Investments in associates and joint ventures with a reporting period end that differs from that of the Company

The Consolidated Financial Statements include investments in associates and joint ventures with a reporting period end that differs from that of the Company because it is impracticable to unify the reporting period ends, due to reasons including the existence of a shareholder that has control over the associates and joint ventures which the reporting period is different from that of the Company, or the impossibility of doing so under the legal system of regions in which the associates and joint ventures are located. The difference between the end of the reporting period of these associates and joint ventures and the end of the reporting period of the Company does not exceed three months. Adjustments are made to reflect significant transactions or events that result from the difference in the reporting period ends. Major investments in such associates and joint ventures include CITIC Limited (reporting period ends in December) and FamilyMart Co., Ltd. (reporting period ends in February).

(6) Investment in CITIC Limited

Chia Tai Bright Investment Company Limited (CTB), a company in which ITOCHU and Charoen Pokphand Group Company Limited (CPG) each invested 50%, owns 20% of ordinary shares in CITIC Limited and applies the equity method from the third quarter of this fiscal year. The funds needed for acquisition of CITIC Limited shares have been procured through investments and shareholder loans from ITOCHU and CPG.

(CITIC Limited Share Acquisition Transaction)

On August 3, 2015, CTB, a company in which ITOCHU and CPG each invested 50%, acquired the preferred shares of CITIC Limited that are convertible into ordinary shares (3,328 million shares) equivalent to approximately 13.4% of voting rights for HK$45,923 million (HK$13.8 per share). In addition, on August 13, 2015, after confirming that the shares in CITIC Limited retained a certain degree of liquidity on the Hong Kong Stock Exchange, CTB executed conversion procedures from preferred shares into ordinary shares. From this conversion, combined with the ordinary shares acquired in April, 2015 (2,490 million shares for HK$34,367 million, or HK$13.8 per share), CTB raised its stake in CITIC Limited to 20% of total voting rights, and CITIC Limited became an equity method company of CTB.

(Cash Flow Hedge Related to the Acquisition of CITIC Limited Shares)

With regard to CTB's acquisition of shares in CITIC Limited and conversion of this company to an equity method company, cash flow hedge is applied, as the consideration for share acquisition (HK$80,289 million, HK$13.8 per share) is fixed, and the future cash flow fluctuation risk associated with changes in the fair value of CITIC Limited shares is hedged. The transaction in line with the acquisition of CITIC Limited shares took place on August 13, 2015, and the fluctuation in the fair market value of the cash flow hedge (¥11,711 million: credit) between the previous fiscal year-end and the date on which the transaction was executed was recognized in other comprehensive income in the Consolidated Statement of Comprehensive Income. The fair value balance of the cash flow hedge on the transaction execution date (¥9,907 million: credit) was transferred to the acquisition cost of the CITIC Limited Shares, which is included in Transfer to non-financial assets in the Consolidated Statement of Changes in Equity.

(Shareholder Loan of CTB in Relation to the Acquisition of CITIC Limited Shares)

As of March 31, 2016, the balance of the shareholder loan rendered to CTB for the acquisition of CITIC Limited shares totaled US$4,682 million (¥527,548 million). This shareholder loan was included in Non-current receivables in the Consolidated Statement of Financial Position.

The total amount of the shareholder loan of US$9,364 million (¥1,129,724 million), which includes the ITOCHU portion and the temporary funding portion for CP Group, is included in Origination of loans receivable in the Consolidated Statement of Cash Flows. The temporary funding of shareholder loan to CP Group in the amount of US$4,682 million (¥564,862 million) that was repaid in the fiscal year ended March 31, 2016, is included in Collections of loans receivable. The necessary funds for this shareholder loan have been procured through borrowings from financial institutions.

(The summarized financial information of CITIC Limited)

The summarized financial information of CITIC Limited based on the disclosed financial statements as of December 31, 2015 were as follows:

	Millions of HK Dollars
	2015
Total assets	$6,803,309
Total liabilities	6,140,140
Total equity	663,169

	Millions of HK Dollars
	2015
Total Revenues	$416,813
Net Profit	60,693
Total other comprehensive income for the year, net of tax	(32,546)
Total comprehensive income for the year	28,147

(7) Investment in Orient Corporation

In the second quarter of the fiscal year ending March 31, 2016, ITOCHU and Mizuho Bank, Ltd. exercised their conversion rights on preferred shares (rights to claim ordinary shares) in Orient Corporation, an equity method company of ITOCHU. As a result, Mizuho Bank, Ltd. became the largest shareholder and ITOCHU the second, holding 16.53% of voting rights.

Collaborating with Mizuho Bank, Ltd., ITOCHU will support the company on the sales front as well as develop and promote new business, and will continue to exercise significant influence over Orient Corporation's operational and financial policies through the dispatch of directors, including the representative director, to the Board of Directors. Therefore, ITOCHU has continued to apply the equity method to Orient Corporation.

(8) Investments in Drummond International, LLC

The Company, through a subsidiary, holds a 20% interest in Drummond International, LLC (DIL), which conducts mining operations and related infrastructure that are currently being operated in Colombia. The subsidiary does not have approval authority over significant matters for resolution regarding DIL, such as for budgets and capital expenditures, and cannot exercise significant influence over the operations and financial policies of DIL. Accordingly, the equity method is not applied to the Company's investment in DIL.

14. Trade and Other Payables

The breakdown of trade payables as of March 31, 2016 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Note payables	¥ 204,657	¥ 261,156	$ 1,815
Account payables	1,169,119	1,306,876	10,376
Other payables	95,729	101,782	850
Total	¥1,469,505	¥1,669,814	$13,041

The breakdown of other current payables as of March 31, 2016 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Other payables	¥18,480	¥23,321	$164
Lease obligations (current)	15,648	18,771	139
Deposits received	33,709	34,513	299
Total	¥67,837	¥76,605	$602

The breakdown of other non-current financial liabilities as of March 31, 2016 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Lease obligations (non-current)	¥ 62,562	¥ 65,618	$555
Others	43,160	38,201	383
Total	¥105,722	¥103,819	$938

15. Debentures and Borrowings

The breakdown of Short-term debentures and borrowings as of March 31, 2016 and 2015 were as follows:

	Millions of Yen	Interest rate (%)	Millions of Yen	Interest rate (%)	Millions of U.S. Dollars
	2016		2015		2016
Current loans from financial institutions	¥293,050	0.8%	¥452,827	1.1%	$2,601
Commercial paper	64,842	0.0%	1,000	0.1%	575
Subtotal	357,892	—	453,827	—	3,176
Current portion of long-term debentures and borrowings	68,928	—	89,833	—	612
Total	¥426,820	—	¥543,660	—	$3,788

Note: Interest rates represent the weighted average interest rates based on balances as of March 31, 2016 and 2015. The interest rates of the Current portion of long-term debentures and borrowings are included in the breakdown of Long-term debentures and borrowings below.

The breakdown of Long-term debentures and borrowings as of March 31, 2016 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Borrowings			
Secured			
Due 2015–2037, interest rate mainly 0.4%–3.5%	¥ 19,362	¥ 4,093	$ 172
Unsecured			
Due 2015–2030, interest rate mainly 0.0%–5.8%	2,330,396	2,097,133	20,682
Debentures			
Unsecured bonds and notes			
Year of issuance, Coupon, Type of bond, Maturity			
Issued in 2006–2015, 0.2%–2.3% Yen Bonds due 2016–2027	420,000	470,000	3,727
Issued in 2012, floating rate Yen Bonds due 2022	10,000	10,000	89
Issued in 2014, floating rate U.S. Dollar Bonds due 2019	11,268	12,017	100
Issued in and after 2012, debentures and others issued by subsidiaries, maturing through 2022	14,856	19,632	132
Subtotal	2,805,882	2,612,875	24,902
Fair value hedge and discontinuation of hedge adjustment	32,391	25,462	287
Total	2,838,273	2,638,337	25,189
Less: Current portion of long-term debentures and borrowings	(68,928)	(89,833)	(612)
Long-term debentures and borrowings	¥2,769,345	¥2,548,504	$24,577

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.

16. Leases

(1) Lessor

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

The schedule of future minimum lease payments receivable under non-cancelable operating leases as of March 31, 2016 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Less than 1 year	¥ 9,715	¥10,439	$ 86
1–5 years	30,074	32,742	267
More than 5 years	21,000	28,360	186
Total	¥60,789	¥71,541	$539

The Company and its subsidiaries lease ICT-related equipment, machinery and equipment, and certain other assets under finance leases. The schedule of gross investment in the lease and present value of minimum lease payments receivable, as of March 31, 2016 and 2015 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		
	2016	2015	**2016**	**2016**	2015	**2016**
Less than 1 year	**¥ 8,399**	¥11,169	**$ 75**	**¥ 7,841**	¥10,000	**$ 70**
1–5 years	**20,079**	24,086	**178**	**18,449**	21,205	**164**
More than 5 years	**10,206**	11,129	**90**	**8,075**	9,362	**71**
Total	**38,684**	46,384	**343**	**¥34,365**	¥40,567	**$305**
(Unguaranteed residual value)	**(300)**	(300)	**(3)**			
Less: Unearned finance income	**(4,140)**	(5,646)	**(37)**			
Less: Present value of unguaranteed residual value	**(179)**	(171)	**(1)**			
Present value of minimum lease payments receivable	**¥34,365**	¥40,567	**$305**			

As of March 31, 2016 and 2015, the accumulated allowance for uncollectible minimum lease payments receivable were ¥44 million (US$0.4 million) and ¥143 million, respectively.

There are lease contracts as a lessor 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 amends the amount of lease payment to be received to move in tandem with the Libor rate every 6 months. However, contingent rents recognized as income were immaterial.

(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 non-cancelable operating leases as of March 31, 2016 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Less than 1 year	**¥ 45,175**	¥ 54,777	**$ 401**
1–5 years	**132,519**	159,877	**1,176**
More than 5 years	**177,623**	204,032	**1,576**
Total	**¥355,317**	¥418,686	**$3,153**

As of March 31, 2016 and 2015, the total of future minimum lease payments to be received under non-cancelable subleases were ¥53,052 million (US$471 million) and ¥54,879 million, respectively.

In the years ended March 31, 2016 and 2015, lease payments under operating leases recognized as an expense were ¥83,236 million (US$739 million) and ¥81,437 million, respectively, and sublease payments received were ¥9,967 million (US$88 million) and ¥8,758 million, respectively.

