



ITOCHU Corporation

FINANCIAL INFORMATION REPORT 2024

For the Fiscal Year Ended March 31, 2024

Contents

2	Summary
3	Management's Discussion and Analysis of Financial Condition and Results of Operations
34	Consolidated Statement of Financial Position
36	Consolidated Statement of Comprehensive Income
38	Consolidated Statement of Changes in Equity
39	Consolidated Statement of Cash Flows
40	Notes to Consolidated Financial Statements
103	Independent Auditor's Report
109	Supplementary Explanation
110	Management Internal Control Report (Translation)
111	Independent Auditor's Report (filed under the Financial Instruments and Exchange Act of Japan)

Forward-Looking Statements

Data and projections contained in this Financial Information Report are based on the information available at the time of publication, and various factors may cause the actual results to differ materially from those presented in such forward-looking statements. ITOCHU Corporation, therefore, wishes to caution that readers should not place undue reliance on forward-looking statements, and further, that ITOCHU Corporation has no obligation to update any forward-looking statements as a result of new information, future events or other developments.

Summary

ITOCHU Corporation and its Subsidiaries

Fiscal years ended March 31	Millions of Yen						Millions of U.S. Dollars (Note 3)
	2024	2023	2022	2021	2020	2019	2024
P/L (For the year):							
Revenues	¥14,029,910	¥13,945,633	¥12,293,348	¥10,362,628	¥10,982,968	¥11,600,485	\$ 92,662
Gross trading profit	2,232,360	2,129,903	1,937,165	1,780,747	1,797,788	1,563,772	14,744
Net profit attributable to ITOCHU	801,770	800,519	820,269	401,433	501,322	500,523	5,295
Comprehensive income attributable to ITOCHU	1,200,025	876,260	1,086,431	655,259	279,832	464,785	7,926
Per share (Yen and U.S. Dollars):							
Basic earnings attributable to ITOCHU (Note 1)	553.00	546.10	552.86	269.83	335.58	324.07	3.65
Cash dividends	160.0	140.0	110.0	88.0	85.0	83.0	1.06
Shareholders' equity (Note 1)	3,771.77	3,314.35	2,857.50	2,232.84	2,010.33	1,930.47	24.91
B/S (At year-end):							
Total assets	¥14,489,701	¥13,115,400	¥12,153,658	¥11,178,432	¥10,919,598	¥10,098,703	\$ 95,698
Current interest-bearing debt	727,966	659,710	522,448	710,213	684,406	650,909	4,808
Long-term interest-bearing debt	2,629,642	2,346,928	2,383,455	2,445,099	2,192,557	2,332,928	17,368
Interest-bearing debt	3,357,608	3,006,638	2,905,903	3,155,312	2,876,963	2,983,837	22,176
Net interest-bearing debt	2,741,591	2,391,169	2,283,003	2,601,358	2,256,882	2,406,756	18,107
Total shareholders' equity	5,426,962	4,823,259	4,199,325	3,316,281	2,995,951	2,936,908	35,843
Cash flows (For the year):							
Cash flows from operating activities	¥ 978,108	¥ 938,058	¥ 801,163	¥ 895,900	¥ 878,133	¥ 476,551	\$ 6,460
Cash flows from investing activities	(205,994)	(453,806)	38,637	(207,296)	(248,766)	201,149	(1,361)
Cash flows from financing activities	(801,174)	(500,081)	(846,706)	(728,767)	(575,482)	(538,318)	(5,291)
Cash and cash equivalents at the end of the year	600,435	606,002	611,715	544,009	611,223	572,030	3,966
Ratios:							
ROA (%)	5.8	6.3	7.0	3.6	4.5	5.3	—
ROE (%)	15.6	17.7	21.8	12.7	17.0	17.9	—
Ratio of shareholders' equity to total assets (%)	37.5	36.8	34.6	29.7	27.4	29.1	—
Net debt-to-equity ratio (times)	0.51	0.50	0.54	0.78	0.75	0.82	—
Interest coverage (times) (Note 2)	8.3	12.3	23.6	13.2	8.7	8.3	—
Common stock information							
(For the year):							
Stock price (Yen and U.S. Dollars):							
Opening price	¥ 4,316.0	¥ 4,143.0	¥ 3,656.0	¥ 2,220.0	¥ 2,018.5	¥ 2,063.0	\$ 28.51
High	6,844.0	4,414.0	4,249.0	3,653.0	2,695.5	2,302.5	45.20
Low	4,081.0	3,478.0	3,104.0	2,000.0	1,873.5	1,740.0	26.95
Closing price	6,466.0	4,301.0	4,144.0	3,587.0	2,242.5	2,002.5	42.71
Market capitalization (Yen and U.S. Dollars in billions)	9,304	6,259	6,090	5,328	3,342	3,046	61.45
Trading volume (yearly, million shares)	896	775	819	957	1,129	1,155	—
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	¥ 151.22	¥ 132.75	¥ 121.44	¥ 110.61	¥ 107.53	¥ 110.68	—
Average for the year	144.51	135.45	112.33	106.09	108.72	110.88	—
Range:							
Low	151.66	149.82	123.25	110.61	112.00	114.19	—
High	131.11	122.60	107.94	102.70	102.52	105.99	—
Number of employees							
(At year-end, consolidated)	113,733	110,698	115,124	125,944	128,146	119,796	—

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 fiscal year ended March 31, 2024, (FYE 2024 or the fiscal year), have been translated into U.S. dollars solely for the convenience of the reader at the rate of ¥151.41 = US\$1, the exchange rate prevailing on March 31, 2024.
4. Due to the adoption of IFRS 17 "Insurance Contracts," the results for March 31, 2023 are presented post retroactive adjustment.

