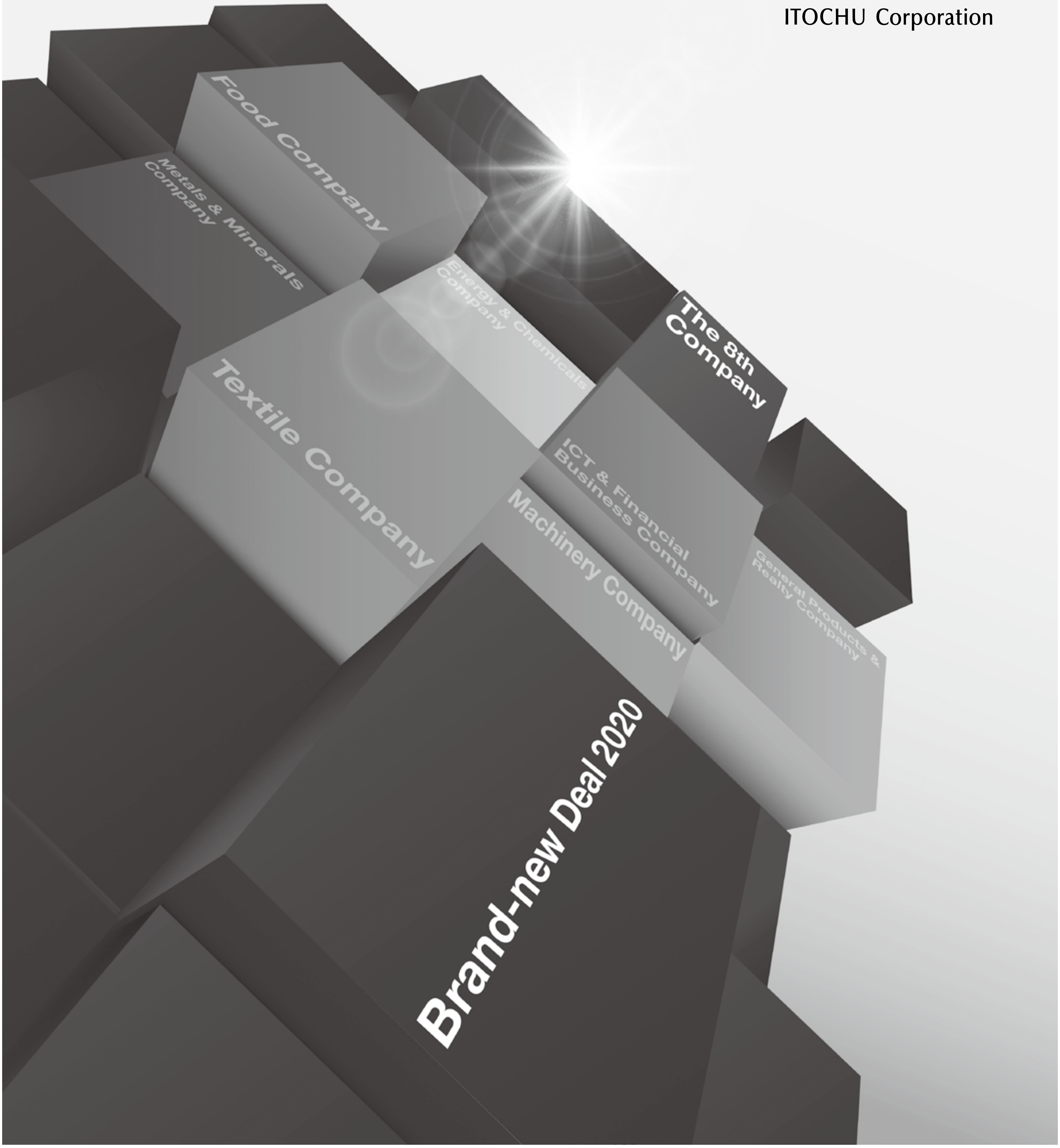
ITOCHU Corporation



Financial Section 2019

For the Year Ended March 31, 2019

Contents

Forward-Looking Statements

Data and projections contained in this Annual Report are based on the information available at the time of publication, and various factors 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 practice undue reliance on forward-looking statements, and further, that ITOCHU Corporation has 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	2019	2018	2017	2016	2015	2014	2019
P/L (For the year):							
Revenues	**¥11,600,485**	¥5,510,059	¥4,838,464	¥5,083,536	¥5,591,435	¥5,587,526	**$104,518**
Gross trading profit	**1,563,772**	1,210,440	1,093,462	1,069,711	1,089,064	1,045,022	**14,089**
Net profit attributable to ITOCHU	**500,523**	400,333	352,221	240,376	300,569	245,312	**4,510**
Comprehensive income attributable to ITOCHU	**464,785**	390,022	303,063	(144,777)	465,605	391,901	**4,188**
Per share (Yen and U.S. Dollars):							
Basic earnings attributable to ITOCHU (Note 1)	**324.07**	257.94	223.67	152.14	189.13	155.21	**2.92**
Cash dividends	**83.0**	70.0	55.0	50.0	46.0	46.0	**0.75**
Shareholders' equity (Note 1)	**1,930.47**	1,722.06	1,532.56	1,388.66	1,539.55	1,293.35	**17.39**
B/S (At year-end):							
Total assets	**¥10,098,703**	¥8,663,937	¥8,122,032	¥8,036,395	¥8,560,701	¥7,784,851	**$ 90,988**
Current interest-bearing debt	**650,909**	526,867	563,033	426,820	543,660	472,667	**5,865**
Long-term interest-bearing debt	**2,332,928**	2,252,606	2,381,620	2,769,345	2,548,504	2,420,713	**21,019**
Interest-bearing debt	**2,983,837**	2,779,473	2,944,653	3,196,165	3,092,164	2,893,380	**26,884**
Net interest-bearing debt	**2,406,756**	2,320,418	2,330,683	2,555,644	2,380,504	2,231,988	**21,685**
Total shareholders' equity	**2,936,908**	2,669,483	2,401,893	2,193,677	2,433,202	2,044,120	**26,461**
Cash flows (For the year):							
Cash flows from operating activities	**¥ 476,551**	¥ 388,212	¥ 389,693	¥ 419,404	¥ 403,629	¥ 428,101	**$ 4,294**
Cash flows from investing activities	**201,149**	(256,350)	(81,306)	(557,260)	(276,103)	(270,377)	**1,812**
Cash flows from financing activities	**(538,318)**	(296,136)	(335,396)	81,770	(97,896)	(77,855)	**(4,850)**
Cash and cash equivalents at the end of the year	**572,030**	432,140	605,589	632,871	700,292	653,739	**5,154**
Ratios:							
ROA (%)	**5.3**	4.8	4.4	2.9	3.7	3.3	—
ROE (%)	**17.9**	15.8	15.3	10.4	13.4	13.0	—
Ratio of shareholders' equity to total assets (%)	**29.1**	30.8	29.6	27.3	28.4	26.3	—
Net debt-to-equity ratio (times)	**0.82**	0.87	0.97	1.17	0.98	1.09	—
Interest coverage (times) (Note 2)	**8.3**	9.3	11.1	10.1	12.7	12.5	—
Common stock information (For the year):							
Stock price (Yen and U.S. Dollars):							
Opening price	**¥ 2,063.0**	¥ 1,577.0	¥ 1,380.0	¥ 1,282.0	¥ 1,222.0	¥ 1,125.0	**$ 18.59**
High	**2,302.5**	2,254.0	1,674.5	1,756.0	1,429.0	1,568.0	**20.75**
Low	**1,740.0**	1,478.0	1,135.5	1,170.0	1,118.0	1,033.0	**15.68**
Closing price	**2,002.5**	2,066.5	1,580.0	1,386.0	1,301.5	1,206.0	**18.04**
Market capitalization (Yen and U.S. Dollars in billions)	**3,046**	3,203	2,476	2,189	2,057	1,906	**27.45**
Trading volume (yearly, million shares)	**1,155**	1,240	1,604	1,886	1,782	1,782	—
Number of shares of common stock issued (at year-end, 1,000 shares)	**1,584,889**	1,662,889	1,662,889	1,662,889	1,662,889	1,584,889	—
Exchange rates into U.S. currency							
(Federal Reserve Bank of New York):							
At year-end	**¥ 110.68**	¥ 106.20	¥ 111.41	¥ 112.42	¥ 119.96	¥ 102.98	—
Average for the year	**110.88**	110.80	108.25	120.04	109.75	100.46	—
Range:							
Low	**114.19**	114.25	118.32	125.58	121.50	105.25	—
High	**105.99**	104.83	100.07	111.30	101.26	92.26	—
Number of employees (At year-end, consolidated)	**119,796**	102,086	95,944	105,800	110,487	104,310	—

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. Figures in yen for the year ended March 31, 2019, (Fiscal Year 2019 or the fiscal year), have been translated into U.S. dollars solely for the convenience of the reader at the rate of ¥110.99 = US$1, the exchange rate prevailing on March 31, 2019.

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, 2019, (Fiscal Year 2019 or the fiscal year), have been translated into U.S. dollars solely for the convenience of the reader at the rate of ¥110.99 = US$1, the exchange rate prevailing on March 31, 2019.

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

Descriptions of the outlook for Fiscal Year 2020 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 2019. 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.

Management Policy for the Future

Outlook for the Next Term

Looking ahead to the next fiscal year ending March 31, 2020, we assume the U.S. economy will be sluggish, despite the maintenance of accommodative monetary policies, and the Eurozone economy will continue to be uncertain, although there is a view that the economy will recover to some extent. The Chinese economy is expected to turn around in the second half of the fiscal year by effects of the government's large-scale economic stimulus measures. However, we assume it will be difficult to forecast the global economic condition while there are concerns over the U.S.-China trade confliction, and the progress of Brexit. Under such circumstances, we assume the Japanese yen against the U.S. dollar will remain at the almost same level and the crude oil price will remain within a range of the same level on average due to adjustment of supply and demand by major oil-producing countries, although it continues to be highly volatile.

In Japan, although exports continue to be sluggish due to the influence of the global economy and capital investment is expected to peak, we assume the Japanese economy will moderately expand due to support by public investment, personal consumption, and controlling effects of raising the consumption tax by government's measures.

Under these economical circumstances, ITOCHU expects consolidated Net profit attributable to ITOCHU of ¥500.0 billion for the fiscal year ending March 31, 2020.

Further Implementing the Medium-Term Management Plan "Brand-new Deal 2020"

Fiscal Year 2020 is the second year of our Brand-new Deal 2020 medium-term business plan, which covers the three years from Fiscal Year 2019 to Fiscal Year 2021. To further promote the three basic policies of the plan – Reinvented Business, Smart Management, and No.1 Health Management Company – we will undertake Development of Foundations for Sustainable Growth from four perspectives, as the fundamental policy for Fiscal Year 2020 Plan.

(1) Actively Promote Growth Investments, and Maintain High Efficiency

To further promote Reinvented Business, we will actively invest in next-generation growth models, replace assets in peaked-out and low-returns businesses, and continue the high-efficiency management that is a strength of the Company.

(2) Realizing a New Vision of What a Trading Company Can Achieve

To adapt to the fourth industrial revolution and other elements of a rapidly changing environment, we will establish the 8th Company as a new organization from a "market-oriented perspective", break down a culture of vertical-oriented mindsets, and undertake business under new ideas that capture the needs of markets and consumers. In addition, we will implement measures to further invigorate our human resources, based on the necessity of developing human resources who can respond to such changes in the environment.

(3) Balanced Cash Allocation

We will pursue a balance of three factors – growth investments, shareholders return, and control of interest-bearing debt – and carry out B/S management that assumes maintenance of our A rating.

(4) Steady Advancement of Sustainability Initiatives

To realize sustainable growth, we will work to resolve social issues and strengthen efforts to create social value. Among initiatives in Fiscal Year 2020, we will strengthen climate change initiatives that seek to contribute to a low-carbon society (environment), smart and health management that seeks to prepare motivating workplace environments (society), and maintenance of robust governance systems (governance), as we steadily advance sustainability measures.

Fundamental Policy for Fiscal Year 2020 Plan

Development of Foundations for Sustainable Growth

Actively Promote Growth Investments, and Maintain High Efficiency Actively promote investments to Next-Generation Growth Models and replace from the business in peak-out stage or low-returns	**Realizing New Vision of What a Trading Company Can Achieve** (Market-oriented perspective and Escape from vertical-oriented mindset) Establishment of the 8th Company Measures for Invigorating Human Resources
Balanced Cash Allocation Growth Investments, Shareholders Return, Control of Interest-bearing Debt, Balancing Three Factors	**Steady Advancement of Sustainability Initiatives** Smart and Health Management, Governance, Address climate change

Shareholders Return Policy and Distribution of the Current Fiscal Year's Profit

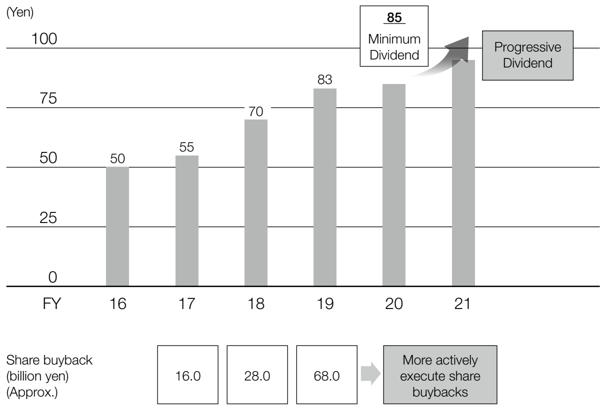
Shareholders Return Policy

On October 1, 2018, we announced our Medium to Long Term Shareholders Return Policy, under which we plan to implement gradual increase in dividend amounts and dividend payout ratio, and more active execution of share buyback. In Fiscal Year 2020 we will steadily implement this policy, and aim to set a per-share dividend of at least ¥85, the highest in our history. We aim to set progressive dividends in Fiscal Year 2021 as well, further increasing the dividend amount and payout ratio. We also hope to flexibly and continuously perform share buybacks in Fiscal Year 2020, taking into account the status of cash flow and other factors.

Distribution of the Current Fiscal Year's Profit

ITOCHU plans to pay dividend of ¥83 per share for the fiscal year ended March 31, 2019. (an interim dividend of ¥37 per share was already paid)

Dividend per share



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, 2019.

(1) Risks Associated with Macroeconomic Factors and Business Model

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, economic trends, not only overall worldwide economic trends but also specific regional trends, and changes in industrial structures due to rapid technological innovation in recent years could significantly affect the existing business model, 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 periodically tracks and monitors the amount of influence on interest payments due to interest rate changes. However, 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 by estimating expected credit losses 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 other companies that are in a position to provide products and services that meet customer needs more than ITOCHU Group could newly emerge. 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. Furthermore, the competitiveness of ITOCHU Group could also be affected accompanying changes in the business environment such as deregulation and entering into other industries. 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.

Overview

In the fiscal year 2019, the global economy showed signs of slowdown toward the end of March, 2019. The U.S. economy started to show signs of slowdown, while it continued a stable expansion driven by the improvements in domestic employment and income levels. The Eurozone economy grew at a sluggish pace mainly due to strengthened environmental regulations for automobiles. Looking at emerging countries, personal consumption and exports were stagnated in China. Furthermore, the U.S.-China trade confliction and tough negotiations on Brexit casted a shadow over the outlook for the global economy. With these growing concerns over the global economy, the WTI crude oil price, which was within US$60-65 range at the beginning of the fiscal year, dropped in December after the hike by the uncertainty on Iran's oil supply resulting from the U.S. withdrawal from Iran Nuclear Deal. Thanks to oil production curtailment by major oil-producing countries, it finally recovered to the US $60s level at the end of March, 2019.

The Japanese economy turned around, but grew at a sluggish pace, despite stagnation primarily in personal consumption and exports during the summer stemming from natural disasters such as typhoons and earthquakes after recovery from a temporary standstill in the beginning of last year. The Japanese yen depreciated against the U.S. dollar from the ¥106 level at the beginning of April to the ¥114 level in early October on the back of the rise in the U.S. long-term interest rate. After that, it fluctuated along with the U.S. long-term interest rate and closed at the ¥110 level at the end of March, 2019. The Nikkei Stock Average, which started around ¥21,000-21,500 level, rose to the ¥24,000 level resulting from the rise in the U.S. stock market and the depreciation of the Japanese yen. However, it dropped to the ¥19,000 level at the end of December with the decline in the U.S. stock market. It recovered to the ¥21,000 level at the end of March, 2019. The yield on 10-year Japanese government bonds rose to 0.15% in early October from 0.04% at the beginning of April, but dropped to negative 0.08% level at the end of March, 2019 due to the appreciation of the Japanese yen and concerns over economic outlook.

Under the medium-term management plan, "Brand-new Deal 2020" (Three-Year Plan from Fiscal Year 2019 to Fiscal Year 2021), the ITOCHU Group has three basic policies—"Reinvented Business," "Smart Management," and "No. 1 Health Management Company."

The following shows specific results in Fiscal Year 2019, the first year of "Brand-new Deal 2020."

Textile Company

Further Expanding and Strengthening Our Brand Business

We newly introduced brands that have originality in order to respond to consumers' diversifying needs.

We obtained exclusive importation and sales rights for the outerwear brand Moose Knuckles, which started from warm clothing for Canada, and commenced sales in the 2018 fall-winter season, getting off to a good start. Also, we obtained a master license and exclusive importation and sales rights to the Japanese market for Minnetonka, a company famous for its moccasins with a history of more than 70 years in the US. We will aim to further expand and strengthen brand business by thoroughly taking a customer point of view going forward.

Participation in a New Distribution Channel

With the increasing diversification of consumption activities, we are aiming to participate in new distribution channels such as EC and are proceeding with various initiatives in the "Reinvented Business" in brand business. In Fiscal Year 2019, we invested in domestic and overseas venture businesses, such as JOOR Inc., which runs the world's largest fashion B2B marketplace. Going forward, too, we will accelerate the transition of the brand business to the next generation while quickly grasping the drastically changing trends in the world.

Machinery Company

Start Commercial Operation of the Seawater Desalination Business in Oman

The Barka Seawater Desalination Plant, of which ITOCHU is the top shareholder, started commercial operation in June 2018. This is Oman's largest desalination business, and the water the plant produces will be provided to the Muscat metropolitan area as tap water for daily life via Oman Power and Water Procurement Company for the next 20 years. In the Middle East Gulf region, including Oman, insufficient water for daily life is an issue, while the demand for water only increases with growing populations and urbanization. Going forward, too, we will make good use of water resources around the world and promote ESG initiatives through this business.

Participation in a Next-Generation Mobility Business in China

In August 2018, ITOCHU participated in capital contribution of Dishangtie Car Rental (Shenzhen) Co., Ltd. which provides rental of, and maintenance services for, commercial EVs in China. Dishangtie manages over 20,000 commercial EVs and this figure is the highest in China, and we will accumulate knowhow in China, an advanced EV country, regarding distribution operations using commercial EVs. We are also considering the pursuit of synergies with China's distribution business and synergies with next-generation electric power, such as secondary use and recycling of EV batteries, and the use of EVs in distributed energy.

Metals & Minerals Company

Development Approved for South Flank Mine

ITOCHU finalized the decision to develop the South Flank mine project. The project is part of our Western Australia Iron Ore Operations ("WAIO") joint venture with BHP Group, one of the world's largest resource companies. The South Flank mine will replace production from the existing Yandi mine, slated for closure. The mine, whose ore volume is capable of supporting production for more than 25 years, is scheduled to make its first delivery in 2021. Through the project, ITOCHU will continue to contribute to the local community, support health and labor safety, and sustainable resource development with careful consideration for environmental preservation and other issues.

Energy & Chemicals Company

Natural Gas/LNG Initiatives & Building a Platform for Stable Mid- to Long-Term Revenue

ITOCHU is advancing initiatives for starting new projects related to natural gas and LNG, which are expected to see increasing global demand as sources of clean energy. Furthermore, we are proceeding to replace oil and gas upstream assets as we build a platform for stable medium- to long-term revenue streams. In addition to stable revenue from existing businesses, such as the Azerbaijan ACG project, we acquired an interest in the West Qurna 1 Oil Field in Iraq in March 2018, sold a subsidiary engaged in the UK North Sea business in September of the same year, and posted record profit for Fiscal Year 2019 in the Energy Division. Going forward, we will continue putting together an asset portfolio that contributes to building a stable revenue platform from a medium- to long-term perspective.

Launching a Next-Generation Energy Storage System

In November 2018, ITOCHU launched sales of a next-generation energy storage system that combines our Smart Star L brand storage batteries and the AI software platform Gridshare Client, which belongs to Moixa Energy Holdings Ltd., a UK company. The AI-equipped energy storage system optimally controls energy charging/discharging, which allows efficient electricity usage and is expected to offer benefits for households handling power outages during disasters. We have a top class share in the Japanese market for energy storage systems, so we will leverage our strengths and promote spreading reusable energy. Going forward, we aim to achieve "good for the future" outcomes by contributing to the stabilization of electricity supply and the realization of a distributed energy society.

Food Company

Made FamilyMart UNY Holdings Co., Ltd. a Subsidiary

ITOCHU made our associated company FamilyMart UNY Holdings Co., Ltd. a subsidiary by way of a tender offer. As a means to further strengthen ties with the said company, which is the largest contact point with customers in the ITOCHU Group, we will enhance marketing at the said company, upgrade to a next-generation supply chain, and create greater efficiency in store operations. By broadly applying this experience and knowledge to our other businesses, we will aim to further boost value across the entire Group.

Further Expanding the HyLife Business

HYLIFE Group Holdings Ltd., a leading Canadian hog farmer and producer of pork products, expanded its production facilities and increased production capacity 1.2-fold. We will continue expanding exports to Japan with this further enhanced supply capacity. At the directly managed HyLife Pork TABLE restaurant, which has posted strong sales since opening in 2016 in Tokyo's Daikanyama neighborhood, we provide menu items that generously use herb-fed Sangenton pork and work to increase the brand's value. Going forward, we will continue aiming to grow the HyLife Business.

General Products & Realty Company

ITOCHU Advance Logistics Investment Corporation Listed on J-REIT

Since the beginning of 2000, ITOCHU has been fully engaged in developing logistics facilities, and has many results to date. The public listing of this REIT has allowed us to establish a value chain spanning development, leasing, holding, and operational management in the logistics real estate business. Through this REIT, we will also be able to address needs to sell and effectively leverage logistics facilities, etc. held by the Group, while also contributing to more efficient Group-wide operations. ITOCHU will continue expanding logistics-related business going forward, while, as the sponsor of this REIT, guiding support directed toward its growth.

Commencing a Proof of Concept Experiment for Natural Rubber Traceability

Natural rubber is an indispensable natural resource in our daily lives. With the heightened awareness of creating a sustainable society, demands are increasing for greater transparency in procurement activities. Due to the vastness of cultivated forests and the complexity of distribution channels, it has been extremely difficult to ascertain the specific identities of producers. Utilizing the supply chain of PT. Aneka Bumi Pratama (headquartered in Indonesia), a subsidiary of ITOCHU, we have commenced a proof of concept project that is the world's first application of blockchain technology in the natural rubber industry and are promoting the realization of traceability. Furthermore, we are aiming to spread sustainable natural rubber through a capital alliance with HeveaConnect Pte Ltd, which operates a marketplace for trading sustainable natural rubber and was established by Halcyon Agri Corporation Limited (headquartered in Singapore and one of the world's top natural rubber companies).

ICT & Financial Business Company

Establishment of a Capital and Business Alliance with FreakOut Holdings

ITOCHU signed a capital and business alliance with FreakOut Holdings, Inc., which provides ad delivery services in the marketing-with-use-of-data field.

By combining the digital advertising technologies and data collection and utilization techniques of FreakOut Holdings, Inc. with ITOCHU's data and customer contact points in our lifestyle consumption and related businesses, we aim to establish new sources of revenue in the digital marketing space.

Strategic Business Investment in Paidy

Alongside our subsidiary POCKET CARD CO., LTD., ITOCHU made a strategic investment in Paidy Inc., an online post-pay settlement service operator. The investment assumes future conversion of Paidy Inc. into an equity-method associated company.

By promoting the growth of the member store network inside and outside our Group, we will utilize the strengths of Paidy Inc. and POCKET CARD CO., LTD., and continue developing advanced, user-friendly, next-generation financial services for consumer payments, income, remittances etc., to support increased corporate value for both companies.

Others

Promoting Health Management Initiatives

ITOCHU has continually supported employees in balancing cancer care and work from the three perspectives of prevention, treatment, and coexistence. A service started in Fiscal Year 2019, giving employees aged 40 and over cancer screenings in order to detect cancer early, and this service was provided to more than 300 employees, which was close to full participation by eligible employees. Additionally, as part of measures to promote a morning-focused work system, we provide early (beginning from 7:30 A.M.) Morning Activity Seminars on such topics as balancing cancer care and work. Through these seminars and similar efforts, we are striving to foster employees' cancer awareness and improved understanding of cancer.

Analysis of Results of Operations in Fiscal Year 2019

The analysis of the financial position and results of operations for Fiscal Year 2019 were as follows.

Revenues

Revenues for the fiscal year ended March 31, 2019 increased by 110.5%, or ¥6,090.4 billion, compared with the previous fiscal year to ¥11,600.5 billion (US$104,518 million). Revenues increased in the Food Company due to the effects of the application of new accounting standards (IFRS 15) and the conversion of FamilyMart UNY Holdings Co., Ltd. into a subsidiary; in the Energy & Chemicals Company due to the effects of the application of new accounting standards and the higher sales prices in energy-related companies; and in the Machinery Company due to the effects of the application of new accounting standards and the conversion of YANASE & CO., LTD. into a subsidiary in the second quarter of the previous fiscal year. The result includes the effects of the application of new accounting standards, ¥5,090.7 billion. Furthermore, the breakdown of Revenues for the year ended March 31, 2019 was ¥10,570.9 billion (US$95,242 million) for Revenues from sale of goods, and ¥1,029.6 billion (US$9,276 million) for Revenues from rendering of services and royalties.