The Company and its subsidiaries lease buildings, machinery and equipment, and certain other assets under finance leases. The cost, accumulated depreciation and accumulated impairment losses, carrying amount of such leased assets by class as of March 31, 2016 and 2015 were as follows:

	Millions of Yen					
	2016			2015		
	Cost	Accumulated depreciation and Accumulated impairment losses	Carrying amount	Cost	Accumulated depreciation and Accumulated impairment losses	Carrying amount
Buildings and structures	**¥ 55,170**	**¥26,296**	**¥28,874**	¥ 51,143	¥24,110	¥27,033
Machinery and equipment	**27,865**	**14,425**	**13,440**	34,124	18,445	15,679
Others	**21,095**	**11,291**	**9,804**	29,634	16,993	12,641
Total	**¥104,130**	**¥52,012**	**¥52,118**	¥114,901	¥59,548	¥55,353

	Millions of U.S. Dollars		
	2016		
	Cost	Accumulated depreciation and Accumulated impairment losses	Carrying amount
Buildings and structures	**$490**	**$234**	**$256**
Machinery and equipment	**247**	**128**	**119**
Others	**187**	**100**	**87**
Total	**$924**	**$462**	**$462**

The present value of future minimum lease payments, and the amount of future financial cost as of March 31, 2016 and 2015 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		
	2016	2015	2016	2016	2015	2016
Less than 1 year	**¥ 18,400**	¥ 21,834	**$163**	**¥15,648**	¥18,771	**$139**
1–5 years	**44,401**	48,810	**394**	**38,965**	42,102	**346**
More than 5 years	**25,766**	28,813	**229**	**23,597**	23,516	**209**
Total	**88,567**	99,457	**786**	**¥78,210**	¥84,389	**$694**
Less: Future financial cost	**(10,357)**	(15,068)	**(92)**			
Present value of future minimum lease payments	**¥ 78,210**	¥ 84,389	**$694**			

As of March 31, 2016 and 2015, the total future minimum lease payments to be received under non-cancelable subleases were ¥27,876 million (US$247 million) and ¥29,831 million, respectively.

There are lease contracts as a lessee 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 amends the amount of lease payment to move in tandem with the long-term prime lending rate every 5 years. However, contingent rents recognized as an expense were immaterial.

17. Retirement and Severance Benefits

The Company and certain subsidiaries have defined benefit pension plans (e.g., the Corporate Pension Fund) covering substantially all of their employees. Benefits under these pension plans are based on years of service and certain other factors.

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

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

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

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

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

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

The ITOCHU United Pension Fund is a defined benefit multiemployer plan that is operated in accordance with the rules above. Events occurring at participating companies influence the allocation of plan assets and expenses to other participating companies, and consequently, there is no consistent basis for that allocation. Accordingly, because it is not possible to obtain sufficient information to account for this plan as a defined benefit plan, it is accounted for as a defined contribution plan. In regard to the special premium for this plan, 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, 2015, the ITOCHU United Pension Fund was under-funded in the amount of ¥10,748 million. The ITOCHU United Pension Fund obtained approval from the Minister of Health, Labor and Welfare on April 1, 2013, for an exemption from the obligation to pay benefits for future employee services related to the substitutional portion, which would result in the transfer of pension obligations and related assets to the government. As a result of the periodical revaluation and revision of the premium, it is expected that the amount by which the fund is under-funded will be supplemented by the revised premium.

The amount of contributions of participating subsidiaries to the ITOCHU United Pension Fund were ¥2,055 million (US$18 million) and ¥2,043 million for the years ended March 31, 2016 and 2015, respectively. The planned amount of contributions in the year ending March 31, 2017, is approximately ¥2,000 million. The portion of participating subsidiaries' contributions as a percentage of all contributions to the ITOCHU United Pension Fund was approximately 70% in the year ended March 31, 2016.

Changes in the defined benefit obligations were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Projected benefit obligations at the beginning of the year	¥351,227	¥331,110	$3,117
Service cost	10,266	9,923	91
Current service cost	10,274	9,923	91
Prior service cost	(8)	—	(0)
Interest cost	4,065	4,818	36
Plan participants' contributions	624	619	6
Remeasurements	11,526	14,069	102
Benefits paid from plan assets	(16,627)	(18,663)	(148)
Benefits paid by employer	(2,960)	(2,040)	(26)
Foreign currency translation adjustments	(51)	805	(0)
Acquisitions and divestitures	(1,443)	10,633	(13)
Settlements	2	(47)	0
Projected benefit obligations at the end of the year	¥356,629	¥351,227	$3,165

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

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Fair value of plan assets at the beginning of the year	¥310,597	¥284,425	$2,756
Interest income	3,566	4,402	32
Remeasurements	(738)	24,440	(7)
Employer contributions	4,601	7,167	41
Plan participants' contributions	624	619	6
Benefits paid from plan assets	(16,627)	(18,663)	(148)
Foreign currency translation adjustments	(1,493)	573	(12)
Acquisitions and divestitures	(57)	7,634	(1)
Fair value of plan assets at the end of the year	¥300,473	¥310,597	$2,667

As of March 31, 2016 and 2015, plan assets held by the Company and its subsidiaries by category were as follows. For information used to measure fair value, please refer to Note 26 Financial Instruments Measured at Fair Value.

	Millions of Yen		
	2016		
	Level 1	Level 2	Total
Equity instruments:			
Domestic	¥ 22,514	¥ 23,992	¥ 46,506
Overseas	5,756	16,504	22,260
Debt instruments:			
Domestic	22,126	57,564	79,690
Overseas	20,109	14,997	35,106
Other assets:			
Cash and cash equivalents	64,008	—	64,008
Life insurance company general accounts	—	33,535	33,535
Others	—	19,368	19,368
Total	¥134,513	¥165,960	¥300,473

	Millions of Yen		
	2015		
	Level 1	Level 2	Total
Equity instruments:			
Domestic	¥ 22,037	¥ 31,577	¥ 53,614
Overseas	6,210	24,908	31,118
Debt instruments:			
Domestic	16,805	71,074	87,879
Overseas	16,083	15,614	31,697
Other assets:			
Cash and cash equivalents	56,234	—	56,234
Life insurance company general accounts	—	33,873	33,873
Others	—	16,182	16,182
Total	¥117,369	¥193,228	¥310,597

	Millions of U.S. Dollars		
	2016		
	Level 1	Level 2	Total
Equity instruments:			
Domestic	**$ 200**	**$ 213**	**$ 413**
Overseas	**52**	**146**	**198**
Debt instruments:			
Domestic	**196**	**511**	**707**
Overseas	**178**	**133**	**311**
Other assets:			
Cash and cash equivalents	**568**	**—**	**568**
Life insurance company general accounts	**—**	**298**	**298**
Others	**—**	**172**	**172**
Total	**$1,194**	**$1,473**	**$2,667**

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 life insurance company general accounts be conducted in a manner that provides a specific assumed interest rate and a principal guarantee.

Information about the maturity profile of retirement benefits are 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 the distribution of the timing of benefit payments is required under IAS 19 Employee Benefits. The Company believes that it meets this requirement in an effective manner through the disclosure of the weighted-average duration of the 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 13 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, 2017, is approximately ¥4,700 million.

The assumptions regarding the defined benefit obligation were as follows:

	2016	2015
Discount rate	**0.6%**	1.1%
Rate of compensation increase	**3.7%**	3.8%
Mortality rate	**0.02 – 0.73%**	0.02 – 0.78%
Retirement rate	**0.9 – 13.7%**	0.2 – 9.8%
Lump sum election rate	**29.8%**	30.5%

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

As of March 31, 2016, a movement of 1% in the discount rate would have an effect of ¥25,465 million (US$226 million) on the defined benefit obligation and an effect of ¥697 million (US$6 million) (before tax effect) on service cost. This analysis is based on the premise that the actuarial assumptions other than the discount rate do not fluctuate and that only the discount rate fluctuates. This method of analysis is based on assumptions, and it is possible that the actual calculation could be influenced by fluctuations in other variables.

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

The recognized expenses with respect to the defined contribution plan for the years ended March 31, 2016 and 2015 were ¥4,530 million (US$40 million) and ¥4,966 million, respectively.

Details of Compensation

Details of compensation and bonus for the Company's directors in the year ended March 31, 2016 were as follows:

		Millions of Yen	Millions of U.S. Dollars	
Type	Number of people	Amount paid	Amount paid	Details
Directors (Outside directors)	13 (2)	¥1,198 ¥ (24)	$10.6 $ (0.2)	(1) Monthly compensation: ¥751 million (2) Directors' bonuses accrued and payable for the fiscal year ended March 31, 2016: ¥447 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 year ended March 31, 2016 were as follows:

	Millions of Yen		
	Provisions for asset retirement obligations	Other provisions	Total
Balance as of April 1, 2015	¥ 56,811	¥ 9,464	¥ 66,275
Provisions	**9,990**	**3,758**	**13,748**
Provisions charged-off	**(15,860)**	**(2,741)**	**(18,601)**
Provisions reversed	**(771)**	**(339)**	**(1,110)**
Accretion expense	**2,046**	**—**	**2,046**
The effect of changing in the discount rate	**567**	**—**	**567**
Others	**(2,274)**	**(507)**	**(2,781)**
Balance as of March 31, 2016	**¥ 50,509**	**¥ 9,635**	**¥ 60,144**

	Millions of U.S. Dollars		
	Provisions for asset retirement obligations	Other provisions	Total
Balance as of April 1, 2015	$ 504	$ 84	$ 588
Provisions	**89**	**33**	**122**
Provisions charged-off	**(141)**	**(24)**	**(165)**
Provisions reversed	**(7)**	**(3)**	**(10)**
Accretion expense	**18**	**—**	**18**
The effect of changing in the discount rate	**5**	**—**	**5**
Others	**(20)**	**(4)**	**(24)**
Balance as of March 31, 2016	**$ 448**	**$ 86**	**$ 534**

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 was as follow:

	Millions of Yen	Millions of U.S. Dollars
	2016	2016
Other current liabilities	**¥ 8,873**	**$ 79**
Other non-current liabilities	**51,271**	**455**
Total	**¥60,144**	**$534**

19. Income Taxes

The Company and its domestic subsidiaries are subject to corporate, inhabitant, and enterprise taxes, which are based on income. The statutory effective tax rates for the fiscal years ended March 31, 2016 and 2015, which have been calculated based on these statutory tax rates, are 33.0% and 36.0%, respectively.

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

The Act for Partial Revision of the Income Tax Act, etc., and the Act for Partial Revision of the Local Taxation Act, etc., were enacted on March 29, 2016. As a result, the statutory effective tax rate would be reduced for fiscal years beginning on or after April 1, 2016. Accordingly, the tax rates used to calculate deferred tax assets and deferred tax liabilities have been changed from 32.0% to 31.0%.

Amounts provided for income taxes for the years ended March 31, 2016 and 2015 were allocated as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Income tax expense			
Current tax expense	¥(63,226)	¥ (84,129)	$(560)
Deferred tax expense (*)	16,845	(38,765)	149
Total	(46,381)	(122,894)	(411)
Income taxes recognized directly in equity	182	1,760	2
Total	182	1,760	2
Income tax related to each component of other comprehensive income			
Translation adjustments	2,961	2,146	26
Remeasurement of net defined pension liability	3,796	(3,908)	34
FVTOCI financial assets	63,888	(13,452)	567
Cash flow hedges	535	(154)	5
Other comprehensive income in associates and joint ventures	4,731	(6,109)	42
Total	¥ 75,911	¥ (21,477)	$ 674

Notes: 1. Deferred tax expense relating to the origination and reversal of temporary differences recognized, tax loss carryforwards and tax credit carryforwards for the years ended March 31, 2016 and 2015 were ¥6,081 million (US$54 million) (income) and ¥27,339 million (expense), respectively.
2. Deferred tax expense relating to changes of tax regulation for the year ended March 31, 2016 and 2015 were ¥483 million (US$4 million) (expense) and ¥15,220 million (expense), respectively.
3. Deferred tax expense relating to the reassessment of the realizability of deferred tax assets for the years ended March 31, 2016 and 2015 were ¥11,247 million (US$100 million) (income) and ¥3,794 million (income), respectively.

