Financial Section 2017

For the Year Ended March 31, 2017

ITOCHU Corporation

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. 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. Therefore, 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 3)
Years ended March 31	2017	2016	2015	2014	2013	2012	2017
P/L (For the year):							
Revenues	**¥4,838,464**	¥5,083,536	¥5,591,435	¥5,587,526	¥4,699,466	¥ —	**$43,127**
Gross trading profit	**1,093,462**	1,069,711	1,089,064	1,045,022	945,778	—	**9,747**
Net profit attributable to ITOCHU	**352,221**	240,376	300,569	245,312	258,843	—	**3,140**
Comprehensive income attributable to ITOCHU	**303,063**	(144,777)	465,605	391,901	474,460	—	**2,701**
Per share (Yen and U.S. Dollars):							
Basic earnings attributable to ITOCHU (Note 1)	**223.67**	152.14	189.13	155.21	163.77	—	**1.99**
Cash dividends	**55.0**	50.0	46.0	46.0	40.0	44.0	**0.49**
Shareholders' equity (Note 1)	**1,532.56**	1,388.66	1,539.55	1,293.35	1,087.61	833.22	**13.66**
B/S (At year-end):							
Total assets	**¥8,122,032**	¥8,036,395	¥8,560,701	¥7,784,851	¥7,198,501	¥6,488,155	**$72,395**
Current interest-bearing debt	**563,033**	426,820	543,660	472,667	498,816	451,618	**5,019**
Long-term interest-bearing debt	**2,381,620**	2,769,345	2,548,504	2,420,713	2,282,067	2,084,800	**21,228**
Interest-bearing debt	**2,944,653**	3,196,165	3,092,164	2,893,380	2,780,883	2,536,418	**26,247**
Net interest-bearing debt	**2,330,683**	2,555,644	2,380,504	2,231,988	2,203,428	2,018,420	**20,774**
Total shareholders' equity	**2,401,893**	2,193,677	2,433,202	2,044,120	1,718,980	1,316,928	**21,409**
Cash flows (For the year):							
Cash flows from operating activities	**¥ 389,693**	¥ 419,404	¥ 403,629	¥ 428,101	¥ 236,517	¥ —	**$ 3,474**
Cash flows from investing activities	**(81,306)**	(557,260)	(276,103)	(270,377)	(203,811)	—	**(725)**
Cash flows from financing activities	**(335,396)**	81,770	(97,896)	(77,855)	2,978	—	**(2,990)**
Cash and cash equivalents at the end of the year	**605,589**	632,871	700,292	653,739	570,335	512,825	**5,398**
Ratios:							
ROA (%)	**4.4**	2.9	3.7	3.3	3.8	—	**—**
ROE (%)	**15.3**	10.4	13.4	13.0	17.1	—	**—**
Ratio of shareholders' equity to total assets (%)	**29.6**	27.3	28.4	26.3	23.9	20.3	**—**
Net debt-to-equity ratio (times)	**0.97**	1.17	0.98	1.09	1.28	1.53	**—**
Interest coverage (times) (Note 2)	**11.1**	10.1	12.7	12.5	12.1	—	**—**
Common stock information (For the year):							
Stock price (Yen and U.S. Dollars):							
Opening price	**¥ 1,380.0**	¥ 1,282.0	¥ 1,222.0	¥ 1,125.0	¥ 925.0	¥ 870.0	**$ 12.30**
High	**1,674.5**	1,756.0	1,429.0	1,568.0	1,241.0	966.0	**14.93**
Low	**1,135.5**	1,170.0	1,118.0	1,033.0	755.0	676.0	**10.12**
Closing price	**1,580.0**	1,386.0	1,301.5	1,206.0	1,131.0	903.0	**14.08**
Market capitalization (Yen and U.S. Dollars in billions)	**2,476**	2,189	2,057	1,906	1,788	1,427	**22.07**
Trading volume (yearly, million shares)	**1,604**	1,886	1,782	1,782	1,783	1,882	**—**
Number of shares of common stock issued (at year-end, 1,000 shares)	**1,662,889**	1,662,889	1,662,889	1,584,889	1,584,889	1,584,889	**—**
Exchange rates into U.S. currency							
(Federal Reserve Bank of New York):							
At year-end	**¥ 111.41**	¥ 112.42	¥ 119.96	¥ 102.98	¥ 94.16	¥ 82.41	**—**
Average for the year	**108.25**	120.04	109.75	100.46	83.26	78.86	**—**
Range:							
Low	**118.32**	125.58	121.50	105.25	96.16	85.26	**—**
High	**100.07**	111.30	101.26	92.96	77.41	75.72	**—**
Number of employees (At year-end, consolidated)	**95,944**	105,800	110,487	104,310	83,768	72,528	**—**

Notes: 1. Basic earnings attributable to ITOCHU and Shareholders' equity per share are calculated by using the number of shares outstanding for each year.
2. Interest coverage = (Gross trading profit + Selling, general and administrative expenses + Provision for doubtful accounts + Interest income + Dividends received) / Interest expense
3. The Japanese yen amounts for the year ended March 31, 2017, have been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥112.19 = US$1 (the official rate dated March 31, 2017, as 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
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 2)	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 and Stockholders' equity per share are calculated by using the number of shares outstanding for each year.
2. Interest coverage = (Gross trading profit + Selling, general and administrative expenses + Provision for doubtful receivables + interest income + Dividends received) / Interest expense
3. 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.
4. 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.
5. 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.
6. 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, 2017, (Fiscal Year 2017 or the fiscal year), have been translated into U.S. dollars solely for the convenience of the reader based on the exchange rate of ¥112.19 = US$1, as announced by The Bank of Tokyo-Mitsubishi UFJ, Ltd., on March 31, 2017.

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 2017, the global economy grew at a sluggish pace overall reflecting that some emerging countries still remained in an economic downturn while others such as China showed signs of recovery, although the U.S. economy increasingly strengthened due to improvement in domestic employment and income environments, and the European economy moderately expanded as the uncertainty surrounding the Brexit decision temporarily subsided. The WTI crude oil price recovered from the US$35-40 range per barrel in early April, 2016 to above US$50 in December, 2016 due to the decision of major oil-producing countries including OPEC to reduce oil production, and it remained at around US$50 thereafter.

The economic conditions in Japan continued to be stagnant overall reflecting the drop in exports due to the appreciation of the yen, restraints on companies' capital investments accompanying deteriorating corporate earnings until last fall, and the delay in the recovery of consumer expenditures, although exports improved thereafter.

The yen had appreciated against the U.S. dollar from the ¥112 level in the beginning of April, 2016 to the ¥100 level due to fading expectations for an increase in interest rates in the U.S. and the disarray surrounding the Brexit decision. The yen to the U.S. dollar rate reversed and touched a peak of the ¥117 level in December, 2016 due to high expectations about the economic policies of the new administration in the U.S. and the interest rate hike in the U.S. in December, 2016, the currency pair, however, pared the gain after the beginning of 2017 and lowered to the ¥112 level at the end of March, 2017 due to the fading expectations of the new administration in the U.S. The Nikkei Stock Average recovered to the ¥19,000 level in December, 2016 and remained at around ¥19,000 until the end of March, 2017 due to the depreciation of the yen and the rise of U.S. stock market, after having dipped below the ¥15,000 level in June, 2016 due to the appreciation of the yen and the stagnant economy. As the yield on 10-year Japanese government bonds (JGB) fell to the negative 0.2% level in late June, 2016 due to the stagnant economy, it recovered to the positive 0.07% level at the end of March, 2017 due to the depreciation of the yen and the expectations of economic recovery.

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

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

Textile Company

Expanding and Strengthening Our Brand Business

In addition to newly acquiring exclusive import and distribution rights and master license rights for various high quality brands such as the Hungarian fashion brand ÁERON, the Finnish bag brand Golla, the American shoes brand ETONIC, and the UK rugby brand Rhino Rugby, we have acquired master license rights in the apparel category for the American Psycho Bunny brand, for which we already had rights for innerwear and fashion accessories, and thereby further strengthened our brand development.

We are also involved in activities for expanding our business in the rapidly expanding fashion Electronic Commerce (EC) market, such as starting promotion of UNEEDNOW, an AKB48 Group-certified EC fashion brand for which AKB48 Group members are modeling.

Machinery Company

YANASE Business Efforts

YANASE & CO., LTD. has firmly maintained its position as the top dealer of imported cars in Japan (selling 36,000 new vehicles and 38,000 used vehicles in fiscal year 2017), and ITOCHU Corporation has been involved in various improvement activities as its largest shareholder. ITOCHU Corporation will assist them to continue to provide high quality service as the top dealer of imported cars in Japan to strive for further improved customer satisfaction.

Acquired Equity Interest in the Butendiek Offshore Wind Power Plant in Germany

ITOCHU Corporation has acquired a 22.5% equity interest in the Butendiek offshore wind power plant (288 MW) together with our strategic partner CITIC Pacific Ltd. We will work together with the partner to expand our business in the European renewable energy market starting with this project, which is one of the largest off the German North Sea Coast.

Commercial Operation Started at the Sarulla Geothermal Power Plant in Indonesia (First Unit)

The first unit (with a capacity of 106 MW) of the geothermal power plant located in Sarulla of North Sumatra, which ITOCHU Corporation has a stake in, started commercial operations in March 2017. When the second and third units are completed by 2018, the plant will be among the largest geothermal plants in the world, and will continue to provide renewable energy for the next 30 years.

Strengthening the Hospital IT Business of Telerent Leasing Corporation in the United States

Telerent Leasing Corporation, part of the ITOCHU Group, boasts the top market share for hospital TV systems in the United States, and is promoting the adoption of IT in hospitals using audio visual systems, for which demand is increasing. Telerent aims to make further leaps forward with its fiscal year 2017 acquisition of Digital Networks Group, Inc. of California, which is involved in the same business.

Metals & Minerals Company

Jimblebar Iron Ore Business

After ITOCHU Corporation acquired an interest in 2013, the Jimblebar iron ore business in Western Australia has succeeded in steadily increasing production from its initial rate of 8 million tons per year to 50 million tons per year for the fiscal year under review. We will continue to strive to maximize profit while contributing to regional development and protecting the environment.

Utility-scale Solar Power Generation Business at Shin-Okayama Solar Power Plant

The Shin-Okayama Solar Power Plant became the third utility-scale solar power plants in Japan that ITOCHU Corporation has a stake in to start commercial operations in January, 2017, after those in Ehime prefecture and Oita prefecture. This power plant has the capacity to meet the annual power demands of about 7,600 households, and is expected to contribute to CO_2 emission reductions equivalent to 26,000 tons per annum.

Energy & Chemicals Company

Business Merger of Takiron Co., Ltd. and C. I. Kasei Company, Limited

A joint venture agreement was established for a business merger between C. I. Kasei Company, Limited, which specializes in agricultural materials, etc., and Takiron Co., Ltd., which specializes in construction materials, etc. The merged company became a consolidated subsidiary of ITOCHU Corporation and aims to further increase corporate value as a top-class manufacturer in the plastics processing industry.

Oil Exploration, Development, and Production Business in Eastern Siberia, Russian Federation

Commercial quantities of oil reserves have been confirmed at the Ichyodinskoye oil field located in the Irkutsk Oblast of Eastern Siberia, the Russian Federation, where ITOCHU Corporation has been involved in the oil exploration, development, and production business. The production phase began in December 2016. This business is promoted by a Japan-Russia consortium of influential companies, and is producing crude oil for both Russia and for export to Asian markets including Japan.

Food Company

Business Merger of FamilyMart Co., Ltd. and UNY Group Holdings Co., Ltd.

FamilyMart Co., Ltd. and UNY Group Holdings Co., Ltd. entered into a business merger in September 2016 to create FamilyMart UNY Holdings Co., Ltd. As the largest shareholder, ITOCHU Corporation will assist the further pursuit of economies of scale and synergy in the convenience store business with the largest store network in Japan and top class business infrastructure in the industry.

Building a Robust Value Chain in the Livestock Business

HYLIFE GROUP HOLDINGS LTD., a group company of ITOCHU Corporation, is the largest pork breeder in Canada, is known for its high level of safety and quality due to its custom hog breeds and compound feed, and is Canada's No. 1 exporter of fresh chilled pork products to Japan. ITOCHU Corporation is working on further strengthening the value chain by increasing the added-value of HyLife products (branded pork) in cooperation with Prima Meat Packers, Ltd., another group company.

Strengthening the Earnings Platform for the Dole Business

Since global banana and pineapple yields have been affected by natural disasters, such as typhoons and droughts, Dole Food Company, Inc., one of the largest harvesters of bananas and pineapples in the world, has been involved in adopting irrigation facilities, consolidating and expanding agricultural land, implementing countermeasures for disease and insect pests, and promoting diversification of production areas to mitigate the risks of bad weather, etc. ITOCHU Corporation will continue to utilize our human resources and collective strength to strengthen systems for boosting production capacity and accelerate the global expansion of the Dole business.

General Products & Realty Company

Maintaining Our Position as the Largest Pulp Trader in the World

ITOCHU Corporation trades the largest amount of pulp in the world. In the fiscal year 2017, we achieved pulp trading of approximately 2.7 million tons and secured our position in the industry due to increased sales, particularly in the Asian market, thanks to stable supply sources and sales networks provided by companies such as Metsä Fibre Oy, a group company in Finland, one of the largest softwood pulp manufacturers in the world.

Karawang International Industrial City, Indonesia

ITOCHU Corporation has acquired an additional 200 hectares of land and started expansion work in the Karawang International Industrial City located in eastern Jakarta, Indonesia, where we conduct development and operations in conjunction with the Sinar Mas Group, one of the largest conglomerates in Indonesia. This business venture provides more than 1,200 hectares of land to about 140 corporations for high quality infrastructure that enables these companies to concentrate on manufacturing.

ICT & Financial Business Company

Expanded Insurance Service for HOKEN NO MADOGUCHI GROUP INC.

ITOCHU Corporation is the largest shareholder of HOKEN NO MADOGUCHI GROUP INC., which has been increasing the number of stores and enhancing its services as the leading company of walk-in insurance, with 650 stores in Japan. It will continue to provide high quality services to its customers with its unique sales systems and quality indices in order to maintain its leading position in the industry.

Expansion in the Fields of AI / Fintech / IoT

ITOCHU Corporation has been promoting the development of new business models in the fields of AI / fintech / IoT via venture investments both inside and outside of Japan. During the fiscal year 2017, we teamed up with ABEJA, Inc. to enter the in-store analytics business using AI, and also teamed up with MONEY DESIGN Co., Ltd. to start an asset management proposal service using AI in the field of individual-type defined contribution pension plans (iDeCo). We also continue to develop new services ahead of other players in the industry, such as our "Re:Body" service to support the health management of corporate employees, which was developed in conjunction with NTT Docomo, Inc.

Business Results for Fiscal Year 2017—Comparison between Fiscal Year 2017 and Fiscal Year 2016

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

Revenues for the fiscal year ended March 31, 2017, decreased by 4.8%, or ¥245.1 billion, compared with the previous fiscal year to ¥4,838.5 billion (US$43,127 million). This decrease was attributable to lower revenue from the Energy & Chemicals Company, due to the lower sales prices in energy-related companies and energy trading transactions, and the appreciation of the yen; lower revenue from the Textile Company, due to the unfavorable sales in apparel-related companies; lower revenue from the Machinery Company, due to the conversion of an industrial-machinery-related subsidiary and an automobile-related subsidiary to investments accounted for by the equity method and the appreciation of the yen; and lower revenue from the General Products & Realty Company, due to the de-consolidation of a housing-materials-related company in the U.S. in the previous fiscal year and the appreciation of the yen.

Gross trading profit increased by 2.2%, or ¥23.8 billion, compared with the previous fiscal year to ¥1,093.5 billion (US$9,747 million). This increase was attributable to higher earnings from the Metals & Minerals Company, due to the higher iron ore and coal prices, despite the appreciation of the yen; higher earnings from the Food Company, due to the improvement in profitability in fresh-food-related companies, and the higher transaction volume and the improvement in profitability in food-distribution-related companies; and lower earnings from the General Products & Realty Company, due to the de-consolidation of a housing-materials-related company in the U.S. in the previous fiscal year and the appreciation of the yen, despite the stable performance in domestic building-materials-related companies.

Selling, general and administrative expenses decreased by 4.0%, or ¥33.7 billion, compared with the previous fiscal year to ¥801.8 billion (US$7,147 million), due to the improvement of expenses in the Textile sector, the lower expenses in foreign companies accompanying the appreciation of the yen, and the de-consolidation of a housing-materials-related company in the U.S. in the previous fiscal year, despite higher expenses accompanying the increase in revenues in certain existing companies.

Provision for doubtful accounts decreased by ¥4.5 billion compared with the previous fiscal year to a loss of ¥3.2 billion (US$29 million), due to the conversion of an automobile-related subsidiary to investments accounted for by the equity method in the previous fiscal year.

Gains on investments decreased by 55.8%, or ¥40.5 billion, compared with the previous fiscal year to ¥32.1 billion (US$287 million), due to the absence of the gain on sales of a housing-materials-related company in the U.S. and an extraordinary gain regarding a finance-related company in the previous fiscal year, despite the gain accompanying the changes in equity resulting from the merger of FamilyMart and UNY Holdings.

Losses on property, plant, equipment and intangible assets improved by ¥138.4 billion compared with the previous fiscal year to ¥16.7 billion (US$149 million) (losses), due to the less impairment loss in European tire-related companies, and the absence of the impairment loss and the loss accompanying the sale of certain assets in the Australian coal-related business and the impairment loss in the North Sea oil fields development project and fresh-food-related companies in the previous fiscal year.

Other–net improved by ¥0.6 billion compared with the previous fiscal year to a loss of ¥5.4 billion (US$49 million), due to the absence of restructuring related expense in subsidiaries in the previous fiscal year, despite the decline in foreign currency translation resulting from the appreciation of the yen.

Net interest expenses, which is the total of **Interest income** and **Interest expense**, deteriorated by ¥3.2 billion compared with the previous fiscal year to expenses of ¥3.6 billion (US$33 million), due to the decreased interest income resulting from the collection of temporary funding portion for CP Group which was a part of the provided loan accompanying the acquisition of CITIC Limited shares, despite lower interest rate of yen-denominated debt and decreased interest-bearing debt. **Dividends received** decreased by 46.9%, or ¥17.6 billion, compared with the previous fiscal year to ¥19.9 billion (US$178 million), due to a decrease in dividends from pipeline companies. Consequently, Net financial income, which is the total of Net interest expenses and Dividends received, decreased by ¥20.8 billion compared with the previous fiscal year to a gain of ¥16.3 billion (US$145 million).

Equity in earnings of associates and joint ventures increased by 25.4%, or ¥37.4 billion, compared with the previous fiscal year to ¥185.2 billion (US$1,650 million). This increase was attributable to an increase in the Others, Adjustments & Eliminations*, due to the start of equity pick-up of CITIC Limited from the third quarter of the previous fiscal year and other factors; an increase in the ICT & Financial Business Company, due to the favorable performance in domestic and overseas finance-related companies, despite the absence of the positive effects of the amendment to the Japanese tax system in domestic contact center-related companies in the previous fiscal year; an improvement in the Energy & Chemicals Company, due to the absence of the effect of the scheduled maintenance of methanol-related companies; and a decrease in the General Products & Realty Company, due to the stagnant market conditions and foreign currency translation in foreign pulp-related companies.

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

Consequently, Profit before tax increased by 54.9%, or ¥177.1 billion, compared with the previous year to ¥499.9 billion (US$4,455 million). Income tax expense increased by 170.1%, or ¥78.9 billion, compared with the previous fiscal year to ¥125.3 billion (US$1,116 million), due to the change in taxable range accompanying the amendment to Japanese anti-tax haven rules and the absence of the improvement in tax expenses accompanying the disposal of a U.S. oil and gas development company in the previous fiscal year. Net Profit, which is calculated as Profit before tax of ¥499.9 billion (US$4,455 million) minus Income tax expense of ¥125.3 billion (US$1,116 million), increased by 35.5%, or ¥98.2 billion, compared with the previous fiscal year to ¥374.6 billion (US$3,339 million). Net profit attributable to ITOCHU, which is calculated as Net profit minus Net profit attributable to non-controlling interests of ¥22.4 billion (US$199 million) (profit), increased by 46.5%, or ¥111.8 billion, compared with the previous fiscal year to ¥352.2 billion (US$3,140 million).

(Reference)
"Trading income" in accordance with Japanese accounting practices ("Trading income" = "Gross trading profit" + "Selling, general and administrative expenses" + "Provision for doubtful accounts") increased by 27.4%, or ¥62.0 billion, compared with the previous fiscal year to ¥288.4 billion (US$2,571 million). This increase was attributable to higher earnings from the Metals & Minerals Company, due to the higher iron ore and coal prices, despite the appreciation of the yen; higher earnings from the Food Company, due to the improvement in profitability in fresh-food-related companies, and the higher transaction volume and the improvement in profitability in food-distribution-related companies; higher earnings from the ICT & Financial Business Company, due to the higher transaction volume in domestic ICT-related companies; and higher earnings from the General Products & Realty Company, due to the stable performance in domestic building-materials-related companies, despite the de-consolidation of a housing-materials-related company in the U.S. in the previous fiscal year and the appreciation of the yen.