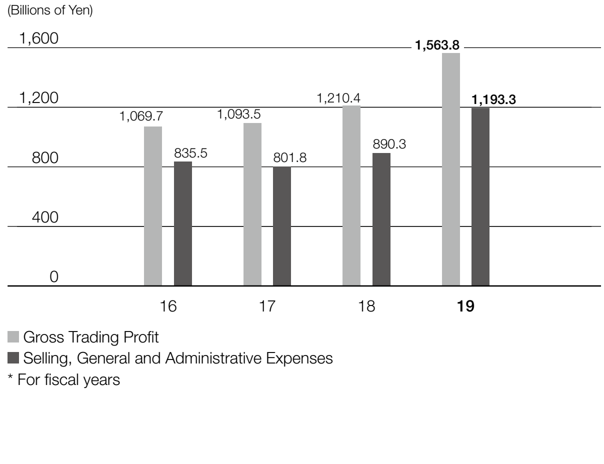
Gross Trading Profit

Gross trading profit increased by 29.2%, or ¥353.3 billion, compared with the previous fiscal year to ¥1,563.8 billion (US$14,089 million). Gross trading profits increased in the Food Company due to the conversion of FamilyMart UNY Holdings Co., Ltd. into a subsidiary, despite the lower sales prices in packaged foods in Dole; in the ICT & Financial Business Company due to the conversion of POCKET CARD CO., LTD. into a subsidiary; and in the Machinery Company due to the conversion of YANASE & CO., LTD. into a subsidiary in the second quarter of the previous fiscal year and the stable performance in automobile-related transactions.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 34.0%, or ¥303.0 billion, compared with the previous fiscal year to ¥1,193.3 billion (US$10,751 million), due to the effects of the conversion of FamilyMart UNY Holdings Co., Ltd. into a subsidiary and the conversion of YANASE & CO., LTD. into a subsidiary in the second quarter of the previous fiscal year.

Gross Trading Profit;
Selling, General and Administrative Expenses



* For fiscal years

Provision for Doubtful Accounts

Provision for doubtful accounts increased by ¥5.7 billion compared with the previous fiscal year to a loss of ¥9.0 billion (US$81 million), due to the conversion of POCKET CARD CO., LTD. into a subsidiary.

Gains on Investments

Gains on investments increased by ¥196.0 billion, compared with the previous fiscal year to ¥203.0 billion (US$1,829 million), due to the revaluation gain accompanying the conversion of FamilyMart UNY Holdings Co., Ltd. into a subsidiary and the gain on sales of a North Sea oil fields development company, despite the absence of the gain accompanying the partial sales of a Chinese fresh-food-related company in the previous fiscal year.

Losses on Property, Plant, Equipment and Intangible Assets

Losses on property, plant, equipment and intangible assets improved by ¥17.6 billion, compared with the previous fiscal year to a loss of ¥12.0 billion (US$108 million), due to the absence of impairment losses in an apparel-related company and Dole in the previous fiscal year, despite impairment losses in an apparel-related company.

Other–net

Other-net improved by ¥11.0 billion, compared with the previous fiscal year to a gain of ¥10.7 billion (US$96 million), due to the absence of a provision for the specific overseas project in the previous fiscal year.

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

Net interest expenses, which is the total of Interest income and Interest expense, deteriorated by ¥7.5 billion compared with the previous fiscal year to expenses of ¥14.3 billion (US$129 million), due to the increase in interest expense accompanying the rise in the U.S. dollar interest rates. Dividends received increased by 41.1%, or ¥14.1 billion, compared with the previous fiscal year to ¥48.4 billion (US$436 million), due to the increase in dividends from oil and LNG projects and iron ore-related investments. Consequently, Net financial income, which is the total of Net interest expenses and Dividends received, increased by ¥6.6 billion compared with the previous fiscal year to a gain of ¥34.1 billion (US$307 million).

Equity in Earnings of Associates and Joint Ventures

Equity in earnings of associates and joint ventures decreased by 54.7%, or ¥118.2 billion, compared with the previous fiscal year to ¥98.1 billion (US$884 million). This decrease was attributable to a decrease in the Others, Adjustments & Eliminations (Note), due to the impairment loss on investment in CITIC Limited; an increase in the General Product & Realty Company, due to the higher equity in earnings of ITOCHU FIBRE LIMITED (European pulp-related company) and Japan Brazil Paper & Pulp Resources Development Co., Ltd. resulting from the higher pulp prices; and an increase in the Energy & Chemicals Company, due to the rise in oil prices and the higher production volume of crude oil in an Eastern Siberia oil-exploration-related company and the increase in shares of Japan South Sakha Oil Co., Ltd. which invests in the company, and the higher equity in earnings of petrochemical-related companies.

(Note) "Others, Adjustments & Eliminations" includes gains and losses which do not belong to any operating segment and internal eliminations between operating segments.

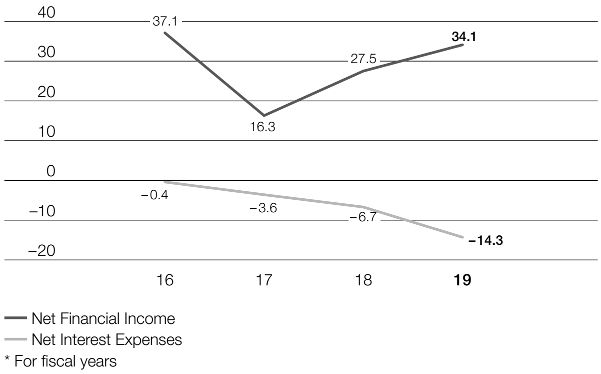
Net Profit Attributable to ITOCHU

Consequently, Profit before tax increased by 29.3%, or ¥157.5 billion, compared with the previous fiscal year to ¥695.4 billion (US$6,265 million). Income tax expense increased by 41.0%, or ¥43.6 billion, compared with the previous fiscal year to ¥149.7 billion (US$1,348 million), due to the stable growth in profits, the increase resulting from the revaluation gain accompanying the conversion of FamilyMart UNY Holdings Co., Ltd. into a subsidiary, and the absence of the positive effects of the U.S. tax reform, despite the decrease in finance-related companies. Net profit, which is calculated as profit before tax of ¥695.4 billion minus income tax expense of ¥149.7 billion, increased by 26.4%, or ¥114.0 billion, compared with the previous fiscal year to ¥545.7 (US$4,917 million) billion. Net profit attributable to ITOCHU, which is calculated as Net profit minus Net profit attributable to non-controlling interests of ¥45.2 billion (US$407 million), increased by 25.0%, or ¥100.2 billion, compared with the previous fiscal year to ¥500.5 billion (US$4,510 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 14.1%, or ¥44.6 billion, compared with the previous fiscal year to ¥361.5 billion (US$3,257 million). This increase was attributable to an increase in the Food Company, due to the conversion of FamilyMart UNY Holdings Co., Ltd. into a subsidiary, despite the lower sales prices in packaged foods in Dole; an increase in the Energy & Chemicals Company, due to the higher production volume of crude oil and the improvement in profitability in self-developed crude oil transactions accompanying the rise in oil prices; an increase in the ICT & Financial Business Company, due to the conversion of POCKET CARD CO., LTD. into a subsidiary; and a decrease in the Metals& Minerals Company, accompanying the change of the structure for investment in certain stakes of iron ore in ITOCHU Minerals & Energy of Australia Pty Ltd, despite the increase due to the higher coal prices.

Net Financial Income



* For fiscal years

Net Financial Income = Net Interest Expenses + Dividends Received

Net Interest Expenses = Interest Income + Interest Expense

Operating Segment Information

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

Textile

Revenues increased by 13.6%, or ¥71.1 billion, to ¥593.6 billion (US$5,348 million), due to the effects of the application of new accounting standards, despite the de-consolidation of apparel-related subsidiary in the previous fiscal year. Gross trading profit decreased by 2.5%, or ¥3.1 billion, to ¥118.9 billion (US$1,071 million), due to the de-consolidation of an apparel-related subsidiary in the previous fiscal year, despite the stable performance in apparel-related companies such as SANKEI COMPANY LIMITED. Net profit attributable to ITOCHU increased by 138.1%, or ¥17.3 billion, to ¥29.8 billion (US$268 million), due to the stable performance in apparel-related companies such as SANKEI COMPANY LIMITED, the gain on sales of a foreign apparel-related company, and the absence of impairment losses in the previous fiscal year. Total assets increased by 11.0%, or ¥52.3 billion, to ¥527.2 billion (US$4,750 million), due to the additional investments in DESCENTE LTD.

Machinery

Revenues increased by 69.2%, or ¥500.0 billion, to ¥1,222.8 billion (US$11,017 million), due to the effects of the application of new accounting standards and the conversion of YANASE & CO., LTD. into a subsidiary in the second quarter of the previous fiscal year. Gross trading profit increased by 12.7%, or ¥21.9 billion, to ¥193.8 billion (US$1,746 million), due to the conversion of YANASE & CO., LTD. into a subsidiary in the second quarter of the previous fiscal year and the stable performance in automobile-related transactions. Net profit attributable to ITOCHU decreased by 16.5%, or ¥9.4 billion, to ¥47.6 billion (US$429 million), due to the temporary deterioration of profitability in used car sales in YANASE & CO., LTD., losses on North American IPP companies and the absence of lower tax expenses in the previous fiscal year, despite the stable performance in automobile-related transactions and the absence of a provision for the specific overseas project in the previous fiscal year. Total assets decreased by 3.1%, or ¥38.3 billion, to ¥1,180.3 billion (US$10,634 million), due to the collection of trade receivables in aircraft-related companies, despite the acquisition of a Latin American automobile-related subsidiary.

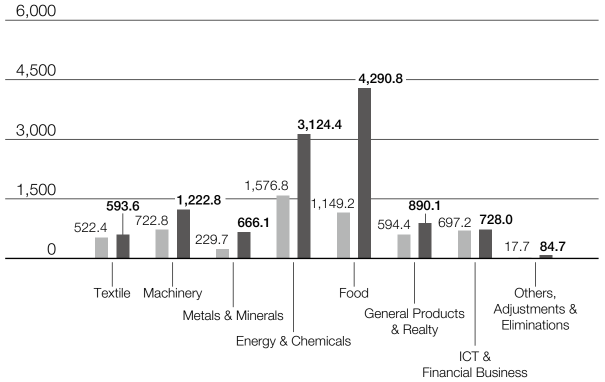
Metals & Minerals

Revenues increased by 190.0%, or 436.4 billion, to ¥ 666.1billion (US$6,002 million), mainly due to the effects of the application of new accounting standards. Gross trading profit decreased by 11.4%, or ¥10.6 billion, to ¥82.8 billion (US$746 million), accompanying the change of the structure for investment in certain stakes of iron ore in ITOCHU Minerals & Energy of Australia Pty Ltd, despite the increase due to the higher coal prices. Net profit attributable to ITOCHU decreased by 3.9%, or ¥3.2 billion, to ¥79.2 billion (US$714 million), due to the temporary decrease in net profit accompanying the change of the structure for investment in certain stakes of iron ore in ITOCHU Minerals & Energy of Australia Pty Ltd, despite the higher coal prices and the favorable performance in Marubeni-Itochu Steel Inc. Total assets were nearly at the same level at ¥844.4 billion (US$7,608 million).

Energy & Chemicals

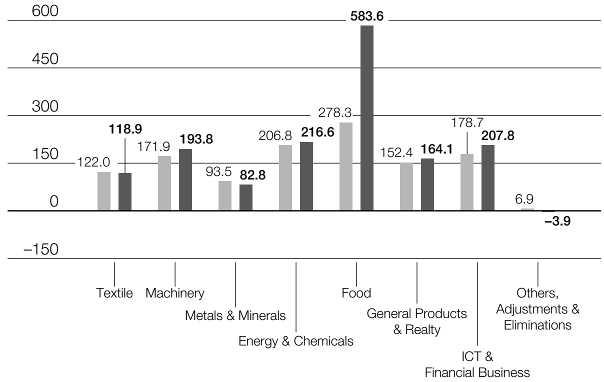
Revenues increased by 98.2%, or ¥1,547.7 billion, to ¥3,124.4 billion (US$28,150 million), due to the effects of the application of new accounting standards and the higher sales prices in energy-related companies. Gross trading profit increased by 4.7%, or ¥9.8 billion, to ¥216.6 billion (US$1,951 million), due to the higher

Revenues by Operating Segment



2018
2019
* For fiscal years

Gross Trading Profit by Operating Segment



2018
2019
* For fiscal years

production volume of crude oil, and the improvement in profitability in self-developed crude oil transactions accompanying the rise in oil prices. Net profit attributable to ITOCHU increased by 118.7%, or ¥43.8 billion, to ¥80.6 billion (US$727 million), due to the higher production volume of crude oil, the improvement in profitability in self-developed crude oil transactions accompanying the rise in oil prices, increase in dividends from oil and LNG projects and the gain on sales of a North Sea oil fields development company. Total assets decreased by 4.9%, or ¥67.0 billion, to ¥1,288.7 billion (US$11,611 million), due to the decreased trade receivables in energy trading transactions.

Food

Revenues increased by 273.4%, or ¥3,141.6 billion, to ¥4,290.8 billion (US$38,659 million), due to the effects of the application of new accounting standards and the conversion of FamilyMart UNY Holdings Co., Ltd. into a subsidiary. Gross trading profit increased by 109.7%, or ¥305.4 billion, to ¥583.6 billion (US$5,259 million), due to the conversion of FamilyMart UNY Holdings Co., Ltd. into a subsidiary, despite the lower sales prices in packaged foods in Dole. Net profit attributable to ITOCHU increased by 158.4%, or ¥127.4 billion, to ¥207.9 billion (US$1,873 million), due to the stable performance in FamilyMart UNY Holdings Co., Ltd. and the revaluation gain accompanying the conversion of the company into a subsidiary (¥141.2 billion), despite the lower sales prices in packaged foods in Dole and the absence of extraordinary gains in the previous fiscal year. Total assets increased by 65.0%, or ¥1,276.0 billion, to ¥3,238.1 billion (US$29,175 million), due to the conversion of FamilyMart UNY Holdings Co., Ltd. into a subsidiary (approximately ¥1,200.0 billion).

General Products & Realty

Revenues increased by 49.7%, or ¥295.6 billion, to ¥890.1 billion (US$8,019 million), due to the effects of the application of new accounting standards and the higher transaction volume in domestic logistics-facility-development-projects. Gross trading profit increased by 7.6%, or ¥11.7 billion, to ¥164.1 billion (US$1,478 million), due to the higher transaction volume in domestic logistics-facility-development-projects. Net profit attributable to ITOCHU increased by 13.0%, or ¥7.2 billion, to ¥62.9 billion (US$567 million), due to the higher transaction volume in domestic logistics-facility-development-projects and the higher equity in earnings in ITOCHU FIBRE LIMITED (European pulp-related company) and Japan Brazil Paper & Pulp Resources Development Co., Ltd. resulting from the higher pulp prices, despite the absence of extraordinary gains in the previous fiscal year. Total assets were nearly at the same level at ¥980.6 billion (US$8,835 million).

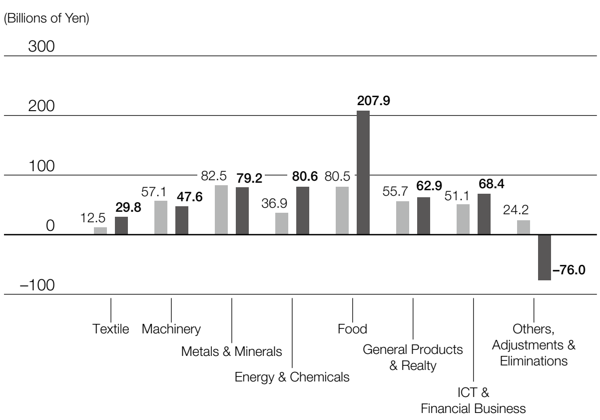
ICT & Financial Business

Revenues increased by 4.4%, or ¥30.9 billion, to ¥728.0 billion (US$6,560 million), due to the conversion of POCKET CARD CO., LTD. into a subsidiary. Gross trading profit increased by 16.3%, or ¥29.1 billion, to ¥207.8 billion (US$1,873 million), due to the same reason noted above. Net profit attributable to ITOCHU increased by 33.9%, or ¥17.3 billion, to ¥68.4 billion (US$617 million), due to the favorable performance in finance-related companies such as POCKET CARD CO., LTD., the higher gains on fund operations and the extraordinary lower tax expenses. Total assets increased by 42.7%, or ¥327.1 billion, to ¥1,093.3 billion (US$9,850 million), due to the conversion of POCKET CARD CO., LTD. into a subsidiary (approximately ¥250.0 billion).

Others, Adjustments & Eliminations

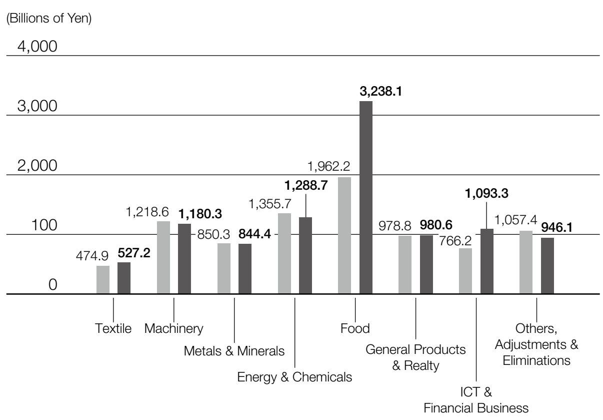
Net profit attributable to ITOCHU deteriorated by ¥100.2 billion, to ¥(76.0) billion (US$(685) million), due to the impairment loss on investment in CITIC Limited accounted for by the equity method (¥(143.3) billion), despite the absence of the impairment loss on C.P. Pokphand Co. Ltd. in the previous fiscal year.

Net Profit by Operating Segment



■ 2018
■ 2019
* For fiscal years

Total Assets by Operating Segment



■ 2018
■ 2019
* As of March 31

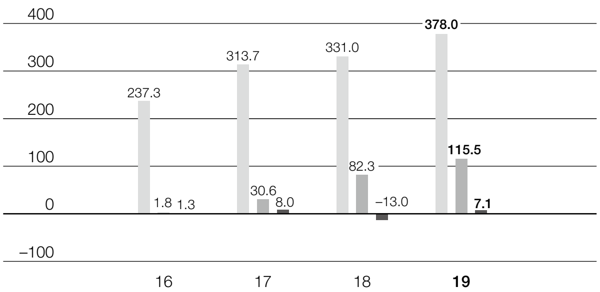
Segment Information

Years ended March 31	Billions of Yen 2019	Billions of Yen 2018	Millions of U.S. Dollars 2019
Revenues:			
Textile	¥ 593.6	¥ 522.4	$ 5,348
Machinery	1,222.8	722.8	11,017
Metals & Minerals	666.1	229.7	6,002
Energy & Chemicals	3,124.4	1,576.8	28,150
Food	4,290.8	1,149.2	38,659
General Products & Realty	890.1	594.4	8,019
ICT & Financial Business	728.0	697.2	6,560
Others, Adjustments & Eliminations	84.7	17.7	763
Total	¥11,600.5	¥5,510.1	$104,518
Gross trading profit:			
Textile	¥ 118.9	¥ 122.0	$ 1,071
Machinery	193.8	171.9	1,746
Metals & Minerals	82.8	93.5	746
Energy & Chemicals	216.6	206.8	1,951
Food	583.6	278.3	5,259
General Products & Realty	164.1	152.4	1,478
ICT & Financial Business	207.8	178.7	1,873
Others, Adjustments & Eliminations	(3.9)	6.9	(35)
Total	¥ 1,563.8	¥1,210.4	$ 14,089
Net profit attributable to ITOCHU:			
Textile	¥ 29.8	¥ 12.5	$ 268
Machinery	47.6	57.1	429
Metals & Minerals	79.2	82.5	714
Energy & Chemicals	80.6	36.9	727
Food	207.9	80.5	1,873
General Products & Realty	62.9	55.7	567
ICT & Financial Business	68.4	51.1	617
Others, Adjustments & Eliminations	(76.0)	24.2	(685)
Total	¥ 500.5	¥ 400.3	$ 4,510
Total assets as of March 31:			
Textile	¥ 527.2	¥ 474.9	$ 4,750
Machinery	1,180.3	1,218.6	10,634
Metals & Minerals	844.4	850.3	7,608
Energy & Chemicals	1,288.7	1,355.7	11,611
Food	3,238.1	1,962.2	29,175
General Products & Realty	980.6	978.8	8,835
ICT & Financial Business	1,093.3	766.2	9,850
Others, Adjustments & Eliminations	946.1	1,057.4	8,525
Total	¥10,098.7	¥8,663.9	$ 90,988

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

Earnings from Non-resource / Resource Sectors

(Billions of Yen)



Non-resource Sector
Resource Sector
Others
* For fiscal years

Performance of Subsidiaries, Associates, and Joint Ventures

Group Companies Reporting Profits / Losses

Billions of Yen

	2019			2018			Changes		
Years ended March 31	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total
Group companies (including overseas trading subsidiaries)	**¥545.3**	**¥(107.4)**	**¥437.9**	¥452.9	¥(60.6)	¥392.3	¥92.4	¥(46.8)	¥45.6

Share of Group Companies Reporting Profits

		2019			2018			Changes		
Years ended March 31		Profitable	Unprofitable	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total
Consolidated subsidiaries	No. of companies	**192**	**11**	**203**	189	17	206	3	(6)	(3)
	Share	**94.6%**	**5.4%**	**100.0%**	91.7%	8.3%	100.0%	2.8%	(2.8)%	
Associates and Joint Ventures	No. of companies	**70**	**18**	**88**	84	10	94	(14)	8	(6)
	Share	**79.5%**	**20.5%**	**100.0%**	89.4%	10.6%	100.0%	(9.8)%	9.8%	
Total	No. of companies	**262**	**29**	**291**	273	27	300	(11)	2	(9)
	Share	**90.0%**	**10.0%**	**100.0%**	91.0%	9.0%	100.0%	(1.0)%	1.0%	

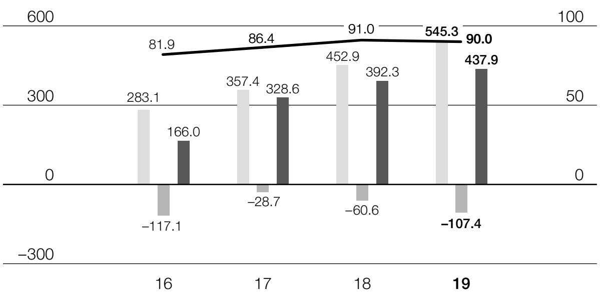
Note: Investment companies which are considered as part of the parent company (165 companies), and companies other than those which are directly invested by the Company and its overseas trading subsidiaries (483 companies) are not included in the number of companies.

In this fiscal year, net profit from subsidiaries, associates, and joint ventures increased by ¥45.6 billion to ¥437.9 billion (US$3,945 million).

The profit from Group companies reporting profits increased by ¥92.4 billion to ¥545.3 billion (US$4,913 million), due to the revaluation gain accompanying the conversion of FamilyMart UNY Holdings Co., Ltd. ,and the improvement of C.P. Pokphand Co. Ltd. as a result of the absence of the impairment loss on investment accounted for by the equity method in the previous fiscal year. Meanwhile, the loss from Group companies reporting losses increased by ¥48.6 billion to ¥107.4 billion (US$968 million), due to the impairment loss on investment in CITIC Limited accounted for by the equity method.

Share (%) of Group companies reporting profits decreased by 1.0 points, from 91.0% to 90.0%.