The reconciliations between the statutory effective tax rate and the effective tax rate of income tax expense in the Consolidated Statement of Comprehensive Income for the years ended March 31, 2016 and 2015 were as follows:

	2016	2015
Statutory effective tax rate	33.0%	36.0%
Items not deductible or not taxable for tax purposes	1.0	0.1
Difference of tax rates for foreign subsidiaries	(1.6)	(0.9)
Tax effect on dividends received	(0.5)	(3.6)
Effect on deferred tax assets and deferred tax liabilities from a change in the tax regulation	0.1	3.6
Minerals Resource Rent Tax	—	1.3
Change in temporary differences for which no deferred tax asset is recognized	(3.5)	(4.3)
Equity in earnings of associates and joint ventures	(15.1)	(0.9)
Tax effect on equity interests in subsidiaries, associates and joint ventures	(0.3)	(2.1)
Others	1.3	0.2
Effective tax rate in the Consolidated Statement of Comprehensive Income	14.4%	29.4%

Deferred tax assets are not recognized for temporary differences, tax loss carryforwards and tax credit carryforwards if they are not probable to be realized based on the estimates of future taxable income for each taxable entity. Temporary differences, tax loss carryforwards and tax credit carryforwards for which no deferred tax assets were recognized for the years ended March 31, 2016 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Deductible temporary differences	¥346,531	¥296,711	$3,076
Tax loss carryforwards / tax credit carryforwards	193,611	53,811	1,718
Total	¥540,142	¥350,522	$4,794

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
	2016	2015	2016
Within 1 year	¥ 538	¥ 3,151	$ 5
Within 2 years	2,094	716	19
Within 3 years	1,350	1,833	12
Within 4 years	4,126	1,011	37
Within 5 years	3,687	5,877	33
After 5 to 10 years	142,200	22,750	1,260
After 10 years (or no expiration date)	39,616	18,473	352
Total	¥193,611	¥53,811	$1,718

The total amount of taxable temporary differences arising from investments in subsidiaries, associates, and joint ventures, for which deferred tax liabilities have not been recognized as of March 31, 2016 and 2015, were immaterial.

Significant components of deferred tax assets and deferred tax liabilities for the years ended March 31, 2016 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Deferred tax assets:			
Inventories and Property, plant and equipment	¥ 62,205	¥ 56,464	$ 552
Allowance for doubtful accounts	23,344	11,728	207
Tax loss carryforwards	25,878	36,030	230
Non-current liabilities for employee benefits	51,289	50,445	455
Securities and investments	1,224	6,961	11
Others	47,795	52,355	423
Total deferred tax assets	211,735	213,983	1,878
Deferred tax liabilities:			
Non-current liabilities for employee benefits	(37,104)	(37,945)	(329)
Securities and investments	(35,630)	(98,149)	(316)
Equity interests in subsidiaries, associates, and joint ventures	(67,379)	(76,267)	(598)
Property, plant and equipment and Intangible assets	(76,696)	(84,252)	(681)
Others	(10,749)	(28,091)	(95)
Total deferred tax liabilities	(227,558)	(324,704)	(2,019)
Net deferred tax assets (liabilities)	¥ (15,823)	¥(110,721)	$ (141)

Among the above changes of deferred tax assets and deferred tax liabilities for the years ended March 31, 2016 and 2015, the changes recognized through other comprehensive income are mainly FVTOCI financial assets, which are included in Securities and investments. In addition, the effect due to business combinations was immaterial.

The details of changes in deferred tax assets and deferred tax liabilities for the years ended March 31, 2016 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Net deferred tax assets (liabilities)			
Balance at the beginning of the year	**¥(110,721)**	¥ (53,250)	**$(983)**
Deferred tax expense for the current period	**16,845**	(38,765)	**149**
Deferred taxes recognized directly in equity			
Capital surplus	**195**	1,233	**2**
Deferred tax related to each component of other comprehensive income			
Translation adjustments	**2,951**	2,146	**26**
Remeasurement of net defined pension liability	**3,796**	(1,066)	**34**
FVTOCI financial assets	**68,714**	(15,348)	**610**
Cash flow hedges	**535**	(154)	**5**
Other comprehensive income in associates and joint ventures	**4,731**	(6,109)	**42**
Changes in deferred tax assets (liabilities) accompanying business combination	**(2,869)**	592	**(26)**
Balance at the end of the year	**¥ (15,823)**	¥(110,721)	**$(141)**

20. Earnings per Share Attributable to ITOCHU

The basic and diluted earnings per share attributable to ITOCHU for the years ended March 31, 2016 and 2015 were as follows:

	Yen		U.S. Dollars
	2016	2015	2016
Earnings per share			
Basic earnings per share attributable to ITOCHU	**¥152.14**	¥189.13	**$1.35**
Diluted earnings per share attributable to ITOCHU	**¥152.14**	¥187.29	**$1.35**

The base data to calculate the basic and diluted earnings per share attributable to ITOCHU for March 31, 2016 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
(Numerator)	2016	2015	2016
Net profit attributable to ITOCHU	**¥240,376**	¥300,569	**$2,133**
Effect of dilutive securities:			
Convertible preferred stock	**—**	(2,927)	**—**
Diluted net profit attributable to ITOCHU	**¥240,376**	¥297,642	**$2,133**

	Number of Shares	
(Denominator)	2016	2015
Weighted-average number of common shares outstanding	**1,579,968,827**	1,589,225,120

The Company has introduced a benefit share employee stock ownership plan (ESOP) from the year ended March 31, 2016. The treasury stock on the Consolidated Statement of Financial Position, which is subtracted in the calculation of the basic and diluted earnings per share attributable to ITOCHU, includes shares of the Company held by the trust account for the benefit share ESOP.

21. Common Stock, Capital Surplus, and Retained Earnings

(1) Common Stock

The number of shares authorized and issued were as follows:

	Number of Shares	
	2016	2015
Authorized		
Common stock	**3,000,000,000**	3,000,000,000
Issued		
Balance at the beginning of the year	**1,662,889,504**	1,584,889,504
Net changes in the year	**—**	78,000,000
Balance at the end of the year	**1,662,889,504**	1,662,889,504

The number of shares of treasury stock included in the number of shares issued above as of March 31, 2016 and 2015 were 83,176,232 shares, and 82,424,923 shares, respectively. The number of shares of treasury stock as of March 31, 2016 includes 923,000 shares of the Company held by the trust account for the benefit share ESOP. Also, the issued shares stated above are fully paid. Furthermore, the common stock issued has 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.

Outline of the Changes in the number of issued shares for the year ended March 31, 2015 was as follow:

(Outline of the changes in the number of issued shares)
The Company received capital contribution from CP WORLDWIDE INVESTMENT COMPANY LIMITED (CPG SPC), a wholly-owned subsidiary of Charoen Pokphand Group Company Limited (CPG) which was established for the purpose of the acquisition and holding of the shares of the Company, and En-CP Growth Investment L.P. (En-CP Fund), an investment partnership established with substantially 50-50 contribution of a wholly-owned subsidiary of CPG and Development Bank of Japan Inc. for the purpose of the acquisition and holding of the shares of the Company, by issuance of new shares by a third-party allotment, at the total ratio of approximately 4.9% (based on the number of issued shares before the capital increase by the third-party allotment) (Third-Party Allotment) on September 18, 2014.

Consequently, Common stock and Capital surplus as of March 31, 2015 were ¥253,448 million and ¥164,154 million, respectively.

Outline of the Third-Party Allotment was as follows:

1) Number of shares to be newly issued	78,000,000 shares of common stock
2) Issue price	1,313 yen per unit
3) Amount of proceeds	102,414,000,000 yen
4) Method of offering and allotment (allottee)	All of the shares are to be allotted to CPG SPC (63,500,000 shares) and En-CP Fund (14,500,000 shares) by way of third-party allotment.
5) Total amounts by which common stock and capital surplus are to be increased (excluding issuance and other expenses)	Common stock: 51,207,000,000 yen Capital surplus: 51,207,000,000 yen

The Company acquired 78 million shares (¥100,669 million) of treasury stock by December 31, 2014, corresponding to the Third-Party Allotment.

(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 a limit to the amount that can be distributed as dividends and the amount available for the purchase of treasury stock. This amount is based on the amount recorded in the Company's statutory 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 stock under the Companies Act. The amount available as dividends or the purchase of treasury stock under the Companies Act was ¥537,306 million (US$4,768 million) as of March 31, 2016. This amount available as dividends or the purchase of treasury stock might change as a result of certain actions, such as the purchase of treasury stock thereafter.

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as (1) having a Board of Directors, (2) having a Board of Corporate Auditors, (3) appointing independent auditors, and (4) the term of service of the directors 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, 2016 and 2015 were as follows:

		Millions of Yen (Millions of U.S. Dollars)		Yen (U.S. Dollars)		
Resolution	Class of shares	Amount of dividends	Source of dividends	Dividends per share	Record date	Effective date
Ordinary general meeting of shareholders held on June 20, 2014	Ordinary shares	¥39,543	Retained earnings	¥25.00	March 31, 2014	June 23, 2014
Board of Directors' meeting held on November 5, 2014	Ordinary shares	¥37,985	Retained earnings	¥23.00	September 30, 2014	December 2, 2014
Ordinary general meeting of shareholders held on June 19, 2015	Ordinary shares	¥36,379 ($323)	Retained earnings	¥23.00 ($0.20)	March 31, 2015	June 22, 2015
Board of Directors' meeting held on November 5, 2015	Ordinary shares	¥39,542 ($351)	Retained earnings	¥25.00 ($0.22)	September 30, 2015	December 2, 2015

(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:

		Millions of Yen (Millions of U.S. Dollars)		Yen (U.S. Dollars)		
Resolution	Class of shares	Amount of dividends	Source of dividends	Dividends per share	Record date	Effective date
Ordinary general meeting of shareholders held on June 24, 2016	Ordinary shares	¥39,541 ($351)	Retained earnings	¥25.00 ($0.22)	March 31, 2016	June 27, 2016

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
	2016	2015	**2016**
Translation adjustments			
Balance at the beginning of the year	**¥ 364,454**	¥255,017	**$ 3,235**
Adjustment for the year	**(161,659)**	109,437	**(1,436)**
Balance at the end of the year	**202,795**	364,454	**1,799**
FVTOCI financial assets			
Balance at the beginning of the year	**176,487**	116,292	**1,566**
Adjustment for the year	**(220,129)**	52,492	**(1,953)**
Transfer to retained earnings	**(7,988)**	7,703	**(71)**
Balance at the end of the year	**(51,630)**	176,487	**(458)**
Cash flow hedges			
Balance at the beginning of the year	**(8,517)**	(3,980)	**(76)**
Adjustment for the year	**7,909**	(4,537)	**71**
Transfer to non-financial assets	**(9,807)**	—	**(87)**
Balance at the end of the year	**(10,415)**	(8,517)	**(92)**
Remeasurement of net defined pension liability			
Balance at the beginning of the year	**—**	—	**—**
Adjustment for the year	**(11,385)**	7,686	**(101)**
Transfer to retained earnings	**11,385**	(7,686)	**101**
Balance at the end of the year	**—**	—	**—**
Other components of equity			
Balance at the beginning of the year	**532,424**	367,329	**4,725**
Adjustment for the year	**(385,264)**	165,078	**(3,419)**
Transfer to retained earnings	**3,397**	17	**30**
Transfer to non-financial assets	**(9,807)**	—	**(87)**
Balance at the end of the year	**¥ 140,750**	¥532,424	**$ 1,249**