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 Financial Information Report. These Consolidated Financial Statements have been prepared in conformity with IFRS Accounting Standards (hereinafter "IFRSs").

Figures in yen for the fiscal year ended March 31, 2024 (FYE 2024 or the fiscal year), have been translated into U.S. dollars solely for the convenience of the reader at the rate of ¥151.41 = US \$1, the exchange rate prevailing on March 31, 2024.

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 the fiscal year ending March 31, 2025 (FYE 2025), and later are forward-looking statements that are based on management's assumptions and beliefs, considering the information currently available at the end of FYE 2024. 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 FYE 2025

Regarding the global economic outlook for the next fiscal year, the effect of monetary tightening in the U.S. and Europe is forecast to put downward pressure on the economy in the near term. However, once inflation subsides, interest rates are projected to start declining, after which there will likely be a gradual pickup in economic conditions. In China, although exports are expected to recover as the U.S. and European economies rebound, the sluggish real estate market is expected to dampen domestic demand, and economic conditions are expected to remain weak. The Japanese economy is forecast to remain on a recovery trend as wage growth accelerates and inflation slows, which is expected to bolster consumer spending, while capital expenditures are projected to increase on the back of strong corporate earnings and other factors, and exports are also expected to recover. With regard to the U.S. dollar-yen exchange rate, further depreciation of the yen is expected to be limited for as Japan's long-term interest rate continues to rise gradually. The WTI crude oil price is expected to remain firm around the US\$83 per barrel level seen at the start of the fiscal year, due to continued supply constraints by major oil-producing countries.

In addition, the further escalation of tensions between Russia and Ukraine and in the Middle East, along with a delay in the transition to lower interest rates in the U.S. and Europe, remain as risk factors with the potential to put downward pressure on the global economy. As such, we need to monitor these factors.

Management Policy "The Brand-new Deal

-Profit opportunities are shifting downstream-

Considering the rapidly changing global situation in recent times, to deliver more useful information to our stakeholders, rather than simply following past precedents and developing a medium-term management plan for three years from now, which could be strongly affected by business environment like exchange rates and resource prices, etc., in this uncertain era, we have established a Management Policy that should serve as our compass for the long-term and publicly disclose profit plan, financial indicators and our shareholder returns policy as well, which we can commit with confidence for this coming year. We have titled this policy "The Brand-new Deal," which adheres to the fundamental principles and business methodologies that have supported our advancement thus far. We will expand our business area through accelerating growth investments, by anticipating the changing needs of society with having all employees always enhancing their marketing capabilities based on the principle of "profit opportunities are shifting downstream"

and leveraging the assets and expertise in a wide range of areas from our original downstream sector to the upstream and midstream. We aim to achieve sustainable enhancement in corporate value through three main pillars: steady earnings growth through investments as well as enhancement of corporate brand value and enhancing shareholder returns.

Management Policy – **The Brand-new Deal**

– Profit opportunities are shifting downstream –

We aim to achieve sustainable enhancement in corporate value, by having all employees, from the business divisions to the administrative divisions, always enhancing their marketing capabilities, leveraging the assets and expertise of upstream and midstream, which we have been building up for over 160 years since our founding, while developing and evolving downstream businesses that are closer to consumers.

Grow earnings	No growth without investments
Enhancement of corporate brand value	Enhancement in qualitative aspects
Shareholder returns	Total payout ratio 40% or more The higher of 30% dividend payout ratio or dividend ¥200 per share

<No Growth without Investments>

We aim to accelerate growth investments starting from a downstream, leveraging a stable business foundation, to grow earnings, and strive for further growth through the expansion of business areas and strengthening and expanding business foundation. We will develop and evolve downstream businesses that are more closer to consumers by realizing the below.

- Maximizing synergies by horizontal collaboration among Division Companies
- Business transformation and creation through business integration

<Enhancement of Corporate Brand Value>

Built a "corporate brand" through high external evaluations based on the accumulation of innovative initiatives, creating a synergy effect with financial growth, thereby enhancing corporate value. Based on the "market-oriented perspective," we aim to further enhance brand value by listening to the voices of the market, society, and consumers, and continue to refine our qualitative aspects diligently.

- Reinforcement of human capital
- Strengthening dialogue with stakeholders
- Enhancing our contribution to and engagement with the SDGs through business activities

Shareholder Returns Policy and Distribution of the Current Fiscal Year's Profit

Shareholder Returns Policy

ITOCHU has set a dividend for FYE 2025 as the higher of ¥200 per share, which renews the highest record, or 30% dividend payout ratio.

We will actively and continuously execute share buybacks in consideration of market conditions and situation of cash allocation, aiming at total payout ratio of 50% (approximately ¥150.0 billion of share buybacks).

Approach to Sustainability and Related Initiatives

ITOCHU Group's approach to sustainability and related initiatives are as follows.

The matters related to the future within sentences are based on ITOCHU Group's assumptions as of the end of the fiscal year.

(1) Approach to Sustainability

Guided by our founding spirit and corporate mission of "Sampo-yoshi" (good for the seller, good for the buyer, and good for society), ITOCHU seeks not only to achieve profit but also to help address social issues, in line with the trust and expectations placed on us by our diverse stakeholders, including our shareholders, investors, business partners, and employees.

In April 2018, we adopted an environmental, social, and governance (ESG)-oriented management approach, identifying seven Material Issues (key sustainability issues) from two perspectives: societal impact and business impact. We believe that addressing these Material Issues in terms of both the associated risks and opportunities will serve to enhance our corporate value over the medium- to long-term. For more details, please refer to the Identification and Review Process for Material Issues section on page 14 of the ITOCHU ESG Report 2023.