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, 2019 and 2018 were as follows:

Major Group Companies

Years ended March 31	Shares	Net income (loss) attributable to ITOCHU *1 Billions of Yen 2019	2018
Textile			
JOI'X CORPORATION	100.0%	**¥1.2**	¥1.5
DESCENTE LTD.	40.0%	**1.2**	1.4
SANKEI COMPANY LIMITED	100.0%	**1.9**	0.1
ITOCHU Textile Prominent (ASIA) Ltd.	100.0%	**1.1**	0.2
ITOCHU TEXTILE (CHINA) CO., LTD.	100.0%	**1.1**	1.0
Machinery			
Tokyo Century Corporation	25.2%	**12.6**	12.5
I-Power Investment Inc.	100.0%	**(5.8)**	5.3
I-ENVIRONMENT INVESTMENTS LIMITED	100.0%	**1.0**	1.9
IMECS Co., LTD.	100.0%	**1.6**	1.2
JAMCO Corporation	33.4%	**0.6**	0.6
JAPAN AEROSPACE CORPORATION	100.0%	**1.2**	0.7
YANASE & CO., LTD.	66.0%	**1.1**	3.7
Auto Investment Inc.	100.0%	**0.3**	0.8
ITOCHU CONSTRUCTION MACHINERY CO., LTD.	100.0%	**0.6**	0.6
ITOCHU MACHINE-TECHNOS CORP.	100.0%	**1.4**	0.8
ITOCHU SysTech Corporation	100.0%	**0.3**	0.3
Century Medical, Inc.	100.0%	**0.7**	0.5
MULTIQUIP INC.	100.0%	**2.8**	2.3
Metals & Minerals			
ITOCHU Minerals & Energy of Australia Pty Ltd	100.0%	**60.1**	62.3
Brazil Japan Iron Ore Corporation	75.7%	**1.7**	3.3
ITOCHU Coal Americas Inc.	100.0%	**2.0**	2.9
Marubeni-Itochu Steel Inc.	50.0%	**12.1**	9.2
ITOCHU Metals Corporation	100.0%	**1.6**	1.6
Energy & Chemicals			
ITOCHU Oil Exploration (Azerbaijan) Inc.	100.0%	**3.3**	2.3
ITOCHU PETROLEUM CO., (SINGAPORE) PTE. LTD.	100.0%	**0.5**	(1.8)
ITOCHU ENEX CO., LTD.	54.0%	**6.5**	6.0
Japan South Sakha Oil Co., Ltd.	25.2%	**9.1**	4.0
ITOCHU CHEMICAL FRONTIER Corporation	100.0%	**5.2**	3.7
ITOCHU PLASTICS INC.	100.0%	**3.8**	4.0
C. I. TAKIRON Corporation	51.2%	**2.9**	3.0
Food			
FamilyMart UNY Holdings Co., Ltd. *2	50.2%	**17.3**	11.8
Dole International Holdings, Inc.	100.0%	**7.8**	3.2
NIPPON ACCESS, INC.	100.0%	**11.6**	9.8
FUJI OIL HOLDINGS INC.	34.0%	**3.0**	4.2
Prima Meat Packers, Ltd.	39.8%	**3.2**	4.1
ITOCHU-SHOKUHIN Co.,Ltd.	52.2%	**1.7**	2.2
JAPAN FOODS CO., LTD.	36.4%	**(0.1)**	0.1
HYLIFE GROUP HOLDINGS LTD.	49.9%	**2.7**	3.7

Years ended March 31	Shares	Net income (loss) attributable to ITOCHU *1 Billions of Yen 2019	2018
General Products & Realty			
European Tyre Enterprise Limited	100.0%	**4.2**	5.8
ITOCHU FIBRE LIMITED	100.0%	**16.1**	9.9
Japan Brazil Paper & Pulp Resources Development Co., Ltd.	33.3%	**7.3**	4.2
ITOCHU PULP & PAPER CORPORATION	100.0%	**0.9**	1.0
ITOCHU KENZAI CORPORATION	100.0%	**2.9**	2.7
DAIKEN CORPORATION	35.0%	**1.3**	1.6
ITOCHU PROPERTY DEVELOPMENT, LTD.	100.0%	**2.9**	2.4
ITOCHU LOGISTICS CORP.	100.0%	**3.1**	2.7
ICT & Financial Business			
ITOCHU Techno-Solutions Corporation	58.2%	**14.2**	13.6
BELLSYSTEM24 Holdings, Inc.	40.8%	**1.2**	1.2
CONEXIO Corporation	60.3%	**4.0**	4.1
ITOCHU Fuji Partners, Inc. *3	63.0%	**1.4**	(0.2)
eGuarantee, Inc.	24.1%	**0.4**	0.3
POCKET CARD CO., LTD. *4	63.1%	**3.9**	1.3
Orient Corporation	16.5%	**4.2**	4.2
First Response Finance Ltd.	100.0%	**1.1**	1.7
ITOCHU FINANCE (ASIA) LTD.	100.0%	**2.7**	0.9
Others, Adjustments & Eliminations			
Orchid Alliance Holdings Limited *5	100.0%	**(85.0)**	67.9
C.P. Pokphand Co. Ltd. *6	23.8%	**5.5**	(29.8)
Chia Tai Enterprises International Limited *7	23.8%	**(2.9)**	0.4
(Reference) Overseas Subsidiaries *8			
ITOCHU International Inc.	100.0%	**12.9**	20.0
ITOCHU Europe PLC	100.0%	**6.9**	5.3
ITOCHU (CHINA) HOLDING CO., LTD.	100.0%	**4.6**	21.9
ITOCHU Hong Kong Ltd.	100.0%	**6.1**	6.1
ITOCHU Singapore Pte. Ltd.	100.0%	**2.9**	2.5

*1. Net income (losses) attributable to ITOCHU is the figure after adjusting to IFRS, which may be different from the figures each company announces.
*2. FamilyMart UNY Holdings Co., Ltd. became a subsidiary of ITOCHU in the second quarter of the year ended March 31, 2019. The figure in the "Net income (loss) attributable to ITOCHU for 2019" column of FamilyMart UNY Holdings Co., Ltd. doesn't include the revaluation gain, which is ¥141.2 billion, net of tax, accompanying the conversion into a consolidated subsidiary.
*3. The figure in the "Net income (loss) attributable to ITOCHU for 2018" column of ITOCHU Fuji Partners, Inc. includes the impairment loss on investment accounted for by the equity method in SKY Perfect JSAT Holdings Inc. held by ITOCHU Fuji Partners, Inc.
*4. ITOCHU holds shares of POCKET CARD CO., LTD. through GIT Corporation (The company's name changed to Money Communications Inc. on April 19, 2019) and FamilyMart UNY Holdings Co., LTD. which are subsidiaries of ITOCHU. The figure in the "Net income (loss) attributable to ITOCHU for 2019" column of POCKET CARD CO., LTD. includes net profit through FamilyMart UNY Holdings Co., Ltd.
*5. The figures of Orchid Alliance Holdings Limited include related tax effects and other factors. The figure in the "Net income (loss) attributable to ITOCHU for 2019" column of Orchid Alliance Holdings Limited includes the impairment loss on investment in CITIC Limited accounted for by the equity method.
*6. The figure in the "Net income (loss) attributable to ITOCHU for 2018" column of C.P. Pokphand Co. Ltd. includes the impairment loss on investment accounted for by the equity method.
*7. The figure in the "Net income (loss) attribute to ITOCHU for 2019" column of Chia Tai Enterprise International Limited includes the impairment loss on investment accounted for by the equity method.
*8. Net profits of each overseas trading subsidiary included in each segment are provided for reference.

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, funding by the parent Company, domestic and overseas Group Finance managing companies accounted for approximately 58% 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 2017 to August 2019, 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, 2019 were as follows. Aiming to secure even higher ratings, the Company will strengthen profitability, improve financial position, and implement a thorough risk management.

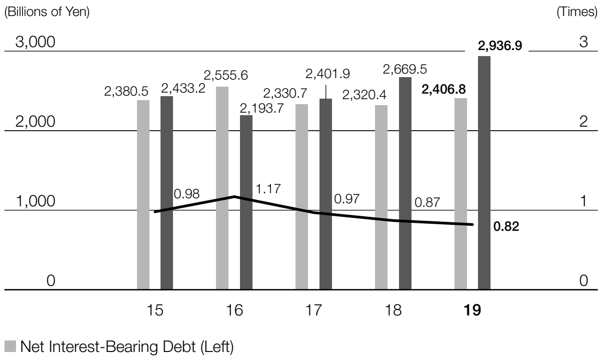
Credit Rating Agency	Long-term Debt	Short-term Debt
Japan Credit Rating Agency (JCR)	AA / Stable *1	J-1+
Rating & Investment Information (R&I)	AA– / Stable *2	a-1+ *2
Moody's Investors Service	A3 / Stable	P-2
Standard & Poor's (S&P)	A / Stable *3	A-1 *3

*1. Credit rating by Japan Credit Rating Agency (JCR) was upgraded from AA– to AA on long-term Debt on August 27, 2018.
*2. Credit rating by Rating & Investment Information (R&I) was upgraded from A+ to AA– on long-term Debt and was upgraded from a-1 to a-1+ on short-term Debt on August 20, 2018.
*3. Credit rating by Standard & Poor's (S&P) was upgraded from A– to A on long-term Debt and was upgraded from A-2 to A-1 on short-term Debt on July 13, 2018.

Interest-Bearing Debt

Interest-bearing debt as of March 31, 2019 increased by 7.4%, or ¥204.4 billion, compared with March 31, 2018 to ¥2,983.8 billion (US$26,884 million). Net interest-bearing debt (Interest-bearing debt after deducting Cash and cash equivalents and Time deposits) increased by 3.7%, or ¥86.3 billion, to ¥ 2,406.8 billion (US$21,685 million). NET DER (debt-to-equity ratio) improved to 0.82 times from 0.87. Furthermore, the ratio of long-term interest-bearing debt to total interest-bearing debt was 78%, down 3 points from 81% as of March 31, 2018.

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



* For fiscal years

Details of interest-bearing debt as of March 31, 2019 and 2018 were as follows:

Years ended March 31	Billions of Yen 2019	Billions of Yen 2018	Millions of U.S. Dollars 2019
Short-term debentures and borrowings			
Short-term and current maturities of long-term loans mainly from banks	¥ 548.7	¥ 463.4	$ 4,944
Commercial paper	30.5	13.1	275
Current maturities of debentures	71.7	50.4	646
Short-term total	650.9	526.9	5,865
Long-term debentures and borrowings			
Long-term loans mainly from banks, less current maturities	2023.4	1,949.7	18,230
Debentures	309.5	302.9	2,789
Long-term total	2332.9	2,252.6	21,019
Total interest-bearing debt	2983.8	2,779.5	26,884
Cash and cash equivalents, time deposits	577.1	459.1	5,199
Net interest-bearing debt	¥2,406.8	¥2,320.4	$21,685

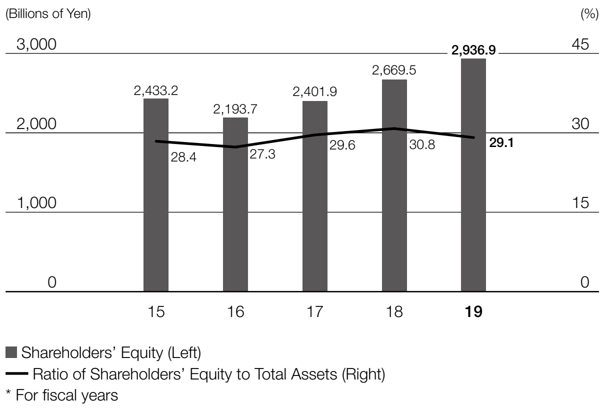
Financial Position

Total assets as of March 31, 2019 increased by 16.6%, or ¥1,434.8 billion, compared with March 31, 2018 to ¥10,098.7 billion (US$90,988 million), due to the conversion of FamilyMart UNY Holdings Co., Ltd. and POCKET CARD CO., LTD. into consolidated subsidiaries.

Total shareholders' equity increased by 10.0%, or ¥267.4 billion, compared with March 31, 2018 to ¥2,936.9 billion (US$26,461 million), due to Net profit attributable to ITOCHU during this fiscal year, despite the decrease due to dividend payments and the repurchase of own shares. As a result, the Ratio of shareholders' equity to total assets decreased by 1.7 points to 29.1% from March 31, 2018.

Total equity, or the sum of Total shareholders' equity and Non-controlling interests, increased by 23.6%, or ¥705.8 billion, compared with March 31, 2018 to ¥3,690.1 billion (US$33,247 million).

Ratio of Shareholders' Equity to Total Assets



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, 2019, against the necessary liquidity amount, which is the total of short-term interest-bearing debt and contingent liabilities of ¥811.4 billion (US$7,310 million), the amount of reserves, which is the sum of cash, cash equivalents, time deposits (¥577.1billion), and the unutilized commitment line (yen: ¥200.0 billion, multiple currency: US$2,000 million) was ¥999.1 billion (US$9,001 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 ¥617.7 billion (US$5,566 million).

	Billions of Yen	Millions of U.S. Dollars
	2019	2019
Years ended March 31	Liquidity Reserves	Liquidity Reserves
Cash and cash equivalents, time deposits	¥577.1	$5,199
Commitment line	¥422.0	$3,802
Total primary liquidity reserves	¥999.1	$9,001

	Billions of Yen	Millions of U.S. Dollars
Years ended March 31	2019	2019
Short-term debentures and borrowings	¥650.9	$5,865
Long-term debentures and borrowings*	54.2	488
Contingent liabilities (Financial guarantees (substantial risk) of associates and joint ventures, customers)	106.2	957
Total	¥811.4	$7,310

* 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 2020, ITOCHU Group's medium-term management plan (the three-year plan covering the period from FY2019 to 2021), we aim to consistently maintain positive core free cash flows after deducting shareholder returns* under the policy of the active promotion of growth investments and the maintenance of high efficiency in management.

* "Core Operating Cash Flows" minus "Net investment" minus "Dividends and share buybacks"
  · "Core Operating Cash Flows" equals "Operating cash flows" minus "Change in working capital"
  · "Net investment" equals "Investment cash flows" plus "Equity transactions with non-controlling interests" minus "Changes in loan receivables", etc

Cash flows from operating activities for the year ended March 31, 2019 was a net cash-inflow of ¥476.6 billion (US$4,294 million), resulting from the stable performance in operating revenues in the Food, Metals & Minerals, Energy and ICT sectors. Cash flows from operating activities for the year ended March 31, 2018 was a net cash-inflow of ¥388.2 billion.

Cash flows from investing activities was a net cash-inflow of ¥201.1 billion (US$1,812 million), due to the increase in cash resulting from the conversion of FamilyMart UNY Holdings Co., Ltd. into a consolidated subsidiary and the sale of UNY in FamilyMart UNY Holdings Co., Ltd., despite the acquisition of fixed assets mainly in the Food, Metals & Minerals and Energy sectors. Cash flows from investing activities for the year ended March 31, 2018 was a net cash-outflow of ¥256.4 billion.

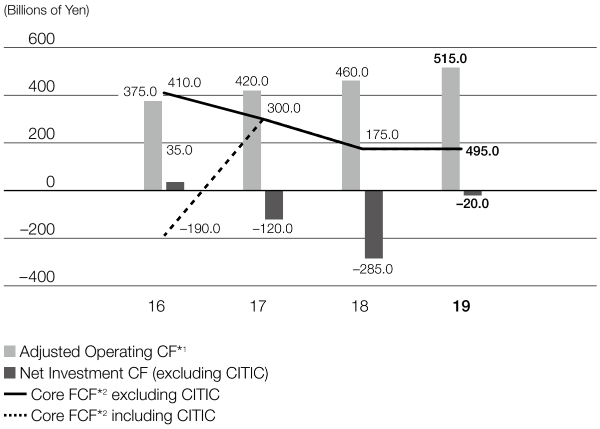
Cash flows from financing activities was a net cash-outflow of ¥538.3 billion (US$4,850 million), due to the repayment of borrowings, dividend payments, and the repurchase of own shares. Cash flows from financing activities for the year ended March 31, 2018 was a net cash-outflow of ¥296.1 billion.

Cash and cash equivalents as of March 31, 2019 increased by 32.4%, or ¥139.9 billion, to ¥572.0 billion (US$5,154 million), compared with March 31, 2018.

A summary of cash flows for the years ended March 31, 2019 and 2018 were as follows:

	Billions of Yen		Millions of U.S. Dollars
Years ended March 31	2019	2018	2019
Cash flows from operating activities	¥ 476.6	¥ 388.2	$ 4,294
Cash flows from investing activities	201.1	(256.4)	1,812
Cash flows from financing activities	(538.3)	(296.1)	(4,850)
Net change in cash and cash equivalents	139.4	(164.3)	1,256
Cash and cash equivalents at the beginning of the year	432.1	605.6	3,894
Effect of exchange rate changes on cash and cash equivalents	0.5	(9.2)	4
Cash and cash equivalents at the end of the year	¥ 572.0	¥ 432.1	$ 5,154

Core Free Cash Flows (excluding 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

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 equity instruments

Among financial assets measured at fair value, the fair value of unlisted equity instruments 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 equity instruments in the future accounting periods.

Estimates of expected credit losses on financial assets measured at amortized cost and debt FVTOCI financial assets

Expected credit losses on financial assets measured at amortized cost and debt FVTOCI financial assets are estimated based on the difference between contractual cash flows and the expected amount of recoverable cash flows for the assets. The expected amount of recoverable cash flows for the assets may be affected by changes in future uncertain economic conditions and, as a result, there may be material adjustments to the amount of impairment losses on such assets in 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
- Judgment about whether credit risks on financial assets measured at amortized cost and debt FVTOCI financial assets have increased significantly
- 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, 2019 and 2018
Prepared in conformity with IFRSs

	Millions of Yen		Millions of U.S. Dollars
Assets	2019	2018	2019
Current assets			
Cash and cash equivalents	**¥ 572,030**	¥ 432,140	**$ 5,154**
Time deposits	**5,051**	26,915	**45**
Trade receivables (Note 6)	**2,397,608**	2,183,349	**21,602**
Other current receivables (Note 6)	**168,968**	84,146	**1,522**
Other current financial assets (Note 12)	**43,132**	34,329	**389**
Inventories (Note 7)	**937,183**	870,352	**8,444**
Advances to suppliers	**98,081**	179,760	**884**
Other current assets	**185,767**	112,370	**1,674**
Total current assets	**4,407,820**	3,923,361	**39,714**
Non-current assets			
Investments accounted for by the equity method (Note 13)	**1,559,280**	1,844,871	**14,049**
Other investments (Note 12)	**857,261**	816,510	**7,724**
Non-current receivables (Note 6)	**618,762**	617,719	**5,575**
Non-current financial assets other than investments and receivables	**270,116**	82,379	**2,434**
Property, plant and equipment (Notes 8 and 16)	**1,077,874**	813,294	**9,711**
Investment property (Note 9)	**32,524**	19,134	**293**
Goodwill (Note 11)	**391,560**	129,283	**3,528**
Intangible assets (Note 11)	**736,200**	233,288	**6,633**
Deferred tax assets (Note 19)	**65,609**	62,259	**591**
Other non-current assets	**81,697**	121,839	**736**
Total non-current assets	**5,690,883**	4,740,576	**51,274**
Total assets (Note 4)	**¥10,098,703**	¥8,663,937	**$90,988**

Refer to Notes to Consolidated Financial Statements.

Liabilities and Equity	Millions of Yen 2019	2018	Millions of U.S. Dollars 2019
Current liabilities			
Short-term debentures and borrowings (Notes 15 and 33)	¥ 650,909	¥ 526,867	$ 5,865
Trade payables (Note 14)	1,942,037	1,825,859	17,497
Other current payables (Note 14)	234,518	79,200	2,113
Other current financial liabilities	27,073	26,791	244
Current tax liabilities (Note 19)	48,014	53,241	433
Advances from customers	88,480	157,167	797
Other current liabilities (Note 18)	350,343	319,777	3,157
Total current liabilities	3,341,374	2,988,902	30,106
Non-current liabilities			
Long-term debentures and borrowings (Notes 15 and 33)	2,332,928	2,252,606	21,019
Other non-current financial liabilities (Note 14)	215,609	114,627	1,943
Non-current liabilities for employee benefits (Note 17)	124,418	97,955	1,121
Deferred tax liabilities (Note 19)	251,489	129,579	2,266
Other non-current liabilities (Note 18)	142,769	95,917	1,286
Total non-current liabilities	3,067,213	2,690,684	27,635
Total liabilities	6,408,587	5,679,586	57,741
Equity			
Common stock (Note 21)	253,448	253,448	2,283
Capital surplus (Note 21)	49,584	160,271	447
Retained earnings (Notes 21 and 22)	2,608,243	2,324,766	23,500
Other components of equity (Note 23)			
Translation adjustments	81,037	136,729	730
FVTOCI financial assets (Note 12)	49,764	(61,484)	448
Cash flow hedges (Note 25)	433	5,961	4
Total other components of equity	131,234	81,206	1,182
Treasury stock (Note 21)	(105,601)	(150,208)	(951)
Total shareholders' equity	2,936,908	2,669,483	26,461
Non-controlling interests	753,208	314,868	6,786
Total equity	3,690,116	2,984,351	33,247
Total liabilities and equity	¥10,098,703	¥8,663,937	$90,988

Consolidated Statement of Comprehensive Income

ITOCHU Corporation and its Subsidiaries
Years ended March 31, 2019 and 2018
Prepared in conformity with IFRSs

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Revenues (Notes 2, 4 and 27)			
Revenues from sale of goods	¥ 10,570,925	¥ 4,719,460	$ 95,242
Revenues from rendering of services and royalties	1,029,560	790,599	9,276
Total revenues	11,600,485	5,510,059	104,518
Cost			
Cost of sale of goods	(9,427,881)	(3,706,873)	(84,944)
Cost of rendering of services and royalties	(608,832)	(592,746)	(5,485)
Total cost	(10,036,713)	(4,299,619)	(90,429)
Gross trading profit (Note 4)	1,563,772	1,210,440	14,089
Other gains (losses)			
Selling, general and administrative expenses (Notes 17 and 28)	(1,193,301)	(890,276)	(10,751)
Provision for doubtful accounts	(8,979)	(3,231)	(81)
Gains on investments (Notes 5, 29 and 34)	203,034	7,080	1,829
Losses on property, plant, equipment and intangible assets (Notes 8, 11 and 30)	(12,041)	(29,629)	(108)
Other–net (Note 31)	10,734	(280)	96
Total other losses	(1,000,553)	(916,336)	(9,015)
Financial income (loss) (Note 32)			
Interest income	40,128	34,702	361
Dividends received	48,372	34,273	436
Interest expense	(54,388)	(41,449)	(490)
Total financial income	34,112	27,526	307
Equity in earnings of associates and joint ventures (Notes 4 and 13)	98,052	216,228	884
Profit before tax	695,383	537,858	6,265
Income tax expense (Note 19)	(149,694)	(106,138)	(1,348)
Net profit	545,689	431,720	4,917
Net profit attributable to ITOCHU (Note 4)	¥ 500,523	¥ 400,333	$ 4,510
Net profit attributable to non-controlling interests	45,166	31,387	407

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Other comprehensive income net of tax (Note 23)			
Items that will not be reclassified to profit or loss			
FVTOCI financial assets (Note 26)	**¥ 20,040**	¥ (23,100)	**$ 181**
Remeasurement of net defined pension liability (Note 17)	**(3,174)**	3,252	**(29)**
Other comprehensive income in associates and joint ventures (Note 13)	**9,143**	1,333	**82**
Items that will be reclassified to profit or loss			
Translation adjustments (Note 26)	**(8,803)**	(38,452)	**(79)**
Cash flow hedges (Note 25)	**(3,641)**	495	**(33)**
Other comprehensive income in associates and joint ventures (Note 13)	**(47,668)**	40,354	**(429)**
Total other comprehensive income net of tax	**(34,103)**	(16,118)	**(307)**
Total comprehensive income	**511,586**	415,602	**4,610**
Total comprehensive income attributable to ITOCHU	**¥464,785**	¥390,022	**$4,188**
Total comprehensive income attributable to non-controlling interests	**46,801**	25,580	**422**

	Yen		U.S. Dollars
	2019	2018	2019
Basic earnings per share attributable to ITOCHU (Note 20)	**¥324.07**	¥257.94	**$2.92**
Diluted earnings per share attributable to ITOCHU (Note 20)	**¥324.07**	¥257.94	**$2.92**

Refer to Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

ITOCHU Corporation and its Subsidiaries
Years ended March 31, 2019 and 2018
Prepared in conformity with IFRSs

	Millions of Yen							
	Shareholders' equity							
	Common stock	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total shareholders' equity	Non-controlling interests	Total equity
Balance on April 1, 2018	¥253,448	¥ 160,271	¥2,324,766	¥ 81,206	¥(150,208)	¥2,669,483	¥314,868	¥2,984,351
Net Profit			500,523			500,523	45,166	545,689
Other comprehensive income (Note 23)				(35,738)		(35,738)	1,635	(34,103)
Total comprehensive income			500,523	(35,738)		464,785	46,801	511,586
Cumulative effects of the application of new accounting standards (Note 2)			(14,097)			(14,097)	5	(14,092)
Cash dividends to shareholders (Note 22)			(116,437)			(116,437)		(116,437)
Cash dividends to non-controlling interests							(20,829)	(20,829)
Net change in acquisition (disposition) of treasury stock (Note 21)					(59,456)	(59,456)		(59,456)
Cancellation of treasury stock (Note 21)		(104,063)			104,063	—		—
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests		(6,624)		(746)		(7,370)	412,363	404,993
Transfer to retained earnings			(86,512)	86,512		—		—
Balance on March 31, 2019	¥253,448	¥ 49,584	¥2,608,243	¥131,234	¥(105,601)	¥2,936,908	¥753,208	¥3,690,116

	Millions of Yen							
	Shareholders' equity							
	Common stock	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total shareholders' equity	Non-controlling interests	Total equity
Balance on April 1, 2017	¥253,448	¥162,038	¥2,020,018	¥ 88,729	¥(122,340)	¥2,401,893	¥260,918	¥2,662,811
Net Profit			400,333			400,333	31,387	431,720
Other comprehensive income (Note 23)				(10,311)		(10,311)	(5,807)	(16,118)
Total comprehensive income			400,333	(10,311)		390,022	25,580	415,602
Cash dividends to shareholders (Note 22)			(92,845)			(92,845)		(92,845)
Cash dividends to non-controlling interests							(10,732)	(10,732)
Net change in acquisition (disposition) of treasury stock (Note 21)					(27,868)	(27,868)		(27,868)
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests		(1,767)		48		(1,719)	39,102	37,383
Transfer to retained earnings			(2,740)	2,740		—		—
Balance on March 31, 2018	¥253,448	¥160,271	¥2,324,766	¥ 81,206	¥(150,208)	¥2,669,483	¥314,868	¥2,984,351

	Millions of U.S. Dollars							
	Shareholders' equity							
	Common stock	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total shareholders' equity	Non-controlling interests	Total equity
Balance on April 1, 2018	$2,283	$1,444	$20,946	$ 732	$(1,353)	$24,052	$2,837	$26,889
Net Profit			4,510			4,510	407	4,917
Other comprehensive income (Note 23)				(322)		(322)	15	(307)
Total comprehensive income			4,510	(322)		4,188	422	4,610
Cumulative effects of the application of new accounting standards (Note 2)			(128)			(128)	0	(128)
Cash dividends to shareholders (Note 22)			(1,049)			(1,049)		(1,049)
Cash dividends to non-controlling interests							(188)	(188)
Net change in acquisition (disposition) of treasury stock (Note 21)					(536)	(536)		(536)
Cancellation of treasury stock (Note 21)		(938)			938	—		—
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests		(59)		(7)		(66)	3,715	3,649
Transfer to retained earnings			(779)	779		—		—
Balance on March 31, 2019	$2,283	$ 447	$23,500	$1,182	$ (951)	$26,461	$6,786	$33,247

Refer to Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

ITOCHU Corporation and its Subsidiaries
Years ended March 31, 2019 and 2018
Prepared in conformity with IFRSs

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Cash flows from operating activities			
Net profit	¥ 545,689	¥ 431,720	$4,917
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation and amortization	154,944	114,102	1,396
(Gains) losses on investments	(203,034)	(7,080)	(1,829)
(Gains) losses on property, plant, equipment and intangible assets	12,041	29,629	108
Financial (income) loss	(34,112)	(27,526)	(307)
Equity in earnings of associates and joint ventures	(98,052)	(216,228)	(884)
Income tax expense	149,694	106,138	1,348
Provision for doubtful accounts and other provisions	1,394	12,995	13
Change in trade receivables	(11,645)	(185,873)	(105)
Change in inventories	(32,287)	(53,414)	(291)
Change in trade payables	(30,051)	171,562	(271)
Other–net	36,245	(5,117)	327
Proceeds from interest	37,525	31,321	338
Proceeds from dividends	140,146	110,518	1,263
Payments for interest	(56,365)	(38,703)	(508)
Payments for income taxes	(135,581)	(85,832)	(1,221)
Net cash provided by (used in) operating activities	476,551	388,212	4,294
Cash flows from investing activities			
Payments for purchase of investments accounted for by the equity method	(170,012)	(136,420)	(1,532)
Proceeds from sale of investments accounted for by the equity method	63,900	11,274	576
Payments for purchase of other investments	(84,399)	(76,641)	(760)
Proceeds from sale of other investments	94,693	58,698	853
Acquisitions of subsidiaries, net of cash acquired (Note 33)	134,455	(38,890)	1,211
Sales of subsidiaries, net of cash held by subsidiaries (Note 33)	208,274	—	1,877
Origination of loans receivable	(32,486)	(21,899)	(293)
Collections of loans receivable	60,209	43,206	542
Payments for purchase of property, plant, equipment and intangible assets	(113,572)	(107,829)	(1,023)
Proceeds from sale of property, plant, equipment and intangible assets	17,900	20,810	161
Net change in time deposits	22,187	(8,659)	200
Net cash provided by (used in) investing activities	201,149	(256,350)	1,812
Cash flows from financing activities			
Proceeds from debentures and loans payable (Note 33)	1,022,401	739,832	9,212
Repayments of debentures and loans payable (Note 33)	(1,278,272)	(916,755)	(11,517)
Net change in other loans payable (Note 33)	(89,176)	16,065	(804)
Equity transactions with non-controlling interests	18,947	(3,806)	171
Cash dividends (Note 22)	(116,437)	(92,845)	(1,049)
Cash dividends to non-controlling interests	(27,081)	(10,732)	(244)
Net change in treasury stock	(68,700)	(27,895)	(619)
Net cash provided by (used in) financing activities	(538,318)	(296,136)	(4,850)
Net change in cash and cash equivalents	139,382	(164,274)	1,256
Cash and cash equivalents at the beginning of the year	432,140	605,589	3,894
Effect of exchange rate changes on cash and cash equivalents	508	(9,175)	4
Cash and cash equivalents at the end of the year	¥ 572,030	¥ 432,140	$ 5,154

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.