(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					
	2016			2015		
	Before tax effects	Tax effects	Net of tax effects	Before tax effects	Tax effects	Net of tax effects
Items that will not be reclassified to profit or loss						
FVTOCI financial assets						
Amount arising during the year on FVTOCI financial assets	**¥(286,431)**	**¥63,888**	**¥(222,543)**	¥ 59,696	¥(13,452)	¥ 46,244
Adjustment for the year	**(286,431)**	**63,888**	**(222,543)**	59,696	(13,452)	46,244
Remeasurement of net defined pension liability						
Amount arising during the year on net defined pension liability	**(12,264)**	**3,796**	**(8,468)**	10,371	(3,908)	6,463
Adjustment for the year	**(12,264)**	**3,796**	**(8,468)**	10,371	(3,908)	6,463
Other comprehensive income in associates and joint ventures						
Amount arising during the year	**(9,350)**	**493**	**(8,857)**	13,304	(1,240)	12,064
Adjustment for the year	**(9,350)**	**493**	**(8,857)**	13,304	(1,240)	12,064
Items that will be reclassified to profit or loss						
Translation adjustments						
Amount arising during the year on translation adjustment	**(77,284)**	**2,925**	**(74,359)**	85,080	2,146	87,226
Reclassification to profit or loss for the year	**(2,609)**	**36**	**(2,573)**	(3,313)	0	(3,313)
Adjustment for the year	**(79,893)**	**2,961**	**(76,932)**	81,767	2,146	83,913
Cash flow hedges						
Amount arising during the year on derivative instruments for cash flow hedges	**(4,597)**	**1,140**	**(3,457)**	2,305	(1,121)	1,184
Reclassification to profit or loss for the year	**1,961**	**(605)**	**1,356**	(3,019)	967	(2,052)
Adjustment for the year	**(2,636)**	**535**	**(2,101)**	(714)	(154)	(868)
Other comprehensive income in associates and joint ventures						
Amount arising during the year	**(79,699)**	**3,044**	**(76,655)**	44,845	(4,984)	39,861
Reclassification to profit or loss for the year	**(10,665)**	**1,194**	**(9,471)**	(18,762)	115	(18,647)
Adjustment for the year	**(90,364)**	**4,238**	**(86,126)**	26,083	(4,869)	21,214
Total other comprehensive income for the year, net of tax	**¥(480,938)**	**¥75,911**	**¥(405,027)**	¥190,507	¥(21,477)	¥169,030

	Millions of U.S. Dollars		
	2016		
	Before tax effects	Tax effects	Net of tax effects
Items that will not be reclassified to profit or loss			
FVTOCI financial assets			
Amount arising during the year on FVTOCI financial assets	**$(2,542)**	**$567**	**$(1,975)**
Adjustment for the year	**(2,542)**	**567**	**(1,975)**
Remeasurement of net defined pension liability			
Amount arising during the year on net defined pension liability	**(109)**	**34**	**(75)**
Adjustment for the year	**(109)**	**34**	**(75)**
Other comprehensive income in associates and joint ventures			
Amount arising during the year	**(83)**	**4**	**(79)**
Adjustment for the year	**(83)**	**4**	**(79)**
Items that will be reclassified to profit or loss			
Translation adjustments			
Amount arising during the year on translation adjustment	**(686)**	**26**	**(660)**
Reclassification to profit or loss for the year	**(23)**	**0**	**(23)**
Adjustment for the year	**(709)**	**26**	**(683)**
Cash flow hedges			
Amount arising during the year on derivative instruments for cash flow hedges	**(41)**	**11**	**(30)**
Reclassification to profit or loss for the year	**17**	**(6)**	**11**
Adjustment for the year	**(24)**	**5**	**(19)**
Other comprehensive income in associates and joint ventures			
Amount arising during the year	**(707)**	**27**	**(680)**
Reclassification to profit or loss for the year	**(95)**	**11**	**(84)**
Adjustment for the year	**(802)**	**38**	**(764)**
Total other comprehensive income for the year, net of tax	**$(4,269)**	**$674**	**$(3,595)**

Notes: 1. In the amount arising during the year on derivative instruments for cash flow hedges for the year ended March 31, 2015 above, accompanying the acquisition or incurrence of non-financial assets or non-financial liabilities which were hedged highly probable transactions, the amount (net of tax) that was removed from other comprehensive income was ¥8,180 million (addition). In addition, the amount that was included or deducted in the initial cost of the non-financial assets or non-financial liabilities for the year ended March 31, 2015 was ¥12,781 million (addition).

2. The amounts of hedge income (loss) in other comprehensive income, arising from the changes in the fair value of currency derivatives designated as the hedging instruments for the cash flow hedges, where the currency risk of borrowings in foreign currency is designated as the hedged items, for the years ended March 31, 2016 and 2015 were ¥28,059 million (US$249 million) (loss) and ¥25,816 million (income) (before tax effect), respectively, and ¥18,800 million (US$167 million) (loss) and ¥16,522 million (income) (net of tax), respectively. These amounts were reclassified from Other components of equity in the period in which the borrowings in foreign currencies designated as the hedged items are translated. They are not included in the amount arising during the year on derivative instruments for cash flow hedges or reclassification to profit or loss for the year.

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 interests), and the Company and its subsidiaries also strictly maintain financial discipline. In this way, the Company and its subsidiaries aim to achieve sustainable expansion and growth in profits.

Notes: 1. NET DER (Net debt-to-equity ratio) = Net interest-bearing debt / Shareholders' equity. Net interest-bearing debt is calculated by subtracting Cash and cash equivalents, and Time deposits from the total of Interest-bearing debt, Debentures and Borrowings (Short-term and Long-term).
2. Risk assets are calculated based on the maximum amount of the possible future losses from all assets on the Consolidated Statement of Financial Position, including investments, as well as for all off-balance-sheet transactions.

The Net interest-bearing debt, Shareholders' equity and NET DER for the Company and its subsidiaries as of March 31, 2016 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Interest-bearing debt	**¥3,196,165**	¥3,092,164	**$28,365**
Cash and cash equivalents	**632,871**	700,292	**5,617**
Time deposit	**7,650**	11,368	**68**
Net Interest-bearing debt	**2,555,644**	2,380,504	**22,681**
Shareholders' equity	**¥2,193,677**	¥2,433,202	**$19,468**
NET DER (times)	**1.17**	0.98	**—**

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 rate 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 funds for investing, financing, and operating activities. Among interest insensitive assets such as investment securities or fixed assets, the part acquired using floating interest loans is considered to be the interest mismatch amount exposed to interest rate risk. 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, 2016, the interest rate mismatch amount was ¥1,240,283 million (US$11,007 million), and the effect on interest expense from a 1% increase in interest rate would be ¥12,403 million (US$110 million) (profit before tax). This amount was calculated by multiplying the interest mismatch balance of the Company and its subsidiaries as of March 31, 2016, by 1%. This analysis was made without consideration of factors such as future changes in the balance, foreign exchange rate fluctuations, and dispersing effects of floating-rate borrowings derived from the interest rate reset date, and was based on the assumption that all other variable factors was 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 by utilizing interest rate swap contracts.

However, the Company and its subsidiaries still cannot guarantee 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 avoidance of such foreign exchange rate risk by utilizing these hedging techniques.

The net exposures to foreign exchange rate risk of the Company and its subsidiaries as of March 31, 2016 and 2015 were as follows:

	Millions of Yen							
	2016							
	U.S. dollar	Euro	Pound	Yuan	Australian dollar	Brazilian real	Other	Total
Short-term balance	**¥10,827**	**¥ (9,849)**	**¥11,229**	**¥3,066**	**¥ 4,769**	**¥7,786**	**¥20,374**	**¥48,202**
Long-term balance	**13,562**	**11,393**	**(879)**	**—**	**(9,672)**	**—**	**13,338**	**27,742**
Total	**¥24,389**	**¥ 1,544**	**¥10,350**	**¥3,066**	**¥(4,903)**	**¥7,786**	**¥33,712**	**¥75,944**

	Millions of Yen							
	2015							
	U.S. dollar	Euro	Pound	Yuan	Australian dollar	Brazilian real	Other	Total
Short-term balance	¥ 2,382	¥10,544	¥ (8,897)	¥16,559	¥ 7,298	¥(139)	¥11,436	¥39,183
Long-term balance	20,287	(7,299)	14,416	3,069	(10,051)	—	17,863	38,285
Total	¥22,669	¥ 3,245	¥ 5,519	¥19,628	¥ (2,753)	¥(139)	¥29,299	¥77,468

Notes: 1. The balance of positions exposed to foreign exchange rate risk are the amounts in foreign currencies, of foreign-currency-denominated receivables and payables and foreign-currency-denominated firm commitments arising from export/import transactions for which foreign exchange rate risk has not been hedged using forward exchange contracts, etc. Balances with a settlement period of one year or less are 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, 2016, the effect (loss) from a 1% increase in the Japanese yen would be ¥759 million (US$7 million) for the Company and its subsidiaries' profit before tax. This analysis is based on the assumption that other variable factors such as balances and interest rates were constant.

The Company and its subsidiaries' investments in overseas businesses expose the Company and its subsidiaries to the risk that fluctuations in foreign exchange rates could affect Shareholders' equity through the accounting of foreign currency translation adjustments and the risk that fluctuations in foreign exchange rates could affect the amount of periodic income when converted to Japanese yen. In addition, there are risks that fluctuations in foreign exchange rates could affect Shareholders' equity for FVTOCI financial assets in foreign currency. 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 funds for investing, financing, and operating activities, as well as repayments of borrowings.

In addition to securing flexibility in fund-raising in response to changes in financial conditions and reducing the cost of funds, the Company and its subsidiaries have taken steps to diversify their sources of funds and methods of fund-raising. In regards to liquidity, in addition to Cash and cash equivalents, and Time deposits of ¥640,521 million (US$5,684 million) as of March 31, 2016, the Company and its subsidiaries have commitment line and long-term loan agreements concluded as of March 31, 2016 (Yen: ¥350,000 million; multiple currency: US$5,700 million) and believe that the Company and its subsidiaries have sufficient liquidity for repayment of financial liabilities in even under unexpected circumstances.