In our management policy, "The Brand-new Deal -Profit opportunities are shifting downstream-" announced in April 2024, we have stated that we will achieve the enhancement of corporate brand value alongside growing earnings and shareholder returns.

The Group has viewed change as an opportunity over the course of our development for more than 160 years. As a result, from upstream to downstream, and from raw materials to retail, our influence has expanded; we have developed while shifting the composition of the products we handle and our business areas in line with the times. Therefore, constantly creating new value beyond the boundaries of our existing business enhances the Group's corporate brand and generates synergies with financial growth. Building on strengths like our points of contact with the consumer sector and based on the market-oriented mindset of all employees, we aim to further enhance our corporate brand value by listening to the voices of the market, society, and consumers, while continuing to steadily refine the qualitative aspects of our business activities.

(2) Sustainability Initiatives

1) Governance

ITOCHU's governance structure for sustainability (as of June 21, 2024) is shown below.

a) Supervisory Function: Board of Directors

ITOCHU Group recognizes that addressing sustainability challenges is one of its most important management priorities. The Board of Directors approves Group policies, strategies, and business initiatives related to sustainability, and also provides oversight on the appropriateness of sustainability-related information that is to be disclosed.

The Board of Directors oversees the appropriateness of Material Issues by reviewing important matters such as policies toward risks and opportunities and specific actions to address them, as well as key performance indicators and progress toward their achievement.

Regarding the implementation of business and investment strategies for sustainability-related risks and opportunities, including environmental and social risks (including the review of strategies and decisions on withdrawal from business), we use the ESG Checklist for Investments as a preliminary ESG risk assessment for all new investments, identify and analyze policies, structures and initiatives associated with sustainability-related risk. Those sustainability-related risks are verified at the Headquarters Management Committee (HMC), a committee where important matters are discussed. After implementation, investments are followed up on from a multi-faceted perspective, including monitoring and reviewing group companies to prevent sustainability-related risks, human rights due diligence, conducting on-site inspections to prevent environmental pollution, and other risks. For management along the value chain, we conduct an annual sustainability survey to check the status of ESG initiatives of our suppliers. In addition, initiatives related to risks and opportunities regarding climate change are analyzed and disclosed based on the Task Force on Climate-Related Financial Disclosure (TCFD), and similarly those for natural capital are based on the Task Force on Nature-Related Financial Disclosure (TNFD) frameworks. The Chief Administrative Officer (CAO) reports regularly to the Board of Directors on the content of deliberations at the HMC and initiatives taken, and the Board of Directors supervises the Company's efforts to address sustainability-related issues.

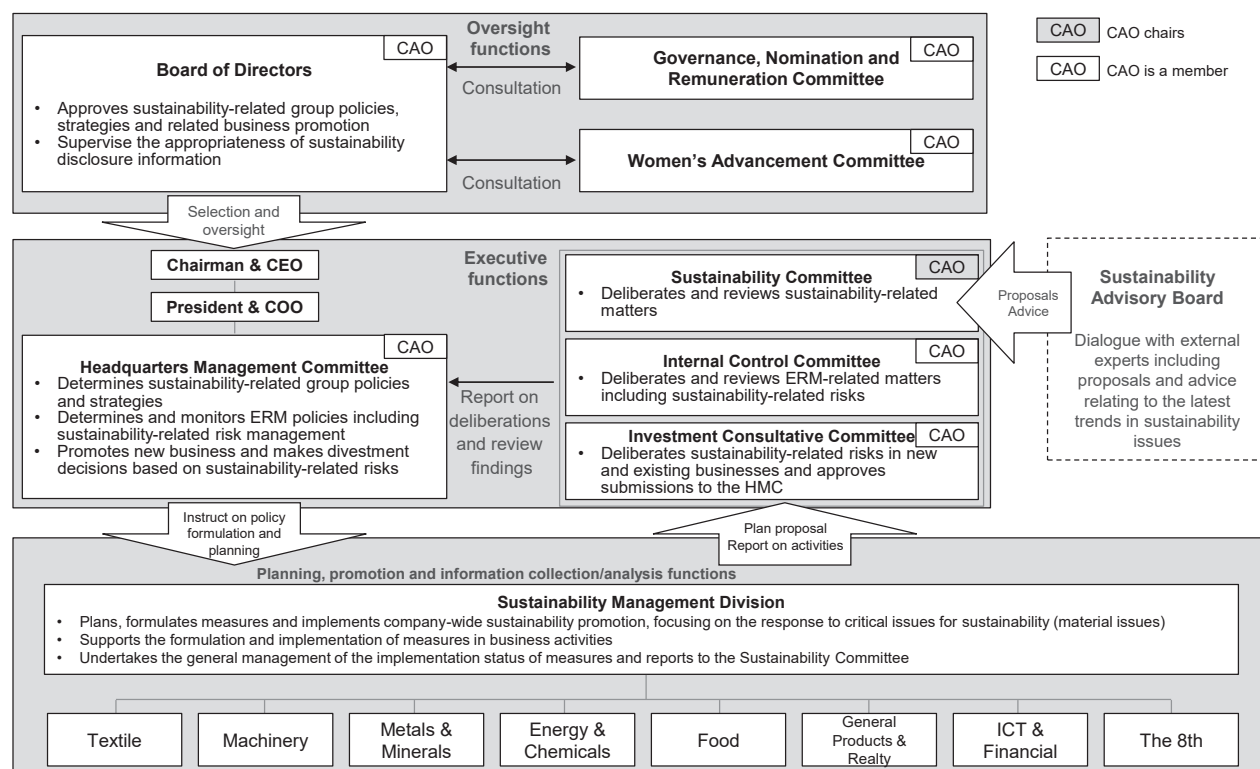
b) Supervisory Function: Skills and Competencies of the Board of Directors

ITOCHU's CAO possesses specialized knowledge and experience in the SDGs and ESG fields, and receives regular reports from the Sustainability Management Division, the organization responsible for planning and implementing a range of sustainability-related policies and measures, on approximately a twice-monthly basis. In addition, external experts are invited to annual Sustainability Advisory Board meetings and deliver lectures and discuss key issues with members, thus deepening our understanding of sustainability-related trends occurring in society, the expectations placed on the Company, and issues that the Company should address.