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, 2019 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥110.99 = US$1, the exchange rate prevailing on March 31, 2019.

(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, 2019.

1) The Application of IFRS 9, "Financial Instruments (revised July 2014)"

The Company and its subsidiaries previously applied IFRS 9, "Financial Instruments (revised November 2013)." From the fiscal year ended March 31, 2019, the Company and its subsidiaries have applied IFRS 9, "Financial Instruments (revised July 2014)." The standard revised the provisions related to classification and measurement of financial assets and to impairment of financial assets.

The Company and its subsidiaries recognized the cumulative effects of initially applying the standard as an adjustment to the opening balance of retained earnings of the fiscal year ended March 31, 2019 in accordance with the transitional method provided by the standard. As a result of applying the standard, at the beginning of the fiscal year ended March 31, 2019, the opening balance of Retained earnings decreased by ¥13,767 million.

2) The Application of IFRS 15 "Revenue from Contracts with Customers"

The Company and its subsidiaries have applied IFRS 15 "Revenue from Contracts with Customers", from the fiscal year ended March 31, 2019. The standard is based on the principle that revenue should be recognized at the time when control of goods or services is transferred to a customer.

The Company and its subsidiaries recognized the cumulative effects of initially applying the standard as an adjustment to the opening balance of retained earnings of the fiscal year ended March 31, 2019 in accordance with the transitional method provided by the standard. The application of the standard resulted in a decrease in the opening balance of Retained earnings of the fiscal year ended March 31, 2019, the amount of which is immaterial.

In addition, the transactions wherein the Company and its subsidiaries obtain control of goods or services before transferring goods or services to a customer are now presented on a gross basis, even if the Company and its subsidiaries are exposed to limited risks related to transferring goods or services in the transaction. As a result of applying the standard, Revenues and Cost increased by ¥5,090,724 million respectively, for the fiscal year ended March 31, 2019.

(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, 2019.

Standard	Title	Mandatory adoption (from fiscal years beginning on or after)	Fiscal year in which the Company will adopt standard	Summary of new or revised standard
IFRS 16	*Leases*	January 1, 2019	Year ending March 2020	Amendments of lease accounting and enhanced disclosure requirements

IFRS 16, "Leases", introduces a single lessee accounting model and in principal requires that right-of-use assets representing the right to use an underlying asset and lease liabilities representing the obligation to make lease payments to be recognized in the Consolidated Statement of Financial Position for all leases. After the recognition of right-of-use assets and lease liabilities, a lessee recognizes depreciation of the right-of-use asset and interest on the lease liability in the Consolidated Statement of Comprehensive Income. In the Consolidated Statement of Cash Flows, lease payments for the principal portion of lease liability are considered cash out flows from financing activities. When applying of this standard, the Company and its subsidiaries expect to apply the modified retrospective approach, and we expect assets and liabilities to increase by approximately ¥1 trillion respectively in the Consolidated Statement of Financial Position at the beginning of the fiscal year ending March 31, 2020.

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 and the liabilities assumed from 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 is remeasured at acquisition-date fair value and non-controlling interest is remeasured at acquisition-date fair value and non-controlling interest is remeasured at acquisition-date fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Goodwill is then recognized as of the acquisition date, measured as the excess of the aggregate of the consideration transferred, 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 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 ventures 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 equity instruments 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:

- Those assets are held under a business model whose objective is to collect contractual cash flows; and
- The contractual cash flows associated with those 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 initial recognition are recorded in profit or loss (FVTPL financial assets) and those for which changes in fair value after initial recognition are recorded in other comprehensive income (FVTOCI financial assets).

As for equity instruments measured at fair value, those with the objective of obtaining gains on short-term sales are categorized as FVTPL financial assets, and the others, primarily held long-term with the objective of strengthening transaction relationships, are categorized as FVTOCI financial assets. As for debt instruments measured at fair value, those which meet both of the conditions below are categorized as FVTOCI financial assets, and the others are categorized as FVTPL financial assets:

- Those assets are under a business model whose objectives are both collecting contractual cash flows and selling the financial assets; and
- The contractual cash flows associated with those assets comprise only payments of principal and interest on the outstanding principal balance, and the dates of those cash flows are specified.

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

Financial assets measured at fair value are subsequently measured 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 equity FVTOCI financial assets. For debt FVTOCI financial assets, changes in fair value after deducting foreign exchange gain or loss and impairment loss (and its reversal) are recognized in other comprehensive income. For both FVTPL financial assets and FVTOCI financial assets, dividends received on equity instruments are recognized in profit or loss.

When an equity FVTOCI financial asset is sold, the difference between the carrying amount and the consideration received is recognized in other comprehensive income (FVTOCI financial assets), and the accumulated other comprehensive income on the equity FVTOCI financial asset recognized before the derecognition (accumulated FVTOCI financial assets) is reclassified to retained earnings. When a debt FVTOCI financial asset is sold, the difference between the carrying amount and the consideration received is recognized in profit or loss, and the accumulated other comprehensive income on the debt FVTOCI financial asset before the derecognition (accumulated FVTOCI financial assets) is reclassified to profit or loss.

A financial asset is derecognized when the contractual rights to the cash flows from the 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 obligee 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 equity 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: 2–60 years, machinery and vehicles: 2–33 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: 5–42 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 and debt FVTOCI financial assets

For financial assets measured at amortized cost and debt FVTOCI financial assets, an impairment loss is recognized in profit or loss by estimating expected credit losses.

If, at the end of the reporting period, the credit risk on a financial instrument has not increased significantly since its initial recognition, the amount of loss allowance is calculated based on expected credit losses resulting from default that are possible within 12 months after the end of the reporting period (12-month expected credit losses). If at the end of the reporting period the credit risk on a financial instrument has increased significantly since its initial recognition, the amount of loss allowance is calculated based on the expected credit losses resulting from default that are possible over the entire expected life of the instrument (lifetime expected credit losses). The assessment of whether the credit risk has increased significantly is made based on reasonable and supportable information including past-due information as well as whether or not any credit event occurs.

For trade receivables, contract assets, and lease receivables, notwithstanding the foregoing, the amount of loss allowance is always calculated based on the lifetime expected credit losses.

Expected credit losses are estimated based on the difference between contractual cash flows and the expected amount of recoverable cash flows. In this estimation, past credit loss experience, current financial positions of debtors, and reasonable and supportable information available on future forecasts have been incorporated.

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 and joint ventures 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

The Company and its subsidiaries recognize revenue in accordance with the following five-step model based on IFRS 15 “Revenue from Contracts with Customers”.

Step 1: Identify the contract
Step 2: Identify performance obligations
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations
Step 5: Recognize revenue when or as a performance obligation is satisfied

“Revenue on product sales transactions” and “revenue on rendering of services and royalty transactions” are recognized when performance obligations in contracts with customers are satisfied, i.e., when control of goods or services provided by the Company and its subsidiaries is transferred to customers. In addition, if consideration includes a variable amount, the consideration is included in the transaction price to the extent that it is highly probable that there will be no significant reversal in the cumulative amount of revenue recognized. The specific criteria for revenue recognition for each type of transaction are as follows:

1) Product sales transactions

Revenues from product sales transactions include wholesale, retail sales, manufactured product sales, and processed product sales. For these transactions, performance obligations are satisfied and revenue is recognized at the time the delivery conditions agreed to with customers are met, such as delivery of products to customers, issuance of warehouse receipt, and receipt of acceptance certificate. In work contract transactions and production of software to order, since performance obligations are satisfied according to the progress of the contract work or production to order, revenue is recognized in accordance with the progress of satisfaction of the performance obligations. In addition, revenues are recognized based on the accumulated actual cost incurred at the end of the period as a percentage of estimated total costs if the total costs required until completion can be estimated reliably, while if 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.

2) Rendering of services and royalty transactions

Revenues from rendering of services include software maintenance and other services. Revenues from these transactions are recorded when performance obligations identified from the contract are satisfied. For transactions in which performance obligations are satisfied over a period of time, revenues are recognized in accordance with the progress of satisfaction of the performance obligations. For royalty transactions, if the right of access to the entity's intellectual property that exists over the license period is granted, revenues are recognized over the license period because performance obligations are satisfied over a period of time.

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

With regards to the presentation of revenue on a gross or a net basis, revenue from transactions with a customer in which the control of goods or services is obtained by a company before the goods or services are transferred to the customer, are presented on a gross basis.

(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 equity instrument

Among financial assets measured at fair value, the fair value of unlisted equity instrument 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 equity instrument in the future accounting periods. (Refer to Note 12 Securities and Other Investments and Note 26 Financial Instruments Measured at Fair Value)

Estimates of expected credit losses on financial assets measured at amortized cost and debt FVTOCI financial assets

Expected credit losses on financial assets measured at amortized cost and debt FVTOCI financial assets are estimated based on the difference between contractual cash flows and the expected amount of recoverable cash flows for the assets. The expected amount of recoverable cash flows for the assets may be affected by changes in future uncertain economic conditions and, as a result, there may be material adjustments to the amount of impairment losses on such assets in future accounting periods. (Refer to Note 24 Financial Instruments)

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 present value of defined benefit obligations net of the fair value of plan assets are recognized as either 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 34 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)
- Judgement about whether credit risks on financial assets measured at amortized cost and debt FVTOCI financial assets have increased significantly (Refer to Note 24 Financial Instrument)
- 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; power generation, electricity sales 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 trading of biomass fuel 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, trading in iron ore, coal, pig iron and ferrous raw materials, non-ferrous and light metals, steel products, nuclear fuels in Japan and overseas, and trading in greenhouse gas emissions.

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, heat supply business, the business and trading in organic chemicals, inorganic chemicals, pharmaceutical products, plastics, fine chemicals, electronic materials, and storage batteries.

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.

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 generated revenue with any single external customer for the years ended March 31, 2019 and 2018.

	Millions of Yen								
	2019								
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	Others, Adjustments & Eliminations	Total
Revenues from external customers	¥593,553	¥1,222,821	¥666,109	¥3,124,420	¥4,290,792	¥890,057	¥ 728,043	¥ 84,690	¥11,600,485
Intersegment revenues	73	9,479	—	33,740	457	24,089	10,070	(77,908)	—
Total revenues	593,626	1,232,300	666,109	3,158,160	4,291,249	914,146	738,113	6,782	11,600,485
Gross trading profit	118,905	193,830	82,845	216,554	583,640	164,079	207,824	(3,905)	1,563,772
Equity in earnings of associates and joint ventures	8,404	30,051	20,114	13,401	30,841	30,904	42,147	(77,810)	98,052
Net profit attributable to ITOCHU	29,764	47,628	79,230	80,643	207,909	62,921	68,432	(76,004)	500,523
Reportable segment assets	¥527,204	¥1,180,268	¥844,399	¥1,288,711	¥3,238,135	¥980,618	¥1,093,255	¥946,113	¥10,098,703

	Millions of Yen								
	2018								
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	Others, Adjustments & Eliminations	Total
Revenues from external customers	¥522,427	¥ 722,774	¥229,661	¥1,576,750	¥1,149,176	¥594,420	¥697,187	¥ 17,664	¥5,510,059
Intersegment revenues	42	27	—	1,097	460	12,876	6,965	(21,467)	—
Total revenues	522,469	722,801	229,661	1,577,847	1,149,636	607,296	704,152	(3,803)	5,510,059
Gross trading profit	121,978	171,934	93,464	206,756	278,279	152,428	178,741	6,860	1,210,440
Equity in earnings of associates and joint ventures	7,046	25,068	20,779	6,249	33,584	18,076	37,369	68,057	216,228
Net profit attributable to ITOCHU	12,499	57,052	82,460	36,882	80,466	55,683	51,099	24,192	400,333
Reportable segment assets	¥474,856	¥1,218,556	¥850,295	¥1,355,712	¥1,962,169	¥978,777	¥766,159	¥1,057,413	¥8,663,937

	Millions of U.S. Dollars								
	2019								
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	Others, Adjustments & Eliminations	Total
Revenues from external customers	$5,348	$11,017	$6,002	$28,150	$38,659	$8,019	$6,560	$ 763	$104,518
Intersegment revenues	1	85	—	304	4	217	91	(702)	—
Total revenues	5,349	11,102	6,002	28,454	38,663	8,236	6,651	61	104,518
Gross trading profit	1,071	1,746	746	1,951	5,259	1,478	1,873	(35)	14,089
Equity in earnings of associates and joint ventures	76	271	181	121	278	278	380	(701)	884
Net profit attributable to ITOCHU	268	429	714	727	1,873	567	617	(685)	4,510
Reportable segment assets	$4,750	$10,634	$7,608	$11,611	$29,175	$8,835	$9,850	$8,525	$ 90,988

Note: Others, Adjustments & Eliminations includes gains and losses which do not belong to any operating segment and internal eliminations between operating segments. The investments in 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
	2019	2018	2019
Japan	¥ 8,996,916	¥3,773,299	$ 81,061
United States	712,571	693,109	6,420
Singapore	668,072	327,748	6,019
China	327,769	127,137	2,953
United Kingdom	229,749	174,553	2,070
Others	665,408	414,213	5,995
Total	¥11,600,485	¥5,510,059	$104,518

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
	2019	2018	2019
Japan	¥1,651,383	¥ 645,108	$14,879
Australia	163,078	167,268	1,469
Singapore	127,718	123,353	1,151
United Kingdom	101,600	140,063	915
United States	90,216	89,700	813
Others	180,561	146,610	1,627
Total	¥2,314,556	¥1,312,102	$20,854

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

Major business combinations for the year ended March 31, 2019 were as follows:

(Acquisition of RICARDO PÉREZ, S.A.)

On April 13, 2018 (the Acquisition Date) the Company acquired from Grupo Corporativo Pérez, S.A. 70.0% of the shares of RICARDO PÉREZ, S.A. ("RICARDO PÉREZ"), which is an exclusive distributor for Toyota and Lexus in Panama. As a result, RICARDO PÉREZ has become a subsidiary of the Company. Consideration of ¥20,860 million (US$188 million) was paid in cash. The amount of ¥ 20,549 million paid in the Consolidated Statement of Comprehensive Income for the year ended March 31, 2018 is included in Payments for purchase of other investments in the Consolidated Statement of Cash Flows.

Since becoming an exclusive distributor for Toyota cars in 1956, RICARDO PÉREZ maintained the top position for more than 20 years in the Panamanian market for new cars. The Company has been operating automobile distributors in many countries around the world since the 1970s. By leveraging this experience, it will seek to further popularize the Toyota and Lexus brand in Panama, while at the same time gaining support from Toyota Motor Corporation.

The Company, a controlling shareholder with experience in developing a wide range of businesses globally, aims to further enhance its corporate value by leveraging synergies and opportunities for further development of next-generation businesses.

The following table summarizes the fair values of consideration paid, non-controlling interests, assets acquired and liabilities assumed at the Acquisition Date. No contingent consideration was recognized.

	Millions of Yen	Millions of U.S. Dollars
Fair value of consideration paid (Note)	¥ 20,860	$188
Fair value of non-controlling interests	6,257	56
Total	¥ 27,117	$244
Fair value of assets acquired and liabilities assumed		
Inventories	9,079	82
Other current assets	7,536	67
Intangible assets	25,071	226
Other non-current assets	2,054	19
Trade payables	(5,947)	(54)
Other current liabilities	(10,433)	(94)
Non-current liabilities	(6,458)	(58)
Net assets	¥ 20,902	$188
Goodwill	¥ 6,215	$ 56
Total	¥ 27,117	$244

Note: All consideration was paid in cash.

The goodwill acquired was recognized in consideration of the excess earning power that is expected to result from future business development that utilizes the complementary relationships between the ITOCHU Group and the acquired businesses. This goodwill is not deductible for tax purposes and is included in the Machinery operating segment.

The fair values of assets acquired, liabilities assumed, and non-controlling interest were determined based on the analysis of financial status and asset conditions conducted through due diligence by a third party and a corporate valuation conducted using the discounted cash flow method by a financial advisor.

The operating performance included in the Consolidated Statements of Comprehensive Income for the year ended March 31, 2019 of RICARDO PÉREZ from the Acquisition Date is not presented as impact is not material.

(Acquisition of FamilyMart UNY Holdings Co., Ltd.)

On August 16, 2018 (the Acquisition Date), the Company acquired 8.6% of voting rights in FamilyMart UNY Holdings Co., Ltd. ("FamilyMart UNY"), an associated company accounted for by the equity method, through the issuing of a tender offer for the ordinary shares through ITOCHU RETAIL INVESTMENT, LLC, the Company's subsidiary. These rights, added to its previously held equity interest, raised the Company's ownership of FamilyMart UNY to 50.29%, of voting rights. As a result, FamilyMart UNY became a subsidiary of the Company. The shares were acquired for ¥119,684 million (US$1,079 million), all of which was paid in cash.

FamilyMart UNY engages in the convenience store business with a focus on FamilyMart Co., Ltd., and businesses associated therewith. Given the increasingly severe competition in the retail sector, we will enhance marketing at FamilyMart UNY, upgrade to a next-generation supply chain, and create greater efficiency in store operations. By broadly applying this experience and knowledge to our other businesses, we will aim to further boost value across the entire Group.

All shares of FamilyMart UNY held in UNY CO., LTD. were disposed of on January 4, 2019.

The following table summarizes the previously held equity interests, assets acquired and liabilities assumed, as measured at fair value, as well as non-controlling interests assumed, at the Acquisition Date. No contingent consideration was recognized.

	Millions of Yen	Millions of U.S. Dollars
Fair value of consideration paid (Note 1)	¥ 119,684	$ 1,079
Fair value of previously held equity interests	494,699	4,457
Fair value of non-controlling interests (Note 2)	401,579	3,618
Total	¥1,015,962	$ 9,154
Fair value of assets acquired and liabilities assumed		
Cash and cash equivalents	250,849	2,260
Trade receivables	261,960	2,360
Other current assets	145,608	1,312
Property, plant and equipment	374,692	3,376
Intangible assets	493,752	4,449
Other non-current assets	451,147	4,064
Trade payables	(359,134)	(3,236)
Other current liabilities	(254,540)	(2,293)
Long term debentures and borrowings	(312,785)	(2,818)
Other non-current liabilities	(297,037)	(2,676)
Net assets	¥ 754,512	$ 6,798
Goodwill	¥ 261,450	$ 2,356
Total	¥1,015,962	$ 9,154

Notes: 1. All consideration was paid in cash.
2. Non-controlling interests have been calculated by multiplying the total net assets by the non-controlling interest ratio on the Acquisition Date.

As of the Acquisition Date, the amount of intercompany transactions included in Trade receivables and Trade payables in the above table was ¥11,979 million (US$108 million) and ¥137,496 million (US$1,239 million) respectively, which were eliminated in the consolidated statement of financial position against Trade payables and Trade receivables which the Company held with FamilyMart UNY.

The goodwill acquired was recognized in consideration of the excess earning power that is expected to result from future business development that utilizes the complementary relationships between the Group and the acquired businesses. This goodwill is not deductible for tax purposes and is included in the Food operating segment.

In this acquisition, the fair value of the previously held equity interest was calculated by taking into account the control premium included in the tender offer price and the market value. Upon remeasuring its previously held equity interest at its Acquisition Date fair value, the Company recorded a gain of ¥167,900 million (US$1,513 million) in Gains on investments. With regard to this gain, the Company recorded Income tax expense of ¥26,697 million (US$241 million).

The Company recorded the acquisition costs of ¥335 million (US$3 million) in Selling general and administrative expenses related to this business combination.

The following table presents operating performance included in the Consolidated Statement of Comprehensive Income for the year ended March 31, 2019 of Family Mart UNY from the Acquisition Date.

	Millions of Yen	Millions of U.S. Dollars
Total revenues	¥520,543	$4,690
Net profit	12,485	112
Net profit attributable to ITOCHU	4,333	39

(Acquisition of POCKET CARD CO., LTD.)

ITOCHU had held 46% of voting rights in POCKET CARD CO., LTD. (POCKET CARD) through GIT Corporation (its corporate name changed to MONEY COMMUNICATIONS INC. on April 19, 2019), a subsidiary of the Company, which it had recognized as an associated company accounted for by the equity method. FamilyMart UNY became a subsidiary on August 16, 2018 (Acquisition Date), and, as a result, the company acquired an additional 34% of voting rights. These rights, added to the Company's equity interest previously held (46%), raised the Company's ownership of POCKET CARD to 80% of voting rights. As a result, POCKET CARD has become a subsidiary of the Company.

POCKET CARD engaged in Famima T card businesses, including credit card and financing operations. Through this business combination, the Company will provide expertise in financial business and business operations, take advantage of the Group's diverse value chains to continue attracting members and cooperate in new business development with the aim of further enhancing corporate value. FamilyMart UNY will recruit members of Famima T card and support the marketing of Famima T card by leveraging its own FamilyMart store network in Japan and further providing an infrastructure function.

The following table summarizes the previously held equity interests, assets acquired and liabilities assumed, as measured at fair value, as well as non-controlling interests assumed, at the Acquisition Date.

	Millions of Yen	Millions of U.S. Dollars
Fair value of previously held equity interests (Note 1)	¥ 37,927	$ 342
Fair value of non-controlling interests (Note 2)	9,481	85
Total	¥ 47,408	$ 427
Fair value of assets acquired and liabilities assumed		
Current assets	261,379	$ 2,355
Non-current assets	9,635	87
Current liabilities	(87,168)	(785)
Non-current liabilities	(136,438)	(1,230)
Net assets	¥ 47,408	$ 427

Notes: 1. All consideration was paid in cash.
2. Non-controlling interests have been calculated by multiplying the total net assets by the non-controlling interest ratio on the Acquisition Date.

Upon remeasuring its previously held equity interest at its Acquisition Date fair value, the Company recorded a gain of ¥1,006 million ($9 million) in Gains on investments in the Consolidated Statement.

The operating performance included in the Consolidated Statements of Comprehensive Income for the year ended March 31, 2019, of POCKET CARD CO., LTD. from the Acquisition Date is not presented as impact is not material.

(Pro forma information)

The following table presents the unaudited pro forma results of operations, as if the business combinations involving RICARDO PÉREZ, S.A., Family Mart UNY Holdings Co., Ltd. and POCKET CARD CO., LTD. had occurred on April 1, 2018

	Millions of Yen	Millions of U.S. Dollars
Total revenues	¥12,218,085	$110,083
Net profit	564,315	5,084
Net profit attributable to ITOCHU	503,198	4,534

Major business combinations for the year ended March 31, 2018 were 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 manufacturing 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, non-controlling interests, assets acquired and liabilities assumed of TAKIRON at the Acquisition Date. No contingent consideration was recognized.