As of March 31, 2016 and 2015, the remaining contractual maturities of the Company and its subsidiaries' Debentures and borrowings (Short-term and Long-term), Trade payables, other current payables, and other financial liabilities (Short-term and Long-term), and Contingent liabilities (guarantee for substantial risk for monetary indebtedness of associates and customers) other than derivative financial liabilities were as follows:

	Millions of Yen			
	2016			
	Less than 1 year	1–5 years	More than 5 years	Total
Debentures and borrowings (Short-term and Long-term)	**¥ 426,820**	**¥1,325,419**	**¥1,443,926**	**¥3,196,165**
Trade payables, other current payables, and other financial liabilities (Short-term and Long-term)	**1,587,215**	**44,545**	**36,468**	**1,668,228**
Contingent liabilities	**¥ 54,068**	**¥ 45,530**	**¥ 33,103**	**¥ 132,701**

	Millions of Yen			
	2015			
	Less than 1 year	1–5 years	More than 5 years	Total
Debentures and borrowings (Short-term and Long-term)	¥ 543,660	¥1,195,550	¥1,352,954	¥3,092,164
Trade payables, other current payables, and other financial liabilities (Short-term and Long-term)	1,776,502	50,878	50,940	1,878,320
Contingent liabilities	¥ 46,642	¥ 51,412	¥ 35,690	¥ 133,744

	Millions of U.S. Dollars			
	2016			
	Less than 1 year	1–5 years	More than 5 years	Total
Debentures and borrowings (Short-term and Long-term)	**$ 3,788**	**$11,763**	**$12,814**	**$28,365**
Trade payables, other current payables, and other financial liabilities (Short-term and Long-term)	**14,085**	**395**	**324**	**14,804**
Contingent liabilities	**$ 480**	**$ 404**	**$ 294**	**$ 1,178**

The remaining contractual maturities of derivatives for the Company and its subsidiaries as of March 31, 2016 and 2015 were as follows:
The amounts for derivatives that will be net settled with other contracts are also presented in gross amounts.

		Millions of Yen			
		2016			
		Less than 1 year	1–5 years	More than 5 years	Total
Currency derivatives	Income	**¥ 6,344**	**¥28,558**	**¥ 2**	**¥ 34,904**
	Expenditures	**(8,124)**	**(5,117)**	**—**	**(13,241)**
Interest rate derivatives	Income	**87**	**30,586**	**24**	**30,697**
	Expenditures	**(21)**	**(485)**	**(723)**	**(1,229)**
Commodity derivatives	Income	**13,869**	**56**	**—**	**13,925**
	Expenditures	**(14,527)**	**(23)**	**—**	**(14,550)**

		Millions of Yen			
		2015			
		Less than 1 year	1–5 years	More than 5 years	Total
Currency derivatives	Income	¥ 13,544	¥55,053	¥ 29	¥ 68,626
	Expenditures	(8,577)	(793)	—	(9,370)
Interest rate derivatives	Income	3,627	13,088	12,928	29,643
	Expenditures	(772)	(256)	(181)	(1,209)
Commodity derivatives	Income	17,727	100	—	17,827
	Expenditures	(11,744)	(481)	—	(12,225)

		Millions of U.S. Dollars			
		2016			
		Less than 1 year	1–5 years	More than 5 years	Total
Currency derivatives	Income	**$ 56**	**$254**	**$ 0**	**$ 310**
	Expenditures	**(73)**	**(45)**	**—**	**(118)**
Interest rate derivatives	Income	**1**	**271**	**0**	**272**
	Expenditures	**(0)**	**(4)**	**(7)**	**(11)**
Commodity derivatives	Income	**124**	**0**	**—**	**124**
	Expenditures	**(129)**	**(0)**	**—**	**(129)**

4) Credit risk management

Through sales receivables, loans, guarantees, and other formats, the Company and its subsidiaries grant credit to their trading partners, both domestically and overseas. The Company and its subsidiaries, therefore, bear credit risk in relation to such 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 allowance for doubtful accounts based on the creditworthiness, the status of collection, and the status of receivables in arrears of business partners. The Company and its subsidiaries, having transactions in a broad range of business across a wide range of regions, are not exposed to credit risk that is significantly concentrated on 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, 2016 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Trade receivables (including doubtful account receivables)	**¥1,864,463**	¥2,132,354	**$16,547**
Loans	**708,754**	198,046	**6,290**
Guarantees (substantial risk)	**132,701**	133,744	**1,178**
Other	**228,508**	258,107	**2,028**
The maximum exposure	**¥2,934,426**	¥2,722,251	**$26,043**
Less: Allowance for doubtful accounts	**(31,836)**	(31,867)	**(283)**
The maximum exposure (after allowance for doubtful accounts)	**¥2,902,590**	¥2,690,384	**$25,760**

The credit risk exposure for each operating segment as of March 31, 2016 and 2015 were as follows:

	Millions of Yen					
	2016					
	Trade receivables	Loans	Guarantees (substantial risk)	Other	Allowance for doubtful accounts	Total
Textile	**¥ 178,488**	**¥ 5,978**	**¥ 733**	**¥ 14,034**	**¥ (5,240)**	**¥ 193,993**
Machinery	**184,895**	**54,209**	**76,954**	**15,195**	**(4,067)**	**327,186**
Metals & Minerals	**77,441**	**23,514**	**4,483**	**20,060**	**(1,614)**	**123,884**
Energy & Chemicals	**453,427**	**10,227**	**8,081**	**43,801**	**(3,716)**	**511,820**
Food	**575,070**	**4,032**	**20,087**	**46,718**	**(3,828)**	**642,079**
ICT, General Products & Realty	**380,528**	**33,534**	**19,111**	**28,169**	**(4,014)**	**457,328**
Other	**14,614**	**577,260**	**3,252**	**60,531**	**(9,357)**	**646,300**
Total	**¥1,864,463**	**¥708,754**	**¥132,701**	**¥228,508**	**¥(31,836)**	**¥2,902,590**

	Millions of Yen					
	2015					
	Trade receivables	Loans	Guarantees (substantial risk)	Other	Allowance for doubtful accounts	Total
Textile	¥ 186,700	¥ 6,211	¥ 837	¥ 17,026	¥ (5,995)	¥ 204,779
Machinery	213,865	105,789	69,276	26,830	(7,839)	407,921
Metals & Minerals	110,713	23,703	7,290	7,171	(944)	147,933
Energy & Chemicals	616,101	9,549	10,958	51,229	(3,539)	684,298
Food	585,378	2,305	20,969	40,174	(5,088)	643,738
ICT, General Products & Realty	398,160	22,142	20,540	29,812	(5,744)	464,910
Other	21,437	28,347	3,874	85,865	(2,718)	136,805
Total	¥2,132,354	¥198,046	¥133,744	¥258,107	¥(31,867)	¥2,690,384

	Millions of U.S. Dollars					
	2016					
	Trade receivables	Loans	Guarantees (substantial risk)	Other	Allowance for doubtful accounts	Total
Textile	**$ 1,584**	**$ 53**	**$ 7**	**$ 125**	**$ (47)**	**$ 1,722**
Machinery	**1,641**	**481**	**683**	**135**	**(36)**	**2,904**
Metals & Minerals	**687**	**208**	**40**	**178**	**(14)**	**1,099**
Energy & Chemicals	**4,024**	**91**	**71**	**389**	**(33)**	**4,542**
Food	**5,104**	**36**	**178**	**414**	**(34)**	**5,698**
ICT, General Products & Realty	**3,377**	**298**	**170**	**250**	**(36)**	**4,059**
Other	**130**	**5,123**	**29**	**537**	**(83)**	**5,736**
Total	**$16,547**	**$6,290**	**$1,178**	**$2,028**	**$(283)**	**$25,760**

For the loans included above, as of March 31, 2016 and 2015, collateral had been secured in the amounts of ¥4,693 million (US$42 million) and ¥4,557 million, respectively. Properties and other credit enhancement held by the Company and its subsidiaries as collateral are assessed at fair value.

An aging analysis of receivables that were past due at the reporting date but not impaired as of March 31, 2016 and 2015 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
	2016	2015	**2016**
Less than 90 days	**¥29,522**	¥26,586	**$262**
90 days–1 year	**7,903**	8,787	**70**
More than 1 year	**1,574**	2,912	**14**
Total	**¥38,999**	¥38,285	**$346**

The changes in Allowance for doubtful accounts for the years ended March 31, 2016 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	**2016**
Balance at the beginning of the year	**¥(31,867)**	¥(37,560)	**$(283)**
Provision for doubtful accounts	**(7,775)**	(6,178)	**(69)**
Charge-offs	**6,500**	12,852	**58**
Exchange differences on translation of foreign operations and others	**1,306**	(981)	**11**
Balance at the end of the year	**¥(31,836)**	¥(31,867)	**$(283)**

The balances of impaired receivables as of March 31, 2016 and 2015 were ¥70,793 million (US$628 million) and ¥27,392 million, respectively, and the corresponding allowances for doubtful accounts were ¥23,303 million (US$207 million) and ¥17,615 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 analyze inventories and purchase and sales contracts, and each Division Company has established middle and back offices for major commodities, which establish a balance limit and loss cut limit for each commodity as well as conduct monitoring, management, and periodic reviews. In these ways, the Company and its subsidiaries work to reduce commodity price risk.

Commodity price risk exposure as of March 31, 2016 and 2015 were as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2016		2015		2016	
	Long	Short	Long	Short	Long	Short
Commodity	**¥2,047**	**¥1,186**	¥10,587	¥177	**$18**	**$11**

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, 2016 and 2015. (Method: variance-covariance method / confidence interval 99% / holding period: 5 days / measurement frequency: weekly)

	Millions of Yen				Millions of U.S. Dollars	
	2016		2015		2016	
	March 31	Average	March 31	Average	March 31	Average
Commodity	**¥205**	**¥412**	¥573	¥396	**$2**	**$4**

6) Stock price risk management

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

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, 2016 and 2015 were ¥253,789 million (US$2,252 million) and ¥316,283 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, 2016 and 2015. (Method: variance-covariance method / confidence interval 99% / holding period: 10 days / measurement frequency: weekly)

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Marketable equity securities	**¥20,669**	¥18,836	**$183**

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 periodically conducts back test 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 avoid excessive concentration of credit risk to certain counterparty or group of counterparties.

The carrying amounts and estimated fair values for the purpose of the disclosure requirements of IFRS 13 Fair value measurement, and valuation techniques for Non-current receivables, Non-current financial assets other than investments and receivables (excluding derivative assets), Long-term debentures and borrowings, and Other non-current financial liabilities (excluding derivative liabilities) as of March 31, 2016 and 2015 were as follows (For fair value and calculation of Short-term investments and Other investments, refer to Note 12 Securities and Other Investments and Note 26 Financial Instruments Measured at Fair Value, respectively. For fair value and calculation of derivative asset / liability, refer to Note 26 Financial Instruments Measured at Fair Value.).

	Millions of Yen	
	2016	
	Carrying amount	Fair Value
Financial assets:		
Non-current receivables and Non-current financial assets other than investments and receivables (excluding derivative assets)	**¥ 708,301**	**¥ 709,270**
Financial liabilities:		
Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative liabilities)	**¥2,868,720**	**¥2,868,932**

	Millions of Yen	
	2015	
	Carrying amount	Fair Value
Financial assets:		
Non-current receivables and Non-current financial assets other than investments and receivables (excluding derivative assets)	¥ 189,023	¥ 190,151
Financial liabilities:		
Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative liabilities)	¥2,649,930	¥2,657,048

	Millions of U.S. Dollars	
	2016	
	Carrying amount	Fair Value
Financial assets:		
Non-current receivables and Non-current financial assets other than investments and receivables (excluding derivative assets)	**$ 6,286**	**$ 6,295**
Financial liabilities:		
Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative liabilities)	**$25,459**	**$25,461**

The valuation techniques for fair values of Non-current receivables and Non-current financial assets other than investments and receivables are as follows:

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 accounts, are classified as Level 3.