ITOCHU's CAO, who is also a representative director of the Company, is a member of the HMC, which is responsible for deliberating the Company's overarching management policies and other key management matters, and also serves as chairperson of the Sustainability Committee, making decisions on matters deliberated by the Sustainability Committee as the officer with overall responsibility for sustainability. Matters of particular importance receive final approval by the HMC following the decision of the CAO. The CAO reports such decisions to the Board of Directors as appropriate, in addition to the status of major sustainability promotion initiatives, thereby ensuring competency in the oversight provided by the Board of Directors.

c) Executive Function: Sustainability Committee

The Sustainability Committee, which discusses the planning and implementation of the Company's various initiatives to address sustainability-related matters, works to set sustainability-related goals, tracks their progress, and identifies, evaluates, and manages current sustainability-related risks and opportunities. The Board of Directors is responsible for overseeing the implementation of business and investment strategies to address sustainability-related risks and opportunities (including the review of strategies and decisions on withdrawal from business). In addition, the management of each operating segment and administrative department have been designated as ESG Officers on the executive side. ESG Officers are responsible for overseeing the progress of various sustainability-related measures and initiatives, and reporting this progress to the Sustainability Committee.



Sustainability-Related Deliberations and Reporting in FYE 2024

Sustainability-related Meetings/Committees	Number of times held	Main items for approval/deliberation/reporting
Board of Directors	4	<ul style="list-style-type: none"> • Reporting contents of deliberations by the Sustainability Committee and decision of the CAO • Reports on social contribution initiatives
Sustainability Committee	3	<p>Items for Approval</p> <ul style="list-style-type: none"> • Disclosure of sustainability-related information in Annual Securities Report <p>Matters to be Reported</p> <ul style="list-style-type: none"> • Confirmation of Material Issues • Review of Sustainability Action Plans • External ESG assessments • Results of environmental and social risks monitoring and reviews • CSRD promotion system • Response to climate change • Natural capital (biodiversity) / TNFD disclosures • ISO14001 environmental management reviews • Report of human rights due diligence and sustainability surveys • Disclosures of human capital

2) Strategy

ITOCHU Group has established the ITOCHU Group Sustainability Policy based on its corporate mission and changes in the external environment, and works to promote initiatives that contribute to sustainability in a structured and systematic manner.

We incorporate the Group's Material Issues into Sustainability Action Plans, and we aim to help resolve key sustainability challenges through trading and business investments based on the policies set out in our management policy and management plan.

a) The ITOCHU Group Sustainability Policy

The ITOCHU Group Sustainability Policy is as follows:

The ITOCHU Group Sustainability Policy

ITOCHU Group, conducting business globally under the spirit of "Sampo-yoshi," the founding spirit and our Corporate Mission, considers that addressing global environmental and social issues is one of the top priorities in our management policy. We have formulated this policy based on The ITOCHU Group Corporate Guideline of Conduct, "I am One with Infinite Missions," and The ITOCHU Group Code of Ethical Conduct for the realization of sustainable society.

1. Identification of Material Issues and Promotion of Businesses that Address the Social Issues

As a member of the international community, we will identify and assess Material Issues where we can create the most social and environmental value for that can enhance the sustainable growth of both society and our business.

2. Establishment of Mutual Trust with Society

We will take necessary measures to ensure that we disclose accurate and clear information and expand the information we disclose, and maintain a communicative relationship with our stakeholders. In doing so, we aim to be receptive and responsive to the expectations and demands of society.

3. Strengthening Sustainable Supply Chain and Business Investment Management

We will promote sustainable business activities by preventing and continuing to give consideration to problems for the conservation of the global environment, climate change mitigation and adaption, pollution control, resource recycling, protection of biodiversity and ecosystems, and basic human and labor rights.

We will endeavor to effectively use resources (such as air, water, land, food, minerals, fossil fuels, animals and plants), respect human rights and consider occupational health and safety in the businesses where we invest and in the supply chains of the products we handle.

We request our business partners to understand and implement the concept of sustainability in the ITOCHU Group, and aim to build a sustainable value chain.

We will respect the legal systems of each country and international norms. We will strive to understand the cultures, traditions and customs of countries and regions around the world. We will then engage in fair and sincere corporate activities.

4. Education and Awareness of Employees to Promote Sustainability

We believe that the promotion of sustainability starts with each and every employee. Therefore, we will take necessary measures to educate our employees on the Material Issues we have identified and nurture a sustainability mindset among the workforce. Every employee is expected to adhere to this policy by executing respective action plans drafted in alignment to this policy.

Fumihiko Kobayashi
Member of the Board
Executive Vice President
Chief Administrative Officer

b) Strategy for Each Material Issue

After mapping the candidates of Material Issues reflecting company-wide opinion in terms of business impact and social impact, and determining their level of importance, the Sustainability Advisory Board, which includes outside experts, created a Materiality Matrix in terms of both “impact on management” and “stakeholders’ opinions and expectations” to identify seven Material Issues. Each year, the Material Issues are reviewed by taking account of the scope of the Company’s business and the concerns raised through the annual Sustainability Advisory Board meetings and interviews with shareholders. The results are discussed by the Sustainability Committee and decided by the CAO, and reported to the Board of Directors.