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 decreased by 9.3%, or ¥54.3 billion, to ¥528.1 billion (US$4,707 million), due to the unfavorable sales in apparel-related companies. Gross trading profit decreased by 3.7%, or ¥5.1 billion, to ¥132.4 billion (US$1,180 million), due to the same reason noted above. Net profit attributable to ITOCHU increased by 73.9%, or ¥10.7 billion, to ¥25.2 billion (US$225 million), due to the reduction of expenses and the improvement of extraordinary gains / losses, despite the unfavorable sales in apparel-related companies. Total assets decreased by 5.4%, or ¥28.6 billion, to ¥495.9 billion (US$4,420 million), due to decreased trade receivables and inventories.

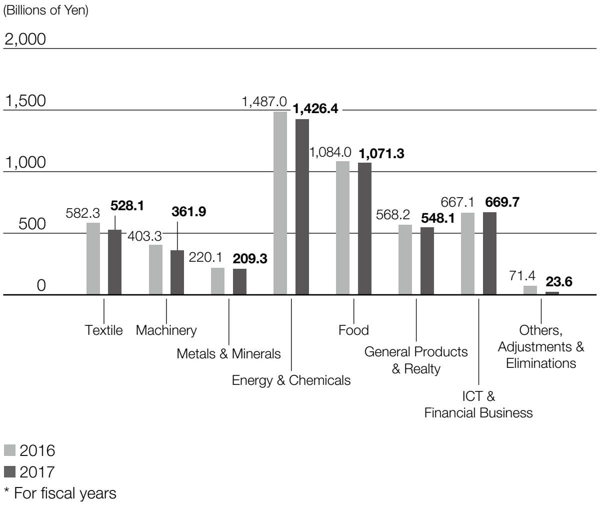
Machinery

Revenues decreased by 10.3%, or ¥41.4 billion, to ¥361.9 billion (US$3,226 million), due to the conversion of an industrial-machinery-related subsidiary and an automobile-related subsidiary to investments accounted for by the equity method and the appreciation of the yen. Gross trading profit decreased by 12.1%, or ¥14.2 billion, to ¥103.1 billion (US$919 million), due to the conversion of an industrial-machinery-related subsidiary and an automobile-related subsidiary to investments accounted for by the equity method, deterioration in profitability in ship-related business affected by stagnant market conditions, the lower transaction volume in automobile-related transactions, and the appreciation of the yen. Net profit attributable to ITOCHU decreased by 4.0%, or ¥1.9 billion, to ¥46.4 billion (US$414 million), due to the deterioration in profitability in ship-related business affected by stagnant market conditions, the lower transaction volume in automobile-related transactions, an extraordinary loss in ship-related business, and the appreciation of the yen, despite the gain on sales of a medical-device-related company and the increase in equity in earnings of associates and joint ventures. Total assets increased by 1.2%, or ¥11.6 billion, to ¥989.7 billion (US$8,821 million), due to the increased inventories in aircraft-related transactions, despite the conversion of an industrial-machinery-related subsidiary to investments accounted for by the equity method.

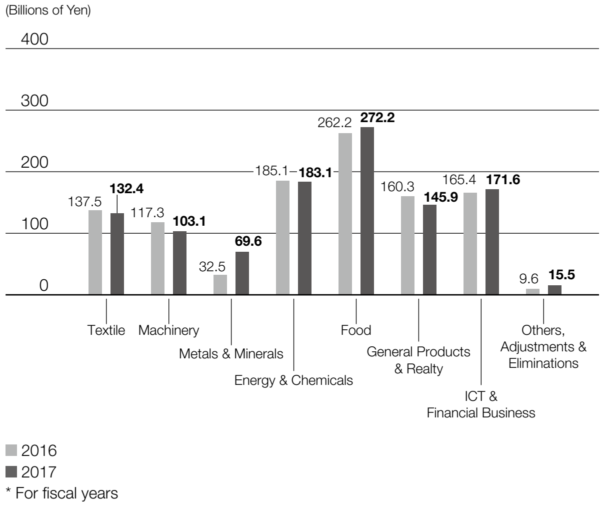
Metals & Minerals

Revenues decreased by 4.9%, or ¥10.8 billion, to ¥209.3 billion (US$1,865 million), due to the appreciation of the yen, despite the higher iron ore and coal prices. Gross trading profit increased by 114.3%, or ¥37.1 billion, to ¥69.6 billion (US$620 million), due to the higher iron ore and coal prices, despite the appreciation of the yen. Net profit attributable to ITOCHU improved by ¥61.9 billion, to ¥45.2 billion (US$403 million), due to the higher iron ore and coal prices, and the absence of the impairment loss and the loss accompanying the sale of certain assets in the Australian coal-related business in the previous fiscal year, despite the appreciation of the yen. Total assets decreased by 2.5%, or ¥21.5 billion, to ¥854.9 billion (US$7,620 million), due to the decreased fixed assets in iron ore and coal-related companies.

Revenues by Operating Segment



Gross Trading Profit by Operating Segment



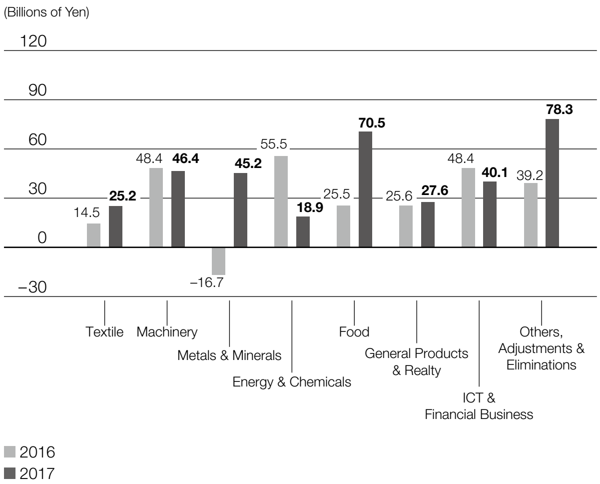
Energy & Chemicals

Revenues decreased by 4.1%, or ¥60.6 billion, to ¥1,426.4 billion (US$12,714 million), due to the lower sales prices in energy-related companies and energy trading transactions, and the appreciation of the yen. Gross trading profit decreased by 1.0%, or ¥1.9 billion, to ¥183.1 billion (US$1,632 million), due to the deterioration in profitability in energy trading transactions and self-developed crude oil transactions, despite the stable performance in chemical-related companies and the favorable electric power sales in energy-related companies. Net profit attributable to ITOCHU decreased by 66.0%, or ¥36.6 billion, to ¥18.9 billion (US$168 million), due to the decline in dividends received, the absence of the improvement in tax expenses accompanying the disposal of a U.S. oil and gas development company in the previous fiscal year, and the negative effects of the amendment to Japanese anti-tax haven rules, despite the absence of the impairment loss in the North Sea oil fields development project in the previous fiscal year. Total assets increased by 8.6%, or ¥92.4 billion, to ¥1,169.5 billion (US$10,424 million), due to the increased trade receivables and inventories accompanying the rise of oil prices during the second half towards the end of this fiscal year compared with the same period of the previous fiscal year in energy-related companies and energy trading transactions.

Food

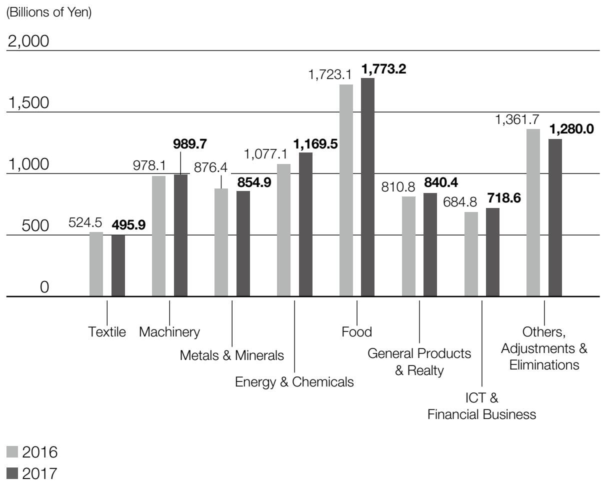
Revenues decreased by 1.2%, or ¥12.7 billion, to ¥1,071.3 billion (US$9,549 million), due to the appreciation of the yen, despite the higher transaction volume in food-distribution-related companies. Gross trading profit increased by 3.8%, or ¥10.0 billion, to ¥272.2 billion (US$2,427 million), due to the improvement in profitability in fresh-food-related companies, and the higher transaction volume and the improvement in profitability in food-distribution-related companies. Net profit attributable to ITOCHU increased by 176.7%, or ¥45.0 billion, to ¥70.5 billion (US$629 million), due to the improvement in profitability and the absence of the impairment loss in the previous fiscal year in fresh-food-related companies, the higher transaction volume and the improvement in profitability in food-distribution-related companies, and the gain accompanying the changes in equity resulting from the merger of FamilyMart and UNY Holdings. Total assets increased by 2.9%, or ¥50.1 billion, to ¥1,773.2 billion (US$15,805 million), due to the additional investments and merging transaction relating to FamilyMart and UNY Holdings.

Net Profit by Operating Segment



* For fiscal years

Total Assets by Operating Segment



* As of March 31

General Products & Realty

Revenues decreased by 3.5%, or ¥20.1 billion, to ¥548.1 billion (US$4,886 million), due to the de-consolidation of a housing-materials-related company in the U.S. in the previous fiscal year and the appreciation of the yen. Gross trading profit decreased by 9.0%, or ¥14.4 billion, to ¥145.9 billion (US$1,300 million), due to the de-consolidation of a housing-materials-related company in the U.S. in the previous fiscal year and the appreciation of the yen, despite the stable performance in domestic building-materials-related companies. Net profit attributable to ITOCHU increased by 7.7%, or ¥2.0 billion, to ¥27.6 billion (US$246 million), due to the less extraordinary loss in European tire-related companies, despite the absence of the gain on sales of a housing-materials-related company in the U.S. in the previous fiscal year, the negative effects of the amendment to Japanese anti-tax haven rules, the decrease in equity in earnings of associates and joint ventures due to the stagnant market conditions in foreign pulp-related companies, and the appreciation of the yen. Total assets increased by 3.6%, or ¥29.5 billion, to ¥840.4 billion (US$7,491 million), due to the increased inventories such as real properties for sale, despite the impairment in European tire-related companies.

ICT & Financial Business

Revenues increased by 0.4%, or ¥2.6 billion, to ¥669.7 billion (US$5,969 million), due to the higher transaction volume in domestic ICT-related companies. Gross trading profit increased by 3.8%, or ¥6.3 billion, to ¥171.6 billion (US$1,530 million), due to the same reason noted above. Net profit attributable to ITOCHU decreased by 17.2%, or ¥8.3 billion, to ¥40.1 billion (US$357 million), due to the absence of an extraordinary gain regarding a finance-related company in the previous fiscal year and the negative effects of the amendment to Japanese anti-tax haven rules, despite the higher transaction volume in domestic ICT-related companies. Total assets increased by 4.9%, or ¥33.8 billion, to ¥718.6 billion (US$6,405 million), due to the increased trade receivables and inventories accompanying the higher transaction volume in domestic ICT-related companies.

Others, Adjustments & Eliminations

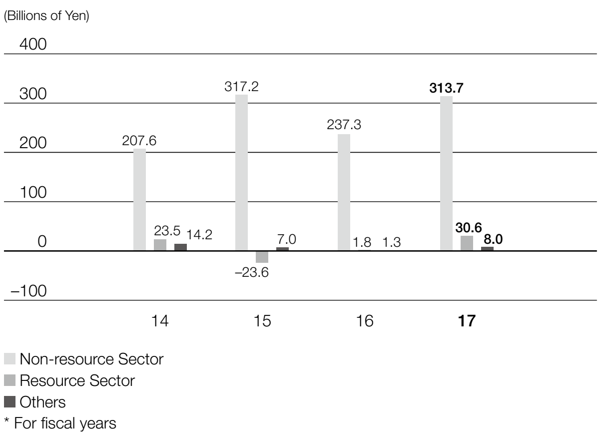
Net profit attributable to ITOCHU increased by 99.7%, or ¥39.1 billion, to ¥78.3 billion (US$698 million), due to the start of equity pick-up of CITIC Limited from the third quarter of the previous fiscal year.

Segment Information

Years ended March 31	Billions of Yen 2017	Billions of Yen 2016	Millions of U.S. Dollars 2017
Revenues:			
Textile	¥ 528.1	¥ 582.3	$ 4,707
Machinery	361.9	403.3	3,226
Metals & Minerals	209.3	220.1	1,865
Energy & Chemicals	1,426.4	1,487.0	12,714
Food	1,071.3	1,084.0	9,549
General Products & Realty	548.1	568.2	4,886
ICT & Financial Business	669.7	667.1	5,969
Others, Adjustments & Eliminations	23.6	71.4	211
Total	¥4,838.5	¥5,083.5	$43,127
Gross trading profit:			
Textile	¥ 132.4	¥ 137.5	$ 1,180
Machinery	103.1	117.3	919
Metals & Minerals	69.6	32.5	620
Energy & Chemicals	183.1	185.1	1,632
Food	272.2	262.2	2,427
General Products & Realty	145.9	160.3	1,300
ICT & Financial Business	171.6	165.4	1,530
Others, Adjustments & Eliminations	15.5	9.6	139
Total	¥1,093.5	¥1,069.7	$ 9,747
Net profit attributable to ITOCHU:			
Textile	¥ 25.2	¥ 14.5	$ 225
Machinery	46.4	48.4	414
Metals & Minerals	45.2	(16.7)	403
Energy & Chemicals	18.9	55.5	168
Food	70.5	25.5	629
General Products & Realty	27.6	25.6	246
ICT & Financial Business	40.1	48.4	357
Others, Adjustments & Eliminations	78.3	39.2	698
Total	¥ 352.2	¥ 240.4	$ 3,140
Total assets as of March 31:			
Textile	¥ 495.9	¥ 524.5	$ 4,420
Machinery	989.7	978.1	8,821
Metals & Minerals	854.9	876.4	7,620
Energy & Chemicals	1,169.5	1,077.1	10,424
Food	1,773.2	1,723.1	15,805
General Products & Realty	840.4	810.8	7,491
ICT & Financial Business	718.6	684.8	6,405
Others, Adjustments & Eliminations	1,280.0	1,361.7	11,409
Total	¥8,122.0	¥8,036.4	$72,395

Notes: 1. [Others, Adjustments & Eliminations] includes gains and losses which cannot be allocated to each operating segment and internal eliminations between operating segments. The investments against CITIC Limited and C.P. Pokphand Co. Ltd. and the profits and losses from them are included in this segment.
2. Effective from April 1, 2016, ITOCHU 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]. In conjunction with this reorganization, figures for the fiscal year 2016 have been restated.

Earnings from Non-resource / Resource Sectors



Consolidated Cash Flows

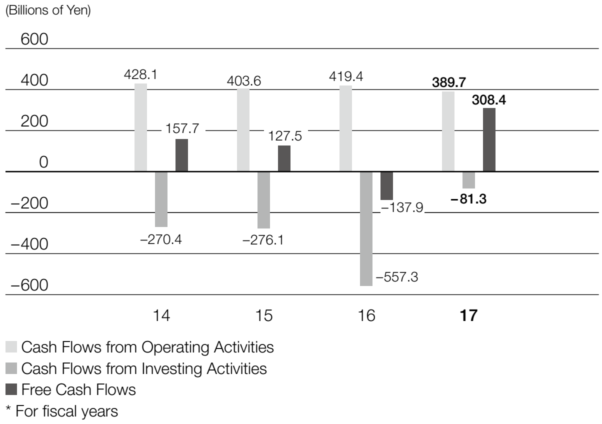
(1) Cash flows from operating activities
Recorded a net cash-inflow of ¥389.7 billion (US$3,474 million), resulting from the stable performance in operating revenue in the Metals & Minerals, Food, Energy and ICT sectors. The cash flow from operating activities during the year ended March 31, 2016 was a net cash-inflow of ¥419.4 billion.

(2) Cash flows from investing activities
Recorded a net cash-outflow of ¥81.3 billion (US$725 million), mainly due to the acquisition of fixed assets in the Food, ICT, Energy and Metals & Minerals sectors, and the additional investment relating to FamilyMart and UNY Holdings. The cash flow from investing activities during the year ended March 31, 2016 was a net cash-outflow of ¥557.3 billion.

(3) Cash flows from financing activities
Recorded a net cash-outflow of ¥335.4 billion (US$2,990 million), due to the repayment of debt, the dividend payments, and the acquisition of treasury stock. The cash flow from financing activities during the year ended March 31, 2016 was a net cash-inflow of ¥81.8 billion.

Consequently, Cash and cash equivalents as of March 31, 2017 decreased by 4.3%, or ¥27.3 billion, to ¥605.6 billion (US$5,398 million), compared with March 31, 2016.

Cash Flows



Discussion and Analysis of Results of Operations

The discussion and analysis of the financial position and results of operations for Fiscal Year 2017 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 2017. 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 2017

Revenues

Revenues for the fiscal year ended March 31, 2017, decreased by 4.8%, or ¥245.1 billion, compared with the previous fiscal year to ¥4,838.5 billion (US$43,127 million). This decrease was attributable to lower revenue from the Energy & Chemicals Company, due to the lower sales prices in energy-related companies and energy trading transactions, and the appreciation of the yen; lower revenue from the Textile Company, due to the unfavorable sales in apparel-related companies; lower revenue from the Machinery Company, due to the conversion of an industrial-machinery-related subsidiary and an automobile-related subsidiary to investments accounted for by the equity method and the appreciation of the yen; and lower revenue from the General Products & Realty Company, due to the de-consolidation of a housing-materials-related company in the U.S. in the previous fiscal year and the appreciation of the yen.

Furthermore, the breakdown of Revenues for the year ended March 31, 2017 was ¥4,115.6 billion (US$36,684 million) for Revenues from sale of goods, and ¥722.9 billion (US$6,443 million) for Revenues from rendering of services and royalties.

Gross Trading Profit

Gross trading profit increased by 2.2%, or ¥23.8 billion, compared with the previous fiscal year to ¥1,093.5 billion (US$9,747 million). This increase was attributable to higher earnings from the Metals & Minerals Company, due to the higher iron ore and coal prices, despite the appreciation of the yen; higher earnings from the Food Company, due to the improvement in profitability in fresh-food-related companies, and the higher transaction volume and the improvement in profitability in food-distribution-related companies; and lower earnings from the General Products & Realty Company, due to the de-consolidation of a housing-materials-related company in the U.S. in the previous fiscal year and the appreciation of the yen, despite the stable performance in domestic building-materials-related companies.

Furthermore, the effect on the Gross trading profit due to the acquisitions resulted in a ¥2.6 billion (US$23 million) increase; the effect of foreign exchange fluctuations resulted in a ¥42.4 billion (US$378 million) decrease; and the effect of de-consolidation of certain subsidiaries resulted in a ¥9.9 billion (US$89 million) decrease. Excluding these factors, the increase in Gross trading profit for the existing subsidiaries was ¥73.5 billion (US$655 million).

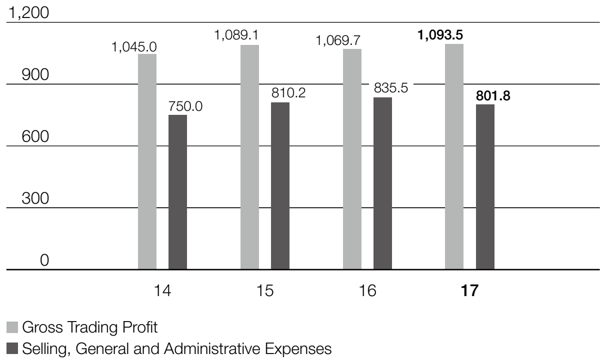
Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by 4.0%, or ¥33.7 billion, compared with the previous fiscal year to ¥801.8 billion (US$7,147 million), due to the improvement of expenses in the Textile sector, the lower expenses in foreign companies accompanying the appreciation of the yen, and the de-consolidation of a housing-materials-related company in the U.S. in the previous fiscal year, despite higher expenses accompanying the increase in revenues in certain existing companies.

Furthermore, the effect on Selling, general and administrative expenses due to the acquisitions resulted in a ¥2.6 billion (US$24 million) increase; the effect of foreign exchange fluctuations for the fiscal year ended March 31, 2017 resulted in a ¥32.9 billion (US$293 million) decrease; and the effect of de-consolidation of certain subsidiaries resulted in a ¥8.8 billion (US$78 million) decrease. Excluding these factors, the increase in Selling, general and administrative expenses for the existing subsidiaries was ¥5.4 billion (US$48 million).

Gross Trading Profit;
Selling, General and Administrative Expenses

(Billions of Yen)



* For fiscal years

Provision for Doubtful Accounts

Provision for doubtful accounts decreased by ¥4.5 billion compared with the previous fiscal year to a loss of ¥3.2 billion (US$29 million), due to the conversion of an automobile-related subsidiary to investments accounted for by the equity method in the previous fiscal year.

Gains on Investments

Gains on investments decreased by 55.8%, or ¥40.5 billion, compared with the previous fiscal year to ¥32.1 billion (US$287 million), due to the absence of the gain on sales of a housing-materials-related company in the U.S. and an extraordinary gain regarding a finance-related company in the previous fiscal year, despite the gain accompanying the changes in equity resulting from the merger of FamilyMart and UNY Holdings.