	Millions of Yen
Fair value of consideration paid (Note)	¥ 7,224
Fair value of previously held equity interests (Note)	13,825
Fair value of non-controlling interests (Note)	20,779
Total	¥ 41,828
Fair value of assets acquired and liabilities assumed	
Current assets	55,540
Property, plant and equipment	17,814
Other non-current assets	10,460
Current liabilities	(24,378)
Non-current liabilities	(14,820)
Net assets	¥ 44,616

Note: Amounts were measured based on the current value of the ordinary shares of CIK that the Company delivered at the Acquisition Date.

As shown above, the fair values of assets acquired and liabilities assumed of TAKIRON exceeded the total of fair values of consideration paid, previously held equity interests and non-controlling interests by ¥2,788 million. This reflects the assessment of the fair values of the assets acquired and liabilities assumed making full use of the information available. The Company recorded the entire amount of this difference in Gains on investments in the Consolidated Statement of Comprehensive Income for the year ended March 31, 2018.

The fair value of assets acquired, liabilities assumed, and non-controlling interest were determined based on the analysis of financial status and asset conditions conducted through due diligence by a third party and a corporate valuation conducted using the discounted cash flow method by a financial advisor.

The operating performance included in the Consolidated Statements of Comprehensive Income for the year ended March 31, 2018, of TAKIRON from the Acquisition Date is not presented because it is impractical to segregate the individual amount due to business integration.

(Acquisition of YANASE & CO., LTD.)

The Company issued a tender offer for the ordinary shares of YANASE & CO., LTD. ("YANASE"), an associated company accounted for by the equity method of which the Company holds 39.5% of the voting rights. On August 3, 2017 (the Acquisition Date), the Company acquired an additional 26.6% of voting rights in YANASE. These rights, added to its previously held equity interest, raised the Company's ownership of YANASE to 66.1% of voting rights, and YANASE has become a subsidiary of the Company.

The principle business of YANASE is to sell imported cars including German cars, and their parts/accessories as well as maintenance and services. The Company will further coorporate with YANASE and realize collaborative synergies for domestic and overseas business development; sharing the Group's business resources such as assets, know-how and customer base, to further enhance corporate value.

The following table summarizes the fair values of consideration paid, previously held equity interests, non-controlling interests, assets acquired and liabilities assumed at the Acquisition Date. No contingent consideration was recognized.

	Millions of Yen
Fair value of consideration paid (Note 1)	¥ 6,782
Fair value of previously held equity interests	14,075
Fair value of non-controlling interests (Note 2)	8,664
Total	¥ 29,521
Fair value of assets acquired and liabilities assumed	
Current assets	74,205
Property, plant and equipment	75,552
Other non-current assets	19,329
Current liabilities	(74,568)
Non-current liabilities	(58,840)
Net assets	¥ 35,678

Notes: 1. All consideration was paid in cash.
2. The amount was measured based on the purchase price set force for the tender offer.

As shown above, the fair values of assets acquired and liabilities assumed exceeded the total of fair values of consideration paid, previously held equity interests and non-controlling interests by ¥6,157 million. This reflects the assessment of the fair values of the assets acquired and liabilities assumed making full use of the information available. The Company recognized this difference as a gain from bargain purchase and recorded the entire amount in Gains on investments in the Consolidated Statement of Comprehensive Income for the year ended March 31, 2018. Upon remeasuring its previously held equity interest at its Acquisition Date fair value, the Company recorded a loss of ¥5,830 million in Gains on investments, and a gain of ¥327 million is recorded together with a gain from bargain purchase.

The fair value of assets acquired and liabilities assumed were determined based on the analysis of financial status and asset conditions conducted through due diligence by a third party.

The following table presents operating performance included in the Consolidated Statement of Comprehensive Income for the year ended March 31, 2018 of YANASE from the Acquisition Date.

	Millions of Yen
Total revenues	¥321,475
Net profit	5,978
Net profit attributable to ITOCHU	3,946

Among the main business combinations that occurred for the year ended March 31, 2018, the ones during the initial fair value measurement of assets acquired and liabilities assumed were as follows:

(Acquisition of Alta Forest Products, LLC.)

On January 12, 2018 (the Acquisition Date), the Company acquired all of the membership interests, 100% of the voting rights, of Alta Forest Products, LLC ("Alta"), which is the largest wood fence board manufacturer in North America from E.R. Probyn Ltd., a Canadian corporation and Welco Lumber Company, a US corporation, and Alta has become a subsidiary of the Company. Upon acquisition, the Company acquired all of the shares of TMI Forest Products Inc. which holds 60% of membership interests of Alta from E.R. Probyn Ltd., and ITOCHU International Inc., a subsidiary of the Company acquired 40% of membership interest from Welco Lumber Company. The consideration was ¥24,511 million as a result of adjustment based on the share and membership interest purchase agreement, and was paid in cash. No contingent consideration was recognized.

The Company has been a leader in the North American fence distribution industry through ITOCHU International Inc.'s ownership of MASTER-HALCO, INC. ("MASTER-HALCO"), which operates 5 chain link fence manufacturing plants and 53 distribution centers in North America. Through this business combination, the Company aims to strengthen its fencing business in North America and further enhance corporate value, capitalizing on the expected synergies between Alta and MASTER-HALCO's sales and distribution network.

The following table summarizes the fair values of consideration paid, assets acquired and liabilities assumed at the Acquisition Date. No contingent consideration was recognized.

	Millions of Yen
Fair value of consideration paid (Note)	¥24,511
Total	¥24,511
Fair value of assets acquired and liabilities assumed	
Current assets	11,985
Property, plant and equipment	3,792
Intangible assets	12,191
Other non-current assets	47
Current liabilities	(7,108)
Non-current liabilities	(2,053)
Net assets	¥18,854
Goodwill	¥ 5,657
Total	¥24,511

Note: All consideration was paid in cash.

The goodwill acquired was recognized in consideration of the excess earning power that is expected to result from future business development that utilizes the complementary relationships between the ITOCHU Group and the acquired businesses. This goodwill of ¥ 1,507 million, recorded through Itochu International Inc., is deductible for tax purposes and is included in the General Products & Realty operating segment.

The fair value of assets acquired and liabilities assumed were determined based on the analysis of financial status and asset conditions conducted through due diligence by a third party.

The following table presents operating performance included in the Consolidated Statement of Comprehensive Income for the year ended March 31, 2018 of Alta from the Acquisition Date.

	Millions of Yen
Total revenues	¥7,029
Net profit	148
Net profit attributable to ITOCHU	148

6. Trade and Other Receivables

The breakdown of trade receivables as of March 31, 2019 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Notes receivable	**¥ 194,317**	¥ 195,813	**$ 1,751**
Trade accounts receivable	**1,936,827**	1,818,736	**17,450**
Service fees receivable	**283,418**	173,306	**2,554**
Allowance for doubtful accounts (current)	**(16,954)**	(4,506)	**(153)**
Total	**¥2,397,608**	¥2,183,349	**$21,602**

The breakdown of other current receivables as of March 31, 2019 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Short-term loans receivable	**¥ 57,223**	¥24,779	**$ 515**
Other accounts receivable	**25,060**	19,176	**226**
Allowance for doubtful accounts (current)	**(1,736)**	(490)	**(16)**
Others	**88,421**	40,681	**797**
Total	**¥168,968**	¥84,146	**$1,522**

The breakdown of non-current receivables as of March 31, 2019 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Long-term loans receivable	**¥617,294**	¥614,218	**$5,562**
Others	**24,196**	23,323	**218**
Allowance for doubtful accounts (non-current)	**(22,728)**	(19,822)	**(205)**
Total	**¥618,762**	¥617,719	**$5,575**

7. Inventories

The breakdown of Inventories as of March 31, 2019 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Merchandise	**¥621,008**	¥562,002	**$5,595**
Finished goods	**76,540**	78,269	**690**
Real estate for sale	**160,079**	154,677	**1,442**
Raw materials and supplies	**49,416**	48,035	**445**
Work in progress	**30,140**	27,369	**272**
Total	**¥937,183**	¥870,352	**$8,444**

The write-downs of inventories to net realizable value were ¥4,157 million (US$37 million) and ¥5,389 million as of March 31, 2019 and 2018, 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, 2019 and 2018 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, 2019								
Cost	**¥177,362**	**¥ 595,045**	**¥ 613,569**	**¥243,961**	**¥140,054**	**¥37,544**	**¥20,321**	**¥1,827,856**
Accumulated depreciation and accumulated impairment losses	**(5,701)**	**(248,449)**	**(343,926)**	**(95,307)**	**(45,972)**	**(704)**	**(9,923)**	**(749,982)**
Carrying amount	**171,661**	**346,596**	**269,643**	**148,654**	**94,082**	**36,840**	**10,398**	**1,077,874**

	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, 2018								
Cost	¥165,710	¥449,157	¥597,507	¥106,508	¥138,740	¥27,837	¥27,415	¥1,512,874
Accumulated depreciation and accumulated impairment losses	(6,930)	(223,500)	(334,527)	(71,923)	(45,577)	(695)	(16,428)	(699,580)
Carrying amount	158,780	225,657	262,980	34,585	93,163	27,142	10,987	813,294

	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, 2019								
Cost	**$1,598**	**$ 5,361**	**$ 5,528**	**$2,198**	**$1,262**	**$337**	**$183**	**$16,467**
Accumulated depreciation and accumulated impairment losses	**(51)**	**(2,238)**	**(3,099)**	**(859)**	**(414)**	**(6)**	**(89)**	**(6,756)**
Carrying amount	**1,547**	**3,123**	**2,429**	**1,339**	**848**	**331**	**94**	**9,711**

The changes in the carrying amount of property, plant and equipment for the years ended March 31, 2019 and 2018 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, 2018	¥158,780	¥225,657	¥262,980	¥ 34,585	¥93,163	¥ 27,142	¥10,987	¥ 813,294
Acquisitions through business combinations	**67,186**	**164,700**	**24,309**	**118,500**	**—**	**1,908**	**46**	**376,649**
Individual acquisitions	**1,293**	**43,703**	**20,483**	**45,886**	**19**	**54,820**	**3,059**	**169,263**
Disposals and decreases through divestitures	**(58,979)**	**(60,875)**	**(6,947)**	**(4,501)**	**(12)**	**(4,919)**	**(344)**	**(136,577)**
Depreciation	**—**	**(38,009)**	**(49,120)**	**(48,476)**	**(2,814)**	**—**	**(2,769)**	**(141,188)**
Impairment losses recognized in profit or loss	**(516)**	**(6,743)**	**(1,026)**	**(478)**	**—**	**(9)**	**(874)**	**(9,646)**
Effect of foreign currency exchange differences	**119**	**1,167**	**(2,827)**	**(174)**	**2,331**	**(1,233)**	**(23)**	**(640)**
Others	**3,778**	**16,996**	**21,791**	**3,312**	**1,395**	**(40,869)**	**316**	**6,719**
Balance as of March 31, 2019	**¥171,661**	**¥346,596**	**¥269,643**	**¥148,654**	**¥94,082**	**¥ 36,840**	**¥10,398**	**¥1,077,874**

	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, 2017	¥100,413	¥203,573	¥271,774	¥ 35,552	¥34,075	¥ 25,128	¥ 9,860	¥680,375
Acquisitions through business combinations	58,044	26,435	11,242	3,749	—	1,221	459	101,150
Individual acquisitions	2,344	16,877	18,631	10,536	65,928	44,695	8,410	167,421
Disposals and decreases through divestitures	(8,412)	(5,707)	(3,420)	(2,075)	—	(1,329)	(247)	(21,190)
Depreciation	—	(18,716)	(41,829)	(11,993)	(2,252)	—	(7,400)	(82,190)
Impairment losses recognized in profit or loss	(712)	(11,346)	(3,132)	(1,220)	—	(329)	(36)	(16,775)
Effect of foreign currency exchange differences	(157)	(1,731)	(6,848)	212	(4,588)	(1,161)	(536)	(14,809)
Others	7,260	16,272	16,562	(176)	—	(41,083)	477	(688)
Balance as of March 31, 2018	¥158,780	¥225,657	¥262,980	¥ 34,585	¥93,163	¥ 27,142	¥10,987	¥813,294

	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, 2018	$1,431	$2,033	$2,369	$312	$839	$ 245	$ 99	$ 7,328
Acquisitions through business combinations	**605**	**1,485**	**219**	**1,068**	**—**	**17**	**0**	**3,394**
Individual acquisitions	**12**	**394**	**185**	**413**	**0**	**493**	**28**	**1,525**
Disposals and decreases through divestitures	**(531)**	**(549)**	**(63)**	**(41)**	**(0)**	**(44)**	**(3)**	**(1,231)**
Depreciation	**—**	**(342)**	**(443)**	**(437)**	**(25)**	**—**	**(25)**	**(1,272)**
Impairment losses recognized in profit or loss	**(5)**	**(61)**	**(9)**	**(4)**	**—**	**(0)**	**(8)**	**(87)**
Effect of foreign currency exchange differences	**1**	**10**	**(25)**	**(2)**	**21**	**(11)**	**(0)**	**(6)**
Others	**34**	**153**	**196**	**30**	**13**	**(369)**	**3**	**60**
Balance as of March 31, 2019	**$1,547**	**$3,123**	**$2,429**	**$1,339**	**$848**	**$ 331**	**$ 94**	**$ 9,711**

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, 2019 was ¥9,646 million (US$87 million).

The amount of the impairment losses during the year ended March 31, 2018 was ¥16,775 million.

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, 2019 and 2018 were as follows:

	Millions of Yen
	Investment property
Balance as of March 31, 2019	
Cost	**¥ 51,910**
Accumulated depreciation and accumulated impairment losses	**(19,386)**
Carrying amount	**32,524**

	Millions of Yen
	Investment property
Balance as of March 31, 2018	
Cost	¥ 40,507
Accumulated depreciation and accumulated impairment losses	(21,373)
Carrying amount	19,134

	Millions of U.S. Dollars
	Investment property
Balance as of March 31, 2019	
Cost	**$ 468**
Accumulated depreciation and accumulated impairment losses	**(175)**
Carrying amount	**293**

The changes in the carrying amount of investment property for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Beginning of the year	¥ 19,134	¥26,605	$ 172
Acquisitions through business combinations	137,843	29	1,242
Individual acquisitions	389	511	4
Disposals and decreases through divestitures	(123,138)	(2,414)	(1,109)
Depreciation	(1,088)	(344)	(10)
Impairment losses recognized in profit or loss	(207)	—	(2)
Effect of foreign currency exchange differences	198	(142)	2
Transfers to and from property, plant and equipment	29	(4,929)	0
Others	(636)	(182)	(6)
End of the year	¥ 32,524	¥19,134	$ 293

Fair values of investment property for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Fair Value	¥35,456	¥21,127	$319

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, 2019 and 2018 were ¥14,182 million (US$128 million) and ¥5,335 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, 2019 and 2018 were ¥7,373 million (US$67 million) and ¥2,614 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, 2019 and 2018:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Trade receivables and others	¥ 9,453	¥ 9,101	$ 85
Inventories	58,720	60,450	529
Investments and Non-current receivables	124,617	31,851	1,123
Property, plant and equipment, and others	16,712	17,802	151
Total	¥209,502	¥119,204	$1,888

Collateral was pledged to secure the following obligations as of March 31, 2019 and 2018:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Short-term borrowings (Note)	¥ 2,339	¥ 3,110	$ 21
Trade payables and others	46,201	49,985	416
Long-term borrowings	16,043	17,200	145
Total	¥64,583	¥70,295	$582

Note: Short-term borrowings as of March 31, 2019 and 2018 included the current portion of Long-term borrowings of ¥1,300 million (US$12 million) and ¥1,283 million, respectively.

In addition, merchandise imported and / or sales proceeds resulting from 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, 2019 and 2018 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, 2019									
Cost	**¥ 9,325**	**¥21,777**	**¥—**	**¥924**	**¥310,500**	**¥ 68,590**	**¥45,884**	**¥ 1,690**	**¥458,690**
Accumulated impairment losses	**(1,778)**	**(6,789)**	**—**	**(87)**	**(22,379)**	**(34,182)**	**(225)**	**(1,690)**	**(67,130)**
Carrying amount	**7,547**	**14,988**	**—**	**837**	**288,121**	**34,408**	**45,659**	**—**	**391,560**

	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, 2018									
Cost	¥ 9,311	¥14,980	¥—	¥886	¥ 53,180	¥ 69,853	¥45,896	¥ 1,617	¥195,723
Accumulated impairment losses	(1,764)	(6,559)	—	(83)	(21,325)	(35,092)	—	(1,617)	(66,440)
Carrying amount	7,547	8,421	—	803	31,855	34,761	45,896	—	129,283

	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, 2019									
Cost	**$ 84**	**$196**	**$—**	**$ 9**	**$2,798**	**$ 618**	**$413**	**$ 15**	**$4,133**
Accumulated impairment losses	**(16)**	**(61)**	**—**	**(1)**	**(202)**	**(308)**	**(2)**	**(15)**	**(605)**
Carrying amount	**68**	**135**	**—**	**8**	**2,596**	**310**	**411**	**—**	**3,528**

The changes in the carrying amount of goodwill for the years ended March 31, 2019 and 2018 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, 2018	¥7,547	¥ 8,421	¥—	¥803	¥ 31,855	¥34,761	¥45,896	¥—	¥129,283
Acquisitions through business combinations	—	6,215	—	—	261,450	—	—	—	267,665
Decrease through divestitures	—	—	—	—	(5,564)	—	—	—	(5,564)
Impairment losses recognized in profit or loss	—	—	—	—	—	—	(225)	—	(225)
Effect of foreign currency exchange differences, and others	—	352	—	34	380	(353)	(12)	—	401
Balance as of March 31, 2019	¥7,547	¥14,988	¥—	¥837	¥288,121	¥34,408	¥45,659	¥—	¥391,560

	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, 2017	¥ 8,999	¥8,678	¥—	¥849	¥40,020	¥27,790	¥45,326	¥—	¥131,662
Acquisitions through business combinations	—	210	—	—	—	5,482	361	—	6,053
Decrease through divestitures	—	—	—	—	—	—	—	—	—
Impairment losses recognized in profit or loss	(1,452)	—	—	—	(7,464)	—	—	—	(8,916)
Effect of foreign currency exchange differences, and others	—	(467)	—	(46)	(701)	1,489	209	—	484
Balance as of March 31, 2018	¥ 7,547	¥8,421	¥—	¥803	¥31,855	¥34,761	¥45,896	¥—	¥129,283

	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, 2018	$68	$ 76	$—	$ 8	$ 287	$313	$413	$—	$1,165
Acquisitions through business combinations	—	56	—	—	2,356	—	—	—	2,412
Decrease through divestitures	—	—	—	—	(50)	—	—	—	(50)
Impairment losses recognized in profit or loss	—	—	—	—	—	—	(2)	—	(2)
Effect of foreign currency exchange differences, and others	—	3	—	0	3	(3)	(0)	—	3
Balance as of March 31, 2019	$68	$135	$—	$ 8	$2,596	$310	$411	$—	$3,528

The goodwill balance as of March 31, 2019 included ¥255,886 million (US$2,305 million) recognized as a result of the conversion of FamilyMart UNY into a consolidated subsidiary, ¥8,378 million (US$75 million) recognized as a result of the acquisition of the Dole business of Dole International Holdings, Inc. of the Food segment and ¥28,762 million (US$259 million) recognized as a result of the acquisition of the Kwik-Fit Group of European Tyre Enterprise Limited of the General Products & Realty segment.

The goodwill balance as of March 31, 2018 included ¥29,528 million recognized as a result of the acquisition of the Kwik-Fit Group in European Tyre Enterprise Limited of the General Products & Realty segment and ¥7,911 million recognized as a result of the acquisition of the Dole business of Dole International Holdings, Inc. of the Food segment.

As a result of impairment tests for goodwill, the amount of the impairment losses during the year ended March 31, 2019 was ¥225 million (US$2 million).

As a result of impairment tests for goodwill, the amount of the impairment losses during the year ended March 31, 2018 was ¥8,916 million.

Regarding the goodwill balance resulting from the acquisition of the Dole business of Dole International Holdings, Inc., the Company revised the business plans for Dole considering the intensifying competition in the frozen fruits business in North America. Accordingly, an impairment loss of ¥7,464 million was recorded on goodwill related to the packaged food business of the companies.

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 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 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 5–17%).

(2) Intangible Assets

The cost, accumulated amortization and accumulated impairment losses, and carrying amount of intangible assets for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of March 31, 2019				
Cost	¥487,275	¥132,128	¥276,290	¥ 895,693
Accumulated amortization and accumulated impairment losses	(32,419)	(75,257)	(51,817)	(159,493)
Carrying amount	454,856	56,871	224,473	736,200

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of March 31, 2018				
Cost	¥151,387	¥116,412	¥104,194	¥ 371,993
Accumulated amortization and accumulated impairment losses	(23,560)	(74,772)	(40,373)	(138,705)
Carrying amount	127,827	41,640	63,821	233,288

	Millions of U.S. Dollars			
	Trademarks	Software	Others	Total
Balance as of March 31, 2019				
Cost	$4,390	$1,191	$2,489	$ 8,070
Accumulated amortization and accumulated impairment losses	(292)	(678)	(467)	(1,437)
Carrying amount	4,098	513	2,022	6,633

The changes in the carrying amount of intangible assets for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of April 1, 2018	¥127,827	¥ 41,640	¥ 63,821	¥233,288
Acquisitions through business combinations	**334,537**	**15,782**	**171,254**	**521,573**
Individual acquisitions	**60**	**18,012**	**2,782**	**20,854**
Disposals	**(1)**	**(329)**	**(291)**	**(621)**
Decrease through divestitures	**—**	**(3,177)**	**(581)**	**(3,758)**
Amortization expenses	**(6,531)**	**(16,232)**	**(11,102)**	**(33,865)**
Impairment losses recognized in profit or loss	**(3,158)**	**(135)**	**(3,200)**	**(6,493)**
Effect of foreign currency exchange differences, and others	**2,122**	**1,310**	**1,790**	**5,222**
Balance as of March 31, 2019	**¥454,856**	**¥ 56,871**	**¥224,473**	**¥736,200**

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of April 1, 2017	¥138,074	¥ 38,418	¥61,224	¥237,716
Acquisitions through business combinations	552	1,121	12,725	14,398
Individual acquisitions	865	14,234	4,208	19,307
Disposals	(105)	(426)	(479)	(1,010)
Decrease through divestitures	(267)	(605)	(3,436)	(4,308)
Amortization expenses	(2,274)	(11,685)	(5,645)	(19,604)
Impairment losses recognized in profit or loss	(8,424)	(409)	(2,048)	(10,881)
Effect of foreign currency exchange differences, and others	(594)	992	(2,728)	(2,330)
Balance as of March 31, 2018	¥127,827	¥ 41,640	¥63,821	¥233,288

	Millions of U.S. Dollars			
	Trademarks	Software	Others	Total
Balance as of April 1, 2018	$1,152	$ 375	$ 575	$2,102
Acquisitions through business combinations	**3,014**	**142**	**1,543**	**4,699**
Individual acquisitions	**1**	**162**	**25**	**188**
Disposals	**(0)**	**(3)**	**(3)**	**(6)**
Decrease through divestitures	**—**	**(29)**	**(5)**	**(34)**
Amortization expenses	**(59)**	**(146)**	**(100)**	**(305)**
Impairment losses recognized in profit or loss	**(28)**	**(1)**	**(29)**	**(58)**
Effect of foreign currency exchange differences, and others	**18**	**13**	**16**	**47**
Balance as of March 31, 2019	**$4,098**	**$ 513**	**$2,022**	**$6,633**

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, 2019 was ¥6,493 million (US$59 million).

The amount of impairment losses during the year ended March 31, 2018 was ¥10,881 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. Based on this environment, the Company revised the business plans. Consequently, an impairment loss of ¥6,890 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 amount of acquisitions through business combinations during the year ended March 31, 2019 included ¥493,752 million (US$4,449 million) due to the conversion of FamilyMart UNY Holdings Co., Ltd. into a consolidated subsidiary, of which the majority of the balance related to ¥334,531 million (US$3,014 million) of trademarks and ¥139,982 million (US$1,261 million) of customer relationships with remaining amortization periods of 17 years to 33 years.

The carrying amount of "Others" as of March 31, 2019 included ¥142,521 million (US$1,284 million) of customer relationships in FamilyMart UNY Holdings Co., Ltd., ¥24,129 million (US$217 million) of contract-based intangible assets in RICARDO PÉREZ, S.A., ¥10,869 million (US$98 million) of customer relationships in TMI Forest Products Inc., ¥9,229 million (US$83 million) of sales network in CONEXIO Corporation, and ¥7,802 million (US$70 million) of customer relationships in Dole International Holdings, Inc.

The carrying amount of "Others" as of March 31, 2018 included ¥10,900 million of customer relationships in TMI Forest Products Inc., ¥10,074 million of sales network in CONEXIO Corporation, and ¥8,342 million of customer relationships in Dole International Holdings, Inc.

The carrying amounts of intangible assets with indefinite useful lives for the years ended March 31, 2019 and 2018 were ¥102,587 million (US$924 million) and ¥99,711 million, respectively. The balance of intangible assets with indefinite useful lives for the year ended March 31, 2019 included ¥57,725 million (US$520 million) of trademarks of Dole International Holdings, Inc. and ¥40,359 million (US$364 million) of trademarks of European Tyre Enterprise Limited. The balance of intangible assets with indefinite useful lives for the year ended March 31, 2018 included ¥55,025 million of trademarks of Dole International Holdings, Inc. and ¥41,434 million of trademarks of European Tyre Enterprise Limited. The fluctuation in the balance of trademarks of Dole International Holdings, Inc. and European Tyre Enterprise Limited are mainly due to 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 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 are consistent with external information. The growth rate is determined with reference to the long-term average growth rate of the markets or countries to which the cash-generating unit belongs. The discount rate is determined with reference to such factors as the weighted average cost of capital for each cash-generating unit (approximately 5–21%).