Regarding the initiatives taken in relation to Material Issues, each operating segment or administrative organization identifies the risks and opportunities associated with their respective business fields, and establishes a Sustainability Action Plan aimed at achieving short term to medium and long term goals. Through our Sustainability Action Plans we manage key challenges to be addressed, target business areas, specific approaches, key performance indicators, and the status of progress toward them. We conduct progress reviews based on the key performance indicators set for each of the eight division companies and for administrative divisions, and report this progress to the Sustainability Committee every year. We implement the PDCA cycle and disclose this information to ensure that progress on Material Issues continues.

Risks and Opportunities of Each Material Issue

Material Issues	Risks	Opportunities
Evolve Businesses through Technological Innovation	<ul style="list-style-type: none"> •Obsolescence of existing business models resulting from the emergence of new technologies, such as IoT and AI. •Labor shortage in developed countries, loss of excellent human resources in businesses in which efficiency improvement is delayed. 	<ul style="list-style-type: none"> •Creation of new markets and provision of innovative services. •Utilizing new technologies for optimizing human resources and logistics, increasing competitiveness by promoting workstyle reform.
Address Climate Change (Contribute to a Decarbonized Society)	<p>Transition Risk</p> <ul style="list-style-type: none"> •Reduction in demand for fossil fuels due to business restrictions on GHG emissions. <p>Physical Risk</p> <ul style="list-style-type: none"> •Damage to business due to the increase in abnormal weather (e.g., droughts, flooding, typhoons and hurricanes). 	<ul style="list-style-type: none"> •Increase in renewable energy and other business opportunities which will contribute to alleviating climate change. •Retention and acquisition of customers by strengthening supply structures that can adapt to abnormal weather.
Develop a Rewarding Work Environment	<ul style="list-style-type: none"> •Decline in labor productivity, loss of excellent human resources, missed business opportunities, increase in health-related expenses, and other events that would result from failure to take appropriate measures. 	<ul style="list-style-type: none"> •Improvement of labor productivity, health and motivation, securing of excellent human resources, enhanced capability of responding to changes and business opportunities, and other events that will result from providing a motivating workplace environment.
Respect and Consider Human Rights	<ul style="list-style-type: none"> •Business delay or business continuity risk resulting from the occurrence of a human rights problem in business activities that expands (geographically). •Decline in credibility that may result from defects in the social infrastructure services we provide. 	<ul style="list-style-type: none"> •Stabilization of business or securing of excellent human resources resulting from harmonious coexistence with local communities. •Establishment of safe, stable supply system for product enabled by the consideration of human rights and improvement of work environment in the supply chain.
Contribute to Healthier and More Affluent Lifestyles	<ul style="list-style-type: none"> •Decline in credibility that would result from the occurrence of consumers and service users’ safety or health issues. •Impact on business of destabilization of the market or social security system based on policy change. 	<ul style="list-style-type: none"> •Increase in demand for food safety, security and health improvement. •Expansion of information, financial and logistics services resulting from an increase in consumer spending or penetration of the internet.
Ensure Stable Procurement and Supply	<ul style="list-style-type: none"> •Impact of opposition movement resulting from the occurrence of an environmental problem and worsening relationship with local communities. •Structural exhaustion of the overall industry caused by the occurrence of price competition, mainly in the consumer-related sector. 	<ul style="list-style-type: none"> •Increase in resource demand attributed to an increase in population and improvement of living standard in emerging countries. •Winning customer trust or creating new businesses with a stable supply of environmentally friendly resources and materials.
Maintain Rigorous Governance Structures	<ul style="list-style-type: none"> •Occurrence of business continuity risk or unexpected loss resulting from the malfunction of corporate governance or internal control. 	<ul style="list-style-type: none"> •Improvement of transparency in decision-making, appropriate response to changes and establishment of a stable basis of growth enabled by the establishment of a firm governance system.

c) Specific Approach

In FYE 2025, in consideration of the sustainability-related issues surrounding the Company, the Board of Directors has set “The Brand-new Deal -Profit opportunities are shifting downstream-” as our management policy on April 3, 2024. We will work through our core business to “Enhancing our contribution to and engagement with the SDGs through our business activities,” continuing the approach from our previous three-year medium-term management plan, with the aim of enhancing our corporate brand value. Based

on this resolution by the Board of Directors, the Sustainability Committee held a meeting in May 2024 to discuss and review the progress toward specific measures and targets related to each Material Issue, and decided on the Sustainability Action Plan for FYE 2025. We are continuously implementing these measures in each of our operating segments. For details, refer to the Sustainability Action Plan section of the ITOCHU ESG Report 2024, scheduled to be published in September 2024.

The examples of specific results of our efforts in each operating segment in FYE 2024 are as follows.