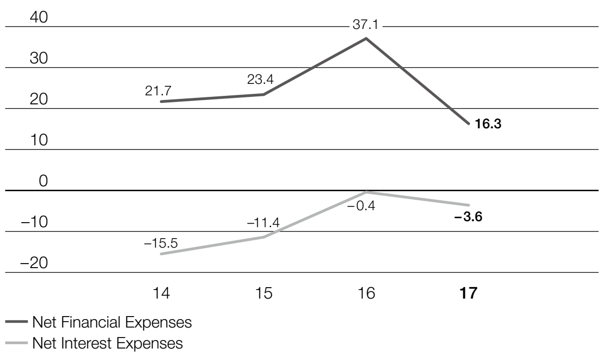
Losses on Property, Plant, Equipment and Intangible Assets

Losses on property, plant, equipment and intangible assets improved by ¥138.4 billion compared with the previous fiscal year to ¥16.7 billion (US$149 million) (losses), due to the less impairment loss in European tire-related companies, and the absence of the impairment loss and the loss accompanying the sale of certain assets in the Australian coal-related business and the impairment loss in the North Sea oil fields development project and fresh-food-related companies in the previous fiscal year.

Other–net

Other–net improved by ¥0.6 billion compared with the previous fiscal year to a loss of ¥5.4 billion (US$49 million), due to the absence of restructuring related expense in subsidiaries in the previous fiscal year, despite the decline in foreign currency translation resulting from the appreciation of the yen.

Net Financial Expenses



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

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, deteriorated by ¥3.2 billion compared with the previous fiscal year to expenses of ¥3.6 billion (US$33 million), due to the decreased interest income resulting from the collection of temporary funding portion for CP Group which was a part of the provided loan accompanying the acquisition of CITIC Limited shares, despite lower interest rate of yen-denominated debt and decreased interest-bearing debt. Dividends received decreased by 46.9%, or ¥17.6 billion, compared with the previous fiscal year to ¥19.9 billion (US$178 million), due to a decrease in dividends from pipeline companies. Consequently, Net financial income, which is the total of Net interest expenses and Dividends received, decreased by ¥20.8 billion compared with the previous fiscal year to a gain of ¥16.3 billion (US$145 million).

Equity in Earnings of Associates and Joint Ventures

Equity in earnings of associates and joint ventures increased by 25.4%, or ¥37.4 billion, compared with the previous fiscal year to ¥185.2 billion (US$1,650 million). This increase was attributable to an increase in the Others, Adjustments & Eliminations*, due to the start of equity pick-up of CITIC Limited from the third quarter of the previous fiscal year and other factors; an increase in the ICT & Financial Business Company, due to the favorable performance in domestic and overseas finance-related companies, despite the absence of the positive effects of the amendment to the Japanese tax system in domestic contact center-related companies in the previous fiscal year; an improvement in the Energy & Chemicals Company, due to the absence of the effect of the scheduled maintenance of methanol-related companies; and a decrease in the General Products & Realty Company, due to the stagnant market conditions and foreign currency translation in foreign pulp-related companies.

* 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

Consequently, Profit before tax increased by 54.9%, or ¥177.1 billion, compared with the previous year to ¥499.9 billion (US$4,455 million). Income tax expense increased by 170.1%, or ¥78.9 billion, compared with the previous fiscal year to ¥125.3 billion (US$1,116 million), due to the change in taxable range accompanying the amendment to Japanese anti-tax haven rules and the absence of the improvement in tax expenses accompanying the disposal of a U.S. oil and gas development company in the previous fiscal year. Net Profit, which is calculated as Profit before tax of ¥499.9 billion (US$4,455 million) minus Income tax expense of ¥125.3 billion (US$1,116 million), increased by 35.5%, or ¥98.2 billion, compared with the previous fiscal year to ¥374.6 billion (US$3,339 million). Net profit attributable to ITOCHU, which is calculated as Net profit minus Net profit attributable to non-controlling interests of ¥22.4 billion (US$199 million) (profit), increased by 46.5%, or ¥111.8 billion, compared with the previous fiscal year to ¥352.2 billion (US$3,140 million).

Performance of Subsidiaries, Associates, and Joint Ventures

Group Companies Reporting Profits / Losses

	Billions of Yen								
	2017			2016			Changes		
Years ended March 31	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total
Group companies excluding overseas trading subsidiaries	**¥321.6**	**¥(28.6)**	**¥293.0**	¥247.7	¥(114.3)	¥133.4	¥73.9	¥85.7	¥159.7
Overseas trading subsidiaries	**35.8**	**(0.1)**	**35.6**	35.4	(2.8)	32.7	0.3	2.6	3.0
Total	**¥357.4**	**¥(28.7)**	**¥328.6**	¥283.1	¥(117.1)	¥166.0	¥74.3	¥88.3	¥162.6

Share of Group Companies Reporting Profits

	2017			2016			Changes		
Years ended March 31	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
No. of companies reporting profits	**114**	**152**	**266**	113	154	267	1	(2)	(1)
No. of group companies	**126**	**182**	**308**	128	198	326	(2)	(16)	(18)
Share	**90.5%**	**83.5%**	**86.4%**	88.3%	77.8%	81.9%	2.2 pts.	5.7 pts.	4.5 pts.

Note: Investment companies which are considered as part of the parent company (185 companies), and companies other than those which are directly invested by the Company and its overseas trading subsidiaries (456 companies) are not included in the number of companies.

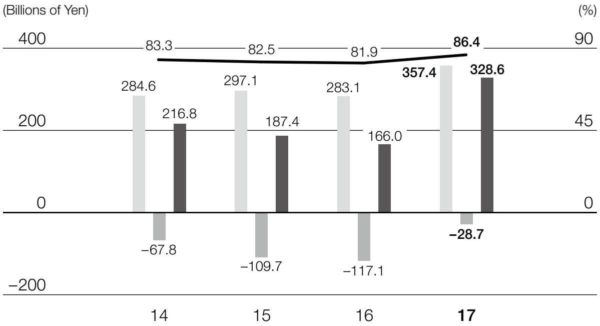
In this fiscal year, net profit from subsidiaries, associates, and joint ventures (aggregate profit / loss of subsidiaries, associates, and joint ventures excluding overseas trading subsidiaries) increased by ¥159.7 billion to ¥293.0 billion (US$2,612 million).

Profits from overseas trading subsidiaries increased by ¥3.0 billion to ¥35.6 billion (US$317 million).

The aggregate profit from Group companies (subsidiaries, associates and joint ventures, and overseas trading subsidiaries) reporting profits increased by ¥74.3 billion to ¥357.4 billion (US$3,185 million), due to the improvement of ITOCHU Minerals & Energy of Australia Pty Ltd. due to the higher iron ore and coal prices, and the absence of the impairment loss and the loss accompanying the sale of certain assets in coal-related business in the previous fiscal year and the increase of Orchid Alliance Holdings Limited due to the start of equity pick-up of CITIC Limited from the third quarter of the previous fiscal year, despite the decrease in profit from the U.S. trading subsidiary due to the absence of the gain on sales of a housing-materials-related company in the previous fiscal year. Meanwhile, the aggregate loss from Group companies reporting losses decreased by ¥88.3 billion to ¥28.7 billion (US$256 million), due to the improvement of European Tyre Enterprise Limited resulting from the less extraordinary loss, despite the depreciation of the Great Britain Pound against the yen.

Share (%) of Group companies reporting profits further improved, and increased by 4.5 points, from 81.9% to 86.4% due to the decrease of the number of Group companies in low profitability or reporting losses.

Net Profit (Loss) from Subsidiaries and Equity-method Associated Companies



Companies reporting profits (left) Companies reporting losses (left)
Net profit (loss) from subsidiaries and equity-method associated companies (left)
Share of Group companies reporting profits*1 (right)
* For fiscal years
*1 Number of Group companies reporting profits as a percentage of the number of companies included in consolidation

Major Group companies reporting profits or losses for the years ended March 31, 2017 and 2016 as follows:

Major Group Companies Reporting Profits

Years ended March 31	Shares	Net income (loss) attributable to ITOCHU *1 Billions of Yen 2017	2016	Changes	Reasons for changes
Domestic Subsidiaries					
ITOCHU Techno-Solutions Corporation	58.2%	**¥12.6**	¥ 10.4	¥ 2.1	Increase due to the higher revenue from the transactions for distribution and telecommunications sector
NIPPON ACCESS, INC.	93.8%	**12.2**	8.9	3.3	Increase due to higher transaction volume, improvement in profitability, and the absence of the impairment loss of fixed assets in the previous fiscal year
Dole International Holdings, Inc.	100.0%	**8.3**	(16.9)	25.2	Improvement due to the improvement in profitability in both fresh-food and packaged-food businesses and the absence of the impairment loss in the previous fiscal year
ITOCHU ENEX CO., LTD.	54.0%	**5.5**	4.1	1.4	Increase due to the improvement in profitability in home-life business and the favorable performance of electric power sales in electricity and utility business
ITOCHU PLASTICS INC.	100.0%	**4.2**	3.5	0.7	Increase due to the favorable performance of packaging-material and electronics-material sales
C. I. Kasei Company, Limited *2	98.3%	**4.1**	1.3	2.8	Increase due to the stable performance in foreign subsidiaries, the gain on sales of affiliates, and the reversal of deferred tax liabilities
CONEXIO Corporation	60.3%	**3.9**	3.7	0.2	Increase due to the improvement in profitability in mobile units sales, despite the increase of costs such as personnel expenses
ITOCHU CHEMICAL FRONTIER Corporation	100.0%	**3.1**	3.1	(0.0)	Nearly at the same level due to the stable performance in medicine-related business
ITOCHU KENZAI CORPORATION	100.0%	**2.6**	1.7	0.9	Increase due to the favorable performance of building-material sales
ITOCHU PROPERTY DEVELOPMENT, LTD.	99.8%	**2.6**	2.8	(0.2)	Decrease due to the higher sales expense, despite the stable performance of apartment/condominium sales
Overseas Subsidiaries					
Orchid Alliance Holdings Limited *3	100.0%	**62.9**	40.4	22.5	Increase due to the start of equity pick-up of CITIC Limited from the third quarter of the previous fiscal year
ITOCHU Minerals & Energy of Australia Pty Ltd *4	100.0%	**42.8**	(22.6)	65.4	Improvement due to the higher iron ore and coal prices, and the abcense of the impairment loss and the loss accompanying the sale of certain assets in coal-related business in the previous fiscal year
ITOCHU International Inc.	100.0%	**12.9**	21.9	(9.0)	Decrease due to the absence of the gain on sales of a housing-materials-related company in the previous fiscal year, despite the improvement in facility-materials-related companies and the stable performance in machinery-related companies
ITOCHU Hong Kong Ltd.	100.0%	**5.0**	2.5	2.4	Increase due to higher equity in earnings of finance-related and textile-related companies and the stable performance in forest products & general merchandise-related transactions
ITOCHU (CHINA) HOLDING CO., LTD.	100.0%	**4.8**	3.1	1.6	Increase due to the stable performance in forest products & general merchandise-related transactions and food-related companies, despite the lower equity in earnings resulting from the discontinued recognition of investments accounted for by the equity method of textile-related companies
ITOCHU FIBRE LIMITED *5	100.0%	**4.3**	6.9	(2.6)	Decrease mainly due to the stagnant market conditions of pulp
ITOCHU (Thailand) Ltd. *6	100.0%	**3.6**	3.4	0.2	Increase due to higher equity in earnings of finance-related companies and the increase of metal-related transactions
ITOCHU Australia Ltd. *4	100.0%	**3.4**	(0.5)	3.9	Improvement due to the higher equity in earnings of iron ore and coal companies and the gain on sales of dairy-product-related companies
GCT MANAGEMENT (THAILAND) LTD. *6	100.0%	**2.7**	2.2	0.5	Increase mainly due to the favorable performance in finance-related companies
ITOCHU Europe PLC *5	100.0%	**2.3**	(2.2)	4.5	Improvement mainly due to the less extraordinary loss in tire-related companies

Years ended March 31	Shares	Net income (loss) attributable to ITOCHU *1 Billions of Yen 2017	2016	Changes	Reasons for changes
Domestic Associates and Joint Ventures					
Tokyo Century Corporation *7	25.3%	**¥10.2**	¥ 9.6	¥ 0.6	Increase due to making North American leasing business a subsidiary and the stable performance in Aircraft leasing business and Automotive business, despite the absence of the gain on sale of Real estate finance business in the previous fiscal year
Marubeni-Itochu Steel Inc.	50.0%	**7.6**	6.6	1.0	Increase due to the favorable performance in U.S. building-materials-related companies and improvement of domestic and overseas affiliates' earnings, despite the decrease in profit of tubular products companies accompanying lower energy-related demand
FamilyMart UNY Holdings Co.,Ltd. *8	35.0%	**7.4**	6.1	1.3	Increase due to the higher trading income accompanying its merger with UNY Group Holdings Co., Ltd., despite the higher initial costs accompanying brand integration and impairment losses on retail stores in CVS business
Orient Corporation	16.5%	**5.0**	2.6	2.4	Increase due to the favorable performance in bank loan guarantees and credit card shopping business
Prima Meat Packers, Ltd.	39.8%	**3.7**	2.6	1.1	Increase due to the improvement of productivity of processed food business and the favorable performance in vendor business for CVS
Japan Brazil Paper and Pulp Resources Development Co., Ltd.	32.1%	**2.9**	3.7	(0.8)	Decrease mainly due to the stagnant market conditions of pulp
FUJI OIL HOLDINGS INC. *9	26.9%	**2.7**	2.4	0.3	Increase due to the favorable performance in confectionery and baking ingredients business and soy protein business
Overseas Associates and Joint Ventures					
HYLIFE GROUP HOLDINGS LTD.	49.9%	**2.7**	2.6	0.2	Increase due to the stable performance of transactions to Asian countries, despite the absence of the gain from the assets transfer in certain production business in the previous fiscal year

Major Group Companies Reporting Losses

Years ended March 31	Shares	Net income (loss) attributable to ITOCHU *1 Billions of Yen 2017	2016	Changes	Reasons for changes
Domestic Subsidiaries					
Brazil Japan Iron Ore Corporation	75.7%	**¥ (2.9)**	¥ (0.9)	¥ (2.0)	Deterioration due to an extraordinary loss in this fiscal year
Overseas Subsidiaries					
European Tyre Enterprise Limited *5	100.0%	**(5.2)**	(29.9)	24.7	Improvement due to the less extraordinary loss, despite the depreciation of the Great Britain Pound against the yen
ITOCHU Coal Americas Inc.	100.0%	**(2.6)**	(2.3)	(0.3)	Deterioration of the Net interest expenses

*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. C. I. Kasei Company, Limited merged with Takiron Co., Ltd. and formed C.I. TAKIRON Corporation on April 1, 2017.
*3. The figures of Orchid Alliance Holdings Limited include related tax effects and other factors.
*4. The figures of ITOCHU Australia Ltd. include 3.7% of net profit from ITOCHU Minerals & Energy of Australia Pty Ltd.
*5. The figures of ITOCHU Europe PLC include 20.0% of net profit from European Tyre Enterprise Limited and 10.0% of net profit from ITOCHU FIBRE LIMITED.
*6. The figures of ITOCHU (Thailand) Ltd. include 67.3% of net profit from GCT MANAGEMENT (THAILAND) LTD.
*7. Tokyo Century Corporation changed its corporate name from Century Tokyo Leasing Corporation on October 1, 2016.
*8. FamilyMart UNY Holdings Co.,Ltd. changed its corporate name from FamilyMart Co., Ltd. accompanying its merger with UNY Group Holdings Co., Ltd. on September 1, 2016.
*9. ITOCHU Corporation holds the shares of FUJI OIL HOLDINGS INC. through ITOCHU FOOD INVESTMENT, LLC, which is a subsidiary of ITOCHU Corporation.

Management Policy for the Future

Outlook for the Next Term

Looking ahead to the next fiscal year ending March 31, 2018, we expect that the global economy will continue to expand moderately. The U.S. and European economies are expected to remain on an expanding trend, but there are certain concerns about changes in the business environment accompanying the new U.S. government administration and the Brexit. In emerging countries, the Chinese economy shows expansion of investments in infrastructure and a recovery of exports, as many of them are largely affected by foreign exchange market and commodity prices.

In Japan, although economic conditions are expected to expand moderately due to stable capital expenditures and the recovery of consumer expenditures accompanying the improvement of corporate earnings, the upheavals of overseas circumstances may cause the appreciation of the yen and place downward pressure on the Japanese economy.

Progress in the Medium-Term Management Plan "Brand-new Deal 2017"

The progress of the basic policies indicated in the current "Brand-new Deal 2017" medium-term management plan is indicated below.

Due to cash generated by our stable performance in operating revenue and implementation of an investment policy that carefully selects superior projects and continuously replaces assets, the quality and efficiency of our assets have further improved. Since we achieved our highest level of NET DER (0.97 times) at the end of fiscal year 2017, we believe that our first basic policy of "reinforcing our financial position" has been achieved in the second year of the three-year plan. In fiscal year 2018, we will further ensure business management that recognizes capital cost and cash flow management both at the management and employee level to expand shareholders' equity, while also steadily aiming for a ROE of 13% or more.

In regards to the other basic policy of "building a platform for earnings of ¥400.0 billion" we will continue to cooperate with our strategic partners CITIC Group and CP Group in fiscal year 2018 while also reaffirming the basics business principles "earn, cut, prevent" to further expand our base earnings, and thereby achieve our highest ever consolidated net profit of ¥400.0 billion.

We decided that the title of the third year of the current "Brand-new Deal 2017" of the ITOCHU Group should be "Infinite Missions, Transcending Growth" because fiscal year 2018 is the third year of the current "Brand-new Deal 2017" medium-term management plan (three-year plan from fiscal year 2016 to 2018), and is also positioned as an important year leading into the next medium-term management plan. The times call for corporate management based on a mindset of "the philosophy of sampo yoshi", and this is clearly positioned as the mission of ITOCHU. With this in mind, rather than simply pursuing profit, we must lead "a new era for the sogo shosha," in terms of various aspects, such as quality of growth and work style, in order to comprehensively improve our corporate value.

We will also continue to strengthen our management foundation. In regard to corporate governance, we will implement various measures to improve the transparency of decision making and strengthen the management supervision function of the Board of Directors, according to the principles stipulated in the Corporate Governance Code of Tokyo Stock Exchange, Inc. Specifically, in fiscal year 2018 we will raise the ratio of outside directors to at least one third in order to migrate to a monitoring-oriented Board of Directors, and also continuously investigate measures for further improving the monitoring function while confirming the status of operations and its efficiency. Based on the ITOCHU Health Charter established in fiscal year 2017 as part of our efforts for work style reform, we will accelerate the pioneering measures for promoting efficient work styles and reducing long-hour labor to improve our corporate value via improvements in employee health, which lead to stronger human resources.

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

Dividend Policy

For FY2018, with the intention of increasing shareholder returns, based on the high probability of achievement of our business plan and expected cash flow, we will guarantee a minimum dividend per share of ¥64, which will be our record high dividend, ¥9 higher than the ¥55 per share to be paid in FY2017.

FY2018 Dividend Policy remains unchanged from Brand-new Deal 2017 dividend policy*, and we will continue to make our best efforts to share the growth and generated profit with our shareholders and to increase shareholder returns.

* Brand-new Deal 2017 dividend policy
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.

Distribution of the Current Fiscal Year's Profit

ITOCHU Corporation decided to pay a dividend of ¥55 per share for FY2017 (an interim dividend of ¥27.5 per share was already paid).

For FY2018, ITOCHU decided to pay a full-year dividend of minimum ¥64 per share, comprising an interim dividend of ¥32 per share and a year-end dividend of ¥32 per share.

Liquidity and Capital Resources

Basic Funding Policy

The Company aims to ensure flexibility in funding in response to changes in financial conditions and to 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 a domestic Group Finance managing company. 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 and overseas Group Finance managing companies accounted for approximately 71% 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 enables 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 Group Finance managing companies have registered a total of US$5,000 million in a Euro Medium Term Note Programme (Euro MTN).

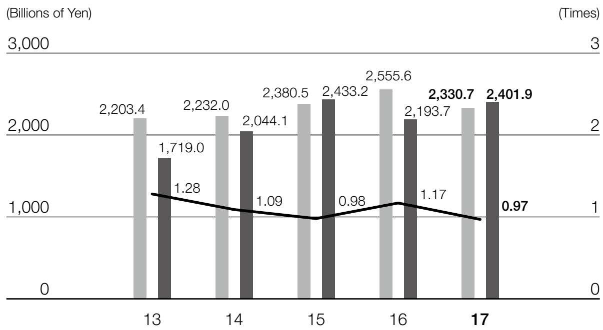
Ratings of the Company's long-term debt and short-term debt as of March 31, 2017 were as follows. Aiming to secure even higher ratings, the Company will strengthen profitability, improve financial position, and implement a thorough risk management.

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– / Stable	A-2

Interest-Bearing Debt

Interest-bearing debt as of March 31, 2017 decreased by 7.9%, or ¥251.5 billion, compared with March 31, 2016 to ¥2,944.7 billion (US$26,247 million). Net interest-bearing debt (interest-bearing debt after deducting Cash and cash equivalents and Time deposits) decreased by 8.8%, or ¥225.0 billion, to ¥2,330.7 billion (US$20,774 million). NET DER (debt-to-equity ratio) improved to 0.97 times from 1.17. Furthermore, the ratio of long-term interest-bearing debt to total interest-bearing debt was 81%, down 6 points from 87% as of March 31, 2017.