12. Securities and Other Investments

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

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Securities:			
FVTPL financial assets	¥ 65	¥ —	$ 1
FVTOCI financial assets	—	—	—
Amortized cost*	7	143	0
Total	¥ 72	¥ 143	$ 1
Other Investments:			
FVTPL financial assets	56,016	52,387	505
FVTOCI financial assets	788,339	754,142	7,103
Amortized cost*	12,906	9,981	116
Total	¥857,261	¥816,510	$7,724

* 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
	2019	2018	2019
Marketable equity securities	¥315,467	¥328,851	$2,842
Non-marketable equity securities	472,872	425,291	4,261
Total	¥788,339	¥754,142	$7,103

The Non-marketable equity securities mainly consisted of investments in natural resource sectors, such as metal and mineral resources, petroleum, and natural gas. The total fair value of the investments in such natural resource sectors as of March 31, 2019 and 2018 were ¥327,933 million (US$2,955 million) and ¥279,287 million, respectively. These investments included Drummond International, LLC, BHP Iron Ore (Jimblebar) Pty Ltd, Sakhalin Oil and Gas Development Co., Ltd., RAS LAFFAN LIQUEFIED NATURAL GAS COMPANY LIMITED, 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, 2019 and 2018 were as follows:

March 31, 2019

Stock	Millions of Yen	Millions of U.S. Dollars
Isuzu Motors Limited	**¥76,972**	**$694**
NISSIN FOODS HOLDINGS CO., LTD.	**41,398**	**373**
Shandong Longda Meat Foodstuff Co.,Ltd.	**16,266**	**147**
Seven & i Holdings Co., Ltd.	**13,377**	**121**
Advance Residence Investment Corporation	**10,859**	**98**
Ryohin Keikaku Co., Ltd.	**8,523**	**77**
Showa Sangyo Co., Ltd.	**7,615**	**69**
Mazda Motor Corporation	**7,494**	**68**
FreakOut Holdings, inc.	**6,156**	**55**
Benefit One Inc.	**5,333**	**48**
Honma Golf Limited	**4,493**	**40**
Internet Initiative Japan Inc.	**4,371**	**39**
Nippon Flour Mills Co., Ltd.	**4,344**	**39**
SEIBU HOLDINGS INC.	**4,237**	**38**
VIETNAM NATIONAL TEXTILE AND GARMENT GROUP	**3,897**	**35**

March 31, 2018

Stock	Millions of Yen
Isuzu Motors Limited	¥86,395
NISSIN FOODS HOLDINGS CO., LTD.	40,200
Shandong Longda Meat Foodstuff Co.,Ltd.	23,055
Seven & i Holdings Co., Ltd.	14,591
Advance Residence Investment Corporation	9,683
Mazda Motor Corporation	8,511
Showa Sangyo Co., Ltd.	7,026
Chubu Shiryo Co., Ltd.	4,556
Honma Golf Limited	4,354
Internet Initiative Japan Inc.	4,210
H2O RETAILING CORPORATION	4,132
Nippon Flour Mills Co., Ltd.	3,765
Benefit One Inc.	3,613
NICHIHA CORPORATION	3,376
Mizuho Financial Group, Inc.	3,137

FVTOCI financial assets which the Company derecognized in the years ended March 31, 2019 and 2018 were as follows:

Millions of Yen						Millions of U.S. Dollars		
2019			2018			2019		
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
¥82,211	**¥(128,269)**	**¥280**	¥26,601	¥(9,096)	¥699	**$741**	**$(1,156)**	**$3**

Cumulative gains (losses) (net of tax) reclassified from other comprehensive income (loss) (FVTOCI financial assets) to retained earnings for the years ended March 31, 2019 and 2018 due to derecognition of FVTOCI financial assets were ¥86,593 million (US$780 million) (loss) and ¥7,828 million (loss), respectively. The reclassification was mainly due to the derecognition of FVTOCI financial assets caused by sale of equity securities as a result of reconsideration of business relationships and the change in classification of equity securities from FVTOCI financial assets to investments in subsidiaries or associates.

13. Associates and Joint Ventures

(1) The Total Carrying Amounts of Investments in Associates and Joint Ventures

For investments in associates and joint ventures, the total carrying amounts in the Consolidated Statement of Financial Position as of March 31, 2019 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Investment			
Associates	¥1,152,413	¥1,334,800	$10,383
Joint ventures	406,867	510,071	3,666
Total	¥1,559,280	¥1,844,871	$14,049

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 ¥292,280 million (US$2,633 million) and ¥285,970 million as of March 31, 2019 and 2018, 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, 2019 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Associates			
Share of profit or loss	¥144,210	¥126,108	$1,299
Share of other comprehensive income	(13,793)	13,835	(124)
Subtotal	130,417	139,943	1,175
Joint ventures			
Share of profit or loss	(46,158)	90,120	(416)
Share of other comprehensive income	(24,732)	27,852	(223)
Subtotal	(70,890)	117,972	(639)
Share of comprehensive income			
Total share of profit or loss of associates and joint ventures	98,052	216,228	883
Total share of other comprehensive income of associates and joint ventures	(38,525)	41,687	(347)
Total	¥ 59,527	¥257,915	$ 536

In Investments accounted for by the equity method, the Company recognized impairment losses which were included in Gains on investments in the Consolidated Statement of Comprehensive Income of ¥20,115 million (US$181 million) and ¥35,556 million for the years ended March 31, 2019 and 2018, respectively. The Company recognized an impairment loss of ¥28,959 million on C.P. Pokphand Co. Ltd. for the year ended March 31, 2018, in response to the deterioration of earnings due to the depressed market prices of swine in Vietnam, and the decline in stock price.

In addition, Chia Tai Bright Investment Company Limited (hereinafter referred to as "CTB"), a company in which the Company and Charoen Pokphand Group Company Limited each invested 50%, owns 20% of CITIC Limited ordinary shares. Accordingly, CTB applied the equity method to account for the investment in CITIC Limited. The Company conducts assessments of equity method investments on a quarterly basis in order to determine whether an indicator of impairment exists, and various factors such as expected future profitability, stock price, economic environment, and industry trends are considered in the assessment.

In light of the current status of the trade conflicts between the U.S. and China, the Company considered the uncertainty of the economic outlook of China, where CITIC Limited conducts its primary business activities, as increasing. Also, the Company judged the stock price of CITIC Limited, which is listed on the Hong Kong Stock Exchange, as unlikely to recover to its carrying amount of the investment accounted for by the equity method of CITIC Limited held by CTB in the short term. Given the above factors, the recoverable amount calculated based on the expected future cash flows was less than the carrying amount of the investment accounted for by the equity method, the Company recognized an impairment loss of ¥145,677 million (US$1,313 million) in the second quarter of the year ended March 31, 2019. (The impact on Net profit attributable to ITOCHU was ¥143,346 million (US$1,292 million) (loss).)

The recoverable amounts used in impairment tests for investments in associates and joint ventures are calculated by comprehensive consideration, referencing value in use calculated with the support of independent appraisers or stock prices. 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 2–12%).

(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, 2019 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Balance of receivables			
Associates	¥ 97,466	¥215,980	$ 878
Joint ventures	553,311	536,970	4,985
Total	¥650,777	¥752,950	$5,863
Balance of payables			
Associates	102,524	54,581	924
Joint ventures	2,377	2,110	21
Total	¥104,901	¥ 56,691	$ 945

(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, 2019 and 2018 as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Revenues			
Associates	¥439,648	¥205,833	$3,961
Joint ventures	26,570	18,401	239
Total	¥466,218	¥224,234	$4,200
Purchases			
Associates	383,750	355,971	3,458
Joint ventures	23,615	20,953	213
Total	¥407,365	¥376,924	$3,671

(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).

(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$10,129 million as of March 31, 2019.

The summarized financial information of CITIC Limited based on the disclosed financial statements as of December 31, 2018 and 2017 were as follows:

	Millions of HK Dollars	
	2018	2017
Total assets	$7,660,713	$7,520,739
Total liabilities	$6,850,053	$6,727,098
Total equity	$ 810,660	$ 793,641

	Millions of HK Dollars	
	2018	2017
Total revenues	$533,285	$450,536
Net profit	75,025	65,096
Total other comprehensive income for the year, net of tax	(25,068)	37,457
Total comprehensive income for the year	$ 49,957	$102,553

(Judgment on significant influence)
While the Company holds 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 exercises significant influence and applies the equity method to Orient Corporation.

The Company, through a subsidiary, holds 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, 2019 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Notes payable	¥ 265,496	¥ 212,989	$ 2,392
Trade accounts payable	1,513,276	1,480,378	13,634
Other accounts payable	163,265	132,492	1,471
Total	¥1,942,037	¥1,825,859	$17,497

The breakdown of other current payables as of March 31, 2019 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Other accounts payable	¥ 18,807	¥38,130	$ 170
Lease obligations (current)	42,441	13,771	382
Deposits received	173,270	27,299	1,561
Total	¥234,518	¥79,200	$2,113

The breakdown of other non-current financial liabilities as of March 31, 2019 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Lease obligations (non-current)	¥145,892	¥ 65,234	$1,315
Others	69,717	49,393	628
Total	¥215,609	¥114,627	$1,943

15. Debentures and Borrowings

The breakdown of Short-term debentures and borrowings as of March 31, 2019 and 2018 were as follows:

	Millions of Yen	Interest rate (%)	Millions of Yen	Interest rate (%)	Millions of U.S. Dollars
	2019		2018		2019
Current loans from financial institutions	**¥235,045**	**1.3%**	¥281,284	1.8%	**$2,118**
Commercial paper	**30,500**	**0.1%**	13,050	0.0%	**275**
Subtotal	**265,545**	**—**	294,334	—	**2,393**
Current portion of long-term debentures and borrowings	**385,364**	**—**	232,533	—	**3,472**
Total	**¥650,909**	**—**	¥526,867	—	**$5,865**

Note: Interest rates represent the weighted average interest rates based on balances as of March 31, 2019 and 2018. 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, 2019 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Borrowings			
Secured			
Due 2018–2037, interest rate mainly 0.0%–3.3%	**¥ 17,343**	¥ 18,483	**$ 156**
Unsecured			
Due 2018–2031, interest rate mainly 0.0%–9.1%	**2,309,875**	2,101,917	**20,812**
Debentures			
Unsecured bonds and notes			
Year of issuance, Coupon, Type of bond, Maturity			
Issued in 2008–2015, 0.3%–2.3% Yen Bonds due 2018–2027	**245,000**	295,000	**2,207**
Issued in 2012, floating rate Yen Bonds due 2022	**10,000**	10,000	**90**
Issued in 2014, floating rate U.S. Dollar Bonds due 2019	**11,099**	10,624	**100**
Issued in and after 2012, debentures and others issued by subsidiaries, maturing through 2024	**108,863**	28,796	**981**
Subtotal	**2,702,180**	2,464,820	**24,346**
Fair value hedge and discontinuation of hedge adjustment	**16,112**	20,319	**145**
Total	**2,718,292**	2,485,139	**24,491**
Less: Current portion of long-term debentures and borrowings	**(385,364)**	(232,533)	**(3,472)**
Long-term debentures and borrowings	**¥2,332,928**	¥2,252,606	**$21,019**

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 business operations, or through 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, 2019 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Less than 1 year	¥ 16,860	¥12,206	$152
1–5 years	47,051	35,058	424
More than 5 years	39,031	15,697	352
Total	¥102,942	¥62,961	$928

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, 2019 and 2018 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		
	2019	2018	2019	2019	2018	2019
Less than 1 year	¥11,425	¥10,765	$103	¥10,457	¥ 9,910	$ 94
1–5 years	27,469	26,516	247	25,241	24,242	227
More than 5 years	10,771	11,649	97	8,862	9,676	80
Total	49,665	48,930	447	¥44,560	¥43,828	$401
[Unguaranteed residual value]	[408]	[379]	[4]			
Less: Unearned finance income	(4,816)	(4,845)	(43)			
Less: Present value of unguaranteed residual value	(289)	(257)	(3)			
Present value of minimum lease payments receivable	¥44,560	¥43,828	$401			

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, aircrafts and certain other assets under operating leases.

The schedule of future minimum lease payments under non-cancelable operating leases as of March 31, 2019 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Less than 1 year	¥110,492	¥ 49,845	$ 996
1–5 years	213,943	136,276	1,928
More than 5 years	142,565	159,562	1,284
Total	¥467,000	¥345,683	$4,208

As of March 31, 2019 and 2018, the total of future minimum lease payments to be received under non-cancelable subleases were ¥98,316 million (US$886 million) and ¥57,902 million, respectively.

In the years ended March 31, 2019 and 2018, lease payments under operating leases recognized as an expense were ¥201,376 million (US$1,814 million) and ¥102,213 million, respectively, and sublease payments received were ¥20,483 million (US$185 million) and ¥10,646 million, respectively.

The Company and its subsidiaries lease fixtures and fittings, buildings, machinery and equipment, and certain other assets under finance leases. The cost, accumulated depreciation and accumulated impairment losses, and carrying amount of such leased assets by class as of March 31, 2019 and 2018 were as follows:

	Millions of Yen					
	2019			2018		
	Cost	Accumulated depreciation and Accumulated impairment losses	Carrying amount	Cost	Accumulated depreciation and Accumulated impairment losses	Carrying amount
Buildings and structures	¥ 58,888	¥(30,666)	¥ 28,222	¥ 58,284	¥27,625	¥30,659
Machinery and equipment	37,286	(13,688)	23,598	26,403	13,049	13,354
Fixtures and fittings	98,038	(13,086)	84,952	18,405	11,850	6,555
Others	1,191	(173)	1,018	1,014	205	809
Total	¥195,403	¥(57,613)	¥137,790	¥104,106	¥52,729	¥51,377

	Millions of U.S. Dollars		
	2019		
	Cost	Accumulated depreciation and Accumulated impairment losses	Carrying amount
Buildings and structures	$ 531	$(276)	$ 255
Machinery and equipment	336	(123)	213
Fixtures and fittings	883	(118)	765
Others	11	(2)	9
Total	$1,761	$(519)	$1,242

The present value of future minimum lease payments, and the amount of future financial cost as of March 31, 2019 and 2018 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		
	2019	2018	2019	2019	2018	2019
Less than 1 year	¥ 45,490	¥15,206	$ 410	¥ 42,441	¥13,771	$ 382
1–5 years	114,429	42,588	1,031	109,596	39,712	988
More than 5 years	38,345	29,270	345	36,296	25,522	327
Total	198,264	87,064	1,786	¥188,333	¥79,005	$1,697
Less: Future financial cost	(9,931)	(8,059)	(89)			
Present value of future minimum lease payments	¥188,333	¥79,005	$1,697			

As of March 31, 2019 and 2018, the total future minimum lease payments to be received under non-cancelable subleases were ¥31,357 million (US$283 million) and ¥29,830 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 be received to move in tandem with the Libor rate every 6 months. 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, the balance of prior service liability is recognized as a liability, and subsequently, that liability is reversed when the special premium is paid.

As of March 31, 2018, the ITOCHU United Pension Fund was underfunded by ¥6,660 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 ¥2,176 million (US$20 million) and ¥2,157 million for the years ended March 31, 2019 and 2018, respectively. The planned amount of contributions in the year ending March 31, 2020 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, 2019.

Changes in the defined benefit obligations were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Projected benefit obligations at the beginning of the year	¥393,405	¥344,621	$3,545
Service cost	14,656	10,535	132
Current service cost	14,832	13,331	134
Prior service cost	(176)	(2,796)	(2)
Interest cost	3,114	3,144	28
Plan participants' contributions	628	634	6
Remeasurements	1,814	3,746	16
Benefits paid from plan assets	(20,899)	(16,070)	(188)
Benefits paid by employer	(4,744)	(5,599)	(43)
Foreign currency translation adjustments	941	(1,047)	8
Acquisitions and divestitures	54,372	53,441	490
Settlements	(241)	—	(2)
Projected benefit obligations at the end of the year	¥443,046	¥393,405	$3,992

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

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Fair value of plan assets at the beginning of the year	**¥309,476**	¥296,894	**$2,788**
Interest income	**2,427**	2,537	**22**
Remeasurements	**(2,948)**	8,318	**(27)**
Employer contributions	**7,122**	4,763	**64**
Plan participants' contributions	**628**	634	**6**
Benefits paid from plan assets	**(20,899)**	(16,070)	**(188)**
Foreign currency translation adjustments	**(375)**	698	**(4)**
Acquisitions and divestitures	**36,578**	11,702	**330**
Settlements	**(237)**	—	**(2)**
Fair value of plan assets at the end of the year	**¥331,772**	¥309,476	**$2,989**

As of March 31, 2019 and 2018, 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		
	2019		
	Level 1	Level 2	Total
Equity instruments:			
Domestic	**¥ 23,008**	**¥ 38,894**	**¥ 61,902**
Overseas	**5,213**	**21,695**	**26,908**
Debt instruments:			
Domestic	**28,622**	**70,855**	**99,477**
Overseas	**8,991**	**32,718**	**41,709**
Other assets:			
Cash and cash equivalents	**36,215**	**—**	**36,215**
Life insurance company general accounts	**—**	**32,140**	**32,140**
Others	**—**	**33,421**	**33,421**
Total	**¥102,049**	**¥229,723**	**¥331,772**

	Millions of Yen		
	2018		
	Level 1	Level 2	Total
Equity instruments:			
Domestic	¥ 32,747	¥ 29,728	¥ 62,475
Overseas	4,950	22,316	27,266
Debt instruments:			
Domestic	34,435	51,094	85,529
Overseas	14,258	29,530	43,788
Other assets:			
Cash and cash equivalents	31,865	—	31,865
Life insurance company general accounts	—	30,690	30,690
Others	—	27,863	27,863
Total	¥118,255	¥191,221	¥309,476

	Millions of U.S. Dollars		
	2019		
	Level 1	Level 2	Total
Equity instruments:			
Domestic	$207	$ 351	$ 558
Overseas	47	195	242
Debt instruments:			
Domestic	258	638	896
Overseas	81	295	376
Other assets:			
Cash and cash equivalents	326	—	326
Life insurance company general accounts	—	290	290
Others	—	301	301
Total	$919	$2,070	$2,989

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 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 is as follows:

The Projected benefit obligation is calculated based on the estimated amount of future benefits that have been incurred as of the present. The amount of those future payments is discounted back from the expected time of future payment to the present. Accordingly, the timing of benefit payments influences the amounts of the projected benefit obligation and service costs, and consequently, 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, 2020 is approximately ¥7,300 million.

The assumptions regarding the defined benefit obligation were as follows:

	2019	2018
Discount rate	0.5%	0.6%
Rate of compensation increase	3.7%	3.7%
Mortality rate	0.02–0.73%	0.02–0.73%
Retirement rate	0.4–15.4%	0.9–13.7%
Lump sum election rate	30.2%	29.7%

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, 2019, a movement of 1% in the discount rate would have an effect of ¥23,164 million (US$209 million) on the defined benefit obligation and an effect of ¥670 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, 2019 and 2018 were ¥7,272 million (US$66 million) and ¥6,285 million, respectively.

Details of Compensation

Details of compensation and bonuses for the Company's directors in the year ended March 31, 2019 were as follows:

		Millions of Yen	Millions of U.S. Dollars	
Type	Number of people	Amount paid	Amount paid	Details
Directors (Outside directors)	10 (5)	¥1,779 ¥ (48)	$16 $ (0)	(1) Monthly compensation: ¥493 million (2) Directors' bonuses accrued and payable for the fiscal year ended March 31, 2019: ¥1,000 million (3) Special bonuses: ¥113 million (4) Share-based remuneration:¥173 million

Notes: 1. Maximum compensation paid to all directors: ¥800 million per year as total monthly compensation (including ¥100 million per year as a portion to the outside directors) and ¥2.0 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 21, 2019).

2. The Company has decided to pay a special bonus, in accordance with the resolution passed at the Board of Directors meeting held on April 18, 2019, after examination by the Governance and Remuneration Committee. The Director bonus calculated by the current formula shall be paid inside the range of the existing bonus (¥1.0 billion per year), and any amount exceeding the said range shall be paid as a special bonus, separate from the Director bonus, whereby the amount of special bonus and Director bonus combined does not exceed the bonus limit (¥2.0 billion per year) in Note 1.

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

18. Provisions

The changes in provisions in Other current liabilities and Other non-current liabilities for the year ended March 31, 2019 were as follows:

	Millions of Yen		
	Provisions for asset retirement obligations	Other provisions	Total
Balance as of April 1, 2018	¥ 55,786	¥20,102	¥ 75,888
Provisions increased for the year	65,086	23,910	88,996
Provisions charged-off	(3,625)	(6,690)	(10,315)
Provisions reversed	(946)	(2,696)	(3,642)
Accretion expense	1,315	6	1,321
The effect of changing in the discount rate	795	—	795
Others	(24,709)	(7,338)	(32,047)
Balance as of March 31, 2019	¥ 93,702	¥27,294	¥120,996

	Millions of U.S. Dollars		
	Provisions for asset retirement obligations	Other provisions	Total
Balance as of April 1, 2018	$ 503	$181	$ 684
Provisions increased for the year	587	215	802
Provisions charged-off	(33)	(60)	(93)
Provisions reversed	(9)	(24)	(33)
Accretion expense	12	0	12
The effect of changing in the discount rate	7	—	7
Others	(223)	(66)	(289)
Balance as of March 31, 2019	$ 844	$246	$1,090

The provisions for asset retirement obligations are related to the costs of restoring stores with real estate lease contracts of subsidiaries and the costs of dismantlement of coal mining, iron-ore mining, and crude oil drilling facilities of subsidiaries. Other provisions include provision for loss on guarantees and provision for loss on interest repayments. In the changes in provisions above, Provisions increased for the year include the increase of ¥65,509 million (US$590 million) from the new consolidations, and Others include the decrease of ¥30,159 million (US$272 million) related to the de-consolidations.

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
	2019	2018	2019
Other current liabilities	¥ 7,829	¥ 8,394	$ 70
Other non-current liabilities	113,167	67,494	1,020
Total	¥120,996	¥75,888	$1,090

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 rate for the fiscal years ended March 31, 2019 and 2018, which have been calculated based on the statutory tax rate, is 31.0%.

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, 2019 and 2018 were allocated as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Income tax expense			
Current tax expense	¥(105,693)	¥(100,975)	$ (952)
Deferred tax expense (*)	(44,001)	(5,163)	(397)
Total	(149,694)	(106,138)	(1,349)
Income taxes recognized directly in equity	361	(52)	3
Total	361	(52)	3
Income tax related to each component of other comprehensive income			
Translation adjustments	1,565	(432)	14
Remeasurement of net defined pension liability	1,588	(1,320)	14
FVTOCI financial assets	(3,412)	(8,192)	(31)
Cash flow hedges	1,387	(797)	12
Other comprehensive income in associates and joint ventures	1,790	1,670	17
Total	¥ 2,918	¥ (9,071)	$ 26

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, 2019 and 2018 were ¥51,954 million (US$468 million) (expense) and ¥8,301 million (expense), respectively.
2. Deferred tax expense relating to changes of tax regulations for the years ended March 31, 2018 was ¥12,146 million (income). Deferred tax expense relating to changes of tax regulations for the years ended March 31, 2019 is immaterial.
3. Deferred tax expense relating to the reassessment of the realizability of deferred tax assets for the years ended March 31, 2019 and 2018 were ¥7,953 million (US$72 million) (income) and ¥9,008 million (expense), 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, 2019 and 2018 were as follows:

	2019	2018
Statutory effective tax rate	31.0%	31.0%
Items not deductible or not taxable for tax purposes	0.7	0.7
Difference of tax rates for foreign subsidiaries	0.2	(0.7)
Tax effect on dividends received	(0.6)	(0.2)
Effect on deferred tax assets and deferred tax liabilities from a change in the tax regulation	—	(2.3)
Change in temporary differences for which no deferred tax asset is recognized	(1.1)	1.7
Equity in earnings of associates and joint ventures	(4.4)	(12.5)
Tax effect on equity interests in subsidiaries, associates and joint ventures	(4.3)	2.3
Others	0.0	(0.3)
Effective tax rate in the Consolidated Statement of Comprehensive Income	21.5%	19.7%

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, 2019 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Deductible temporary differences	¥382,100	¥428,206	$3,443
Tax loss carryforwards / tax credit carryforwards	207,368	225,760	1,868
Total	¥589,468	¥653,966	$5,311

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
	2019	2018	2019
Within 1 year	¥ 870	¥ 264	$ 8
Within 2 years	15,903	1,022	143
Within 3 years	4,356	13,174	39
Within 4 years	6,146	4,590	56
Within 5 years	9,785	6,986	88
After 5 to 10 years	149,431	145,763	1,346
After 10 years (or no expiration date)	20,877	53,961	188
Total	¥207,368	¥225,760	$1,868

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, 2019 and 2018, were immaterial.