Operating Segment	Specific Results in FYE 2024
Textile	Promoted the sustainable products such as “RENU” a recycled polyester derived from textile, and set up schemes to recycle textile products
Machinery	Launched a fund dedicated to investing in renewable energy assets across North America
Metals & Minerals	Promoted construction of one of the world's largest green hydrogen value chains in Europe
Energy & Chemicals	Full-scale entry into large energy-storage-system business
Food	Operated biogas plant and introduce clean energy sources at Dole Philippines
General Products & Realty	Procured raw materials with traceability and sustainability ensured in our natural rubber processing business
ICT & Financial Business	Expanded product variation, supply channels and distribution outlets in business of secondhand mobile phones/tablets
The 8th	Expanded installation of digital signage in FamilyMart stores
Others	More content from the ITOCHU SDGs STUDIO

3) Risk Management

a) Identification of Sustainability-related Risks and Opportunities

As a corporate group with global operations, ITOCHU Group constantly monitors the risks to its business arising from changes in society and the business environment, including environmental and societal measures and legislation in respective countries. The Division Company Management Committee (DMC), which serves as an advisory body to the Division Company President of each operating segment, who hold responsibility for overseeing the management and business activities of their respective companies, annually reviews business risks and opportunities, including those related to environmental, social and other sustainability-related issues, and formulates the plan that sets out a range of measures and business priorities. The plan for each operating segment is submitted to the HMC and to the Board of Directors, which serves as the Group's supervisory body, and is approved by the Board of Directors following a final comprehensive analysis and deliberation from a sustainability perspective.

b) Evaluation of Sustainability-related Risks and Opportunities

ITOCU Group recognizes that risk management is an important management priority. Accordingly, we have established a basic policy for risk management at the Group with reference to the COSO-ERM framework, and developed the required risk management systems and methodologies. We recognize factors that may have a major future impact on our financial position and performance as significant risks. We identify risks by gathering information on a regular basis regarding regulatory and other trends related to sustainability, including climate change, supply chain issues, and human rights, as well as sustainability-related risks and opportunities impacting our business operations throughout the world.

c) Management of Sustainability-related Risks and Opportunities

ITOCU Group delegates authority to its operating segments in order to enable swift decision-making and to manage sustainability-related risks and opportunities associated with their business operations. At each operating segment's DMC, management policies as well as investments, loans, guarantees, and businesses and other matters affecting Company's management are deliberated, with final decisions made by the Division Company President. These decisions are managed, as appropriate to the circumstances at each business phase.

d) Integration into Company-wide Risk Management System

ITOCU Group has established a variety of internal committees and responsible divisions to address various risks and opportunities including sustainability-related risks and opportunities. We have also established the required risk management systems and methods, including various management regulations, investment criteria, risk and transaction limits, and reporting and monitoring systems, in order to manage risks and opportunities on both an individual and company-wide basis.

Risks and opportunities managed by each operating segment are reported to the respective internal committees, and after deliberation by the respective committees, are approved by the HMC or the Board of Directors as necessary in accordance with their level of importance. The effectiveness of the Group's management systems is reviewed annually by the Internal Control Committee and reported to the Board of Directors.

For more details, refer to the Risk Management section on page 190 of the ITOCHU ESG Report 2023.

4) Metrics and Targets

For more details regarding the issues to be addressed, approaches, key performance indicators, and progress of the Sustainability Action Plans, refer to the Sustainability Action Plan section in the ITOCHU ESG Report 2024, scheduled to be published in September 2024.

(3) Response to Climate Change

ITOCHU Group recognizes that climate change is one of the most urgent global environmental issues.

ITOCHU supports the Paris Agreement and the contribution determined by the Japanese government (NDC). We will strive to adapt to changes in the business environment due to climate change, and view this as an opportunity for further growth. Through cooperation with business partners in value chain, ITOCHU Group will increase our corporate value by reducing greenhouse gas (GHG) emissions and actively promoting businesses that contribute to avoided emissions in order to achieve our GHG emissions reduction targets for 2030, 2040, and 2050. Specifically, we will work on initiatives such as energy conservation, use of renewable energy, asset replacement including withdrawal from thermal coal interests, and provision of products and services in an environmentally friendly manner to reduce our GHG emissions.

ITOCHU recognizes the importance of climate-related financial disclosure, and in May 2019, we announced our endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Thereafter, we have continued our endeavors to disclose information in accordance with the TCFD recommendations.

For more details, refer to the Climate Change (Information Disclosure Based on TCFD Recommendations) section on page 41 of the ITOCHU ESG Report 2023.

1) Governance

Important matters such as policies for addressing climate change-related risks and opportunities, targets for GHG emission reductions and related initiatives, and annual budgets and business plans that take climate change risks and opportunities into account are managed and overseen in an integrated manner as part of our aforementioned overall sustainability governance, as one of the risks and opportunities related to sustainability.

2) Strategy

Our business is subject to climate change transition risks and physical risks spanning a range of time frames, including the short, medium, and long term. Accordingly, we identify, evaluate, and manage risks and opportunities that could have a significant financial impact on our business, strategy, value chain, and other matters as part of the implementation process for each business project and as part of the process for managing environmental and social risks, including climate change.