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

Details of interest-bearing debt as of March 31, 2017 and 2016 were as follows:

Years ended March 31	Billions of Yen 2017	Billions of Yen 2016	Millions of U.S. Dollars 2017
Short-term debentures and borrowings			
Short-term and current maturities of long-term loans mainly from banks	¥ 481.1	¥ 362.0	$ 4,288
Commercial paper	12.0	64.8	107
Current maturities of debentures	70.0	—	624
Short-term total	563.0	426.8	5,019
Long-term debentures and borrowings			
Long-term loans mainly from banks, less current maturities	2,038.2	2,297.5	18,167
Debentures	343.4	471.8	3,061
Long-term total	2,381.6	2,769.3	21,228
Total interest-bearing debt	2,944.7	3,196.2	26,247
Cash and cash equivalents, time deposits	614.0	640.5	5,473
Net interest-bearing debt	¥2,330.7	¥2,555.6	$20,774

Financial Position

Total assets as of March 31, 2017 increased by 1.1%, or ¥85.6 billion, compared with March 31, 2016 to ¥8,122.0 billion (US$72,395 million), due to the increased trade receivables accompanying the rise in oil prices during the second half towards the end of this fiscal year compared with the same period of the previous fiscal year in energy-related companies and energy trading transactions, and the additional investments and merging transaction relating to FamilyMart and UNY Holdings, despite the effect of foreign currency translation.

Total shareholders' equity increased by 9.5%, or ¥208.2 billion, compared with March 31, 2016 to ¥2,401.9 billion (US$21,409 million), due to the increase in Net profit attributable to ITOCHU, despite the dividend payments, the negative effect of foreign currency translation, and acquisition of treasury stock.

As a result, the Ratio of shareholders' equity to total assets increased by 2.3 points to 29.6% from March 31, 2016. Total equity, or the sum of Total shareholders' equity and Noncontrolling interests, increased by 8.6%, or ¥210.8 billion, compared with March 31, 2016 to ¥2,662.8 billion (US$23,735 million).

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 increased by ¥105.5 billion to ¥1,949.0 billion (US$17,373 million), due to the rise in oil prices during the second half towards the end of this fiscal year compared with the same period of the previous fiscal year in energy-related companies and energy trading transactions.

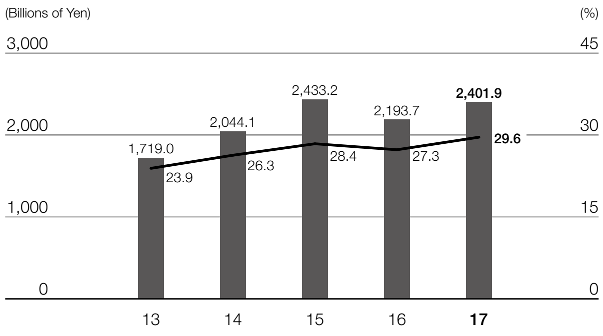
Other current receivables decreased by ¥55.4 billion to ¥74.3 billion (US$662 million), due to the collection of loans.

Inventories increased by ¥58.3 billion to ¥775.4 billion (US$6,911 million), due to the increased real properties for sale and the increased inventories in aircraft-related transactions.

Advances to suppliers decreased by ¥32.5 billion to ¥161.9 billion (US$1,443 million), due to the ship-related transactions.

Investments accounted for by the equity method increased by ¥126.5 billion to ¥1,626.6 billion (US$14,498 million), due to the additional investments and merging transaction relating to FamilyMart and UNY Holdings.

Ratio of Shareholders' Equity to Total Assets



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

Non-current financial assets other than investments and receivables decreased by ¥14.7 billion to ¥118.5 billion (US$1,057 million), due to the decrease in derivative assets relating to foreign currency and interest rate.

Property, plant and equipment decreased by ¥21.2 billion to ¥680.4 billion (US$6,064 million), due to the conversion of an industrial-machinery-related subsidiary to investments accounted for by the equity method and the effect of foreign currency translation.

Goodwill decreased by ¥12.4 billion to ¥131.7 billion (US$1,173 million), due to the recognition of impairment in European tire-related companies and the effect of foreign currency translation.

Intangible assets decreased by ¥24.1 billion to ¥237.7 billion (US$2,119 million), due to the conversion of an industrial-machinery-related subsidiary to investments accounted for by the equity method and the effect of foreign currency translation.

Trade payables increased by ¥119.3 billion to ¥1,588.8 billion (US$14,162 million), due to the rise in oil prices during the second half towards the end of this fiscal year compared with the same period of the previous fiscal year in energy-related companies and energy trading transactions.

Deferred tax liabilities increased by ¥43.7 billion to ¥123.4 billion (US$1,100 million). Furthermore, the net of deferred tax liabilities and deferred tax assets increased by ¥52.9 billion to ¥68.7 billion (US$612 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, 2017, against the necessary liquidity amount, which is the total of short-term interest-bearing debt and contingent liabilities of ¥830.9 billion (US$7,406 million), the amount of reserves, which is the sum of cash, cash equivalents, time deposits (¥614.0 billion), and the unutilized commitment line (yen: ¥350.0 billion, multiple currency: US$1,200 million) was ¥1,098.6 billion (US$9,792 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 ¥596.6 billion (US$5,318 million).

In this fiscal year, we increased the amount of the multiple currency commitment line by US$800 million. Further, we increased it by US$700 million after April 1, 2017, US$1,500 million in total, to ensure our foreign currency liquidity reserves. Meanwhile, at the Board of Directors' meeting held on May 17, 2017, the board resolved to reduce the amount of the yen commitment line by ¥150.0 billion to ¥200.0 billion at its next renewal.

Year ended March 31	Billions of Yen 2017 Liquidity Reserves	Millions of U.S. Dollars 2017 Liquidity Reserves
1. Cash and cash equivalents, time deposits	**¥ 614.0**	**$5,473**
2. Commitment line	**¥ 484.6**	**$4,319**
Total primary liquidity reserves	**¥1,098.6**	**$9,792**

Year ended March 31	Billions of Yen 2017	Millions of U.S. Dollars 2017
Short-term debentures and borrowings	**¥563.0**	**$5,019**
Long-term debentures and borrowings	**154.6***	**1,378**
Contingent liabilities (Financial guarantees (substantial risk) of associates and joint ventures, customers)	**113.3**	**1,009**
Total	**¥830.9**	**$7,406**

* Current maturities related to long-term commitment line 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.

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* and cash flow resulting from investment exits.

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

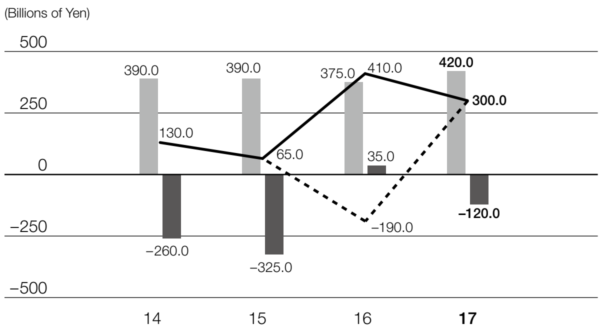
Cash flows from operating activities for the year ended March 31, 2017 was a net cash-inflow of ¥389.7 billion (US$3,474 million), resulting from the stable performance in operating revenue in the Metals & Minerals, Food, Energy and ICT sectors.

Cash flows from investing activities was a net cash-outflow of ¥81.3 billion (US$725 million), mainly due to the acquisition of fixed assets in the Food, ICT, Energy and Metals & Minerals sectors, and the additional investment relating to FamilyMart and UNY Holdings.

Cash flows from financing activities was a net cash-outflow of ¥335.4 billion (US$2,990 million), due to the repayment of debt, the dividend payments, and the acquisition of treasury stock.

Consequently, Cash and cash equivalents as of March 31, 2017 decreased by 4.3%, or ¥27.3 billion, to ¥605.6 billion (US$5,398 million), compared with March 31, 2016.

Core Free Cash Flows (excluding CITIC)



■ 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, 2017 and 2016 were as follows:

Years ended March 31	Billions of Yen 2017	2016	Millions of U.S. Dollars 2017
Cash flows from operating activities	**¥ 389.7**	¥ 419.4	**$ 3,474**
Cash flows from investing activities	**(81.3)**	(557.3)	**(725)**
Cash flows from financing activities	**(335.4)**	81.8	**(2,990)**
Net change in cash and cash equivalents	**(27.0)**	(56.1)	**(241)**
Cash and cash equivalents at the beginning of the year	**632.9**	700.3	**5,641**
Effect of exchange rate changes on cash and cash equivalents	**(0.3)**	(11.3)	**(2)**
Cash and cash equivalents at the end of the year	**¥ 605.6**	¥ 632.9	**$ 5,398**

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, 2017.

(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 derivatives, such as foreign exchange forward contacts, 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 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. ITOCHU seeks 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) management method, ITOCHU has established a loss limit for interest expense, and executes hedging transactions when necessary, primarily by utilizing 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 back-to-back transactions of a variety of commodities. In some cases, the Group is exposed to commodity price fluctuation risk, because it holds long or short positions in consideration of market trends. Therefore, the Group analyzes 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 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

ITOCHU Group holds 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, and consequently is exposed to stock price fluctuation risk.

Therefore, using the Value at Risk (VaR) method, ITOCHU Group periodically tracks and monitors the amount of influence 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 trade receivables, loans, guarantees, 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 receivables becoming uncollectible due to the deteriorating credit status or insolvency of the Group's partners, and in relation to assuming responsibilities to fulfill contracts where 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 guarantees as needed. At the same time, the Group establishes an 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 is 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, assets related to natural resource development, goodwill and intangible assets. 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 procures the necessary funding for its businesses 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, there are risks that the Group may experience an inability to raise funds from financial institutions or investors when necessary or under desirable conditions and may consequently experience an increase in funding costs. Therefore, while securing adequate liquidity by utilizing cash deposits and commitment line, the Group has taken steps to diversify its sources of funds and methods of fundraising, however, cannot completely avoid such risks. The actualization of such risks 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, the amount of deferred tax assets 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 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 to observe 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 the Notes 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 unlisted financial assets 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 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 areas where the judgment on application of accounting policies 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
- Identification 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
- 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, 2017 and 2016
Prepared in conformity with IFRSs

	Millions of Yen		Millions of U.S. Dollars
Assets	2017	2016	2017
Current assets			
Cash and cash equivalents	**¥ 605,589**	¥ 632,871	**$ 5,398**
Time deposits	**8,381**	7,650	**75**
Trade receivables (Note 6)	**1,949,049**	1,843,541	**17,373**
Other current receivables (Note 6)	**74,322**	129,769	**662**
Other current financial assets (Note 12)	**28,999**	35,485	**258**
Inventories (Note 7)	**775,396**	717,124	**6,911**
Advances to suppliers	**161,855**	194,317	**1,443**
Other current assets	**97,224**	106,745	**867**
Total current assets	**3,700,815**	3,667,502	**32,987**
Non-current assets			
Investments accounted for by the equity method (Note 13)	**1,626,583**	1,500,094	**14,498**
Other investments (Note 12)	**793,589**	804,585	**7,074**
Non-current receivables (Note 6)	**656,774**	634,324	**5,854**
Non-current financial assets other than investments and receivables	**118,511**	133,202	**1,057**
Property, plant and equipment (Notes 8 and 16)	**680,375**	701,565	**6,064**
Investment property (Note 9)	**26,605**	29,132	**237**
Goodwill (Note 11)	**131,662**	144,056	**1,173**
Intangible assets (Note 11)	**237,716**	261,806	**2,119**
Deferred tax assets (Note 19)	**54,660**	63,814	**487**
Other non-current assets	**94,742**	96,315	**845**
Total non-current assets	**4,421,217**	4,368,893	**39,408**
Total assets (Note 4)	**¥8,122,032**	¥8,036,395	**$72,395**

Refer to Notes to Consolidated Financial Statements.

Liabilities and Equity	Millions of Yen 2017	2016	Millions of U.S. Dollars 2017
Current liabilities			
Short-term debentures and borrowings (Note 15)	**¥ 563,033**	¥ 426,820	**$ 5,019**
Trade payables (Note 14)	**1,588,783**	1,469,505	**14,162**
Other current payables (Note 14)	**53,494**	67,837	**477**
Other current financial liabilities	**15,729**	25,164	**140**
Current tax liabilities (Note 19)	**40,660**	29,375	**362**
Advances from customers	**149,921**	170,194	**1,336**
Other current liabilities (Note 18)	**288,785**	284,303	**2,574**
Total current liabilities	**2,700,405**	2,473,198	**24,070**
Non-current liabilities			
Long-term debentures and borrowings (Note 15)	**2,381,620**	2,769,345	**21,228**
Other non-current financial liabilities (Note 14)	**108,333**	105,722	**966**
Non-current liabilities for employee benefits (Note 17)	**59,614**	67,639	**531**
Deferred tax liabilities (Note 19)	**123,374**	79,637	**1,100**
Other non-current liabilities (Note 18)	**85,875**	88,799	**765**
Total non-current liabilities	**2,758,816**	3,111,142	**24,590**
Total liabilities	**5,459,221**	5,584,340	**48,660**
Equity			
Common stock (Note 21)	**253,448**	253,448	**2,259**
Capital surplus (Note 21)	**162,038**	156,688	**1,444**
Retained earnings (Notes 21 and 22)	**2,020,018**	1,748,375	**18,005**
Other components of equity (Note 23)			
Translation adjustments	**137,085**	202,795	**1,222**
FVTOCI financial assets (Note 12)	**(50,353)**	(51,630)	**(449)**
Cash flow hedges (Note 25)	**1,997**	(10,415)	**18**
Total other components of equity	**88,729**	140,750	**791**
Treasury stock (Note 21)	**(122,340)**	(105,584)	**(1,090)**
Total shareholders' equity	**2,401,893**	2,193,677	**21,409**
Non-controlling interests	**260,918**	258,378	**2,326**
Total equity	**2,662,811**	2,452,055	**23,735**
Total liabilities and equity	**¥8,122,032**	¥8,036,395	**$72,395**

Consolidated Statement of Comprehensive Income

ITOCHU Corporation and its Subsidiaries
Years ended March 31, 2017 and 2016
Prepared in conformity with IFRSs

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Revenues (Note 4)			
Revenues from sale of goods	¥ 4,115,568	¥ 4,362,159	$ 36,684
Revenues from rendering of services and royalties	722,896	721,377	6,443
Total revenues	4,838,464	5,083,536	43,127
Cost			
Cost of sale of goods	(3,209,289)	(3,483,362)	(28,605)
Cost of rendering of services and royalties	(535,713)	(530,463)	(4,775)
Total cost	(3,745,002)	(4,013,825)	(33,380)
Gross trading profit (Note 4)	1,093,462	1,069,711	9,747
Other gains (losses)			
Selling, general and administrative expenses (Notes 17 and 27)	(801,837)	(835,518)	(7,147)
Provision for doubtful accounts	(3,226)	(7,775)	(29)
Gains on investments (Notes 28 and 33)	32,144	72,680	287
Losses on property, plant, equipment and intangible assets (Notes 8, 11 and 29)	(16,696)	(155,104)	(149)
Other–net (Note 30)	(5,425)	(6,046)	(49)
Total other losses	(795,040)	(931,763)	(7,087)
Financial income (loss) (Note 31)			
Interest income	26,625	28,518	237
Dividends received	19,901	37,491	178
Interest expense	(30,251)	(28,918)	(270)
Total financial income	16,275	37,091	145
Equity in earnings of associates and joint ventures (Notes 4 and 13)	185,158	147,710	1,650
Profit before tax	499,855	322,749	4,455
Income tax expense (Note 19)	(125,262)	(46,381)	(1,116)
Net profit	374,593	276,368	3,339
Net profit attributable to ITOCHU (Note 4)	¥ 352,221	¥ 240,376	$ 3,140
Net profit attributable to non-controlling interests	22,372	35,992	199

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Other comprehensive income net of tax (Note 23)			
Items that will not be reclassified to profit or loss			
FVTOCI financial assets (Note 26)	¥ **263**	¥(222,543)	$ **2**
Remeasurement of net defined pension liability (Note 17)	**6,017**	(8,468)	**54**
Other comprehensive income in associates and joint ventures (Note 13)	**(4,115)**	(8,857)	**(37)**
Items that will be reclassified to profit or loss			
Translation adjustments (Note 26)	**(11,789)**	(76,932)	**(105)**
Cash flow hedges (Note 25)	**5,674**	(2,101)	**51**
Other comprehensive income in associates and joint ventures (Note 13)	**(47,278)**	(86,126)	**(422)**
Total other comprehensive income net of tax	**(51,228)**	(405,027)	**(457)**
Total comprehensive income	**323,365**	(128,659)	**2,882**
Total comprehensive income attributable to ITOCHU	**¥303,063**	¥(144,777)	**$2,701**
Total comprehensive income attributable to non-controlling interests	**20,302**	16,118	**181**

	Yen		U.S. Dollars
	2017	2016	2017
Basic earnings per share attributable to ITOCHU (Note 20)	**¥223.67**	¥152.14	**$1.99**
Diluted earnings per share attributable to ITOCHU (Note 20)	**¥223.67**	¥152.14	**$1.99**

Refer to Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

ITOCHU Corporation and its Subsidiaries
Years ended March 31, 2017 and 2016
Prepared in conformity with IFRSs

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Common stock (Note 21)			
Balance at the beginning of the year	¥ 253,448	¥ 253,448	$ 2,259
Balance at the end of the year	253,448	253,448	2,259
Capital surplus (Note 21)			
Balance at the beginning of the year	156,688	164,154	1,397
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests	5,350	(7,466)	47
Balance at the end of the year	162,038	156,688	1,444
Retained earnings (Note 21)			
Balance at the beginning of the year	1,748,375	1,587,318	15,584
Net profit attributable to ITOCHU	352,221	240,376	3,140
Transfer from other components of equity	2,459	(3,397)	21
Cash dividends (Note 22)	(83,037)	(75,922)	(740)
Balance at the end of the year	2,020,018	1,748,375	18,005
Other components of equity (Note 23)			
Balance at the beginning of the year	140,750	532,424	1,255
Other comprehensive income attributable to ITOCHU	(49,158)	(385,153)	(439)
Transfer to retained earnings	(2,459)	3,397	(21)
Transfer to non-financial assets	—	(9,807)	—
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests	(404)	(111)	(4)
Balance at the end of the year	88,729	140,750	791
Treasury stock (Note 21)			
Balance at the beginning of the year	(105,584)	(104,142)	(941)
Net change in treasury stock	(16,756)	(1,442)	(149)
Balance at the end of the year	(122,340)	(105,584)	(1,090)
Total shareholders' equity	2,401,893	2,193,677	21,409
Non-controlling interests			
Balance at the beginning of the year	258,378	315,049	2,303
Net profit attributable to non-controlling interests	22,372	35,992	199
Other comprehensive income attributable to non-controlling interests (Note 23)	(2,070)	(19,874)	(18)
Cash dividends to non-controlling interests	(9,726)	(9,228)	(87)
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests	(8,036)	(63,561)	(71)
Balance at the end of the year	260,918	258,378	2,326
Total equity	¥2,662,811	¥2,452,055	$23,735

Refer to Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

ITOCHU Corporation and its Subsidiaries
Years ended March 31, 2017 and 2016
Prepared in conformity with IFRSs

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Cash flows from operating activities			
Net profit	¥ 374,593	¥ 276,368	$ 3,339
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation and amortization	107,046	123,417	954
Provision for doubtful accounts	3,226	7,775	29
(Gains) losses on investments	(32,144)	(72,680)	(287)
(Gains) losses on property, plant, equipment and intangible assets	16,696	155,104	149
Financial (income) loss	(16,275)	(37,091)	(145)
Equity in earnings of associates and joint ventures	(185,158)	(147,710)	(1,650)
Income tax expense	125,262	46,381	1,116
Change in trade receivables	(117,284)	216,244	(1,045)
Change in inventories	(65,085)	35,373	(580)
Change in trade payables	129,978	(163,361)	1,159
Other–net	22,722	(43,028)	202
Proceeds from interest	26,693	24,651	238
Proceeds from dividends	88,498	97,340	789
Payments for interest	(27,757)	(26,301)	(247)
Payments for income taxes	(61,318)	(73,078)	(547)
Net cash provided by (used in) operating activities	389,693	419,404	3,474
Cash flows from investing activities			
Payments for purchase of investments accounted for by the equity method	(51,993)	(82,818)	(464)
Proceeds from sale of investments accounted for by the equity method	34,878	147,357	311
Payments for purchase of other investments	(43,933)	(99,951)	(392)
Proceeds from sale of other investments	38,656	59,262	345
Sales of subsidiaries, net of cash held by subsidiaries (Note 32)	—	108,795	—
Origination of loans receivable	(45,805)	(1,232,417)	(408)
Collections of loans receivable	74,955	618,534	668
Payments for purchase of property, plant, equipment and intangible assets	(89,317)	(95,866)	(796)
Proceeds from sale of property, plant, equipment and intangible assets	12,473	17,111	111
Net change in time deposits	(11,220)	2,733	(100)
Net cash provided by (used in) investing activities	(81,306)	(557,260)	(725)
Cash flows from financing activities			
Proceeds from debentures and loans payable	1,030,444	1,577,602	9,185
Repayments of debentures and loans payable	(1,242,701)	(1,265,438)	(11,077)
Net change in other loans payable	(14,290)	(79,338)	(128)
Equity transactions with non-controlling interests	670	(64,531)	6
Cash dividends (Note 22)	(83,037)	(75,922)	(740)
Cash dividends to non-controlling interests	(9,726)	(9,288)	(87)
Net change in treasury stock (Note 21)	(16,756)	(1,315)	(149)
Net cash provided by (used in) financing activities	(335,396)	81,770	(2,990)
Net change in cash and cash equivalents	(27,009)	(56,086)	(241)
Cash and cash equivalents at the beginning of the year	632,871	700,292	5,641
Effect of exchange rate changes on cash and cash equivalents	(273)	(11,335)	(2)
Cash and cash equivalents at the end of the year	¥ 605,589	¥ 632,871	$ 5,398

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 seven Division Companies, the Company operates in a wide range of industries.