The valuation techniques for fair values of Long-term debentures and borrowings and Other non-current financial liabilities are as follows:

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 and liabilities other than those mentioned above 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, 2016 and 2015.

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
The amount of financial assets	**¥4,253,263**	¥4,330,297	**$37,746**
The amount of possible offsetting under master netting arrangement or similar arrangement	**(153,696)**	(159,579)	**(1,364)**
Cash collateral paid	**(524)**	(1,024)	**(4)**
Net	**¥4,099,043**	¥4,169,694	**$36,378**

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
The amount of financial liabilities	**¥4,864,393**	¥4,970,484	**$43,170**
The amount of possible offsetting under master netting arrangement or similar arrangement	**(153,696)**	(159,579)	**(1,364)**
Cash collateral received	**(530)**	(32)	**(5)**
Net	**¥4,710,167**	¥4,810,873	**$41,801**

The amount which was offset in accordance with the criteria for offsetting financial assets and financial liabilities in the Consolidated Statement of Financial Position was immaterial.

25. Hedging Activities

Fair value hedges:

A fair value hedge is a hedge of the variability of fair value of a recognized asset or liability or of an unrecognized firm commitment. The changes in fair value of recognized assets or liabilities, or unrecognized firm commitments and related hedging instruments that are designated and qualify as fair value hedges are recognized in profit or loss if the hedges are considered effective. For the years ended March 31, 2016 and 2015, amounts of the net profit (losses) related to hedge ineffectiveness and the portion excluded from the assessment of hedge effectiveness were immaterial.

The Company and its subsidiaries use currency derivatives to hedge the risk of variability in the fair value of unrecognized firm commitments and the hedging terms are basically within one year. Further, the Company and its subsidiaries use interest rate derivatives to hedge the risk of variability in the fair value of loan receivables and borrowings, for which they agree to receive or pay interest on a fixed rate basis, and the hedging terms are nearly the same as the maturity of the loan receivables and borrowings. The Company and its subsidiaries use commodity derivatives to hedge the risk of variability in the fair value of unrecognized firm commitments and inventories and the hedging terms are basically within one year. The prices of hedging instruments are close to the quoted prices in transactions taking place in the principal markets or in the most advantageous markets where each hedging instrument is actively traded.

Cash flow hedges:

Cash flow hedges are hedges of the variability of cash flows to be received or paid related to forecasted transactions, or recognized assets or liabilities. The changes in fair value of hedging instruments that are designated and qualify as cash flow hedges are recognized in other comprehensive income if the hedges are considered effective. This treatment is continued until profit or loss is affected by the variability in cash flows to be received or paid, related to the unrecognized forecasted transactions or the recognized assets or liabilities designated as the hedged items. The ineffective portion of the hedge is included in profit or loss. For the years ended March 31, 2016 and 2015, amounts of the net profit (losses) related to hedge ineffectiveness and the portion excluded from the assessment of hedge effectiveness were immaterial.

The Company and its subsidiaries hold currency derivatives and commodity derivatives to hedge the risk of variability in cash flows to be received or paid related to forecasted transactions, or recognized assets or liabilities, and the hedging terms are basically within one year. Further, the Company and its subsidiaries hold interest rate derivatives and currency derivatives to hedge the risk of variability in cash flows due to variability of interest rates and currency rates in the future, and the hedging terms are nearly the same as the maturity of the loan receivables and borrowings. The prices of hedging instruments are close to the quoted prices in transactions taking place in the principal markets or in the most advantageous markets where each hedging instrument is actively traded.

For the years ended March 31, 2016 and 2015, the amounts reclassified from other comprehensive income into profit or loss, because it is no longer probable that forecasted transactions, would occur were immaterial.

For the year ended March 31, 2015, accompanying the acquisition or incurrence of non-financial assets or non-financial liabilities which were hedged highly probable transactions, the amounts (net of tax) that was removed from other comprehensive income was ¥8,180 million (addition). In addition, the amount that was included in or deducted from the initial values of the non-financial assets or non-financial liabilities was ¥12,781 million (addition).

The fair values of hedging instruments as of March 31, 2016 and 2015 were as follows:

On the Consolidated Statement of Financial Position, the fair value of assets related to hedging instruments is included in Other current financial assets or in Non-current financial assets other than investments and receivables, and the fair value of liabilities related to hedging instruments is included in Other current financial liabilities or in other Non-current financial liabilities.

		Millions of Yen		
		2016		
Type of hedge accounting	Hedging instruments	Notional amounts	Assets	Liabilities
Fair value hedges	Currency derivatives	**¥ 60,411**	**¥ 886**	**¥1,433**
	Interest rate derivatives	**657,500**	**30,538**	**—**
	Commodity derivatives	**190,456**	**2,113**	**3,157**
Cash flow hedges	Currency derivatives	**¥216,103**	**¥28,340**	**¥5,763**
	Interest rate derivatives	**43,578**	**65**	**1,302**
	Commodity derivatives	**2,288**	**155**	**—**

		Millions of Yen		
		2015		
Type of hedge accounting	Hedging instruments	Notional amounts	Assets	Liabilities
Fair value hedges	Currency derivatives	¥ 75,204	¥ 3,349	¥ 857
	Interest rate derivatives	789,500	25,462	—
	Commodity derivatives	242,024	5,083	1,719
Cash flow hedges	Currency derivatives	¥248,545	¥53,830	¥ 421
	Interest rate derivatives	55,827	10	1,100
	Commodity derivatives	—	—	—

		Millions of U.S. Dollars		
		2016		
Type of hedge accounting	Hedging instruments	Notional amounts	Assets	Liabilities
Fair value hedges	Currency derivatives	**$ 536**	**$ 8**	**$13**
	Interest rate derivatives	**5,835**	**271**	**—**
	Commodity derivatives	**1,690**	**19**	**28**
Cash flow hedges	Currency derivatives	**$1,918**	**$252**	**$51**
	Interest rate derivatives	**387**	**1**	**12**
	Commodity derivatives	**20**	**1**	**—**

In the years ended March 31, 2016 and 2015, the amounts of hedged items designated as fair-value hedges were as follows:

	Millions of Yen		
	2016		
Risk category	Main account on Consolidated Statement of Financial Position	Carrying amount	Accumulated amount of fair value hedge adjustments included in the carrying amount
Currency risk	Trade receivables	**¥ 496**	**¥ 13**
	Trade payables	**698**	**19**
	Other current assets	**1,416**	**1,416**
	Other current liabilities	**863**	**863**
Interest rate risk	Long-term debentures and borrowings	**¥688,038**	**¥30,538**
Commodity price risk	Inventories	**¥ 15,043**	**¥ (238)**
	Other current assets	**2,920**	**2,920**
	Other current liabilities	**1,639**	**1,639**

	Millions of Yen		
	2015		
Risk category	Main account on Consolidated Statement of Financial Position	Carrying amount	Accumulated amount of fair value hedge adjustments included in the carrying amount
Currency risk	Trade receivables	¥ 4,315	¥ 90
	Trade payables	8,912	32
	Other current assets	666	666
	Other current liabilities	3,216	3,216
Interest rate risk	Long-term debentures and borrowings	¥814,962	¥25,462
Commodity price risk	Inventories	¥ 19,247	¥ (756)
	Other current assets	1,391	1,391
	Other current liabilities	3,999	3,999

	Millions of U.S. Dollars		
	2016		
Risk category	Main account on Consolidated Statement of Financial Position	Carrying amount	Accumulated amount of fair value hedge adjustments included in the carrying amount
Currency risk	Trade receivables	**$ 4**	**$ 0**
	Trade payables	**6**	**0**
	Other current assets	**13**	**13**
	Other current liabilities	**8**	**8**
Interest rate risk	Long-term debentures and borrowings	**$6,106**	**$271**
Commodity price risk	Inventories	**$ 134**	**$ (2)**
	Other current assets	**26**	**26**
	Other current liabilities	**15**	**15**

In the years ended March 31, 2016 and 2015, the amounts of the Company and its subsidiaries' Other components of equity and the income (losses) associated with hedging instruments designated as cash flow hedges were as follows:

	Millions of Yen			
	2016			
Risk category	Amount of cash flow hedge reserve	Amount of hedge income (loss) recognized in OCI*	Main account of profit or loss reclassified from Other components of equity	Amount of profit or loss reclassified from Other components of equity
Currency risk	**¥(1,539)**	**¥(4,518)**	Other–net	**¥1,930**
Interest rate risk	**102**	**(228)**	Interest expense	**139**
Commodity price risk	**(40)**	**149**	Revenues from sale of goods	**(108)**
Total	**¥(1,477)**	**¥(4,597)**		**¥1,961**

	Millions of Yen			
	2015			
Risk category	Amount of cash flow hedge reserve	Amount of hedge income (loss) recognized in OCI*	Main account of profit or loss reclassified from Other components of equity	Amount of profit or loss reclassified from Other components of equity
Currency risk	¥ 355	¥2,861	Other–net	¥(3,000)
Interest rate risk	(212)	(404)	Interest expense	(30)
Commodity price risk	—	(152)	Revenues from sale of goods	11
Total	¥ 143	¥2,305		¥(3,019)

	Millions of U.S. Dollars			
	2016			
Risk category	Amount of cash flow hedge reserve	Amount of hedge income (loss) recognized in OCI*	Main account of profit or loss reclassified from Other components of equity	Amount of profit or loss reclassified from Other components of equity
Currency risk	**$(14)**	**$(40)**	Other–net	**$17**
Interest rate risk	**1**	**(2)**	Interest expense	**1**
Commodity price risk	**(0)**	**1**	Revenues from sale of goods	**(1)**
Total	**$(13)**	**$(41)**		**$17**

The amounts of hedge income (loss) in other comprehensive income, arising from the changes in the fair value of currency derivatives designated as the hedging instruments for the cash flow hedges, where the currency risk of borrowings in foreign currency is designated as the hedged items, for the years ended March 31, 2016 and 2015 were ¥28,059 million (US$249 million) (loss) and ¥25,816 million (income) (before tax effect), respectively. These amounts were reclassified from Other components of equity in the period in which the borrowings in foreign currencies designated as the hedged items are translated. These amounts are not included above.

26. Financial Instruments Measured at Fair Value

IFRS 13 Fair Value Measurements defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 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 paper with original maturities of three months or less. The Company and its subsidiaries measure the fair value using the quoted market prices and classify them as Level 2.

The inventories that are measured at fair value primarily consist of products which are principally acquired 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 consist of securities and alternative investments. Securities that are listed on exchanges are measured using quoted market prices. When quoted prices in active markets in which transactions occur with sufficient frequency are available, they are classified as Level 1. On the other hand, instruments that are measured at quoted prices in markets in which there are relatively few transactions are classified as Level 2.