a) Risks and Opportunities Related to Climate Change

Climate-Related Risks and Opportunities		Impact of Climate-related Risks and Opportunities on the Organization's Business, Strategy, and Financial Planning	Impact Timeline (Note)	Impacted Value Chains	Examples of Affected Businesses/Industries
Transition Risks and Opportunities	Policy and Legal Systems	<ul style="list-style-type: none"> •If countries around the world take a more aggressive approach in their GHG emissions reduction targets and subsequently strengthen laws and regulations regarding corporate emissions, fossil fuel demand may see a sharp decrease. •Increased operating costs due to carbon pricing (e.g., carbon tax, etc.) or business regulations. 	Medium-term Long-term	Upstream, ITOCHU Group	Power generation business, Fossil fuel business, Iron ore business, Automobile business, Chemical products business
	Technical Innovation	Business opportunities that contribute to climate change mitigation are expected to increase (e.g., renewable energy, energy-storage-systems, low-carbon fuels, low-carbon steel raw materials).	Short-term Medium-term Long-term	ITOCHU Group	Renewable energy/Energy-storage-system businesses, Low-carbon fuel business, New materials business, Iron ore business
	Changes in Market Conditions	Demand for certain products and services may increase/decrease due to market risks related to public policy, laws and regulations, or technological advancements (e.g., clean technology, etc.).	Short-term Medium-term Long-term	Upstream, ITOCHU Group	Fossil fuel business, Chemical products business, Automobile business, Renewable energy/Energy-storage-systems businesses, New materials business, CCUS/Emissions credit-related businesses
Physical Risks and Opportunities	Acute Physical Risks and Opportunities	Operations may be impacted or damaged by increased occurrences of abnormal weather patterns (e.g., droughts, floods, typhoons, hurricanes, etc.).	Short-term Medium-term Long-term	Upstream, ITOCHU Group, Downstream	Food business, Forestry-related businesses, Mining business
		We may be able to strengthen customer retention and/or attraction by strengthening our supply chain resilient to extreme weather patterns.	Short-term, Medium-term Long-term	Upstream, ITOCHU Group, Downstream	Food business, Forestry-related businesses
	Chronic Physical Risks and Opportunities	The quantity of agricultural and forestry-related harvests and products manufactured using these yields, may be impacted by climate-related changes such as increasing temperatures and likelihood of droughts.	Medium-term Long-term	Upstream, ITOCHU Group, Downstream	Food business, Forestry-related businesses

Note: Short-term: up to 1 year, Medium-term: up to 3 years, Long-term: 4 or more years

b) Scenario Analysis

We have categorized our businesses based on their climate impact, such as GHG emissions, and financial impact, and prioritized businesses with the largest impact in both areas. Based on this, we have designated the following businesses as targets for scenario analysis: "Power Generation," "Energy," "Coal," "Iron Ore," "Automobile," and "Chemicals" as businesses with significant transition risk impacts, including policy and legal risks; and "Dole," "Feed and Grain Trade," and "Pulp" as businesses with significant physical risk impacts from climate change. The above nine businesses are included in the four non-financial sectors (energy, transportation, materials and buildings, and agriculture/food/forest products) designated by the TCFD as potentially highly affected by climate change.

c) Impact on Existing Strategies and Transition Plans for Affected Businesses

During scenario analysis, we identified the risks that could have a significant negative financial impact if climate change countermeasures such as shifting current business strategies and regions are not taken, and have already begun to formulate specific business transition plans and financial plans (including asset replacement) in line with our initiatives to "Enhancing our contribution to and engagement with the SDGs through business activities" as part of our management policy "The Brand-new Deal - Profit opportunities are shifting downstream-."

Specific response approaches are outlined below.

Business	Summary
Environmentally Friendly Fibers	•Contribution to a circular economy through expansion of sustainable materials.
Water and Waste Treatment	•Developing businesses centered on Europe and the Middle East through collaboration with leading partners. •Began construction of the world's largest energy-from-waste (EfW) project in Dubai.
Renewable Energy	•Promoting power generation businesses, including wind, solar, and geothermal, mainly in North America, Europe, and Asia. •Operating and providing maintenance services for solar power plants at approximately 1,400 locations in North America.
Recycling of Metal Scrap, etc.	•Developing a wide range of recycling businesses of materials including metal scrap, by utilizing a nationwide network of recycling companies and providing waste management services.
Low-carbon Iron	•Promoting the construction of a low-carbon iron supply chain that contributes to decarbonization of the steel industry.
CCUS (Carbon Capture, Utilization and Storage)	•Collaboration with domestic and overseas business partners to commercialize the utilization of mineral carbonation technologies by Australia-based MCI Carbon Pty Ltd. •Participate in a project commissioned by the New Energy and Industrial Technology Development Organization (NEDO), and also conduct R&D and demonstration projects for liquefied CO ₂ transportation technology.
Energy-Storage-Systems / Renewable Energy	•Promoting next-generation power services and environmental value trading by utilizing in-house brand AI-equipped Energy-Storage-Systems and distributed solar power generation networks. •Developing next-generation batteries and promoting recycling-oriented businesses by reusing batteries for EVs. •Promoting renewable energy power sources, such as solar, biomass, and wind power.
Sustainable Aviation Fuel / Renewable Diesel Fuel	•Selling sustainable aviation fuel (SAF) to airlines for the first time in Japan and sales of renewable diesel.
Hydrogen and Ammonia	•Promoting the establishment of a green hydrogen value chain in collaboration with Denmark-based Everfuel A/S. •Developing ammonia-fueled vessels and creating a proprietary operation model, developing a bunkering business, utilizing ammonia as an alternative fuel for power generation, and promoting manufacturing and marketing operations in Canada and elsewhere in order to build a value chain for clean ammonia.
Plastic Recycling	•Developing plastic recycling businesses with leading partners boasting recycling technologies. •Product development using marine plastic waste as raw material.
Sustainable Coffee Beans and Vegetable Oil	•Stably supplying sustainable products and third-party certified products to eliminate child labor and environmental damage. •Building raw material supply chains with established sustainability in production, distribution, and processing.
Production and Processing of Fruits and Vegetables Waste Reduction	•Reducing low-quality products and residues in the production, distribution, and processing of Dole products.
Sustainable Natural Rubber	•Participate as a founding member in the global platform for sustainable natural rubber (GPSNR) to promote its production and use. •Developing a traceability system using blockchain, involving the entire value chain.
Secondhand Mobile Phone Distribution	•Entering the secondhand mobile distribution business by taking advantage of market trends such as excessive supply of new mobile phones and increased environmental impact due to mobile phone replacement.
CVS Business (FamilyMart)	•Improving operational efficiency and reducing food loss through supply chain reforms. •Promoting FamilyMart Environmental Vision 2050, including efforts to reduce plastic use and GHG emissions.