The Consumer-Related Sector covers textiles, food, general products & realty and ICT & financial business; 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 the 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 the 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, 2017 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥112.19 = US$1 (the official rate as of March 31, 2017 as 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, 2017.

(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, 2017.

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
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
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 foreign exchange forward 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 presented 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

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: 7–36 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 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 expense.

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, 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 related 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. Revenues 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 taxable losses expected to be paid or 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.

(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 excluding bearer plants 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.

For bearer plants which are classified as property, plant and equipment, the cost model is applied, and bearer plants 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 unlisted financial assets 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 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 areas where the judgment on application of accounting policies 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)
- Identification 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 seven Division Companies, the Company and its subsidiaries operate in a wide range of industries. The Consumer-Related Sector covers textiles, food, general products & realty, and ICT & financial business; 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 seven Division Companies organized in line with their respective industries, principal products, and services—Textile, Machinery, Metals & Minerals, Energy & Chemicals, Food, General Products & Realty, and ICT & Financial Business. 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 management determines 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 seven 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 metals, 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.

General Products & Realty

The 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 construction and distribution sector such as development, sales, lease, and operation of real estate and logistics business.

ICT & Financial Business

The ICT & Financial Business segment is engaged in the ICT sector such as IT solutions, internet-related services, and distribution of mobile phone devices and after-sales services; and in the finance and insurance sector such as various financial services 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]. In conjunction with this reorganization, figures for the fiscal year 2016 have been restated.

The Company's segment information was 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, 2017 and 2016.

	Millions of Yen								
	2017								
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	Others, Adjustments & Eliminations	Total
Revenues from external customers	**¥528,050**	**¥361,945**	**¥209,286**	**¥1,426,409**	**¥1,071,299**	**¥548,125**	**¥669,713**	**¥ 23,637**	**¥4,838,464**
Intersegment revenues	**510**	**1**	**—**	**910**	**382**	**13,531**	**6,920**	**(22,254)**	**—**
Total revenues	**528,560**	**361,946**	**209,286**	**1,427,319**	**1,071,681**	**561,656**	**676,633**	**1,383**	**4,838,464**
Gross trading profit	**132,396**	**103,068**	**69,600**	**183,124**	**272,222**	**145,876**	**171,648**	**15,528**	**1,093,462**
Equity in earnings of associates and joint ventures	**6,853**	**24,781**	**17,627**	**4,648**	**18,973**	**12,695**	**30,897**	**68,684**	**185,158**
Net profit attributable to ITOCHU	**25,215**	**46,446**	**45,242**	**18,864**	**70,511**	**27,609**	**40,052**	**78,282**	**352,221**
Reportable segment assets	**¥495,892**	**¥989,662**	**¥854,905**	**¥1,169,503**	**¥1,773,166**	**¥840,350**	**¥718,594**	**¥1,279,960**	**¥8,122,032**

	Millions of Yen								
	2016								
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	Others, Adjustments & Eliminations	Total
Revenues from external customers	¥582,343	¥403,309	¥220,052	¥1,487,032	¥1,084,000	¥568,239	¥667,134	¥ 71,427	¥5,083,536
Intersegment revenues	482	1	—	851	321	13,045	5,403	(20,103)	—
Total revenues	582,825	403,310	220,052	1,487,883	1,084,321	581,284	672,537	51,324	5,083,536
Gross trading profit	137,463	117,280	32,485	185,051	262,214	160,283	165,360	9,575	1,069,711
Equity in earnings (losses) of associates and joint ventures	9,530	21,626	18,347	(329)	17,280	16,958	23,755	40,543	147,710
Net profit attributable to ITOCHU	14,499	48,371	(16,652)	55,450	25,484	25,626	48,396	39,202	240,376
Reportable segment assets	¥524,452	¥978,067	¥876,386	¥1,077,095	¥1,723,074	¥810,803	¥684,806	¥1,361,712	¥8,036,395

	Millions of U.S. Dollars								
	2017								
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	Others, Adjustments & Eliminations	Total
Revenues from external customers	**$4,707**	**$3,226**	**$1,865**	**$12,714**	**$ 9,549**	**$4,886**	**$5,969**	**$ 211**	**$43,127**
Intersegment revenues	**4**	**0**	**—**	**8**	**3**	**121**	**62**	**(198)**	**—**
Total revenues	**4,711**	**3,226**	**1,865**	**12,722**	**9,552**	**5,007**	**6,031**	**13**	**43,127**
Gross trading profit	**1,180**	**919**	**620**	**1,632**	**2,427**	**1,300**	**1,530**	**139**	**9,747**
Equity in earnings of associates and joint ventures	**61**	**221**	**157**	**42**	**169**	**113**	**275**	**612**	**1,650**
Net profit attributable to ITOCHU	**225**	**414**	**403**	**168**	**629**	**246**	**357**	**698**	**3,140**
Reportable segment assets	**$4,420**	**$8,821**	**$7,620**	**$10,424**	**$15,805**	**$7,491**	**$6,405**	**$11,409**	**$72,395**

Note: Others, Adjustments & Eliminations includes gains and losses which cannot be allocated to each operating segment and internal eliminations between operating segments. The investments against CITIC Limited and C.P. Pokphand Co. Ltd. and the profits and losses from them are included in this segment.

(2) Information about Geographical Areas

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

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Japan	¥3,270,757	¥3,295,824	$29,154
United States	638,109	755,758	5,688
Singapore	309,046	344,870	2,754
United Kingdom	170,364	222,138	1,518
Australia	160,775	147,831	1,433
Others	289,413	317,115	2,580
Total	¥4,838,464	¥5,083,536	$43,127

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
	2017	2016	2017
Japan	¥ 563,041	¥ 591,544	$ 5,019
Australia	183,017	192,890	1,631
Singapore	130,896	126,343	1,167
United Kingdom	124,401	146,450	1,109
United States	75,977	70,567	677
Others	89,788	102,030	800
Total	¥1,167,120	¥1,229,824	$10,403

Notes: 1. Information about geographical areas above was 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 years ended March 31, 2017 and 2016.

A major business combination after the year ended March 31, 2017 was as follows:

(Business Integration between Takiron Co., Ltd. and C. I. Kasei Company, Limited)

On April 1, 2017 (the Acquisition Date), C. I. Kasei Company, Limited (CIK), a subsidiary of which the Company holds 98.3% of the voting rights, carried out a business integration (the Merger) with Takiron Co., Ltd. (TAKIRON), an associated company accounted for by the equity method that conducts the manufacture and sale of plastics and plastic products and of which the Company held 33.7% of the voting rights, and formed C.I. TAKIRON Corporation (C.I. TAKIRON). The Merger was an absorption-type merger in which TAKIRON represents the surviving company and CIK represents the absorbed company. Through the Merger, TAKIRON allocated 26,468,325 ordinary shares to CIK's shareholders. The allocation was determined with reference to the results of calculations of the stock exchange ratio by third parties. As a result of the Merger, the Company's voting rights in C.I. TAKIRON has become 51.2% in combination with the previously held equity interests in TAKIRON, and C.I. TAKIRON has become a subsidiary of the Company.

Going forward, by utilizing the management know-how and global sales structure, the Company will actively support the various measures of C.I. TAKIRON to expand its business foundation and improve corporate value (strengthening its sales force and customer base, accelerating global expansion, etc.). In doing so, the Company will contribute to the growth of C.I. TAKIRON.

The following table summarizes the fair values of consideration paid, previously held equity interests and non-controlling interests assumed at the acquisition date, all of which are measured based on the current value of the ordinary shares of CIK that the Company delivered at the acquisition date. No contingent consideration was recognized.

	Millions of Yen	Millions of U.S. Dollars
Fair value of consideration paid	¥ 7,224	$ 65
Fair value of previously held equity interests	13,825	123
Fair value of non-controlling interests	20,070	179
Total	¥41,119	$367

As of June 23, 2017, the date on which the financial statements were available to be issued, the measurement of the fair values of acquired assets and liabilities with respect to this business combination had not yet been completed.

6. Trade and Other Receivables

The breakdown of trade receivables as of March 31, 2017 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Notes receivable	¥ 157,608	¥ 162,793	$ 1,405
Trade accounts receivable	1,623,023	1,516,634	14,467
Service fees receivable	173,749	169,707	1,549
Allowance for doubtful accounts (current)	(5,331)	(5,593)	(48)
Total	¥1,949,049	¥1,843,541	$17,373

The breakdown of other current receivables as of March 31, 2017 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Short-term loans receivable	¥25,564	¥ 75,777	$228
Other accounts receivable	19,931	33,034	177
Allowance for doubtful accounts (current)	(2,004)	(11,098)	(18)
Others	30,831	32,056	275
Total	¥74,322	¥129,769	$662

The breakdown of non-current receivables as of March 31, 2017 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Long-term loans receivable	¥652,475	¥632,977	$5,816
Others	19,208	15,329	171
Allowance for doubtful accounts (non-current)	(14,909)	(13,982)	(133)
Total	¥656,774	¥634,324	$5,854

7. Inventories

The breakdown of Inventories as of March 31, 2017 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Merchandise	**¥493,764**	¥451,737	**$4,401**
Finished goods	**82,806**	80,998	**738**
Real estate for sale	**121,299**	107,210	**1,081**
Raw materials and supplies	**51,782**	45,406	**462**
Work in progress	**25,745**	31,773	**229**
Total	**¥775,396**	¥717,124	**$6,911**

The write-downs of inventories to net realizable value were ¥7,271 million (US$65 million) and ¥6,639 million as of March 31, 2017 and 2016, 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, 2017 and 2016 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, 2017								
Cost	**¥108,640**	**¥ 407,827**	**¥ 589,966**	**¥104,644**	**¥ 79,547**	**¥25,494**	**¥ 21,699**	**¥1,337,817**
Accumulated depreciation and accumulated impairment losses	**(8,227)**	**(204,254)**	**(318,192)**	**(69,092)**	**(45,472)**	**(366)**	**(11,839)**	**(657,442)**
Carrying amount	**100,413**	**203,573**	**271,774**	**35,552**	**34,075**	**25,128**	**9,860**	**680,375**

	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 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, 2017								
Cost	**$968**	**$ 3,635**	**$ 5,258**	**$ 933**	**$ 709**	**$227**	**$ 194**	**$11,924**
Accumulated depreciation and accumulated impairment losses	**(73)**	**(1,821)**	**(2,836)**	**(616)**	**(405)**	**(3)**	**(106)**	**(5,860)**
Carrying amount	**895**	**1,814**	**2,422**	**317**	**304**	**224**	**88**	**6,064**

The changes in the carrying amount of property, plant and equipment for the years ended March 31, 2017 and 2016 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, 2016	¥104,199	¥209,063	¥287,600	¥36,356	¥36,454	¥ 21,235	¥ 6,658	¥701,565
Acquisitions through business combinations	**1,116**	**149**	**155**	**49**	**—**	**—**	**—**	**1,469**
Individual acquisitions	**1,326**	**12,268**	**16,649**	**10,490**	**59**	**35,914**	**6,494**	**83,200**
Disposals and decreases through divestitures	**(5,031)**	**(3,488)**	**(13,113)**	**(1,305)**	**—**	**(131)**	**(89)**	**(23,157)**
Depreciation	**—**	**(16,810)**	**(35,628)**	**(11,323)**	**(2,180)**	**—**	**(5,459)**	**(71,400)**
Impairment losses recognized in profit or loss	**(937)**	**(1,984)**	**(2,495)**	**(159)**	**—**	**(266)**	**(3)**	**(5,844)**
Effect of foreign currency exchange differences	**(488)**	**(2,653)**	**(3,186)**	**(588)**	**(258)**	**(70)**	**71**	**(7,172)**
Others	**228**	**7,028**	**21,792**	**2,032**	**—**	**(31,554)**	**2,188**	**1,714**
Balance as of March 31, 2017	**¥100,413**	**¥203,573**	**¥271,774**	**¥35,552**	**¥34,075**	**¥ 25,128**	**¥ 9,860**	**¥680,375**

	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 decreases 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 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, 2016	$929	$1,863	$2,564	$ 324	$325	$ 189	$ 59	$6,253
Acquisitions through business combinations	**10**	**1**	**1**	**1**	**—**	**—**	**—**	**13**
Individual acquisitions	**12**	**110**	**148**	**94**	**0**	**320**	**58**	**742**
Disposals and decreases through divestitures	**(45)**	**(31)**	**(117)**	**(12)**	**—**	**(1)**	**(0)**	**(206)**
Depreciation	**—**	**(150)**	**(318)**	**(101)**	**(19)**	**—**	**(49)**	**(637)**
Impairment losses recognized in profit or loss	**(9)**	**(18)**	**(22)**	**(1)**	**—**	**(2)**	**(0)**	**(52)**
Effect of foreign currency exchange differences	**(4)**	**(24)**	**(28)**	**(6)**	**(2)**	**(1)**	**1**	**(64)**
Others	**2**	**63**	**194**	**18**	**—**	**(281)**	**19**	**15**
Balance as of March 31, 2017	**$895**	**$1,814**	**$2,422**	**$ 317**	**$304**	**$ 224**	**$ 88**	**$6,064**

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, 2017 was ¥5,844 million (US$52 million).

The amount of the impairment losses during the year ended March 31, 2016 was ¥59,155 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 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 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 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 4–12%).

9. Investment Property

The cost, accumulated depreciation and accumulated impairment losses, and carrying amount of investment property for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen
	Investment property
Balance as of March 31, 2017	
Cost	¥ 53,282
Accumulated depreciation and accumulated impairment losses	(26,677)
Carrying amount	26,605

	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 U.S. Dollars
	Investment property
Balance as of March 31, 2017	
Cost	$ 475
Accumulated depreciation and accumulated impairment losses	(238)
Carrying amount	237

The changes in the carrying amount of investment property for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Beginning of the year	¥29,132	¥32,899	$260
Acquisitions through business combinations	—	—	—
Individual acquisitions	350	452	3
Disposals and decreases through divestitures	(1,504)	(1,031)	(13)
Depreciation	(995)	(1,007)	(9)
Impairment losses recognized in profit or loss	(346)	(469)	(3)
Effect of foreign currency exchange differences	(76)	(197)	(1)
Transfers to and from property, plant and equipment	(314)	(408)	(3)
Others	358	(1,107)	3
End of the year	¥26,605	¥29,132	$237

Fair values of investment property for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Fair Value	¥26,705	¥32,596	$238

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, 2017 and 2016 were ¥6,790 million (US$61 million) and ¥6,929 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, 2017 and 2016 were ¥3,304 million (US$29 million) and ¥3,349 million, respectively, and were included mainly in Cost in the Consolidated Statements of Comprehensive Income.

10. Pledged Assets

The following assets were pledged as collateral as of March 31, 2017 and 2016:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Cash and cash equivalents, and Time deposits	¥ 90	¥ 1,504	$ 1
Trade receivables and others	7,854	4,633	70
Inventories	12,261	17,972	109
Investments and Non-current receivables	18,532	6,687	165
Property, plant and equipment, and others	18,114	18,874	162
Total	¥56,851	¥49,670	$507

Collateral was pledged to secure the following obligations as of March 31, 2017 and 2016:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Short-term borrowings (Note)	¥ 2,931	¥ 6,264	$ 26
Trade payables and others	3,908	3,075	35
Long-term borrowings	14,403	13,655	128
Total	¥21,242	¥22,994	$189

Note: Short-term borrowings as of March 31, 2017 and 2016 included the current portion of Long-term borrowings of ¥1,308 million (US$12 million) and ¥5,707 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, 2017 and 2016 were as follows:

	Millions of Yen								
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	Others, Adjustments & Eliminations	Total
Balance as of March 31, 2017									
Cost	**¥ 21,172**	**¥15,525**	**¥—**	**¥937**	**¥ 55,123**	**¥ 60,816**	**¥45,326**	**¥ 1,709**	**¥200,608**
Accumulated impairment losses	**(12,173)**	**(6,847)**	**—**	**(88)**	**(15,103)**	**(33,026)**	**—**	**(1,709)**	**(68,946)**
Carrying amount	**8,999**	**8,678**	**—**	**849**	**40,020**	**27,790**	**45,326**	**—**	**131,662**

	Millions of Yen								
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	Others, Adjustments & Eliminations	Total
Balance as of March 31, 2016									
Cost	¥ 21,173	¥12,921	¥—	¥942	¥ 55,461	¥ 70,298	¥44,891	¥ 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	42,971	44,891	—	144,056

	Millions of U.S. Dollars								
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	Others, Adjustments & Eliminations	Total
Balance as of March 31, 2017									
Cost	**$ 189**	**$138**	**$—**	**$ 8**	**$ 492**	**$ 542**	**$404**	**$ 15**	**$1,788**
Accumulated impairment losses	**(109)**	**(61)**	**—**	**(1)**	**(135)**	**(294)**	**—**	**(15)**	**(615)**
Carrying amount	**80**	**77**	**—**	**7**	**357**	**248**	**404**	**—**	**1,173**

The changes in the carrying amount of goodwill for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen								
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	Others, Adjustments & Eliminations	Total
Balance as of April 1, 2016	¥8,999	¥6,049	¥—	¥854	¥40,292	¥42,971	¥44,891	¥—	¥144,056
Acquisitions through business combinations	**—**	**2,565**	**—**	**—**	**—**	**—**	**781**	**—**	**3,346**
Decrease through divestitures	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Impairment losses recognized in profit or loss	**—**	**—**	**—**	**—**	**—**	**(9,602)**	**—**	**—**	**(9,602)**
Effect of foreign currency exchange differences, and others	**—**	**64**	**—**	**(5)**	**(272)**	**(5,579)**	**(346)**	**—**	**(6,138)**
Balance as of March 31, 2017	**¥8,999**	**¥8,678**	**¥—**	**¥849**	**¥40,020**	**¥27,790**	**¥45,326**	**¥—**	**¥131,662**

	Millions of Yen								
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	Others, Adjustments & Eliminations	Total
Balance as of April 1, 2015	¥10,744	¥6,470	¥—	¥833	¥ 55,908	¥ 78,944	¥45,306	¥—	¥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)	(5,071)	(415)	—	(7,803)
Balance as of March 31, 2016	¥ 8,999	¥6,049	¥—	¥854	¥ 40,292	¥ 42,971	¥44,891	¥—	¥144,056

	Millions of U.S. Dollars								
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	Others, Adjustments & Eliminations	Total
Balance as of April 1, 2016	$80	$54	$—	$ 7	$359	$384	$400	$—	$1,284
Acquisitions through business combinations	**—**	**23**	**—**	**—**	**—**	**—**	**7**	**—**	**30**
Decrease through divestitures	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Impairment losses recognized in profit or loss	**—**	**—**	**—**	**—**	**—**	**(86)**	**—**	**—**	**(86)**
Effect of foreign currency exchange differences, and others	**—**	**0**	**—**	**(0)**	**(2)**	**(50)**	**(3)**	**—**	**(55)**
Balance as of March 31, 2017	**$80**	**$77**	**$—**	**$ 7**	**$357**	**$248**	**$404**	**$—**	**$1,173**

The goodwill balance as of March 31, 2017 and 2016 included goodwill resulting from the acquisition of the Kwik-Fit Group in the 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, 2017 and 2016 were ¥27,790 million (US$248 million) and ¥42,971 million, respectively. The decrease in the goodwill balance is mainly due to impairment.

The goodwill balance resulting from the acquisition of the Dole business as of March 31, 2017 and 2016 were ¥16,231 million (US$145 million) and ¥16,983 million, respectively.

As a result of impairment tests for goodwill, the amount of the impairment losses during the year ended March 31, 2017 was ¥9,602 million (US$86 million).

Regarding the goodwill balance resulting from the acquisition of the Kwik-Fit Group, in the European tire-related companies, the Company conducted a comprehensive review of the short to medium-term demand forecast in reaction to the slump in sales of tires for passenger cars in the U.K. with slowing U.K. real retail sales and rising purchase costs accompanying further depreciation of the Great Britain Pound over concerns about the outlook for the European economy, including that of the U.K., given the Brexit decision. Accordingly, an impairment loss of ¥9,602 million (US$86 million) was recorded on goodwill related to the companies.

As a result of impairment tests for goodwill, the amount of the impairment losses during the year ended March 31, 2016 was ¥48,889 million.

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.

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 was recognized.

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 5–20%).