Securities that are not listed on exchanges are measured mainly using the discounted cash flow and modified net assets method based on comprehensive consideration of various inputs that are available to the Company and its subsidiaries, including expectation of future income of the investee, the net asset value of the subject stock, and the actual value of significant assets held by the said investee. If the amount affected by unobservable inputs covers the significant proportion of the fair value, the security is classified as Level 3, and if the amount affected by unobservable inputs does not cover significant proportion of fair value, the security is classified as Level 2.

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

Based on the policies and procedures defined by the Company, the Company and its subsidiaries apply the best available valuation technique and inputs to measure the fair value of assets and liabilities by considering their nature, features, and risk. The assets and liabilities that are classified as Level 3 are mainly measured by the discounted cash flow and modified net assets method. In addition, the result of the measurement of the fair value has been approved by the appropriate authority in each division company.

The fair value of assets and liabilities that are measured by discounted cash flow 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, etc. (Approximately 7–13%)

If the unobservable inputs have been changed to reflect reasonably possible alternative assumptions, the effect is expected to be insignificant.

The Company and its subsidiaries recognize transfers of assets or liabilities between levels of the fair value hierarchy as of the end of each quarterly reporting period when the transfer occur.

The information by level for assets and liabilities that were measured at fair value on a recurring basis as of March 31, 2016 and 2015 were as follows:

	Millions of Yen			
	2016			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	¥ —	¥ 3,000	¥ —	¥ 3,000
Inventories	—	20,176	—	20,176
Securities and other investments				
FVTPL financial assets	—	15,097	38,765	53,862
FVTOCI financial assets	253,789	—	489,738	743,527
Derivative assets	4,561	74,965	—	79,526
Liabilities				
Derivative liabilities	¥ 5,186	¥23,833	¥ —	¥ 29,019

	Millions of Yen			
	2015			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	¥ —	¥ 3,000	¥ —	¥ 3,000
Inventories	—	28,509	—	28,509
Securities and other investments				
FVTPL financial assets	463	13,546	6,476	20,485
FVTOCI financial assets	315,820	—	679,938	995,758
Derivative assets	9,456	106,640	—	116,096
Liabilities				
Derivative liabilities	¥ 5,233	¥ 17,571	¥ —	¥ 22,804

	Millions of U.S. Dollars			
	2016			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$ —	$ 27	$ —	$ 27
Inventories	—	179	—	179
Securities and other investments				
FVTPL financial assets	—	134	344	478
FVTOCI financial assets	2,252	—	4,346	6,598
Derivative assets	40	666	—	706
Liabilities				
Derivative liabilities	$ 46	$212	$ —	$ 258

The changes in Level 3 items for the years ended March 31, 2016 and 2015 were as follows:

	Millions of Yen	
	2016	
	FVTPL financial assets	FVTOCI financial assets
Beginning Balance	**¥ 6,476**	**¥ 679,938**
Total gains or losses	**9,286**	**(266,512)**
Included in gains on investments	**9,286**	**—**
Included in other comprehensive income (loss) (FVTOCI financial assets)	**—**	**(243,313)**
Included in other comprehensive income (loss) (Translation adjustments)	**—**	**(23,199)**
Purchases	**36,120**	**14,572**
Sales	**—**	**(4,390)**
Transfers into Level 3	**—**	**—**
Transfers out of Level 3	**—**	**—**
Others	**(13,117)**	**66,130**
Ending balance	**38,765**	**489,738**
The amount of gains (losses) on investments for the period relating to assets still held as of March 31, 2016	**¥ (27)**	**¥ —**

	Millions of Yen	
	2015	
	FVTPL financial assets	FVTOCI financial assets
Beginning Balance	¥ 7,406	¥300,244
Total gains or losses	—	2,000
Included in gains on investments	—	—
Included in other comprehensive income (loss) (FVTOCI financial assets)	—	(1,330)
Included in other comprehensive income (loss) (Translation adjustments)	—	3,330
Purchases	1,047	4,808
Sales	—	(4,384)
Transfers into Level 3	—	—
Transfers out of Level 3	—	(2,317)
Others	(1,977)	379,587
Ending balance	6,476	679,938
The amount of gains (losses) on investments for the period relating to assets still held as of March 31, 2015	¥ —	¥ —

	Millions of U.S. Dollars	
	2016	
	FVTPL financial assets	FVTOCI financial assets
Beginning Balance	**$ 57**	**$ 6,034**
Total gains or losses	**82**	**(2,365)**
Included in gains on investments	**82**	**—**
Included in other comprehensive income (loss) (FVTOCI financial assets)	**—**	**(2,159)**
Included in other comprehensive income (loss) (Translation adjustments)	**—**	**(206)**
Purchases	**321**	**129**
Sales	**—**	**(39)**
Transfers into Level 3	**—**	**—**
Transfers out of Level 3	**—**	**—**
Others	**(116)**	**587**
Ending balance	**344**	**4,346**
The amount of gains (losses) on investments for the period relating to assets still held as of March 31, 2016	**$ (0)**	**$ —**

The transfers out of Level 3 for FVTOCI financial assets recognized for the year ended March 31, 2015 were due to nonmarketable equity securities becoming marketable equity securities.

The increase in Others for FVTOCI financial assets for the year ended March 31, 2015 were mainly due to the reclassification of investments in Drummond International, LLC and TING HSIN (CAYMAN ISLANDS) HOLDING CORP. from associates to Other investments (FVTOCI financial assets).

The decrease of total gains or losses included in other comprehensive income (loss) (FVTOCI financial assets) for FVTOCI financial assets for the year ended March 31, 2016 was mainly due to the decrease in fair value of Drummond International, LLC and TING HSIN (CAYMAN ISLANDS) HOLDING CORP.

27. Selling, General and Administrative Expenses

The breakdown of Selling, general and administrative expenses for the years ended March 31, 2016 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Personnel expenses	**¥429,768**	¥420,125	**$3,814**
Depreciation	**32,140**	28,245	**285**
Amortization	**13,663**	12,948	**121**
Service charge	**69,723**	72,358	**619**
Distribution costs	**64,570**	58,997	**573**
Rent and operating lease expenses	**62,431**	60,820	**554**
Others	**163,223**	156,705	**1,449**
Total	**¥835,518**	¥810,198	**$7,415**

28. Gains on Investments

The breakdown of Gains on investments for the years ended March 31, 2016 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Investments in subsidiaries, associates and joint ventures	**¥61,205**	¥110,436	**$543**
FVTPL financial assets	**11,475**	2,165	**102**
Financial assets measured at amortized cost (Note)	**—**	(2,741)	**—**
Total	**¥72,680**	¥109,860	**$645**

Note: For the year ended March 31, 2015, the Financial assets measured at amortized cost includes gains arising from the derecognition of financial assets measured at amortized cost of ¥107 million and impairment loss on the financial assets measured at amortized cost of ¥2,848 million.

29. Gains and Losses on Property, Plant, Equipment and Intangible Assets

The breakdown of Gains and losses on property, plant, equipment and intangible assets for the years ended March 31, 2016 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Gains on sales of property, plant and equipment	**¥ 2,449**	¥ 8,987	**$ 22**
Losses on disposal and sales of property, plant and equipment	**(5,551)**	(1,707)	**(49)**
Impairment losses on property, plant and equipment (Note)	**(103,977)**	(12,396)	**(923)**
Impairment losses on goodwill	**(48,889)**	—	**(433)**
Others	**864**	842	**7**
Total	**¥(155,104)**	¥ (4,274)	**$(1,376)**

Note: Impairment losses on other non-current assets are included in impairment losses on property, plant and equipment. Due to the revision on the progress of the business including development plans as well as oil price forecasts, impairment loss of ¥25,586 million (US$227 million) was recognized related to the North Sea oil fields development project in the Energy & Chemicals segment for the year ended March 31, 2016.

30. Other-Net

The breakdown of Other–net for the years ended March 31, 2016 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Net foreign exchange gains (losses)	**¥(2,413)**	¥(1,609)	**$(22)**
Others	**(3,633)**	8,295	**(32)**
Total	**¥(6,046)**	¥6,686	**$(54)**

31. Financial Income (Loss)

The breakdown of Financial income (loss) for the years ended March 31, 2016 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Interest income			
Financial assets measured at amortized cost	¥ 28,518	¥ 13,899	$ 253
Subtotal	28,518	13,899	253
Dividends received			
FVTPL financial assets	47	41	1
FVTOCI financial assets	37,444	34,845	332
Subtotal	37,491	34,886	333
Interest expense			
Financial liabilities measured at amortized cost	(38,894)	(32,853)	(345)
Derivatives	12,521	9,573	111
Others	(2,545)	(2,066)	(23)
Subtotal	(28,918)	(25,346)	(257)
Total	¥ 37,091	¥ 23,439	$ 329

32. Cash Flow Information

Supplemental cash flow information for the years ended March 31, 2016 and 2015 were as follows:

(Acquisitions of subsidiaries)

There was no acquisition of major subsidiaries for the year ended March 31, 2016. The acquisition of major subsidiaries for the year ended March 31, 2015 was EDWIN CO., LTD.

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Acquisitions of subsidiaries			
Fair value of assets acquired	¥—	¥ 71,729	$—
Fair value of liabilities assumed	—	(58,111)	—
Net assets, before deduction of cash	—	13,618	—
Goodwill and Non-controlling interests	—	(3,768)	—
Fair value of consideration	—	9,850	—
Cash acquired	—	(18,899)	—
Acquisitions of subsidiaries, net of cash acquired (Negative figure indicates proceeds)	¥—	¥ (9,049)	$—

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

(Sales of subsidiaries)

The sale of major subsidiaries for the year ended March 31, 2016 was the housing-materials-related subsidiaries in the U.S.

There was no sale of major subsidiaries for the year ended March 31, 2015.