Significant components of deferred tax assets and deferred tax liabilities for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Deferred tax assets:			
Inventories and Property, plant and equipment	¥ 64,856	¥ 58,198	$ 584
Allowance for doubtful accounts	8,607	4,686	78
Tax loss carryforwards	51,262	17,815	462
Non-current liabilities for employee benefits	67,027	62,303	604
Securities and investments	46	159	0
Others	69,683	50,938	628
Total deferred tax assets	261,481	194,099	2,356
Deferred tax liabilities:			
Non-current liabilities for employee benefits	(35,743)	(37,977)	(322)
Securities and investments	(91,093)	(50,311)	(821)
Equity interests in subsidiaries, associates, and joint ventures	(97,849)	(80,580)	(882)
Property, plant and equipment and Intangible assets	(210,871)	(69,573)	(1,900)
Others	(11,805)	(22,978)	(106)
Total deferred tax liabilities	(447,361)	(261,419)	(4,031)
Net deferred tax assets (liabilities)	¥(185,880)	¥ (67,320)	$(1,675)

Among the above changes of deferred tax assets and deferred tax liabilities for the years ended March 31, 2019 and 2018, the changes recognized through other comprehensive income are mainly FVTOCI financial assets, which are included in Securities and investments.

The details of changes in deferred tax assets and deferred tax liabilities for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Net deferred tax assets (liabilities)			
Balance at the beginning of the year	¥ (67,320)	¥(68,714)	$ (607)
Deferred tax expense for the current period	(44,001)	(5,163)	(396)
Deferred taxes recognized directly in equity			
Capital surplus	361	(50)	3
Deferred tax related to each component of other comprehensive income			
Translation adjustments	1,557	(277)	14
Remeasurement of net defined pension liability	1,588	(1,320)	14
FVTOCI financial assets	(14,174)	(8,037)	(128)
Cash flow hedges	1,387	(797)	12
Other comprehensive income in associates and joint ventures	1,790	1,670	17
Changes in deferred tax assets (liabilities) accompanying business combination	(67,068)	15,368	(604)
Balance at the end of the year	¥(185,880)	¥(67,320)	$(1,675)

The changes in deferred tax assets (liabilities) accompanying business combination for the years ended March 31, 2019 are mainly caused by the conversion of FamilyMart UNY Holdings Co., Ltd. into a subsidiary.

20. Earnings per Share Attributable to ITOCHU

The basic and diluted earnings per share attributable to ITOCHU for the years ended March 31, 2019 and 2018 were as follows:

	Yen		U.S. Dollars
	2019	2018	2019
Earnings per share			
Basic earnings per share attributable to ITOCHU	¥324.07	¥257.94	$2.92
Diluted earnings per share attributable to ITOCHU	¥324.07	¥257.94	$2.92

The base data to calculate the basic and diluted earnings per share attributable to ITOCHU for March 31, 2019 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
(Numerator)	2019	2018	2019
Net profit attributable to ITOCHU	¥500,523	¥400,333	$4,510
Effect of dilutive securities	—	—	—
Diluted net profit attributable to ITOCHU	¥500,523	¥400,333	$4,510

	Number of Shares	
(Denominator)	2019	2018
Weighted-average number of common shares outstanding	1,544,498,372	1,552,027,460

21. Equity

(1) Common Stock

The number of shares authorized and issued were as follows:

	Number of Shares	
	2019	2018
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	**(78,000,000)**	—
Balance at the end of the year	**1,584,889,504**	1,662,889,504

The number of shares of treasury stock included in the number of shares issued above as of March 31, 2019 and 2018 were 63,547,182 shares and 112,725,195 shares, respectively. The number of shares of treasury stock as of March 31, 2019 includes 868,649 shares of the Company held in the trust account for the benefit share ESOP and 700,740 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, 2018 includes 902,200 shares of the Company held in the trust account for the benefit share ESOP and 457,433 shares of the Company held in the BIP trust account for officer remuneration. In the year ended March 31, 2019, the Company cancelled 78,000,000 shares of treasury stock based on the resolution at a meeting of its board of directors.

The issued shares stated above are fully paid, and 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 for the purchase of treasury stock under the Companies Act was ¥676,316 million (US$6,093 million) as of March 31, 2019. This amount available as dividends or for 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 being 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, 2019 and 2018 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 23, 2017	Ordinary shares	¥43,165	Retained earnings	¥27.50	March 31, 2017	June 26, 2017
Board of Directors' meeting held on November 2, 2017	Ordinary shares	¥49,680	Retained earnings	¥32.00	September 30, 2017	December 4, 2017
Ordinary general meeting of shareholders held on June 22, 2018	Ordinary shares	¥58,995 ($532)	Retained earnings	¥38.00 ($0.34)	March 31, 2018	June 25, 2018
Board of Directors' meeting held on November 2, 2018	Ordinary shares	¥57,442 ($518)	Retained earnings	¥37.00 ($0.33)	September 30, 2018	December 3, 2018

(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 21, 2019	Ordinary shares	¥70,099 ($632)	Retained earnings	¥46.00 ($0.41)	March 31, 2019	June 24, 2019

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
	2019	2018	2019
Translation adjustments			
Balance at the beginning of the year	¥136,729	¥137,085	$1,232
Adjustment for the year	(55,692)	(356)	(502)
Balance at the end of the year	81,037	136,729	730
FVTOCI financial assets			
Balance at the beginning of the year	(61,484)	(50,353)	(554)
Adjustment for the year	30,768	(17,957)	277
Transfer to retained earnings	80,480	6,826	725
Balance at the end of the year	49,764	(61,484)	448
Cash flow hedges			
Balance at the beginning of the year	5,961	1,997	54
Adjustment for the year	(5,528)	3,964	(50)
Balance at the end of the year	433	5,961	4
Remeasurement of net defined pension liability			
Balance at the beginning of the year	—	—	—
Adjustment for the year	(6,032)	4,086	(54)
Transfer to retained earnings	6,032	(4,086)	54
Balance at the end of the year	—	—	—
Other components of equity			
Balance at the beginning of the year	81,206	88,729	732
Adjustment for the year	(36,484)	(10,263)	(329)
Transfer to retained earnings	86,512	2,740	779
Balance at the end of the year	¥131,234	¥ 81,206	$1,182

The amount of Transfer to retained earnings in FVTOCI financial assets for the year ended March 31, 2019 is mainly consisted of the sale of TING HSIN (CAYMAN ISLANDS) HOLDING CORP.

(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					
	2019			2018		
	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	**¥ 23,452**	**¥(3,412)**	**¥ 20,040**	¥(14,908)	¥(8,192)	¥(23,100)
Adjustment for the year	**23,452**	**(3,412)**	**20,040**	(14,908)	(8,192)	(23,100)
Remeasurement of net defined pension liability						
Amount arising during the year on net defined pension liability	**(4,762)**	**1,588**	**(3,174)**	4,572	(1,320)	3,252
Adjustment for the year	**(4,762)**	**1,588**	**(3,174)**	4,572	(1,320)	3,252
Other comprehensive income in associates and joint ventures						
Amount arising during the year	**8,641**	**502**	**9,143**	1,393	(60)	1,333
Adjustment for the year	**8,641**	**502**	**9,143**	1,393	(60)	1,333
Items that will be reclassified to profit or loss						
Translation adjustments						
Amount arising during the year on translation adjustment	**(4,323)**	**1,233**	**(3,090)**	(37,588)	(438)	(38,026)
Reclassification to profit or loss for the year	**(6,045)**	**332**	**(5,713)**	(432)	6	(426)
Adjustment for the year	**(10,368)**	**1,565**	**(8,803)**	(38,020)	(432)	(38,452)
Cash flow hedges						
Amount arising during the year on derivative instruments for cash flow hedges	**(11,742)**	**3,366**	**(8,376)**	3,065	(1,350)	1,715
Reclassification to profit or loss for the year	**6,714**	**(1,979)**	**4,735**	(1,773)	553	(1,220)
Adjustment for the year	**(5,028)**	**1,387**	**(3,641)**	1,292	(797)	495
Other comprehensive income in associates and joint ventures						
Amount arising during the year	**(50,026)**	**1,481**	**(48,545)**	38,126	1,732	39,858
Reclassification to profit or loss for the year	**1,070**	**(193)**	**877**	498	(2)	496
Adjustment for the year	**(48,956)**	**1,288**	**(47,668)**	38,624	1,730	40,354
Total other comprehensive income for the year, net of tax	**¥(37,021)**	**¥ 2,918**	**¥(34,103)**	¥ (7,047)	¥(9,071)	¥(16,118)

	Millions of U.S. Dollars		
	2019		
	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	$ 212	$ (31)	$ 181
Adjustment for the year	212	(31)	181
Remeasurement of net defined pension liability			
Amount arising during the year on net defined pension liability	(43)	14	(29)
Adjustment for the year	(43)	14	(29)
Other comprehensive income in associates and joint ventures			
Amount arising during the year	77	5	82
Adjustment for the year	77	5	82
Items that will be reclassified to profit or loss			
Translation adjustments			
Amount arising during the year on translation adjustment	(39)	11	(28)
Reclassification to profit or loss for the year	(54)	3	(51)
Adjustment for the year	(93)	14	(79)
Cash flow hedges			
Amount arising during the year on derivative instruments for cash flow hedges	(106)	30	(76)
Reclassification to profit or loss for the year	61	(18)	43
Adjustment for the year	(45)	12	(33)
Other comprehensive income in associates and joint ventures			
Amount arising during the year	(451)	14	(437)
Reclassification to profit or loss for the year	10	(2)	8
Adjustment for the year	(441)	12	(429)
Total other comprehensive income for the year, net of tax	$(333)	$26	$(307)

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, 2019 and 2018 were ¥4,174 million (US$38 million) (income) and ¥19,077 million (loss) (before tax effect), respectively (¥2,880 million (US$26 million) (income) and ¥13,163 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 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, 2019 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Interest-bearing debt	¥2,983,837	¥2,779,473	$26,884
Cash and cash equivalents	572,030	432,140	5,154
Time deposit	5,051	26,915	45
Net Interest-bearing debt	2,406,756	2,320,418	21,685
Shareholders' equity	2,936,908	2,669,483	26,461
NET DER (times)	0.82	0.87	0.82

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, 2019 and 2018 were as follows:

	Millions of Yen							
	2019							
	U.S. dollar	Euro	Pound	Yuan	Australian dollar	Brazilian real	Other	Total
Short-term balance	¥(18,415)	¥ 3,237	¥(1,187)	¥ 925	¥(4,988)	¥903	¥21,394	¥ 1,869
Long-term balance	25,442	(2,197)	2,443	93	—	—	1,800	27,581
Total	¥ 7,027	¥ 1,040	¥ 1,256	¥1,018	¥(4,988)	¥903	¥23,194	¥29,450

	Millions of Yen							
	2018							
	U.S. dollar	Euro	Pound	Yuan	Australian dollar	Brazilian real	Other	Total
Short-term balance	¥16,322	¥(1,383)	¥ 6,271	¥2,016	¥(6,908)	¥(112)	¥2,222	¥18,428
Long-term balance	18,840	1,770	(1,312)	(32)	(2,411)	—	1,320	18,175
Total	¥35,162	¥ 387	¥ 4,959	¥1,984	¥(9,319)	¥(112)	¥3,542	¥36,603

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, 2019, the effect (loss) from a 1% increase in the Japanese yen would be ¥295 million (US$3 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, 2019, the interest rate mismatch amount was ¥495,764 million (US$4,467 million), and the effect on interest expense from a 1% increase in interest rate would be ¥4,958 million (US$45 million) (profit before tax). This amount was calculated by multiplying the interest mismatch balance of the Company and its subsidiaries as of March 31, 2019, 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.

In addition, using the Earnings at Risk (EaR) management method, the Company and its subsidiaries periodically track and monitor the amount of influence on interest payments due to interest rate changes.

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 they hold 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, 2019 and 2018 were as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2019		2018		2019	
	Long	Short	Long	Short	Long	Short
Commodity	**¥12,755**	**¥341**	¥14,571	¥1,535	**$115**	**$3**

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, 2019 and 2018. (Method: variance-covariance method / confidence interval 99% / holding period: 5 days / measurement frequency: weekly)

	Millions of Yen				Millions of U.S. Dollars	
	2019		2018		2019	
	March 31	Average	March 31	Average	March 31	Average
Commodity	**¥269**	**¥460**	¥397	¥295	**$2**	**$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, 2019 and 2018 were ¥315,619 million (US$2,844 million) and ¥329,641 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, 2019 and 2018. (Method: variance-covariance method / confidence interval 99% / holding period: 10 days / measurement frequency: monthly)

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Marketable equity securities	**¥19,047**	¥14,783	**$172**

The Company and its subsidiaries periodically conduct back-testing in which VaR is compared with actual gains or losses.

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.

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 by estimating the expected credit losses 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.

The Company and its subsidiaries classify financial instruments into the following three stages below by the degree of their credit risk and the estimated expected credit losses accordingly.

- Stage 1: Financial instruments in which credit risk has not increased significantly since initial recognition
- Stage 2: Financial instruments in which credit risk has increased significantly since initial recognition
- Stage 3: Financial instruments in which credit has been impaired

The Company and its subsidiaries deem those to be a significant increase in credit risk and classify a financial instrument in Stage 2 when contractual payments are more than 30 days past due, a request is made to extend contractual payment as of the end of the fiscal year, or when other credit events causing concern occur. (except when the credit event is temporary, the risk of default is low, and the debtor is assumed to be capable of providing the contractual cash flows in the near future.) The Company and its subsidiaries deem those to be a default event and a credit impairment accordingly, and classify a financial instrument in Stage 3 when the Company and its subsidiaries identify concerns over the likelihood of recovering the cash flows. Those default events include, but are not limited to, events where contractual payments are more than 90 days past due or a request is made to extend contractual payment because of serious financial difficulties as of the end of the fiscal year.

The Company and its subsidiaries calculate the allowance for doubtful accounts according to the following methods for financial instruments in each stages. For financial instruments in Stage 1, the Company and its subsidiaries calculate the 12-month expected credit losses based on an allowance ratio taking future outlook into consideration, which also utilizes factors such as past credit loss experience for each credit risk rating, current financial status of debtors, and other factors specific to them. For financial instruments in Stage 2, the Company and its subsidiaries calculate the lifetime expected credit losses based on an allowance ratio, taking future outlook into consideration, which also utilizes factors such as past credit loss experience for each credit risk rating, current financial status of debtors, and other factors specific to them. For financial instruments in Stage 3, the Company and its subsidiaries calculate the lifetime expected credit losses based on the difference between the contractual cash flows and the cash flows that the Company and its subsidiaries expect to receive.

However, for trade receivables, contract assets, and lease receivables, the Company and its subsidiaries do not distinguish between Stages 1 and 2, and always calculate the allowance for doubtful accounts based on lifetime expected credit losses.

The Company and its subsidiaries write off the relevant amount of a financial instrument when the Company and its subsidiaries have no prospects of recovering cash flows in their entirety or a portion there of.

The carrying amounts of financial assets, net of impairment, which is presented in the Consolidated Financial Statements, as well as the contract amounts of guarantees and financing commitments represent the maximum credit risk exposure associated with the Company's and its subsidiaries' financial assets without taking account of the valuation of any collateral.

The credit risk exposures related to trade receivables, contract assets, and lease receivables as of March 31, 2019 were as follows:

	Millions of Yen		Millions of U.S.Dollars	
	2019		2019	
	Stage 1 and 2	Stage 3	Stage 1 and 2	Stage 3
Operating receivables and contract assets	¥2,393,340	¥40,072	$21,564	$361
lease receivables	44,458	102	401	1

The credit risk exposures related to loans, financial guarantee contracts, and other financial instruments as of March 31, 2019 were as follows:

	Millions of Yen			Millions of U.S.Dollars		
	2019			2019		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Loan	¥642,437	¥1,540	¥8,870	$5,788	$14	$80
Financial guarantee contract (substantial risk)	124,936	—	9,699	1,126	—	87
Other	423,993	250	2,814	3,820	2	25

The credit risk exposures for each operating segment as of March 31, 2019 were as follows:

	Millions of Yen						
	2019						
	Trade receivables and contract assets	Lease receivables	Loans	Financial guarantee contracts (substantial risk)	Other	Allowance for doubtful accounts	Total
Textile	¥ 160,203	¥ 25	¥ 3,875	¥ 388	¥ 10,552	¥ (1,913)	¥ 173,130
Machinery	237,328	27,328	38,051	69,613	26,140	(10,213)	388,247
Metals & Minerals	102,664	—	3,101	3,679	17,613	(1,259)	125,798
Energy & Chemicals	546,306	3,071	3,884	6,005	44,316	(4,459)	599,123
Food	726,249	348	1,318	23,602	296,026	(7,505)	1,040,038
General Products & Realty	225,173	4,663	24,766	23,400	14,825	(1,670)	291,157
ICT & Financial Business	432,597	17,050	56,870	3,000	20,618	(14,844)	515,291
Other	2,892	(7,925)	520,982	4,948	(3,033)	(1,014)	516,850
Total	¥2,433,412	¥44,560	¥652,847	¥134,635	¥427,057	¥(42,877)	¥3,649,634

	Millions of U.S.Dollars						
	2019						
	Trade receivables and contract assets	Lease receivables	Loans	Financial guarantee contracts (substantial risk)	Other	Allowance for doubtful accounts	Total
Textile	$ 1,443	$ 0	$ 35	$ 3	$ 95	$ (17)	$ 1,559
Machinery	2,138	246	343	627	236	(92)	3,498
Metals & Minerals	925	—	28	33	159	(11)	1,134
Energy & Chemicals	4,922	28	35	54	399	(40)	5,398
Food	6,544	3	12	213	2,665	(68)	9,369
General Products & Realty	2,029	42	223	211	134	(15)	2,624
ICT & Financial Business	3,898	154	512	27	186	(134)	4,643
Other	26	(71)	4,694	45	(27)	(9)	4,658
Total	$21,925	$402	$5,882	$1,213	$3,847	$(386)	$32,883

The Company and its subsidiaries hold collateral of ¥4,646 million (US$42 million) as security for the loans included above as of March 31, 2019. Properties and other credit enhancements held by the Company and its subsidiaries as collateral are measured at fair value.

As of March 31, 2019, the amount of allowances for doubtful accounts reduced by collateral or other credit enhancement, was immaterial in relation to credit-impaired financial assets.

In addition, as of March 31, 2019, a finance-related subsidiary of the Company holds ¥2,568,018 million (US$23,137 million) as loan commitments classified in Stage 1 relating to unused credit line for shopping and cashing granted to credit card holders, but not all of the amount will necessarily be withdrawn. Allowance for doubtful accounts for the loan commitment is recognized together with the allowance for doubtful accounts for the trade receivables and loans related to the commitment.

The changes in allowance for doubtful accounts related to trade receivables, contract assets, and lease receivables for the year ended March 31, 2019 were as follows:

	Millions of Yen		Millions of U.S.Dollars	
	2019		2019	
	Stage 1 and 2	Stage 3	Stage 1 and 2	Stage 3
Balance at the end of the previous year	¥ (3,614)	¥(13,717)	$(33)	$(124)
Adjustment for the application of IFRS 9 (revised July 2014)	(807)	(66)	(7)	(1)
Provision	(2,884)	(3,580)	(26)	(32)
Reversal	346	2,484	3	22
Charge-offs	1,007	2,951	9	27
Reclassification of credit risk stage	84	(84)	1	(1)
Increase, decrease due to foreign currency translation and others	(4,461)	(7,555)	(40)	(67)
Balance at the end of the year	¥(10,329)	¥(19,567)	$(93)	$(176)

The changes in allowance for doubtful accounts related to loans and other financial instruments for the year ended March 31, 2019 were as follows:

	Millions of Yen			Millions of U.S.Dollars		
	2019			2019		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Balance at the end of the previous year	¥ (849)	¥ (56)	¥(7,999)	$ (8)	$(1)	$(72)
Adjustment for the application of IFRS 9 (revised July 2014)	(1,197)	(52)	(3)	(11)	0	0
Provision	(277)	(276)	(2,105)	(2)	(2)	(19)
Reversal	30	(20)	790	0	0	7
Charge-offs	3	105	542	0	1	5
Reclassification of credit risk stage	553	(268)	(285)	5	(2)	(3)
Increase, decrease due to foreign currency translation and others	(854)	(209)	(554)	(8)	(2)	(5)
Balance at the end of the year	¥(2,591)	¥(776)	¥(9,614)	$(24)	$(6)	$(87)

The contractual amount outstanding on financial assets that have been written off but still subject to enforcement activities was immaterial for the year ended March 31, 2019.

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 ¥577,081 million (US$5,199 million) as of March 31, 2019, the Company and its subsidiaries have the unutilized commitment line (Yen: ¥200,000 million; multiple currency: US$2,000 million).

As of March 31, 2019 and 2018, 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			
	2019			
	Less than 1 year	1–5 years	More than 5 years	Total
Debentures and borrowings (Short-term and Long-term)	**¥ 650,909**	**¥1,676,475**	**¥656,453**	**¥2,983,837**
Trade payables, other current payables, and other financial liabilities (Short-term and Long-term)	**2,232,926**	**133,705**	**52,606**	**2,419,237**
Contingent liabilities	**26,091**	**71,839**	**22,419**	**120,349**

	Millions of Yen			
	2018			
	Less than 1 year	1–5 years	More than 5 years	Total
Debentures and borrowings (Short-term and Long-term)	¥ 526,867	¥1,533,206	¥719,400	¥2,779,473
Trade payables, other current payables, and other financial liabilities (Short-term and Long-term)	1,940,545	65,435	40,497	2,046,477
Contingent liabilities	17,642	76,092	28,747	122,481

	Millions of U.S. Dollars			
	2019			
	Less than 1 year	1–5 years	More than 5 years	Total
Debentures and borrowings (Short-term and Long-term)	**$ 5,865**	**$15,105**	**$5,915**	**$26,885**
Trade payables, other current payables, and other financial liabilities (Short-term and Long-term)	**20,118**	**1,205**	**474**	**21,797**
Contingent liabilities	**235**	**647**	**202**	**1,084**

The remaining contractual maturities of derivatives for the Company and its subsidiaries as of March 31, 2019 and 2018 were as follows: The amounts for derivatives that will be net settled with other contracts are also presented in gross amounts.

		Millions of Yen			
		2019			
		Less than 1 year	1–5 years	More than 5 years	Total
Currency derivatives	Income	**¥ 3,489**	**¥1,261**	**¥ 21**	**¥ 4,771**
	Expenditures	**(5,014)**	**(1,584)**	**—**	**(6,598)**
Interest rate derivatives	Income	**1,147**	**3,496**	**2,968**	**7,611**
	Expenditures	**(11)**	**(473)**	**(420)**	**(904)**
Commodity derivatives	Income	**12,719**	**576**	**—**	**13,295**
	Expenditures	**(12,377)**	**(59)**	**—**	**(12,436)**

		Millions of Yen			
		2018			
		Less than 1 year	1–5 years	More than 5 years	Total
Currency derivatives	Income	¥ 5,218	¥ 493	¥ —	¥ 5,711
	Expenditures	(7,185)	(8,459)	(1)	(15,645)
Interest rate derivatives	Income	133	6,013	4,787	10,933
	Expenditures	(68)	(453)	(396)	(917)
Commodity derivatives	Income	19,060	25	—	19,085
	Expenditures	(13,201)	(8)	—	(13,209)

		Millions of U.S. Dollars			
		2019			
		Less than 1 year	1–5 years	More than 5 years	Total
Currency derivatives	Income	$ 31	$11	$ 0	$ 42
	Expenditures	(45)	(14)	—	(59)
Interest rate derivatives	Income	10	31	27	68
	Expenditures	0	(4)	(4)	(8)
Commodity derivatives	Income	115	5	—	120
	Expenditures	(112)	(1)	—	(113)

(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, 2019 and 2018 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	
	2019	
	Carrying amount	Fair value
Financial assets:		
Non-current receivables and Non-current financial assets other than investments and receivables (excluding derivative assets)	¥ 363,695	¥ 367,335
Financial liabilities:		
Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative liabilities)	¥2,546,002	¥2,543,695

	Millions of Yen	
	2018	
	Carrying amount	Fair value
Financial assets:		
Non-current receivables and Non-current financial assets other than investments and receivables (excluding derivative assets)	¥ 191,344	¥ 191,758
Financial liabilities:		
Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative liabilities)	¥2,357,899	¥2,357,612

	Millions of U.S. Dollars	
	2019	
	Carrying amount	Fair value
Financial assets:		
Non-current receivables and Non-current financial assets other than investments and receivables (excluding derivative assets)	$ 3,277	$ 3,310
Financial liabilities:		
Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative liabilities)	$22,939	$22,918

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. 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, 2019 and 2018, the balance of the investment to CTB accompanying the acquisition of CITIC Limited shares amounted to US$514 million (¥57,014 million) and US$514 million (¥54,574 million), respectively. The shareholder loan to CTB accompanying the acquisition of CITIC Limited shares amounted to US$4,657 million (¥516,861 million) and US$4,682 million (¥497,397 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, 2019 and 2018, the closing price of CITIC Limited shares on the Hong Kong Stock Exchange were HK$11.72 and HK$10.98 per share, respectively. The value obtained by multiplying the number of CITIC Limited shares that CTB owns by the said share prices are HK$68,188 million (¥964,172 million) and HK$63,882 million (¥864,965 million), respectively. In addition, the amount obtained by multiplying this value by 50%, which is the Company's ownership interest in CTB, are HK$34,094 million (¥482,086 million) and HK$31,941 million (¥432,483 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, 2019 and 2018.