(2) Intangible Assets

The cost, accumulated amortization and accumulated impairment losses, and carrying amount of intangible assets for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of March 31, 2017				
Cost	**¥155,904**	**¥106,748**	**¥109,650**	**¥ 372,302**
Accumulated amortization and accumulated impairment losses	**(17,830)**	**(68,330)**	**(48,426)**	**(134,586)**
Carrying amount	**138,074**	**38,418**	**61,224**	**237,716**

	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 U.S. Dollars			
	Trademarks	Software	Others	Total
Balance as of March 31, 2017				
Cost	**$1,390**	**$ 951**	**$ 977**	**$ 3,318**
Accumulated amortization and accumulated impairment losses	**(159)**	**(609)**	**(431)**	**(1,199)**
Carrying amount	**1,231**	**342**	**546**	**2,119**

The changes in the carrying amount of intangible assets for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of April 1, 2016	¥149,668	¥ 35,850	¥ 76,288	¥261,806
Acquisitions through business combinations	**146**	**23**	**2,252**	**2,421**
Individual acquisitions	**384**	**15,977**	**3,347**	**19,708**
Disposals	**(19)**	**(399)**	**(1,399)**	**(1,817)**
Decrease through divestitures	**(3,653)**	**(459)**	**(11,978)**	**(16,090)**
Amortization expenses	**(2,093)**	**(11,277)**	**(6,183)**	**(19,553)**
Impairment losses recognized in profit or loss	**—**	**(119)**	**(275)**	**(394)**
Effect of foreign currency exchange differences, and others	**(6,359)**	**(1,178)**	**(828)**	**(8,365)**
Balance as of March 31, 2017	**¥138,074**	**¥ 38,418**	**¥ 61,224**	**¥237,716**

	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 U.S. Dollars			
	Trademarks	Software	Others	Total
Balance as of April 1, 2016	$1,334	$ 320	$ 680	$2,334
Acquisitions through business combinations	**1**	**0**	**20**	**21**
Individual acquisitions	**4**	**142**	**30**	**176**
Disposals	**(0)**	**(4)**	**(12)**	**(16)**
Decrease through divestitures	**(32)**	**(4)**	**(107)**	**(143)**
Amortization expenses	**(19)**	**(100)**	**(55)**	**(174)**
Impairment losses recognized in profit or loss	**—**	**(1)**	**(3)**	**(4)**
Effect of foreign currency exchange differences, and others	**(57)**	**(11)**	**(7)**	**(75)**
Balance as of March 31, 2017	**$1,231**	**$ 342**	**$ 546**	**$2,119**

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, 2017 was ¥394 million (US$4 million).

The amount of impairment losses during the year ended March 31, 2016 was ¥18,237 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 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 has been recognized.

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" as of March 31, 2017, included ¥10,877 million (US$97 million) of sales network in CONEXIO Corporation and ¥9,492 million (US$85 million) of customer relationships in Dole International Holdings, Inc.

The carrying amount of "Others" as of March 31, 2016 included ¥11,973 million of customer relationships and technology related intangible assets in Toyo Advanced Technologies Co., Ltd., ¥11,783 million of sales network in CONEXIO Corporation and ¥10,128 million of customer relationships in Dole International Holdings, Inc.

The carrying amount of intangible assets with indefinite useful lives for the years ended March 31, 2017 and 2016 were ¥100,381 million (US$895 million) and ¥106,727 million, respectively. The balance of intangible assets with indefinite useful lives for the year ended March 31, 2017, included ¥58,107 million (US$518 million) of trademarks of Dole and ¥38,995 million (US$348 million) of trademarks of Kwik-Fit. The balance of intangible assets with indefinite useful lives for the year ended March 31, 2016, included ¥58,361 million of trademarks of Dole and ¥45,075 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 5–20%).

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
	2017	2016	2017
Securities:			
FVTPL financial assets	¥ 22	¥ 6,410	$ 0
FVTOCI financial assets	—	—	—
Amortized cost*	28	22	0
Total	¥ 50	¥ 6,432	$ 0
Other Investments:			
FVTPL financial assets	¥ 47,854	¥ 47,452	$ 427
FVTOCI financial assets	736,716	743,527	6,567
Amortized cost*	9,019	13,606	80
Total	¥793,589	¥804,585	$7,074

* Of the securities included in Other current financial assets and Other investments, financial assets measured at amortized cost are primarily public and corporate bonds for which the fair values approximate their carrying amounts.

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

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Marketable equity securities	¥271,213	¥253,789	$2,418
Non-marketable equity securities	465,503	489,738	4,149
Total	¥736,716	¥743,527	$6,567

The Non-marketable 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, 2017 and 2016 were ¥314,080 million (US$2,800 million) and ¥308,298 million, respectively. These investments included Drummond International, LLC, BHP Iron Ore (Jimblebar) Pty Ltd, Ivanplats Proprietary Limited, RAS LAFFAN LNG CO., LTD., and CSN Mineração S.A..

The main marketable equity securities that the Company and its subsidiaries owned as FVTOCI financial assets as of March 31, 2017 and 2016 were as follows:

March 31, 2017

Stock	Millions of Yen	Millions of U.S. Dollars
Isuzu Motors Limited	¥77,951	$695
NISSIN FOODS HOLDINGS CO., LTD.	33,608	300
Seven & i Holdings Co., Ltd.	13,918	124
Advance Residence Investment Corporation	10,719	96
Mazda Motor Corporation	9,700	86
Showa Sangyo Co., Ltd.	7,468	67
SINANEN HOLDINGS CO., LTD.	4,440	40
Mizuho Financial Group, Inc.	3,935	35
Internet Initiative Japan Inc.	3,922	35
H2O RETAILING CORPORATION	3,783	34
Nippon Flour Mills Co., Ltd.	3,749	33
Kanemi Co., Ltd.	3,365	30
SEIBU HOLDINGS INC.	2,998	27
NICHIHA CORPORATION	2,716	24
MEGMILK SNOW BRAND Co.,Ltd.	2,574	23

March 31, 2016

Stock	Millions of Yen
Isuzu Motors Limited	¥61,514
NISSIN FOODS HOLDINGS CO., LTD.	28,815
Seven & i Holdings Co., Ltd.	15,258
Mazda Motor Corporation	10,568
Advance Residence Investment Corporation	10,029
UNY Group Holdings Co., Ltd.	6,320
Showa Sangyo Co., Ltd.	5,918
Scatec Solar ASA	5,193
Adways Inc.	4,898
SINANEN HOLDINGS CO., LTD.	4,629
Internet Initiative Japan Inc.	4,515
Nippon Flour Mills Co., Ltd.	4,213
H2O RETAILING CORPORATION	4,083
SEIBU HOLDINGS INC.	3,886
Kanemi Co., Ltd.	3,420

FVTOCI financial assets which the Company derecognized in the years ended March 31, 2017 and 2016 were as follows:

Millions of Yen						Millions of U.S. Dollars		
2017			2016			2017		
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
¥22,774	¥(5,484)	¥273	¥33,434	¥10,860	¥931	$203	$(49)	$2

Cumulative gains (losses) (net of tax) reclassified from other comprehensive income (loss) (FVTOCI financial assets) to retained earnings for the years ended March 31, 2017 and 2016 due to derecognition of FVTOCI financial assets were ¥3,558 million (US$32 million) (loss) and ¥7,005 million, 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, 2017 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Investment			
Associates	¥1,243,926	¥1,172,594	$11,087
Joint ventures	382,657	327,500	3,411
Total	¥1,626,583	¥1,500,094	$14,498

The differences between the carrying amounts of the investments 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 ¥291,434 million (US$2,598 million) and ¥293,345 million as of March 31, 2017 and 2016, 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 financing 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, 2017 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Associates			
Share of profit or loss	¥105,808	¥ 93,505	$ 943
Share of other comprehensive income	(9,560)	(81,594)	(85)
Subtotal	96,248	11,911	858
Joint ventures			
Share of profit or loss	79,350	54,205	707
Share of other comprehensive income	(41,833)	(13,389)	(373)
Subtotal	37,517	40,816	334
Share of comprehensive income			
Total share of profit or loss of associates and joint ventures	185,158	147,710	1,650
Total share of other comprehensive income of associates and joint ventures	(51,393)	(94,983)	(458)
Total	¥133,765	¥ 52,727	$1,192

In Investments accounted for by the equity method, the Company recognized impairment losses of ¥8,519 million (US$76 million) and ¥5,203 million for the years ended March 31, 2017 and 2016.

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 3–14%).

(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, 2017 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Balance of receivables			
Associates	¥221,953	¥162,745	$1,978
Joint ventures	569,445	575,345	5,076
Total	¥791,398	¥738,090	$7,054
Balance of payables			
Associates	53,068	54,439	473
Joint ventures	2,169	2,558	19
Total	¥ 55,237	¥ 56,997	$ 492

(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, 2017 and 2016 as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Revenues			
Associates	¥170,294	¥163,772	$1,518
Joint ventures	20,962	22,244	187
Total	¥191,256	¥186,016	$1,705
Purchases			
Associates	285,099	297,190	2,542
Joint ventures	19,900	23,418	177
Total	¥304,999	¥320,608	$2,719

(5) Others

(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 for 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 UNY Holdings Co., Ltd. (reporting period ends in February).

(Financial information about the material joint ventures and associates)

Chia Tai Bright Investment Company Limited (CTB), a company in which ITOCHU and Charoen Pokphand Group Company Limited each invested 50%, owns 20% of ordinary shares in CITIC Limited and applies the equity method to CITIC Limited.

The difference between the consideration paid for CITIC Limited shares acquired by CTB and CTB's share of the book value of CITIC Limited's net assets at the time of share acquisition was appropriately allocated to CITIC Limited's assets and liabilities based on those fair values and the amount of the difference was HK$13,551 million as of March 31, 2017.

The summarized financial information of CITIC Limited based on the disclosed financial statements as of December 31, 2016 and 2015 were as follows:

	Millions of HK Dollars	
	2016	2015
Total assets	$7,237,995	$6,803,309
Total liabilities	$6,542,144	$6,140,140
Total equity	$ 695,851	$ 663,169

	Millions of HK Dollars	
	2016	2015
Total revenues	$380,822	$395,310
Net profit	62,639	60,693
Total other comprehensive income for the year, net of tax	(49,127)	(32,546)
Total comprehensive income for the year	$ 13,512	$ 28,147

(Judgment on significant influence)
While the Company holds a 16.53% of voting rights in Orient Corporation, the Company participates in the determination of sales and financial directions by dispatching its Directors, including its Representative Directors, to the Board of Directors of Orient Corporation. Accordingly, the Company exercise significant influence and applies the equity method to Orient Corporation.

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, 2017 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Notes payable	¥ 210,674	¥ 204,657	$ 1,878
Account payables	1,281,365	1,169,119	11,422
Other payables	96,744	95,729	862
Total	¥1,588,783	¥1,469,505	$14,162

The breakdown of other current payables as of March 31, 2017 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Other payables	¥14,146	¥18,480	$126
Lease obligations (current)	14,546	15,648	130
Deposits received	24,802	33,709	221
Total	¥53,494	¥67,837	$477

The breakdown of other non-current financial liabilities as of March 31, 2017 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Lease obligations (non-current)	¥ 60,287	¥ 62,562	$538
Others	48,046	43,160	428
Total	¥108,333	¥105,722	$966

15. Debentures and Borrowings

The breakdown of Short-term debentures and borrowings as of March 31, 2017 and 2016 were as follows:

	Millions of Yen	Interest rate (%)	Millions of Yen	Interest rate (%)	Millions of U.S. Dollars
	2017		2016		2017
Current loans from financial institutions	¥278,148	1.3%	¥293,050	0.8%	$2,479
Commercial paper	11,982	0.0%	64,842	0.0%	107
Subtotal	290,130	—	357,892	—	2,586
Current portion of long-term debentures and borrowings	272,903	—	68,928	—	2,433
Total	¥563,033	—	¥426,820	—	$5,019

Note: Interest rates represent the weighted average interest rates based on balances as of March 31, 2017 and 2016. 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, 2017 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Borrowings			
Secured			
Due 2017–2037, interest rate mainly 0.0%–3.5%	¥ 15,711	¥ 19,362	$ 140
Unsecured			
Due 2016–2031, interest rate mainly 0.0%–5.9%	2,211,459	2,330,396	19,712
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	365,000	420,000	3,253
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	11,219	11,268	100
Issued in and after 2012, debentures and others issued by subsidiaries, maturing through 2022	14,881	14,856	133
Subtotal	2,628,270	2,805,882	23,427
Fair value hedge and discontinuation of hedge adjustment	26,253	32,391	234
Total	2,654,523	2,838,273	23,661
Less: Current portion of long-term debentures and borrowings	(272,903)	(68,928)	(2,433)
Long-term debentures and borrowings	¥2,381,620	¥2,769,345	$21,228

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, 2017 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Less than 1 year	¥11,652	¥ 9,715	$104
1–5 years	35,917	30,074	320
More than 5 years	16,842	21,000	150
Total	¥64,411	¥60,789	$574

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, 2017 and 2016 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		
	2017	2016	2017	2017	2016	2017
Less than 1 year	¥ 9,342	¥ 8,399	$ 83	¥ 8,392	¥ 7,841	$ 75
1–5 years	25,577	20,079	228	23,468	18,449	209
More than 5 years	10,819	10,206	97	8,949	8,075	80
Total	45,738	38,684	408	¥40,809	¥34,365	$364
[Unguaranteed residual value]	[300]	[300]	[3]			
Less: Unearned finance income	(4,741)	(4,140)	(42)			
Less: Present value of unguaranteed residual value	(188)	(179)	(2)			
Present value of minimum lease payments receivable	¥40,809	¥34,365	$364			

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 real estate, machinery and equipment, and certain other assets under operating leases.

The schedule of future minimum lease payments under non-cancelable operating leases as of March 31, 2017 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Less than 1 year	¥ 47,690	¥ 45,175	$ 425
1–5 years	137,347	132,519	1,224
More than 5 years	160,578	177,623	1,432
Total	¥345,615	¥355,317	$3,081

As of March 31, 2017 and 2016, the total of future minimum lease payments to be received under non-cancelable subleases were ¥57,474 million (US$512 million) and ¥53,052 million, respectively.

In the years ended March 31, 2017 and 2016, lease payments under operating leases recognized as an expense were ¥91,919 million (US$819 million) and ¥83,236 million, respectively, and sublease payments received were ¥11,172 million (US$100 million) and ¥9,967 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, 2017 and 2016 were as follows:

	Millions of Yen					
	2017			2016		
	Cost	Accumulated depreciation and Accumulated impairment losses	Carrying amount	Cost	Accumulated depreciation and Accumulated impairment losses	Carrying amount
Buildings and structures	¥ 54,252	¥26,510	¥27,742	¥ 55,170	¥26,296	¥28,874
Machinery and equipment	27,089	14,472	12,617	27,865	14,425	13,440
Others	20,341	11,743	8,598	21,095	11,291	9,804
Total	¥101,682	¥52,725	¥48,957	¥104,130	¥52,012	¥52,118

	Millions of U.S. Dollars		
	2017		
	Cost	Accumulated depreciation and Accumulated impairment losses	Carrying amount
Buildings and structures	$483	$236	$247
Machinery and equipment	241	129	112
Others	182	105	77
Total	$906	$470	$436

The present value of future minimum lease payments, and the amount of future financial cost as of March 31, 2017 and 2016 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		
	2017	2016	2017	2017	2016	2017
Less than 1 year	¥16,420	¥ 18,400	$146	¥14,546	¥15,648	$130
1–5 years	40,598	44,401	362	37,970	38,965	338
More than 5 years	26,011	25,766	232	22,317	23,597	199
Total	83,029	88,567	740	¥74,833	¥78,210	$667
Less: Future financial cost	(8,196)	(10,357)	(73)			
Present value of future minimum lease payments	¥74,833	¥ 78,210	$667			

As of March 31, 2017 and 2016, the total future minimum lease payments to be received under non-cancelable subleases were ¥25,632 million (US$228 million) and ¥27,876 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, 2016, the ITOCHU United Pension Fund was underfunded by ¥10,249 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 underfunded will be supplemented by the revised premium.

The amount of contributions of participating subsidiaries to the ITOCHU United Pension Fund were ¥2,100 million (US$19 million) and ¥2,055 million for the years ended March 31, 2017 and 2016, respectively. The planned amount of contributions in the year ending March 31, 2018 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, 2017.

Changes in the defined benefit obligations were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Projected benefit obligations at the beginning of the year	**¥356,629**	¥351,227	**$3,179**
Service cost	**11,075**	10,266	**99**
Current service cost	**10,877**	10,274	**97**
Prior service cost	**198**	(8)	**2**
Interest cost	**2,486**	4,065	**22**
Plan participants' contributions	**632**	624	**6**
Remeasurements	**(910)**	11,526	**(8)**
Benefits paid from plan assets	**(15,056)**	(16,627)	**(134)**
Benefits paid by employer	**(4,317)**	(2,960)	**(39)**
Foreign currency translation adjustments	**(2,137)**	(51)	**(19)**
Acquisitions and divestitures	**(3,781)**	(1,443)	**(34)**
Settlements	**—**	2	**—**
Projected benefit obligations at the end of the year	**¥344,621**	¥356,629	**$3,072**

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

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Fair value of plan assets at the beginning of the year	¥300,473	¥310,597	$2,678
Interest income	2,145	3,566	19
Remeasurements	7,904	(738)	70
Employer contributions	3,944	4,601	35
Plan participants' contributions	632	624	6
Benefits paid from plan assets	(15,056)	(16,627)	(134)
Foreign currency translation adjustments	(1,873)	(1,493)	(17)
Acquisitions and divestitures	(1,275)	(57)	(11)
Fair value of plan assets at the end of the year	¥296,894	¥300,473	$2,646

As of March 31, 2017 and 2016, 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		
	2017		
	Level 1	Level 2	Total
Equity instruments:			
Domestic	¥ 22,228	¥ 24,785	¥ 47,013
Overseas	5,690	13,753	19,443
Debt instruments:			
Domestic	26,705	44,825	71,530
Overseas	15,609	29,050	44,659
Other assets:			
Cash and cash equivalents	50,639	—	50,639
Life insurance company general accounts	—	34,374	34,374
Others	—	29,236	29,236
Total	¥120,871	¥176,023	¥296,894

	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 U.S. Dollars		
	2017		
	Level 1	Level 2	Total
Equity instruments:			
Domestic	$ 198	$ 221	$ 419
Overseas	51	122	173
Debt instruments:			
Domestic	238	400	638
Overseas	139	259	398
Other assets:			
Cash and cash equivalents	451	—	451
Life insurance company general accounts	—	306	306
Others	—	261	261
Total	$1,077	$1,569	$2,646

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 12 years.

The Company and certain subsidiaries have plans that are underfunded, 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, 2018 is approximately ¥4,200 million.

The assumptions regarding the defined benefit obligation were as follows:

	2017	2016
Discount rate	0.7%	0.6%
Rate of compensation increase	3.7%	3.7%
Mortality rate	0.02–0.73%	0.02–0.73%
Retirement rate	0.9–13.7%	0.9–13.7%
Lump sum election rate	28.4%	29.8%

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, 2017, a movement of 1% in the discount rate would have an effect of ¥23,755 million (US$212 million) on the defined benefit obligation and an effect of ¥640 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, 2017 and 2016 were ¥4,725 million (US$42 million) and ¥4,530 million, respectively.

Details of Compensation

Details of compensation and bonuses for the Company's directors in the year ended March 31, 2017 were as follows:

		Millions of Yen	Millions of U.S. Dollars	
Type	Number of people	Amount paid	Amount paid	Details
Directors (Outside directors)	15 (3)	¥1,877 ¥ (33)	$17 $ (0)	(1) Monthly compensation: ¥832 million (2) Directors' bonuses accrued and payable for the fiscal year ended March 31, 2017: ¥593 million (3) Special bonuses: ¥389 million (4) Share-based remuneration: ¥62 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. In response to fiscal year 2017 consolidated net profit attributable to ITOCHU of ¥352.2 billion, an amount exceeding the ¥350.0 billion forecast for the full year and a record high for the Company, the Company has decided to pay a special bonus. This bonus is in accordance with the resolution of the Board of Directors held on January 19, 2017 after being examined by the Governance and Remuneration Committee, and it is to be paid for the purpose of providing incentive to further improve the Company's operating performance. The amount of special bonus paid shall be inside a range whereby the amount of special bonus and Director bonus combined (Note 1) does not exceed the bonus limit (1.0 billion yen per year).

3. The introduction of performance-linked and share-based remuneration for Directors (Board Incentive Plan Trust "BIP") was approved at the 92nd Ordinary General Meeting of Shareholders held on June 24, 2016. The total amount of share-based remuneration in the table is the recorded amount of expenses involving share granted points granted during this fiscal year related to BIP.

4. The retirement benefits system for directors was abolished as 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. Based on this, in addition to the payment amounts above, an ¥80 million retirement benefits was paid in July 2016 to one Director who retired during this fiscal year.

18. Provisions

The changes in provisions in Other current liabilities and Other non-current liabilities for the year ended March 31, 2017 were as follows:

	Millions of Yen		
	Provisions for asset retirement obligations	Other provisions	Total
Balance as of April 1, 2016	¥50,509	¥ 9,635	¥60,144
Provisions	2,550	4,920	7,470
Provisions charged-off	(849)	(2,433)	(3,282)
Provisions reversed	(1,954)	(266)	(2,220)
Accretion expense	1,373	—	1,373
The effect of changing in the discount rate	195	—	195
Others	(1,023)	(351)	(1,374)
Balance as of March 31, 2017	¥50,801	¥11,505	¥62,306

	Millions of U.S. Dollars		
	Provisions for asset retirement obligations	Other provisions	Total
Balance as of April 1, 2016	$450	$ 86	$536
Provisions	23	44	67
Provisions charged-off	(7)	(22)	(29)
Provisions reversed	(18)	(2)	(20)
Accretion expense	12	—	12
The effect of changing in the discount rate	2	—	2
Others	(9)	(4)	(13)
Balance as of March 31, 2017	$453	$102	$555

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 follows:

	Millions of Yen	Millions of U.S. Dollars
	2017	2017
Other current liabilities	¥ 7,674	$ 68
Other non-current liabilities	54,632	487
Total	¥62,306	$555

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, 2017 and 2016, which have been calculated based on these statutory tax rates, are 31.0% and 33.0%, 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.