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Sales of subsidiaries			
Fair value of assets sold	¥102,863	¥—	$ 913
Fair value of liabilities sold	(23,624)	—	(210)
Net assets, before deduction of cash	79,239	—	703
Fair value of consideration	110,304	—	979
Effect of exchange rate changes	267	—	3
Outstanding balance of consideration	(82)	—	(1)
Cash included in assets sold	(1,694)	—	(15)
Sales of subsidiaries, net of cash held by subsidiaries	¥108,795	¥—	$ 966

33. Parent's Ownership Interest in Subsidiaries

Subsidiaries of the Company as of March 31, 2016 were as follows:

Name	Location	Voting shares (%)
Textile		
SANKEI CO., LTD.	Koto-ku, Tokyo	100.0
JAVA HOLDINGS CO., LTD.	Chuo-ku, Kobe	65.0
EDWIN CO., LTD.	Arakawa-ku, Tokyo	98.5 (1.0)
JOI'X CORPORATION	Chuo-ku, Tokyo	100.0
LEILIAN CO., LTD.	Setagaya-ku, Tokyo	99.2
ITOCHU Textile Prominent (ASIA) Ltd.	Hong Kong, China	100.0 (49.0)
ITOCHU TEXTILE (CHINA) CO., LTD.	Shanghai, China	100.0 (40.0)
83 other companies		
Machinery		
IMECS Co., Ltd.	Minato-ku, Tokyo	100.0
ITOCHU AVIATION, CO., LTD.	Minato-ku, Tokyo	100.0
ITOCHU Plantech Inc.	Minato-ku, Tokyo	100.0
JAPAN AEROSPACE CORPORATION	Minato-ku, Tokyo	100.0
ITOCHU Automobile Corporation	Minato-ku, Tokyo	100.0
ITOCHU CONSTRUCTION MACHINERY CO., LTD.	Chuo-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
I-ENVIRONMENT INVESTMENTS LIMITED	London, U.K.	100.0 (30.0)
Auto Investment Inc.	Birmingham, Alabama, U.S.A.	100.0
ITOCHU Automobile America Inc.	Detroit, Michigan, U.S.A.	100.0
VEHICLES MIDDLE EAST FZCO	Dubai, U.A.E.	100.0 (20.0)
MULTIQUIP INC.	Carson, California, U.S.A.	100.0 (80.0)
83 other companies		
Metals & Minerals		
ITOCHU Metals Corporation	Minato-ku, Tokyo	100.0
Brazil Japan Iron Ore Corporation	Minato-ku, Tokyo	75.7
ITC Platinum Development Ltd	London, U.K.	75.0
ITOCHU Coal Americas Inc.	Wilmington, Delaware, U.S.A.	100.0
ITOCHU Minerals & Energy of Australia Pty Ltd	Perth, W.A., Australia	100.0 (3.7)
6 other companies		
Energy & Chemicals		
ITOCHU ENEX CO., LTD.	Minato-ku, Tokyo	54.0
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
CIECO Exploration and Production(UK) Limited	London, U.K.	100.0
ITOCHU Oil Exploration (Azerbaijan) Inc.	Grand Cayman, Cayman Islands	100.0
IPC (USA), Inc.	Santa Ana, California, U.S.A.	100.0
ITOCHU Plastics Pte., Ltd.	Singapore	100.0 (30.0)
PTAGENT. CORPORATION	Shanghai, China	100.0 (40.0)
94 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 (0.0)
ITOCHU Food Sales & Marketing Co., Ltd.	Minato-ku, Tokyo	100.0
Dole International Holdings, Inc.	Minato-ku, Tokyo	100.0
ITOCHU-SHOKUHIN Co., Ltd.	Chuo-ku, Osaka	51.7 (0.1)
NIPPON ACCESS, INC.	Shinagawa-ku, Tokyo	93.8
90 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	58.3
CONEXIO Corporation	Shinjuku-ku, Tokyo	60.3
Excite Japan Co., Ltd.	Minato-ku, Tokyo	57.4 (0.6)
ITOCHU Fuji Partners, Inc.	Minato-ku, Tokyo	63.0
ITOCHU LOGISTICS CORP.	Minato-ku, Tokyo	99.0
ITOCHU Property Development, Ltd.	Minato-ku, Tokyo	99.8
P.T. ANEKA BUMI PRATAMA	Palembang, Indonesia	100.0
RUBBERNET (ASIA) PTE LTD.	Singapore	80.0
European Tyre Enterprise Limited	Letchworth, U.K.	100.0 (20.0)
ITOCHU FIBRE LIMITED	London, U.K.	100.0 (10.0)
107 other companies		
Headquarters		
ITOCHU Treasury Corporation	Minato-ku, Tokyo	100.0
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
Orchid Alliance Holdings Limited	BR. Virgin Islands	100.0
13 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
22 other companies		

Notes: 1. The above numbers of subsidiaries do not include investment companies considered part of the parent (147 companies).
2. Figures in parentheses are indirect voting share percentages.

(The loss of control of subsidiaries)

In the year ended March 31, 2016, profits and losses accompanying the loss of control of subsidiaries due to sales transactions recognized in Gains on investments in the Consolidated Statement of Comprehensive Income were ¥36,941 million (US$328 million) (gain).

This amount is primarily associated with the housing-materials-related subsidiaries in the U.S. included in the ICT, General Products & Realty Company segment, that was recognized under assets held for sale and directly associated liabilities on March 31, 2015.

34. Structured Entities

A structured entity, as defined in IFRS 12 Disclosure of Interests in Other Entities, is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. If a structured entity is substantively controlled by the Company and its subsidiaries, the Company and its subsidiaries consolidate the structured entity.

The structured entities are funded in the aim of running businesses such as ocean plying vessels, real estate-related businesses, and infrastructure-related businesses, and the Company and its subsidiaries are involved through investments, loans and others.

As of March 31, 2016 and 2015, the total assets of unconsolidated structured entities, for which it is possible for the Company and its subsidiaries to bear additional losses exceeding the total amount of investments and loans provided by the Company and its subsidiaries (the unconsolidated structured entities), were ¥281,741 million (US$2,500 million), and ¥246,314 million, respectively. The unconsolidated structured entities primarily raise funds through loans from banks.

The book values of assets in the Consolidated Statement of Financial Position as of March 31, 2016 and 2015 which the Company and its subsidiaries recognized with regard to the involvement in the unconsolidated structured entities were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Other current receivables	**¥ 3,109**	¥ 1,241	**$ 28**
Investments accounted for by the equity method	**12,034**	9,380	**107**
Non-current receivables	**10,164**	7,578	**90**
Total	**¥25,307**	¥18,199	**$225**

In addition, as of March 31, 2016 and 2015, the maximum exposure to losses in relation to the unconsolidated structured entities were ¥100,147 million (US$889 million) and ¥85,711 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.

35. Contingent Liabilities

The Company and its subsidiaries issue various guarantees for indebtedness of associates, joint ventures, and customers. If a guaranteed party fails to fulfill its obligation, the Company and its subsidiaries would be required to execute payments. The maximum potential amount of future payments and the amount of substantial risk as of March 31, 2016 and 2015 were as follows:

	Millions of Yen		
	2016		
	Financial guarantees	Guarantees for performance transactions	Total
Guarantees for associates and joint ventures:			
Maximum potential amount of future payments	**¥109,585**	**¥18,239**	**¥127,824**
Amount of substantial risk	**84,251**	**15,941**	**100,192**
Guarantees for customers:			
Maximum potential amount of future payments	**49,925**	**6,590**	**56,515**
Amount of substantial risk	**30,910**	**1,599**	**32,509**
Total:			
Maximum potential amount of future payments	**¥159,510**	**¥24,829**	**¥184,339**
Amount of substantial risk	**115,161**	**17,540**	**132,701**

	Millions of Yen		
	2015		
	Financial guarantees	Guarantees for performance transactions	Total
Guarantees for associates and joint ventures:			
Maximum potential amount of future payments	¥ 81,274	¥20,414	¥101,688
Amount of substantial risk	68,826	16,249	85,075
Guarantees for customers:			
Maximum potential amount of future payments	57,103	8,656	65,759
Amount of substantial risk	45,093	3,576	48,669
Total:			
Maximum potential amount of future payments	¥138,377	¥29,070	¥167,447
Amount of substantial risk	113,919	19,825	133,744

	Millions of U.S. Dollars		
	2016		
	Financial guarantees	Guarantees for performance transactions	Total
Guarantees for associates and joint ventures:			
Maximum potential amount of future payments	**$ 973**	**$162**	**$1,135**
Amount of substantial risk	**748**	**141**	**889**
Guarantees for customers:			
Maximum potential amount of future payments	**443**	**58**	**501**
Amount of substantial risk	**274**	**15**	**289**
Total:			
Maximum potential amount of future payments	**$1,416**	**$220**	**$1,636**
Amount of substantial risk	**1,022**	**156**	**1,178**

The maximum potential amount of future payments represents the amounts that the Company and its subsidiaries could be obliged to pay if there were defaults.

The amount of substantial risk represents the actual amount of liability incurred by the guaranteed parties within the maximum potential amount of future payments. The amounts that may be reassured from third parties have been excluded in determining the amount of substantial risk.

Within the maximum potential amount of future payments, the amounts that may be reassured from third parties were ¥11,063 million (US$98 million) and ¥17,267 million as of March 31, 2016 and 2015, respectively.

As of March 31, 2016, the Company and its subsidiaries are not required to perform significant guarantees, nor does the Company expect an increase of guarantee amounts due to the deterioration of business conditions of the guaranteed parties for these guarantees.

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 was ¥5,119 million (US$45 million) and ¥5,413 million as of March 31, 2016 and 2015, respectively. No provisions relating to the guarantees have been recognized in the Consolidated Financial Statements.

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

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

36. Approval of Consolidated Financial Statements

The consolidated financial statements were approved at the Board of Directors meeting held on June 15, 2016.

37. Material Subsequent Events

The Company evaluated subsequent events through June 24, 2016, when the consolidated financial statements are available to be issued. Subsequent events were not applicable.

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu LLC
Shinagawa Intercity
2-15-3, Konan
Minato-ku, Tokyo 108-6221
Japan

Tel:+81 (3) 6720 8200
Fax:+81 (3) 6720 8205
www.deloitte.com/jp/en

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, 2016, 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, 2016, 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 24, 2016

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, 2016 in accordance with "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council on March 30, 2011.

As a result of conducting an evaluation of internal controls over financial reporting in the fiscal year ended March 31, 2016, we concluded that its internal control system over financial reporting as of March 31, 2016 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 Tsuyoshi Hachimura, Chief Financial Officer are responsible for designing and operating effective internal control over financial reporting of our company (the "Company") and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that material misstatements may not be completely prevented or detected by internal control over financial reporting.

2. [Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures]

The assessment of internal control over financial reporting was performed as of March 31, 2016, 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, 2016. The Company and 113 consolidated subsidiaries and associated companies (the "113 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 113 entities, we reasonably determined the required scope of assessment of internal controls over business processes.

(Note) The 113 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 113 entities, however we included major special purpose entities into the scope of assessment. Regarding entities other than the 113 entities and the major special purpose entities, we concluded that they do not have any material impact on the consolidated financial statements and, thus, we did not include them in the scope of assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, we selected locations and business units to be tested based upon revenue and gross trading profit (before elimination of inter-company transactions). In addition, we also added locations and business units by considering qualitative aspects such as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management's judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting. We selected the Company and 37 entities as "significant locations and/or business units". We verified that combined revenue and gross trading profit of in-scope entities exceeded two thirds of totals for the year ended March 31, 2016. We included in the scope of assessment, at the selected significant locations and/or business units, business processes relating to revenue, gross trading profit, accounts receivable, inventories, and investments as significant accounts that may have a material impact on the business objectives of the Company.

3. [Matters relating to the results of the assessment]

As a result of the assessment described above, as of the end of this fiscal year, we concluded that the Company's internal control over financial reporting was effectively maintained.

4. [Remarks]

We have nothing to be reported as remarks.

5. [Points to be noted]

We have nothing to be reported as points to be noted.

Independent Auditor's Report
(filed under the Financial Instruments and Exchange Act of Japan)

NOTE TO READERS:

Following is an English translation of the Independent Auditor's Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

(filed under the Financial Instruments and Exchange Act of Japan)

June 24, 2016

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: Haruko Nagayama

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Hiroyuki Yamada

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Tadashi Nakayasu

[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, 2016 of ITOCHU Corporation (the "Company") and its consolidated 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, 2015 to March 31, 2016, 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 consolidated subsidiaries as of March 31, 2016, 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, 2016.

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, 2016 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.

ITOCHU Corporation

Financial Section 2016

ITOCHU Corporation

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

Printed in Japan