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
The amount of financial assets	¥4,975,805	¥4,303,722	$44,831
The amount of possible offsetting under master netting arrangement or similar arrangement	(157,191)	(190,684)	(1,417)
Cash collateral paid	(832)	(302)	(7)
Net	¥4,817,782	¥4,112,736	$43,407

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
The amount of financial liabilities	¥5,403,074	¥4,825,950	$48,681
The amount of possible offsetting under master netting arrangement or similar arrangement	(157,191)	(190,684)	(1,417)
Cash collateral received	—	(87)	—
Net	¥5,245,883	¥4,635,179	$47,264

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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018 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		
		2019		
Type of hedge accounting	Hedging instruments	Notional amounts	Assets	Liabilities
Fair value hedges	Currency derivatives	**¥ 64,797**	**¥ 609**	**¥ 449**
	Interest rate derivatives	**126,500**	**5,214**	**—**
	Commodity derivatives	**173,200**	**1,497**	**1,664**
Cash flow hedges	Currency derivatives	**¥170,779**	**¥ 729**	**¥3,934**
	Interest rate derivatives	**382,188**	**2,395**	**900**
	Commodity derivatives	**26,511**	**—**	**1,201**

		Millions of Yen		
		2018		
Type of hedge accounting	Hedging instruments	Notional amounts	Assets	Liabilities
Fair value hedges	Currency derivatives	¥ 56,809	¥ 290	¥ 699
	Interest rate derivatives	131,500	5,764	—
	Commodity derivatives	146,901	2,626	710
Cash flow hedges	Currency derivatives	¥259,289	¥ 578	¥9,691
	Interest rate derivatives	315,603	5,169	917
	Commodity derivatives	25,944	2,728	717

		Millions of U.S. Dollars		
		2019		
Type of hedge accounting	Hedging instruments	Notional amounts	Assets	Liabilities
Fair value hedges	Currency derivatives	$ 584	$ 5	$ 4
	Interest rate derivatives	1,140	47	—
	Commodity derivatives	1,561	13	15
Cash flow hedges	Currency derivatives	$1,539	$ 7	$35
	Interest rate derivatives	3,443	22	8
	Commodity derivatives	239	—	11

In the years ended March 31, 2019 and 2018, the amounts of hedged items designated as fair value hedges were as follows:

		Millions of Yen	
		2019	
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	¥ 913	¥ 64
	Trade payables	4,352	1
	Other current assets	376	376
	Other current liabilities	599	599
Interest rate risk	Debentures and borrowings	¥131,714	¥5,214
Commodity price risk	Inventories	¥ 17,417	¥ (34)
	Other current assets	1,024	1,024
	Other current liabilities	822	822

		Millions of Yen	
		2018	
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	¥ 825	¥ 20
	Trade payables	1,048	23
	Other current assets	679	679
	Other current liabilities	267	267
Interest rate risk	Debentures and borrowings	¥137,264	¥5,764
Commodity price risk	Inventories	¥ 15,805	¥ 23
	Other current assets	488	488
	Other current liabilities	2,427	2,427

		Millions of U.S. Dollars	
		2019	
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	$ 8	$ 1
	Trade payables	39	0
	Other current assets	3	3
	Other current liabilities	5	5
Interest rate risk	Debentures and borrowings	$1,187	$47
Commodity price risk	Inventories	$ 157	$ (0)
	Other current assets	9	9
	Other current liabilities	7	7

Note: In the years ended March 31, 2019, and 2018, the accumulated amounts of fair value hedge adjustments related to the hedged items on which the hedging transactions have been ceased totaled ¥10,898 million (US$98 million) and ¥14,555 million, respectively. These amounts are included in Short-term debentures and borrowings and Long-term debentures and borrowings.

In the years ended March 31, 2019 and 2018, 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			
	2019			
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	**¥ 209**	**¥ 166**	Other–net	**¥1,555**
Interest rate risk	**902**	**(3,134)**	Interest expense	**35**
Commodity price risk	**(805)**	**(8,774)**	Revenues from sale of goods	**5,124**
Total	**¥ 306**	**¥(11,742)**		**¥6,714**

	Millions of Yen			
	2018			
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	¥ (333)	¥ 653	Other–net	¥(2,111)
Interest rate risk	3,141	1,545	Interest expense	60
Commodity price risk	683	867	Revenues from sale of goods	278
Total	¥3,491	¥3,065		¥(1,773)

	Millions of U.S. Dollars			
	2019			
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	**$ 2**	**$ 1**	Other–net	**$14**
Interest rate risk	**8**	**(28)**	Interest expense	**0**
Commodity price risk	**(7)**	**(79)**	Revenues from sale of goods	**47**
Total	**$3**	**$(106)**		**$61**

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, 2019 and 2018 were ¥4,174 million (US$38 million) (income) and ¥19,077 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 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 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 for 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 techniques 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 7–11%)

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 occurs.

The information by level for assets and liabilities that were measured at fair value on a recurring basis as of March 31, 2019 and 2018 was as follows:

For the years ended March 31, 2019 and 2018, there were no significant transfers between Level 1 and 2.

	Millions of Yen			
	2019			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	¥ —	¥ —	¥ —	¥ —
Inventories	—	11,215	—	11,215
Securities and other investments				
FVTPL financial assets	152	12,367	43,562	56,081
FVTOCI financial assets	315,467	—	472,872	788,339
Derivative assets	2,810	22,867	—	25,677
Liabilities				
Derivative liabilities	1,889	18,049	—	19,938

	Millions of Yen			
	2018			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	¥ —	¥ —	¥ —	¥ —
Inventories	—	7,951	—	7,951
Securities and other investments				
FVTPL financial assets	790	11,645	39,952	52,387
FVTOCI financial assets	328,851	—	425,291	754,142
Derivative assets	8,346	27,383	—	35,729
Liabilities				
Derivative liabilities	6,837	22,934	—	29,771

	Millions of U.S. Dollars			
	2019			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$ —	$ —	$ —	$ —
Inventories	—	101	—	101
Securities and other investments				
FVTPL financial assets	1	111	393	505
FVTOCI financial assets	2,842	—	4,261	7,103
Derivative assets	25	206	—	231
Liabilities				
Derivative liabilities	17	163	—	180

The changes in Level 3 items for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen	
	2019	
	FVTPL financial assets	FVTOCI financial assets
Beginning Balance	¥39,952	¥425,291
Total gains or losses	4,107	49,304
Included in gains on investments	4,107	—
Included in other comprehensive income (loss) (FVTOCI financial assets)	—	50,388
Included in other comprehensive income (loss) (Translation adjustments)	—	(1,084)
Purchases	6,057	42,660
Sales	(1,121)	(50,904)
Transfers into Level 3	—	196
Transfers out of Level 3	(250)	(163)
Others	(5,183)	6,488
Ending balance	43,562	472,872
The amount of gains (losses) on investments for the period relating to assets still held as of March 31, 2019	¥ 4,115	¥ —

	Millions of Yen	
	2018	
	FVTPL financial assets	FVTOCI financial assets
Beginning Balance	¥34,662	¥465,503
Total gains or losses	3,626	(57,976)
Included in gains on investments	3,626	—
Included in other comprehensive income (loss) (FVTOCI financial assets)	—	(46,065)
Included in other comprehensive income (loss) (Translation adjustments)	—	(11,911)
Purchases	1,517	11,600
Sales	(1,151)	(4,252)
Transfers into Level 3	—	—
Transfers out of Level 3	—	(914)
Others	1,298	11,330
Ending balance	39,952	425,291
The amount of gains (losses) on investments for the period relating to assets still held as of March 31, 2018	¥ 3,589	¥ —

	Millions of U.S. Dollars	
	2019	
	FVTPL financial assets	FVTOCI financial assets
Beginning Balance	$360	$3,832
Total gains or losses	37	444
Included in gains on investments	37	—
Included in other comprehensive income (loss) (FVTOCI financial assets)	—	454
Included in other comprehensive income (loss) (Translation adjustments)	—	(10)
Purchases	55	384
Sales	(10)	(459)
Transfers into Level 3	—	2
Transfers out of Level 3	(2)	(1)
Others	(48)	58
Ending balance	392	4,260
The amount of gains (losses) on investments for the period relating to assets still held as of March 31, 2019	$ 37	$ —

The transfers out of Level 3 recognized for the years ended March 31, 2019 and 2018 were due to the fact that the fair value of equity securities becoming measurable using the quoted market price resulting from listing on exchanges. The transfers into Level 3 recognized for the year ended March 31, 2019 were due to the fact that the fair value of equity securities becoming unobservable resulting from delisting from exchanges.

27. Revenue

(1) Contract Balances

The breakdown of contract balances for the year ended March 31, 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019		2019
	Beginning Balance	Ending Balance	Ending Balance
Receivables from Contracts with Customers	¥2,173,594	¥2,397,608	$21,602
Contract Assets	19,532	18,500	167
Contract Liabilities	166,041	119,843	1,080

Revenues recognized for the year ended March 31, 2019 include ¥150,854 million (US$1,359 million) recognized from contract liabilities at the opening balance of the year ended March 31, 2019. The balance of contract liabilities decreased mainly due to the completion of performance obligations. Revenues recognized for the year ended March 31, 2019 arising from performance obligations fulfilled in past periods, is immaterial.

(2) Remaining Performance Obligations

As of March 31, 2019, the Company and its subsidiaries have total transaction price of ¥547,203 million (US$4,930 million), mainly in iron ore, energy, ships, and system development transactions, allocated to remaining performance obligations. The Company and its subsidiaries expect almost these transactions to take place over the next 3 years, and to be recognized as revenues once the contracts are executed. The Company and its subsidiaries use the practical expedients, pursuant to IFRS 15, "Revenue from Contracts with Customers", and only disclose individual transactions with anticipated contract lengths exceeding 1 year. The total transaction price above includes estimated amount of variable consideration to the extent that a significant reversal in the amount of revenue will not occur. The amount not included in the transaction price is immaterial.

(3) Assets Recognized from Costs Incurred to Acquire or Execute Customer Contracts

The Company and its subsidiaries do not recognize any significant amount of assets or their depreciation arising from costs incurred to acquire or execute customer contracts.

28. Selling, General and Administrative Expenses

The breakdown of Selling, general and administrative expenses for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Personnel expenses	¥ 538,414	¥453,453	$ 4,851
Depreciation	63,722	32,643	574
Amortization	24,086	10,453	217
Service charge	98,720	82,036	889
Distribution costs	78,107	72,136	704
Rent and operating lease expenses	167,987	72,111	1,513
Others	222,265	167,444	2,003
Total	¥1,193,301	¥890,276	$10,751

29. Gains on Investments

The breakdown of Gains on investments for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Investments in subsidiaries, associates and joint ventures	¥190,436	¥ (262)	$1,716
FVTPL financial assets	12,566	7,439	113
Financial assets measured at amortized cost (Note)	32	(97)	0
Total	¥203,034	¥7,080	$1,829

Note: The Financial assets measured at amortized cost includes losses arising from impairment loss on the financial assets measured at amortized cost of ¥6 million (US$0 million) for the year ended March 31, 2019, and ¥91 million for the year ended March 31, 2018, and gains and losses arising from the derecognition of financial assets measured at amortized cost of ¥38 million (US$0 million) (gain) and ¥6 million (loss), respectively.

30. 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, 2019 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Gains on sales of property, plant and equipment	¥ 6,795	¥ 9,446	$ 61
Losses on disposal and sales of property, plant and equipment	(2,251)	(2,726)	(20)
Impairment losses on property, plant and equipment	(17,139)	(28,537)	(154)
Impairment losses on goodwill	(225)	(8,916)	(2)
Others	779	1,104	7
Total	¥(12,041)	¥(29,629)	$(108)

31. Other–Net

The breakdown of Other–net for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Net foreign exchange gains (losses)	¥ 2,920	¥ 1,732	$26
Others	7,814	(2,012)	70
Total	¥10,734	¥ (280)	$96

32. Financial Income (Loss)

The breakdown of Financial income (loss) for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Interest income			
Financial assets measured at amortized cost	¥ 40,128	¥ 34,702	$ 361
Subtotal	40,128	34,702	361
Dividends received			
FVTPL financial assets	361	107	3
FVTOCI financial assets	48,011	34,166	433
Subtotal	48,372	34,273	436
Interest expense			
Financial liabilities measured at amortized cost	(57,049)	(44,176)	(514)
Derivatives	4,663	4,792	42
Others	(2,002)	(2,065)	(18)
Subtotal	(54,388)	(41,449)	(490)
Total	¥ 34,112	¥ 27,526	$ 307

33. Cash Flow Information

(1) Acquisitions and Sales of Subsidiaries

(Acquisitions of subsidiaries)

The Acquisitions of major subsidiaries for the year ended March 31, 2019 were that of RICARDO PEREZ, S.A., FamilyMart UNY Holdings Co., Ltd., and POCKET CARD CO., LTD.

The Acquisitions of major subsidiaries for the year ended March 31, 2018 were that of business integration between Takiron Co., Ltd. and C. I. Kasei Company, Limited, the acquisition of YANASE & CO., LTD., Alta Forest Products, LLC. and the stake of Iraqi oil fields.

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Acquisitions of subsidiaries			
Fair value of assets acquired	¥ 2,292,762	¥ 348,135	$ 20,657
Fair value of liabilities acquired	(1,469,940)	(204,687)	(13,244)
Net assets, before deduction of cash	822,822	143,448	7,413
Fair value of previously held equity interests	(532,626)	(27,900)	(4,799)
Goodwill and Non-controlling interests	(149,652)	(32,638)	(1,348)
Fair value of consideration	140,544	82,910	1,266
Non-cash consideration paid	—	(7,224)	—
Outstanding balance of consideration	—	(4,213)	—
Effect of exchange rate changes	(56)	(62)	(1)
	(20,549)	—	(185)
	4,213	—	38
Cash acquired	(258,607)	(32,521)	(2,330)
Acquisitions of subsidiaries, net of cash acquired (Negative figure indicates proceeds)	¥ (134,455)	¥ 38,890	$ (1,211)

(Sales of subsidiaries)

The sales of major subsidiaries for the year ended March 31, 2019 were that of North Sea oil fields development company and UNY CO., LTD. in FamilyMart UNY Holdings Co., Ltd.

There was no sale of major subsidiaries for the year ended March 31, 2018.

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Sales of subsidiaries			
Fair value of assets sold	¥ 548,346	¥—	$ 4,941
Fair value of liabilities sold	(487,768)	—	(4,395)
Net assets, before deduction of cash	60,578	—	546
Fair value of consideration	79,479	—	716
Loans receivable collected in conjunction with the sales	160,860	—	1,450
Cash included in assets sold	(32,065)	—	(289)
Sales of subsidiaries, net of cash held by subsidiaries	¥ 208,274	—	$ 1,877

(2) Changes in Liabilities Arising from Financing Activities

Changes in liabilities arising from financing activities for the year ended March 31, 2019 and 2018 were as follows:

	Millions of Yen		
	2019		
	Debentures and Borrowings	Lease obligations and the others	Total
Beginning of the year	¥2,779,473	¥ 79,248	¥2,858,721
Cash flow	(310,270)	(34,777)	(345,047)
Non-cash changes			
Increase through acquisitions	545,625	121,735	667,360
Decrease through divestitures	(70,641)	(17)	(70,658)
New leases	—	21,313	21,313
Effect of foreign currency exchange differences	42,989	375	43,364
Fair value changes	(3,061)	—	(3,061)
Others	(278)	492	214
End of the year	¥2,983,837	¥188,369	¥3,172,206

	Millions of Yen		
	2018		
	Debentures and Borrowings	Lease obligations and the others	Total
Beginning of the year	¥2,944,653	¥69,771	¥3,014,424
Cash flow	(150,120)	(10,738)	(160,858)
Non-cash changes			
Increase through acquisitions	65,653	450	66,103
Decrease through divestitures	(4,637)	(1,198)	(5,835)
New leases	—	21,819	21,819
Effect of foreign currency exchange differences	(70,331)	(148)	(70,479)
Fair value changes	(5,756)	—	(5,756)
Others	11	(708)	(697)
End of the year	¥2,779,473	¥79,248	¥2,858,721

	Millions of U.S. Dollars		
	2019		
	Debentures and Borrowings	Lease obligations and the others	Total
Beginning of the year	$25,043	$ 714	$25,757
Cash flow	(2,795)	(313)	(3,109)
Non-cash changes			
Increase through acquisitions	4,916	1,097	6,013
Decrease through divestitures	(636)	(0)	(637)
New leases	—	192	192
Effect of foreign currency exchange differences	387	3	391
Fair value changes	(28)	—	(28)
Others	(3)	4	2
End of the year	$26,884	$ 1,697	$28,581

34. Parent's Ownership Interest in Subsidiaries

Subsidiaries of the Company as of March 31, 2019 were as follows:

Name	Location	Voting shares (%)
Textile		
SANKEI COMPANY LIMITED	Koto-ku, Tokyo	100.0
EDWIN CO., LTD.	Arakawa-ku, Tokyo	98.5
JOI'X CORPORATION	Chiyoda-ku, Tokyo	100.0
LEILIAN CO., LTD.	Setagaya-ku, Tokyo	100.0
ITOCHU Textile Prominent (ASIA) Ltd.	Hong Kong, China	100.0 (50.0)
ITOCHU TEXTILE (CHINA) CO., LTD.	Shanghai, China	100.0 (40.0)
50 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
YANASE & CO., LTD.	Minato-ku, Tokyo	66.1
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
ITOCHU SysTech Corporation	Chuo-ku, Osaka	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.	Pelham, Alabama, U.S.A.	100.0
ITOCHU Automobile America Inc.	Farmington Hills, Michigan, U.S.A.	100.0
RICARDO PÉREZ, S.A.	Panama, Republic of Panama	70.0
VEHICLES MIDDLE EAST FZE	Dubai, U.A.E.	100.0
MULTIQUIP INC.	Carson, California, U.S.A.	100.0 (80.0)
91 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)
5 other companies		
Energy & Chemicals		
ITOCHU ENEX CO., LTD.	Chiyoda-ku, Tokyo	54.0
ITOCHU PLASTICS INC.	Chiyoda-ku, Tokyo	100.0
ITOCHU CHEMICAL FRONTIER Corporation	Minato-ku, Tokyo	100.0
C.I. TAKIRON Corporation	Kita-ku, Osaka	51.1 (0.1)
ITOCHU Retail Link Corporation	Chuo-ku, Tokyo	100.0
ITOCHU PETROLEUM CO., (SINGAPORE) PTE. LTD.	Singapore	100.0
ITOCHU Oil Exploration (Azerbaijan) Inc.	Grand Cayman, Cayman Islands	100.0
IPC (USA), Inc.	Santa Ana, California, U.S.A.	100.0
CIECO West Qurna Limited	London, U.K.	60.0
ITOCHU Plastics Pte., Ltd.	Singapore	100.0 (30.0)
119 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
Dole International Holdings, Inc.	Minato-ku, Tokyo	100.0
FamilyMart UNY Holdings Co., Ltd.	Minato-ku, Tokyo	50.5 (8.8)
ITOCHU-SHOKUHIN Co., Ltd.	Chuo-ku, Osaka	52.3 (0.1)
NIPPON ACCESS, INC.	Shinagawa-ku, Tokyo	100.0
TAIWAN DISTRIBUTION CENTER CO., LTD.	New Taipei City, Taiwan	100.0 (75.0)
ITOCHU TAIWAN INVESTMENT CORPORATION	Taipei, Taiwan	100.0
103 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	100.0
ITOCHU Urban Community Ltd.	Chuo-ku, Tokyo	100.0
ITOCHU PROPERTY DEVELOPMENT, LTD.	Minato-ku, Tokyo	100.0
P.T. ANEKA BUMI PRATAMA	Palembang, Indonesia	100.0 (0.5)
European Tyre Enterprise Limited	Letchworth, U.K.	100.0 (25.0)
ITOCHU FIBRE LIMITED	London, U.K.	100.0 (25.0)
TMI Forest Products Inc.	Chehalis, Washington, U.S.A.	100.0
68 other companies		
ICT & Financial Business		
ITOCHU Techno-Solutions Corporation	Chiyoda-ku, Tokyo	58.3
CONEXIO Corporation	Shinjuku-ku, Tokyo	60.4
UFI FUTECH Co., Ltd.	Minato-ku, Tokyo	100.0 (72.3)
ITOCHU Fuji Partners, Inc.	Minato-ku, Tokyo	63.0
POCKET CARD CO., LTD.	Minato-ku, Tokyo	80.0 (80.0)
GCT MANAGEMENT (THAILAND) LTD.	Bangkok, Thailand	100.0 (67.3)
First Response Finance Ltd.	Nottingham, U.K.	100.0 (100.0)
ITOCHU FINANCE (ASIA) LTD.	Hong Kong, China	100.0 (100.0)
31 other companies		
Headquarters		
ITOCHU Treasury Corporation	Minato-ku, Tokyo	100.0
Orchid Alliance Holdings Limited	BR. Virgin Islands	100.0
15 other companies		

Name	Location	Voting shares (%)
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
17 other companies		

Notes: 1. The above numbers of subsidiaries do not include investment companies considered part of the parent (165 companies).
2. Figures in parentheses are indirect voting share percentages.

(The loss of control of subsidiaries)

In the year ended March 31, 2019, 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 ¥18,851 million (US$170 million) (gain).

This amount is primarily associated with the North Sea oil fields development company included in the Energy and Chemicals Company segment.

There were no major losses of control of subsidiaries for the years ended March 31, 2018.

35. 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, 2019 and 2018, 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 ¥621,172 million (US$5,597 million), and ¥537,421 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, 2019 and 2018 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
	2019	2018	2019
Other current receivables	¥ 2,718	¥ 1,320	$ 24
Investments accounted for by the equity method	26,929	23,807	243
Non-current receivables	11,496	16,657	104
Total	¥41,143	¥41,784	$371

In addition, as of March 31, 2019 and 2018, the maximum exposure to losses in relation to the unconsolidated structured entities were ¥115,930 million (US$1,045 million) and ¥123,969 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.

36. 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, 2019 and 2018 were as follows:

	Millions of Yen		
	2019		
	Financial guarantees	Guarantees for performance transactions	Total
Guarantees for associates and joint ventures:			
Maximum potential amount of future payments	¥ 98,088	¥ 9,151	¥107,239
Amount of substantial risk	87,125	9,151	96,276
Guarantees for customers:			
Maximum potential amount of future payments	36,547	34,546	71,093
Amount of substantial risk	19,122	4,951	24,073
Total:			
Maximum potential amount of future payments	¥134,635	¥43,697	¥178,332
Amount of substantial risk	106,247	14,102	120,349

	Millions of Yen		
	2018		
	Financial guarantees	Guarantees for performance transactions	Total
Guarantees for associates and joint ventures:			
Maximum potential amount of future payments	¥ 99,318	¥10,249	¥109,567
Amount of substantial risk	89,553	10,249	99,802
Guarantees for customers:			
Maximum potential amount of future payments	42,094	10,457	52,551
Amount of substantial risk	18,847	3,832	22,679
Total:			
Maximum potential amount of future payments	¥141,412	¥20,706	¥162,118
Amount of substantial risk	108,400	14,081	122,481

	Millions of U.S. Dollars		
	2019		
	Financial guarantees	Guarantees for performance transactions	Total
Guarantees for associates and joint ventures:			
Maximum potential amount of future payments	**$ 884**	**$ 82**	**$ 966**
Amount of substantial risk	**785**	**82**	**867**
Guarantees for customers:			
Maximum potential amount of future payments	**329**	**312**	**641**
Amount of substantial risk	**172**	**45**	**217**
Total:			
Maximum potential amount of future payments	**$1,213**	**$394**	**$1,607**
Amount of substantial risk	**957**	**127**	**1,084**

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 ¥37,369 million (US$337 million) and ¥11,857 million as of March 31, 2019 and 2018, respectively.

Under these guarantees, adequate allowance to cover losses expected from probable performance is recognized as liabilities. As of March 31, 2019, 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, filed suit in Brazilian federal court in September 2017 upon exhausting the administrative appeal procedures. CM received a tax assessment notice in December 2018 from the Brazilian tax authorities relating to corporation tax and social contributions attributable to income for the period from 2013 to 2014, and proceeded with the administrative appeal procedures in January 2019. With regards to the tax assessment, the impact on Brazil Japan Iron Ore Corporation will be ¥34,538 million (US$311 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 ¥23,311 million (US$210 million), including interest and penalties of ¥16,497 million (US$149 million). CM, which took over the tax litigation, recorded no liabilities related to this assessment.

Other than the 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.

37. Approval of Consolidated Financial Statements

The consolidated financial statements were approved at the Board of Directors’ meeting held on June 12, 2019.

38. Material Subsequent Events

The Company evaluated subsequent events through June 21, 2019, 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 June 12, 2019, 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 will repurchase the own shares to execute the flexible capital strategy based on the Medium to Long Term Shareholders Return Policy announced on October 1, 2018.

(2) Repurchase Details

Type of shares repurchased: Common stock of the Company

Total number of shares repurchased: 40,000,000 shares (maximum) (Proportion of the total number of shares issued excluding treasury stock: approximately 2.7%)

Total amount: ¥70,000 million (US$631 million) (maximum)

Date of repurchase: From June 12, 2019 to June 11, 2020

Method of repurchase: Purchase on the Tokyo Stock Exchange

Deloitte.

Deloitte Touche Tohmatsu LLC
Marunouchi Nijubashi Building
3-2-3 Marunouchi, Chiyoda-ku
Tokyo 100-8360
Japan

Tel: +81 (3) 6213 1000
Fax: +81 (3) 6213 1005
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, 2019, 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, 2019, 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 21, 2019

Member of
Deloitte Touche Tohmatsu Limite

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, 2019 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, 2019, we concluded that its internal control system over financial reporting as of March 31, 2019 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]

Yoshihisa Suzuki, President & Chief Operating 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, 2019, 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, 2019. The Company and 107 consolidated subsidiaries and associated companies (the "107 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 107 entities, we reasonably determined the required scope of assessment of internal controls over business processes.

(Note) The 107 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 107 entities, however we included major special purpose entities into the scope of assessment. Regarding entities other than the 107 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 40 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, 2019. 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 21, 2019

To the Board of Directors of ITOCHU Corporation:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Koichi Okubo

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

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

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Susumu Nakamura

[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, 2019 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, 2018 to March 31, 2019, 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, 2019, 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, 2019.

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, 2019 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/

Printed in Japan