Amounts provided for income taxes for the years ended March 31, 2017 and 2016 were allocated as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Income tax expense			
Current tax expense	¥ (81,591)	¥(63,226)	$ (727)
Deferred tax expense (*)	(43,671)	16,845	(389)
Total	(125,262)	(46,381)	(1,116)
Income taxes recognized directly in equity	(30)	182	(0)
Total	(30)	182	(0)
Income tax related to each component of other comprehensive income			
Translation adjustments	(84)	2,961	(1)
Remeasurement of net defined pension liability	(2,797)	3,796	(25)
FVTOCI financial assets	(2,758)	63,888	(25)
Cash flow hedges	(1,511)	535	(13)
Other comprehensive income in associates and joint ventures	612	4,731	6
Total	¥ (6,538)	¥ 75,911	$ (58)

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, 2017 and 2016 were ¥25,618 million (US$228 million) (expense) and ¥6,081 million (income), respectively.
2. Deferred tax expense relating to changes of tax regulation for the year ended March 31, 2017 and 2016 were ¥15,542 million (US$139 million) (expense) and ¥483 million (expense), respectively.
3. Deferred tax expense relating to the reassessment of the realizability of deferred tax assets for the years ended March 31, 2017 and 2016 were ¥2,511 million (US$22 million) (expense) and ¥11,247 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, 2017 and 2016 were as follows:

	2017	2016
Statutory effective tax rate	31.0%	33.0%
Items not deductible or not taxable for tax purposes	1.0	1.0
Difference of tax rates for foreign subsidiaries	(0.0)	(1.6)
Tax effect on dividends received	(0.1)	(0.5)
Effect on deferred tax assets and deferred tax liabilities from changes in tax regulation	3.1	0.1
Change in temporary differences for which no deferred tax asset is recognized	0.5	(3.5)
Equity in earnings of associates and joint ventures	(11.5)	(15.1)
Tax effect on equity interests in subsidiaries, associates and joint ventures	0.9	(0.3)
Others	0.2	1.3
Effective tax rate in the Consolidated Statement of Comprehensive Income	25.1%	14.4%

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, 2017 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Deductible temporary differences	¥343,195	¥346,531	$3,059
Tax loss carryforwards / tax credit carryforwards	195,710	193,611	1,744
Total	¥538,905	¥540,142	$4,803

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
	2017	2016	2017
Within 1 year	¥ 810	¥ 538	$ 7
Within 2 years	383	2,094	3
Within 3 years	2,971	1,350	27
Within 4 years	3,808	4,126	34
Within 5 years	5,006	3,687	45
After 5 to 10 years	148,140	142,200	1,320
After 10 years (or no expiration date)	34,592	39,616	308
Total	¥195,710	¥193,611	$1,744

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, 2017 and 2016, were immaterial.

Significant components of deferred tax assets and deferred tax liabilities for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Deferred tax assets:			
Inventories and Property, plant and equipment	¥ 51,921	¥ 62,205	$ 463
Allowance for doubtful accounts	7,608	23,344	68
Tax loss carryforwards	21,780	25,878	194
Non-current liabilities for employee benefits	51,856	51,289	462
Securities and investments	480	1,224	4
Others	48,752	47,795	435
Total deferred tax assets	182,397	211,735	1,626
Deferred tax liabilities:			
Non-current liabilities for employee benefits	(37,222)	(37,104)	(332)
Securities and investments	(43,804)	(35,630)	(390)
Equity interests in subsidiaries, associates, and joint ventures	(80,949)	(67,379)	(722)
Property, plant and equipment and Intangible assets	(76,339)	(76,696)	(680)
Others	(12,797)	(10,749)	(114)
Total deferred tax liabilities	(251,111)	(227,558)	(2,238)
Net deferred tax assets (liabilities)	¥ (68,714)	¥ (15,823)	$ (612)

Among the above changes of deferred tax assets and deferred tax liabilities for the years ended March 31, 2017 and 2016, the changes recognized through other comprehensive income are mainly FVTOCI financial assets, which are included in Securities and investments. In addition, the effect from business combinations was immaterial.

The details of changes in deferred tax assets and deferred tax liabilities for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Net deferred tax assets (liabilities)			
Balance at the beginning of the year	**¥(15,823)**	¥(110,721)	**$(141)**
Deferred tax expense for the current period	**(43,671)**	16,845	**(389)**
Deferred taxes recognized directly in equity			
Capital surplus	**(27)**	195	**(0)**
Deferred taxes related to each component of other comprehensive income			
Translation adjustments	**(82)**	2,951	**(1)**
Remeasurement of net defined pension liability	**(2,797)**	3,796	**(25)**
FVTOCI financial assets	**(3,437)**	68,714	**(31)**
Cash flow hedges	**(1,511)**	535	**(13)**
Other comprehensive income in associates and joint ventures	**612**	4,731	**6**
Changes in deferred tax assets (liabilities) accompanying business combination	**(1,978)**	(2,869)	**(18)**
Balance at the end of the year	**¥(68,714)**	¥ (15,823)	**$(612)**

20. Earnings per Share Attributable to ITOCHU

The basic and diluted earnings per share attributable to ITOCHU for the years ended March 31, 2017 and 2016 were as follows:

	Yen		U.S. Dollars
	2017	2016	2017
Earnings per share			
Basic earnings per share attributable to ITOCHU	**¥223.67**	¥152.14	**$1.99**
Diluted earnings per share attributable to ITOCHU	**¥223.67**	¥152.14	**$1.99**

The base data to calculate the basic and diluted earnings per share attributable to ITOCHU for March 31, 2017 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
(Numerator)	2017	2016	2017
Net profit attributable to ITOCHU	**¥352,221**	¥240,376	**$3,140**
Effect of dilutive securities	**—**	—	**—**
Diluted net profit attributable to ITOCHU	**¥352,221**	¥240,376	**$3,140**

	Number of Shares	
(Denominator)	2017	2016
Weighted-average number of common shares outstanding	**1,574,707,759**	1,579,968,827

21. Common Stock, Capital Surplus, and Retained Earnings

(1) Common Stock

The number of shares authorized and issued were as follows:

	Number of Shares	
	2017	2016
Authorized		
Common stock	3,000,000,000	3,000,000,000
Issued		
Balance at the beginning of the year	1,662,889,504	1,662,889,504
Net changes in the year	—	—
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, 2017 and 2016 were 95,642,000 shares and 83,176,232 shares, respectively. The number of shares of treasury stock as of March 31, 2017 includes 912,000 shares of the Company held in the trust account for the benefit share ESOP and 467,400 shares of the Company held in the BIP trust account for officer remuneration, and the number of shares of treasury stock as of March 31, 2016 includes 923,000 shares of the Company held in 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.

(2) Capital Surplus and Retained Earnings

The Companies Act of Japan (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 stand-alone 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 ¥574,716 million (US$5,123 million) as of March 31, 2017. 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, 2017 and 2016 were as follows:

Resolution	Class of shares	Millions of Yen (Millions of U.S. Dollars) Amount of dividends	Source of dividends	Yen (U.S. Dollars) Dividends per share	Record date	Effective date
Ordinary general meeting of shareholders held on June 19, 2015	Ordinary shares	¥36,379	Retained earnings	¥23.00	March 31, 2015	June 22, 2015
Board of Directors' meeting held on November 5, 2015	Ordinary shares	¥39,542	Retained earnings	¥25.00	September 30, 2015	December 2, 2015
Ordinary general meeting of shareholders held on June 24, 2016	Ordinary shares	¥39,541 ($352)	Retained earnings	¥25.00 ($0.22)	March 31, 2016	June 27, 2016
Board of Directors' meeting held on November 2, 2016	Ordinary shares	¥43,495 ($388)	Retained earnings	¥27.50 ($0.25)	September 30, 2016	December 2, 2016

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

Resolution	Class of shares	Millions of Yen (Millions of U.S. Dollars) Amount of dividends	Source of dividends	Yen (U.S. Dollars) Dividends per share	Record date	Effective date
Ordinary general meeting of shareholders held on June 23, 2017	Ordinary shares	¥43,165 ($385)	Retained earnings	¥27.50 ($0.25)	March 31, 2017	June 26, 2017

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
	2017	2016	2017
Translation adjustments			
Balance at the beginning of the year	¥202,795	¥ 364,454	$1,808
Adjustment for the year	(65,710)	(161,659)	(586)
Balance at the end of the year	137,085	202,795	1,222
FVTOCI financial assets			
Balance at the beginning of the year	(51,630)	176,487	(460)
Adjustment for the year	(1,960)	(220,129)	(18)
Transfer to retained earnings	3,237	(7,988)	29
Balance at the end of the year	(50,353)	(51,630)	(449)
Cash flow hedges			
Balance at the beginning of the year	(10,415)	(8,517)	(93)
Adjustment for the year	12,412	7,909	111
Transfer to non-financial assets	—	(9,807)	—
Balance at the end of the year	1,997	(10,415)	18
Remeasurement of net defined pension liability			
Balance at the beginning of the year	—	—	—
Adjustment for the year	5,696	(11,385)	51
Transfer to retained earnings	(5,696)	11,385	(51)
Balance at the end of the year	—	—	—
Other components of equity			
Balance at the beginning of the year	140,750	532,424	1,255
Adjustment for the year	(49,562)	(385,264)	(442)
Transfer to retained earnings	(2,459)	3,397	(22)
Transfer to non-financial assets	—	(9,807)	—
Balance at the end of the year	¥ 88,729	¥ 140,750	$ 791

(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					
	2017			2016		
	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	¥ 3,021	¥(2,758)	¥ 263	¥(286,431)	¥63,888	¥(222,543)
Adjustment for the year	3,021	(2,758)	263	(286,431)	63,888	(222,543)
Remeasurement of net defined pension liability						
Amount arising during the year on net defined pension liability	8,814	(2,797)	6,017	(12,264)	3,796	(8,468)
Adjustment for the year	8,814	(2,797)	6,017	(12,264)	3,796	(8,468)
Other comprehensive income in associates and joint ventures						
Amount arising during the year	(4,008)	(107)	(4,115)	(9,350)	493	(8,857)
Adjustment for the year	(4,008)	(107)	(4,115)	(9,350)	493	(8,857)
Items that will be reclassified to profit or loss						
Translation adjustments						
Amount arising during the year on translation adjustment	(11,019)	(87)	(11,106)	(77,284)	2,925	(74,359)
Reclassification to profit or loss for the year	(686)	3	(683)	(2,609)	36	(2,573)
Adjustment for the year	(11,705)	(84)	(11,789)	(79,893)	2,961	(76,932)
Cash flow hedges						
Amount arising during the year on derivative instruments for cash flow hedges	7,856	(1,716)	6,140	(4,597)	1,140	(3,457)
Reclassification to profit or loss for the year	(671)	205	(466)	1,961	(605)	1,356
Adjustment for the year	7,185	(1,511)	5,674	(2,636)	535	(2,101)
Other comprehensive income in associates and joint ventures						
Amount arising during the year	(47,620)	523	(47,097)	(79,699)	3,044	(76,655)
Reclassification to profit or loss for the year	(377)	196	(181)	(10,665)	1,194	(9,471)
Adjustment for the year	(47,997)	719	(47,278)	(90,364)	4,238	(86,126)
Total other comprehensive income for the year, net of tax	¥(44,690)	¥(6,538)	¥(51,228)	¥(480,938)	¥75,911	¥(405,027)

	Millions of U.S. Dollars		
	2017		
	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	$ 27	$(25)	$ 2
Adjustment for the year	27	(25)	2
Remeasurement of net defined pension liability			
Amount arising during the year on net defined pension liability	79	(25)	54
Adjustment for the year	79	(25)	54
Other comprehensive income in associates and joint ventures			
Amount arising during the year	(36)	(1)	(37)
Adjustment for the year	(36)	(1)	(37)
Items that will be reclassified to profit or loss			
Translation adjustments			
Amount arising during the year on translation adjustment	(98)	(1)	(99)
Reclassification to profit or loss for the year	(6)	0	(6)
Adjustment for the year	(104)	(1)	(105)
Cash flow hedges			
Amount arising during the year on derivative instruments for cash flow hedges	70	(15)	55
Reclassification to profit or loss for the year	(6)	2	(4)
Adjustment for the year	64	(13)	51
Other comprehensive income in associates and joint ventures			
Amount arising during the year	(425)	5	(420)
Reclassification to profit or loss for the year	(4)	2	(2)
Adjustment for the year	(429)	7	(422)
Total other comprehensive income for the year, net of tax	$(399)	$(58)	$(457)

Note: 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, 2017 and 2016 were ¥13,455 million (US$120 million) (loss) and ¥28,059 million (loss) (before tax effect), respectively (¥9,284 million (US$83 million) (loss) and ¥18,800 million (loss) (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, 2017 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Interest-bearing debt	¥2,944,653	¥3,196,165	$26,247
Cash and cash equivalents	605,589	632,871	5,398
Time deposit	8,381	7,650	75
Net Interest-bearing debt	2,330,683	2,555,644	20,774
Shareholders' equity	¥2,401,893	¥2,193,677	$21,409
NET DER (times)	0.97	1.17	—

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 foreign exchange rate risk, interest rate risk, commodity price risk, stock price risk, credit risk, and liquidity risk. The Company and its subsidiaries utilize periodic monitoring and other means to manage these risks.

1) 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 foreign exchange forward contracts.

The net exposures to foreign exchange rate risk of the Company and its subsidiaries as of March 31, 2017 and 2016 were as follows:

	Millions of Yen							
	2017							
	U.S. dollar	Euro	Pound	Yuan	Australian dollar	Brazilian real	Other	Total
Short-term balance	¥(13,457)	¥(7,803)	¥15,987	¥5,210	¥ (5,567)	¥8,925	¥ 5,753	¥ 9,048
Long-term balance	23,363	6,280	(2,041)	30	(4,891)	—	10,204	32,945
Total	¥ 9,906	¥(1,523)	¥13,946	¥5,240	¥(10,458)	¥8,925	¥15,957	¥41,993

	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

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 classified into short-term balances, and balances with a settlement period of more than one year are classified into long-term balances.
2. Positive balances indicate a receivable position, and negative balances indicate a payable position.

For the Company's and its subsidiaries' short-term and long-term balances of positions exposed to foreign exchange rate risk as of March 31, 2017, the effect (loss) from a 1% increase in the Japanese yen would be ¥420 million (US$4 million) for the Company's 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's 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.

2) 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 portion 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, 2017, the interest rate mismatch amount was ¥658,348 million (US$5,868 million), and the effect on interest expense from a 1% increase in interest rate would be ¥6,583 million (US$59 million) (profit before tax). This amount was calculated by multiplying the interest mismatch balance of the Company and its subsidiaries as of March 31, 2017, 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 were 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.

3) Commodity price risk management

The Company and its subsidiaries conduct actual demand transactions that are based on the back-to-back transactions of a variety of commodities. In some cases, the Company and its subsidiaries are exposed to commodity price fluctuation risk, because it holds long or short positions in consideration of market trends. 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.

To reduce commodity price risks, the Company and its subsidiaries use such hedges as futures and forward contracts.

Commodity price risk exposures as of March 31, 2017 and 2016 were as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2017		2016		2017	
	Long	Short	Long	Short	Long	Short
Commodity	**¥11,888**	**¥36**	¥2,047	¥1,186	**$106**	**$0**

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, 2017 and 2016. (Method: variance-covariance method / confidence interval 99% / holding period: 5 days / measurement frequency: weekly)

	Millions of Yen				Millions of U.S. Dollars	
	2017		2016		2017	
	March 31	Average	March 31	Average	March 31	Average
Commodity	**¥588**	**¥485**	¥205	¥412	**$5**	**$4**

4) 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, and consequently are exposed to stock price fluctuation risk.

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

The fair values of marketable equity securities (total of FVTOCI and FVTPL financial assets) held as of March 31, 2017 and 2016 were ¥271,234 million (US$2,418 million) and ¥253,789 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, 2017 and 2016. (Method: variance-covariance method / confidence interval 99% / holding period: 10 days / measurement frequency: monthly)

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Marketable equity securities	**¥18,620**	¥20,669	**$166**

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 conduct back-testing in which VaR is compared with actual gains or losses.

5) Credit risk management

Through trade 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 receivables becoming uncollectible due to the deteriorating credit status or insolvency of the Company's and its subsidiaries' partners, and in relation to assuming responsibilities to fulfill contracts 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 guarantees as needed. At the same time, the Company and its subsidiaries establish an allowance for doubtful accounts based on the creditworthiness, the status of receivable 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 any 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's 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, 2017 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Trade receivables (including doubtful accounts receivable)	**¥1,973,588**	¥1,864,463	**$17,591**
Loans	**678,039**	708,754	**6,044**
Guarantees (substantial risk)	**128,606**	132,701	**1,146**
Other	**203,273**	228,508	**1,812**
The maximum exposure	**¥2,983,506**	¥2,934,426	**$26,593**
Less: Allowance for doubtful accounts	**(27,295)**	(31,836)	**(243)**
The maximum exposure (after allowance for doubtful accounts)	**¥2,956,211**	¥2,902,590	**$26,350**

The credit risk exposures for each operating segment as of March 31, 2017 and 2016 were as follows:

	Millions of Yen					
	2017					
	Trade receivables	Loans	Guarantees (substantial risk)	Other	Allowance for doubtful accounts	Total
Textile	¥ 160,997	¥ 5,290	¥ 450	¥ 12,925	¥ (2,419)	¥ 177,243
Machinery	197,745	65,019	85,702	13,553	(6,079)	355,940
Metals & Minerals	82,873	18,685	2,404	20,953	(5,020)	119,895
Energy & Chemicals	547,481	10,941	7,915	49,098	(4,036)	611,399
Food	591,505	1,838	18,272	40,942	(5,505)	647,052
General Products & Realty	200,168	33,662	10,105	14,870	(1,779)	257,026
ICT & Financial Business	187,150	17,305	2,152	14,025	(1,290)	219,342
Other	5,669	525,299	1,606	36,907	(1,167)	568,314
Total	¥1,973,588	¥678,039	¥128,606	¥203,273	¥(27,295)	¥2,956,211

	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
General Products & Realty	196,435	14,128	9,460	14,232	(2,339)	231,916
ICT & Financial Business	184,093	19,406	9,651	13,937	(1,675)	225,412
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 U.S. Dollars					
	2017					
	Trade receivables	Loans	Guarantees (substantial risk)	Other	Allowance for doubtful accounts	Total
Textile	$ 1,435	$ 47	$ 4	$ 116	$ (22)	$ 1,580
Machinery	1,763	580	764	120	(54)	3,173
Metals & Minerals	739	167	21	187	(45)	1,069
Energy & Chemicals	4,880	98	71	437	(36)	5,450
Food	5,272	16	163	365	(49)	5,767
General Products & Realty	1,784	300	90	133	(16)	2,291
ICT & Financial Business	1,668	154	19	125	(11)	1,955
Other	50	4,682	14	329	(10)	5,065
Total	$17,591	$6,044	$1,146	$1,812	$(243)	$26,350

For the loans included above, as of March 31, 2017 and 2016, collateral had been secured in the amounts of ¥2,889 million (US$26 million) and ¥4,693 million, respectively. Properties and other credit enhancements 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, 2017 and 2016, 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
	2017	2016	2017
Less than 90 days	¥8,817	¥29,522	$79
90 days–1 year	825	7,903	7
More than 1 year	1,068	1,574	9
Total	¥10,710	¥38,999	$95

The changes in Allowance for doubtful accounts for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Balance at the beginning of the year	¥(31,836)	¥(31,867)	$(284)
Provision for doubtful accounts	(3,226)	(7,775)	(29)
Charge-offs	2,641	6,500	24
Exchange differences on translation of foreign operations and others	5,126	1,306	46
Balance at the end of the year	¥(27,295)	¥(31,836)	$(243)

The balances of impaired receivables as of March 31, 2017 and 2016 were ¥29,044 million (US$259 million) and ¥70,793 million, respectively, and the corresponding allowances for doubtful accounts were ¥16,698 million (US$149 million) and ¥23,303 million, respectively.

6) 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 ¥613,970 million (US$5,473 million) as of March 31, 2017, the Company and its subsidiaries have the unutilized commitment line (Yen: ¥350,000 million; multiple currency: US$1,200 million).

In this fiscal year, we increased the amount of the multiple currency commitment line by US$800 million. Further, we increased it by US$700 million after April 1, 2017, US$1,500 million in total, to ensure our foreign currency liquidity reserves. Meanwhile, at the Board of Directors' meeting held on May 17, 2017, the board resolved to reduce the amount of the yen commitment line by ¥150.0 billion to ¥200.0 billion at its next renewal.

As of March 31, 2017 and 2016, the remaining contractual maturities of the Company's 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) were as follows:

	Millions of Yen			
	2017			
	Less than 1 year	1–5 years	More than 5 years	Total
Debentures and borrowings (Short-term and Long-term)	¥ 563,033	¥1,352,165	¥1,029,455	¥2,944,653
Trade payables, other current payables, and other financial liabilities (Short-term and Long-term)	1,669,381	63,781	33,177	1,766,339
Contingent liabilities	¥ 17,727	¥ 67,156	¥ 43,723	¥ 128,606

	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 U.S. Dollars			
	2017			
	Less than 1 year	1–5 years	More than 5 years	Total
Debentures and borrowings (Short-term and Long-term)	$ 5,019	$12,052	$9,176	$26,247
Trade payables, other current payables, and other financial liabilities (Short-term and Long-term)	14,880	568	296	15,744
Contingent liabilities	$ 158	$ 598	$ 390	$ 1,146

The remaining contractual maturities of derivatives for the Company and its subsidiaries as of March 31, 2017 and 2016 were as follows: The amounts for derivatives that will be net settled with other contracts are also presented in gross amounts.

		Millions of Yen			
		2017			
		Less than 1 year	1–5 years	More than 5 years	Total
Currency derivatives	Income	¥ 4,647	¥15,977	¥ —	¥ 20,624
	Expenditures	(3,003)	(4,552)	(8)	(7,563)
Interest rate derivatives	Income	22	5,508	5,170	10,700
	Expenditures	(71)	(412)	(458)	(941)
Commodity derivatives	Income	14,553	17	—	14,570
	Expenditures	(10,636)	(307)	—	(10,943)

		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 U.S. Dollars			
		2017			
		Less than 1 year	1–5 years	More than 5 years	Total
Currency derivatives	Income	$ 42	$142	$ —	$184
	Expenditures	(27)	(40)	(0)	(67)
Interest rate derivatives	Income	0	49	46	95
	Expenditures	(0)	(4)	(4)	(8)
Commodity derivatives	Income	130	0	—	130
	Expenditures	(95)	(3)	—	(98)

(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 a certain counterparty or a 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, 2017 and 2016 were as follows (For fair value and valuation techniques 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 valuation techniques of derivative asset / liability, refer to Note 26 Financial Instruments Measured at Fair Value.):

	Millions of Yen	
	2017	
	Carrying amount	Fair value
Financial assets:		
Non-current receivables and Non-current financial assets other than investments and receivables (excluding derivative assets)	¥ 223,348	¥ 223,946
Financial liabilities:		
Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative liabilities)	¥2,484,103	¥2,484,158

	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)	¥ 180,753	¥ 181,722
Financial liabilities:		
Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative liabilities)	¥2,868,720	¥2,868,932

	Millions of U.S. Dollars	
	2017	
	Carrying amount	Fair value
Financial assets:		
Non-current receivables and Non-current financial assets other than investments and receivables (excluding derivative assets)	**$ 1,991**	**$ 1,996**
Financial liabilities:		
Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative liabilities)	**$22,142**	**$22,142**

Note: Of the "Non-current receivables" reflected on the Consolidated Statement of Financial Position, the shareholder loan to Chia Tai Bright Investment Company Limited ("CTB") accompanying the acquisition of CITIC Limited shares is not included above, and the information concerning the said financial instrument is described in 2) below.

1) Valuation techniques for fair values of financial instruments

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

The fair values of Non-current receivables and Non-current financial assets other than investments and receivables (excluding derivative assets) 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 (excluding derivative liabilities) are as follows:

The fair values of Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative 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.

2) Shareholder loan to CTB accompanying the acquisition of CITIC Limited shares

CTB, a company in which the Company and Charoen Pokphand Group Company Limited each invested 50%, owns 5,818 million CITIC Limited shares, which equates to 20% of that company's ordinary shares, and CTB applied the equity method from the third quarter of the previous fiscal year. In order for CTB to procure the necessary funds for the acquisition of CITIC Limited shares, the Company provided investment and a shareholder loan to CTB.

As of March 31, 2017 and 2016, the balance of the investment to CTB accompanying the acquisition of CITIC Limited shares amounted to US$514 million (¥57,631 million) and US$514 million (¥57,882 million), respectively. The shareholder loan to CTB accompanying the acquisition of CITIC Limited shares amounted to US$4,682 million (¥525,254 million) and US$4,682 million (¥527,548 million), respectively. The balance of the shareholder loan is presented under "Non-current receivables" on the Consolidated Statement of Financial Position.

As of March 31, 2017 and 2016, the closing price of CITIC Limited shares on the Hong Kong Stock Exchange were HK$11.08 and HK$11.80 per share, respectively. The value obtained by multiplying the number of CITIC Limited shares that CTB owns by the said share prices are HK$64,464 million (¥930,861 million) and HK$68,653 million (¥997,529 million), respectively. In addition, the amount obtained by multiplying this value by 50%, which is the Company's ownership interest in CTB, are HK$32,232 million (¥465,430 million) and HK$34,327 million (¥498,764 million), respectively.

(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, 2017 and 2016.

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
The amount of financial assets	¥4,262,509	¥4,253,263	$37,994
The amount of possible offsetting under master netting arrangement or similar arrangement	(148,401)	(153,696)	(1,323)
Cash collateral paid	(85)	(524)	(1)
Net	¥4,114,023	¥4,099,043	$36,670

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
The amount of financial liabilities	¥4,710,992	¥4,864,393	$41,991
The amount of possible offsetting under master netting arrangement or similar arrangement	(148,401)	(153,696)	(1,323)
Cash collateral received	(1,940)	(530)	(17)
Net	¥4,560,651	¥4,710,167	$40,651

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, 2017 and 2016, 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, 2017 and 2016, 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, 2017 and 2016, the amounts reclassified from other comprehensive income into profit or loss, because it is no longer probable that forecasted transactions would occur, were immaterial.

The fair values of hedging instruments as of March 31, 2017 and 2016 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		
		2017		
Type of hedge accounting	Hedging instruments	Notional amounts	Assets	Liabilities
Fair value hedges	Currency derivatives	¥ 49,515	¥ 365	¥ 451
	Interest rate derivatives	141,500	7,163	—
	Commodity derivatives	183,772	3,490	1,544
Cash flow hedges	Currency derivatives	¥208,722	¥16,193	¥4,776
	Interest rate derivatives	171,709	3,535	938
	Commodity derivatives	12,444	909	44

		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 U.S. Dollars		
		2017		
Type of hedge accounting	Hedging instruments	Notional amounts	Assets	Liabilities
Fair value hedges	Currency derivatives	$ 441	$ 3	$ 4
	Interest rate derivatives	1,261	64	—
	Commodity derivatives	1,638	31	14
Cash flow hedges	Currency derivatives	$1,860	$144	$43
	Interest rate derivatives	1,531	32	8
	Commodity derivatives	111	8	0

In the years ended March 31, 2017 and 2016, the amounts of hedged items designated as fair value hedges were as follows:

		Millions of Yen	
		2017	
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	¥ 1,846	¥ 1
	Trade payables	2,851	4
	Other current assets	438	438
	Other current liabilities	349	349
Interest rate risk	Long-term debentures and borrowings	¥148,663	¥7,163
Commodity price risk	Inventories	¥ 19,513	¥ (687)
	Other current assets	1,537	1,537
	Other current liabilities	2,796	2,796

		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 U.S. Dollars	
		2017	
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	**$ 16**	**$ 0**
	Trade payables	**25**	**0**
	Other current assets	**4**	**4**
	Other current liabilities	**3**	**3**
Interest rate risk	Long-term debentures and borrowings	**$1,325**	**$64**
Commodity price risk	Inventories	**$ 174**	**$ (6)**
	Other current assets	**14**	**14**
	Other current liabilities	**25**	**25**

Note: In the year ended March 31, 2017, the accumulated amount of fair value hedge adjustments related to the hedged items on which the hedging transactions have been ceased totaled ¥19,090 million (US$170 million). This amount is included in Long-term debentures and borrowings.

In the years ended March 31, 2017 and 2016, 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			
	2017			
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	**¥ 3**	**¥3,100**	Other–net	**¥(765)**
Interest rate risk	**2,542**	**4,048**	Interest expense	**92**
Commodity price risk	**721**	**708**	Revenues from sale of goods	**2**
Total	**¥3,266**	**¥7,856**		**¥(671)**

	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 U.S. Dollars			
	2017			
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	**$ 0**	**$28**	Other–net	**$(7)**
Interest rate risk	**23**	**36**	Interest expense	**1**
Commodity price risk	**6**	**6**	Revenues from sale of goods	**0**
Total	**$29**	**$70**		**$(6)**

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, 2017 and 2016 were ¥13,455 million (US$120 million) (loss) and ¥28,059 million (loss) (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 methods 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 a significant proportion of the fair value, the security is classified as Level 3, and if the amount affected by unobservable inputs does not cover a 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 methods. 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 fluctuates depending on 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 6–12%)

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, 2017 and 2016 was as follows:

	Millions of Yen			
	2017			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	¥ —	¥ —	¥ —	¥ —
Inventories	—	27,135	—	27,135
Securities and other investments				
FVTPL financial assets	21	13,193	34,662	47,876
FVTOCI financial assets	271,213	—	465,503	736,716
Derivative assets	5,796	40,098	—	45,894
Liabilities				
Derivative liabilities	¥ 3,426	¥16,021	¥ —	¥ 19,447

	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 U.S. Dollars			
	2017			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$ —	$ —	$ —	$ —
Inventories	—	242	—	242
Securities and other investments				
FVTPL financial assets	0	118	309	427
FVTOCI financial assets	2,418	—	4,149	6,567
Derivative assets	52	357	—	409
Liabilities				
Derivative liabilities	$ 30	$143	$ —	$ 173

The changes in Level 3 items for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen	
	2017	
	FVTPL financial assets	FVTOCI financial assets
Beginning Balance	¥38,765	¥489,738
Total gains or losses	642	(18,580)
Included in gains on investments	642	—
Included in other comprehensive income (loss) (FVTOCI financial assets)	—	(16,638)
Included in other comprehensive income (loss) (Translation adjustments)	—	(1,942)
Purchases	1,178	6,268
Sales	(21)	(5,255)
Transfers into Level 3	—	—
Transfers out of Level 3	—	(467)
Others	(5,902)	(6,201)
Ending balance	34,662	465,503
The amount of gains (losses) on investments for the period relating to assets still held as of March 31, 2017	¥ 3,362	¥ —

	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 U.S. Dollars	
	2017	
	FVTPL financial assets	FVTOCI financial assets
Beginning Balance	$346	$4,365
Total gains or losses	6	(166)
Included in gains on investments	6	—
Included in other comprehensive income (loss) (FVTOCI financial assets)	—	(148)
Included in other comprehensive income (loss) (Translation adjustments)	—	(18)
Purchases	10	56
Sales	(0)	(47)
Transfers into Level 3	—	—
Transfers out of Level 3	—	(4)
Others	(53)	(55)
Ending balance	309	4,149
The amount of gains (losses) on investments for the period relating to assets still held as of March 31, 2017	$ 30	$ —

The decrease of total gains or losses included in other comprehensive income (loss) (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.

The transfers out of Level 3 for FVTOCI financial assets recognized for the year ended March 31, 2017 were due to nonmarketable equity securities becoming marketable equity securities.

27. Selling, General and Administrative Expenses

The breakdown of Selling, general and administrative expenses for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Personnel expenses	¥414,120	¥429,768	$3,691
Depreciation	27,063	32,140	241
Amortization	10,887	13,663	97
Service charge	72,275	69,723	644
Distribution costs	66,035	64,570	589
Rent and operating lease expenses	60,495	62,431	539
Others	150,962	163,223	1,346
Total	¥801,837	¥835,518	$7,147

28. Gains on Investments

The breakdown of Gains on investments for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Investments in subsidiaries, associates and joint ventures	¥35,915	¥61,205	$320
FVTPL financial assets	470	11,475	4
Financial assets measured at amortized cost (Note)	(4,241)	—	(37)
Total	¥32,144	¥72,680	$287

Note: For the year ended March 31, 2017, the Financial assets measured at amortized cost includes losses arising from impairment loss on the financial assets measured at amortized cost of ¥4,241 million (US$37 million).

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

The breakdown of Losses on property, plant, equipment and intangible assets for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Gains on sales of property, plant and equipment	¥ 2,071	¥ 2,449	$ 19
Losses on disposal and sales of property, plant and equipment	(2,255)	(5,551)	(20)
Impairment losses on property, plant and equipment (Note)	(7,813)	(103,977)	(70)
Impairment losses on goodwill	(9,602)	(48,889)	(86)
Others	903	864	8
Total	¥(16,696)	¥(155,104)	$(149)

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 related to the North Sea oil fields development project was recognized 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, 2017 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Net foreign exchange gains (losses)	**¥(7,901)**	¥(2,413)	**$(71)**
Others	**2,476**	(3,633)	**22**
Total	**¥(5,425)**	¥(6,046)	**$(49)**

31. Financial Income (Loss)

The breakdown of Financial income (loss) for the years ended March 31, 2017 and 2016 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Interest income			
Financial assets measured at amortized cost	**¥ 26,625**	¥ 28,518	**$ 237**
Subtotal	**26,625**	28,518	**237**
Dividends received			
FVTPL financial assets	**99**	47	**1**
FVTOCI financial assets	**19,802**	37,444	**177**
Subtotal	**19,901**	37,491	**178**
Interest expense			
Financial liabilities measured at amortized cost	**(12,986)**	(38,894)	**(116)**
Derivatives	**(15,551)**	12,521	**(139)**
Others	**(1,714)**	(2,545)	**(15)**
Subtotal	**(30,251)**	(28,918)	**(270)**
Total	**¥ 16,275**	¥ 37,091	**$ 145**

32. Cash Flow Information

Supplemental cash flow information for the years ended March 31, 2017 and 2016 was as follows:

(Acquisitions of subsidiaries)
There was no acquisition of major subsidiaries for the year ended March 31, 2017 and 2016.

(Sales of subsidiaries)
There was no sale of major subsidiaries for the year ended March 31, 2017.
The sale of major subsidiaries for the year ended March 31, 2016 was that of a housing-materials-related subsidiary in the U.S.

	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Sales of subsidiaries			
Fair value of assets sold	**¥—**	¥102,863	**$—**
Fair value of liabilities sold	**—**	(23,624)	**—**
Net assets, before deduction of cash	**—**	79,239	**—**
Fair value of consideration	**—**	110,304	**—**
Effect of exchange rate changes	**—**	267	**—**
Outstanding balance of consideration	**—**	(82)	**—**
Cash included in assets sold	**—**	(1,694)	**—**
Sales of subsidiaries, net of cash held by subsidiaries	**¥—**	¥108,795	**$—**

33. Parent's Ownership Interest in Subsidiaries

Subsidiaries of the Company as of March 31, 2017 were as follows:

Name	Location	Voting shares (%)
Textile		
SANKEI COMPANY LIMITED	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)
75 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 CONSTRUCTION MACHINERY CO., LTD.	Chuo-ku, Tokyo	100.0
ITOCHU MACHINE-TECHNOS CORP.	Chiyoda-ku, Tokyo	100.0
Century Medical, Inc.	Shinagawa-ku, Tokyo	100.0
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)
86 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.	Chiyoda-ku, Tokyo	100.0
ITOCHU CHEMICAL FRONTIER Corporation	Minato-ku, Tokyo	100.0
C. I. Kasei Company, Limited	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)
98 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 and Marketing Co., Ltd.	Minato-ku, Tokyo	100.0
ITOCHU FOOD INVESTMENT, LLC	Minato-ku, Tokyo	100.0 (10.0)
Dole International Holdings, Inc.	Minato-ku, Tokyo	100.0
ITOCHU-SHOKUHIN CO., LTD.	Chuo-ku, Osaka	52.3 (0.1)
NIPPON ACCESS, INC.	Shinagawa-ku, Tokyo	93.8
85 other companies		
General Products & Realty		
ITOCHU KENZAI CORPORATION	Chuo-ku, Tokyo	100.0
ITOCHU PULP & PAPER CORPORATION	Chuo-ku, Tokyo	100.0
ITOCHU LOGISTICS CORP.	Minato-ku, Tokyo	99.0
ITOCHU PROPERTY DEVELOPMENT, LTD.	Minato-ku, Tokyo	99.8
P.T. ANEKA BUMI PRATAMA	Palembang, Indonesia	99.5
European Tyre Enterprise Limited	Letchworth, U.K.	100.0 (20.0)
ITOCHU FIBRE LIMITED	London, U.K.	100.0 (10.0)
68 other companies		
ICT & Financial Business		
ITOCHU Techno-Solutions Corporation	Chiyoda-ku, Tokyo	58.3
CONEXIO Corporation	Shinjuku-ku, Tokyo	60.3
ITOCHU Fuji Partners, Inc.	Minato-ku, Tokyo	63.0
31 other companies		
Headquarters		
ITOCHU Treasury Corporation	Minato-ku, Tokyo	100.0
Orchid Alliance Holdings Limited	BR. Virgin Islands	100.0
19 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
20 other companies		

Notes: 1. The above numbers of subsidiaries do not include investment companies considered part of the parent (185 companies).
2. Figures in parentheses are indirect voting share percentages.
3. C. I. Kasei Company, Limited merged with Takiron Co., Ltd. and formed C. I. TAKIRON Corporation on April 1, 2017.

(The loss of control of subsidiaries)

There was no major loss of control of subsidiaries for the year ended March 31, 2017.

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 (gain).

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.

Meanwhile, as of March 31, 2017 and 2016, 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 ¥454,488 million (US$4,051 million), and ¥281,741 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, 2017 and 2016 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
	2017	2016	2017
Other current receivables	¥ 1,790	¥ 3,109	$ 16
Investments accounted for by the equity method	20,913	12,034	186
Non-current receivables	16,394	10,164	146
Total	¥39,097	¥25,307	$348

In addition, as of March 31, 2017 and 2016, the maximum exposure to losses in relation to the unconsolidated structured entities were ¥121,224 million (US$1,081 million) and ¥100,147 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, 2017 and 2016 were as follows:

	Millions of Yen		
	2017		
	Financial guarantees	Guarantees for performance transactions	Total
Guarantees for associates and joint ventures:			
Maximum potential amount of future payments	¥ 98,207	¥12,468	¥110,675
Amount of substantial risk	86,208	12,468	98,676
Guarantees for customers:			
Maximum potential amount of future payments	45,554	8,017	53,571
Amount of substantial risk	27,051	2,879	29,930
Total:			
Maximum potential amount of future payments	¥143,761	¥20,485	¥164,246
Amount of substantial risk	113,259	15,347	128,606

	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 U.S. Dollars		
	2017		
	Financial guarantees	Guarantees for performance transactions	Total
Guarantees for associates and joint ventures:			
Maximum potential amount of future payments	**$ 875**	**$111**	**$ 986**
Amount of substantial risk	**768**	**111**	**879**
Guarantees for customers:			
Maximum potential amount of future payments	**406**	**72**	**478**
Amount of substantial risk	**241**	**26**	**267**
Total:			
Maximum potential amount of future payments	**$1,281**	**$183**	**$1,464**
Amount of substantial risk	**1,009**	**137**	**1,146**

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 ¥11,772 million (US$105 million) and ¥11,063 million as of March 31, 2017 and 2016, respectively.

Under these guarantees, adequate allowance to cover losses expected from probable performance is recognized as liabilities. As of March 31, 2017, 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, except for those recognized as liabilities.

Brazil Japan Iron Ore Corporation, a subsidiary of the Company, currently holds the shares of CSN Mineração S.A. (CM) which is recorded in Other investments accompanying the merger of Nacional Minérios S.A. (NAMISA), which was a joint venture of the Company, and the Casa de Pedra Mine and railway company shares and port facility usage rights owned by Companhia Siderúrgica Nacional, the major Brazilian steel producer which is the parent company of NAMISA, in November 2015. NAMISA received a tax assessment notice in December 2012 from the Brazilian tax authorities relating to corporation tax and social contributions attributable to income for the period from 2009 to 2011 related to the deductibility of the amortization of goodwill for tax purposes over the period from August 2009 to July 2014. CM, which took over this tax assessment, expects to finish the administrative appeal procedures and proceed to a hearing in the future. With regards to the tax assessment, the impact on Brazil Japan Iron Ore Corporation will be ¥28,950 million (US$258 million) in the event that the amortization of goodwill for tax purposes is not deductible. The Company's proportionate interest related to the tax assessment is ¥19,538 million (US$174 million), including interest and penalties of ¥14,427 million (US$129 million). CM, which took over the tax litigation, recorded no liabilities related to this assessment.

Other than that above, 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 14, 2017.

37. Material Subsequent Events

The Company evaluated subsequent events through June 23, 2017, when the consolidated financial statements are available to be issued. A material subsequent event was as follows:

By the resolution at the Board of Directors' meeting held on May 2, 2017, the Company decided to repurchase its own shares in accordance with Article 156 of the Companies Act of Japan, as applied pursuant to paragraph 3, Article 165 of the Companies Act of Japan, and decided the specific repurchase method. The details of the repurchase of its own shares were as follows.

(1) Reason for repurchasing of own shares

The Company repurchased the own shares to ensure a flexible capital strategy.

(2) Repurchase details

Type of shares repurchased	Common stock of the Company
Total number of shares repurchased	17,120,000 shares (Proportion of the total number of shares issued excluding treasury stock: approximately 1.09%)
Total amount	¥27,863 million (US$248 million)
Date of repurchase	May 8, 2017
Method of repurchase	Through Off-Floor own share repurchase trading (ToSTNeT-3) of the Tokyo Stock Exchange

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 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 of March 31, 2017, and the related consolidated statements of comprehensive income, changes in equity, and 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 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ITOCHU Corporation and its subsidiaries as of March 31, 2017, 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 23, 2017

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, 2017 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.

As a result of conducting an evaluation of internal controls over financial reporting in the fiscal year ended March 31, 2017, we concluded that its internal control system over financial reporting as of March 31, 2017 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, 2017, 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: "Revenues", "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, 2017. The Company and 110 consolidated subsidiaries and associated companies (the "110 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 110 entities, we reasonably determined the required scope of assessment of internal controls over business processes.

(Note) The 110 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 110 entities, however we included major special purpose entities into the scope of assessment. Regarding entities other than the 110 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 39 entities as "significant locations and/or business units". We verified that combined revenue and gross trading profit of entities in scope exceeded two thirds of totals for the year ended March 31, 2017. 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 23, 2017

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 1932 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, 2017 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, 2016 to March 31, 2017, 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, 2017, 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 1932 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, 2017.

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, 2017 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

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

MIX
Paper from responsible sources
FSC® C006410

TOYO INK non VOC

Printed in Japan