3) Risk Management

We conduct integrated management of climate change risk as one of our sustainability-related risks and opportunities, as previously described in the overall sustainability risk management section. In addition, climate change risk management is incorporated into the evaluation methods for each business phase as follows.

Evaluation Methods for Each Business Phase

Business Phase	Evaluation Method
Business start	<ul style="list-style-type: none"> •Environmental risk assessments for new investment project (approx. 80 per year) •Shadow pricing for carbon tax costs, etc., and stress test (internal carbon pricing)
Business management	<ul style="list-style-type: none"> •Environmental risk assessments for handled products (LCA evaluation for overall supply chain) •Group company environmental status survey (2, 3 companies per year) •Supply chain sustainability surveys (ITOCHU and its subsidiaries) •Internal environmental audits based on ISO14001 (ITOCHU and 3 applicable Group companies) •Scope 1/2/3 aggregation and year-on-year assessment •Internal carbon pricing impact assessment (e.g., US\$205/t-CO₂ in the case of power generation project (the U.S.))
Review business strategy	Consider business strategy and asset replacement

If risks or opportunities are identified during the evaluation methods at each business phase, the impact of the risks and opportunities on the business is also assessed. This includes quantitative assessments such as scenario analysis and stress testing, as well as qualitative assessments such as compliance with investment policy and with GHG emissions reduction targets. Quantitative information on non-climate change-related risks and opportunities is added to the quantitative information on climate change-related risks and opportunities in order to analyze the contribution of climate change to revenue.

4) Metrics and Targets

ITOCHU Group has established the following metrics and targets for GHG emissions, electricity consumption, and clean-tech business as part of its efforts to address climate change-related risks and opportunities. In setting these metrics and targets, we refer to materials such as the Paris Agreement, Japan's NDC, and the

International Energy Agency (IEA), which are highly relied internationally and can cover a wide range of business domains.

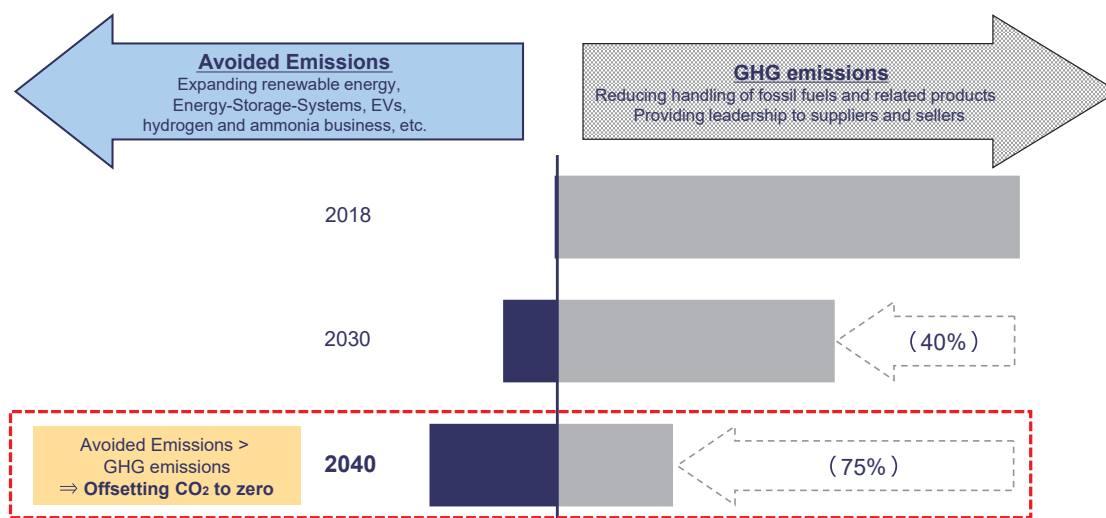
<GHG Emission Reduction Targets>

Metrics (aggregation range):

Scope 1/2/3 (ITOCHU and its subsidiaries), fossil fuel business and interests (ITOCHU, its subsidiaries, associates, and general investments)

Targets:

- Achieve net zero GHG emissions by 2050.
 - Achieve 75% reduction from 2018 levels by 2040, aim for "offset zero" (Note) through aggressive promotion of businesses that contribute to GHG emission reductions.
- (Note) Offset zero: When avoided emissions exceed company GHG emissions
- Achieve 40% reduction from 2018 levels by 2030.



5) GHG Emissions Data

(Unit: 1,000 t-CO₂e)

	Year ended March 31, 2023
Scope 1	1,166
Scope 2	600

- Figures above shown in thousands of t-CO₂e are rounded to the nearest thousand t-CO₂e.
- Scope 1 and Scope 2 emissions for the fiscal year ended March 31, 2023 are taken from ITOCHU ESG Report 2023, and these figures have been independently assured. For details on the scope of aggregation, calculation method, and independent assurance, refer to the notes under "Scope of Aggregation" and "Climate Change Performance Data" in the ESG Data (Environment) section on page 93 of ITOCHU ESG Report 2023, as well as the Independent Assurance Report.
- For Scope 1 and Scope 2 emissions in the fiscal year ended March 31, 2024, refer to the ITOCHU ESG Report 2024, scheduled to be issued in September 2024.

(4) Human Capital Management and Diversity

ITOCHU Group strives to recruit and develop human resources who can carry on the spirit of "Sampo-yoshi," our corporate mission, and embody our corporate Guideline of Conduct, "I am One with Infinite Missions." In order to achieve this, it is essential to develop a human resource strategy and corporate environment that allows each and every employee to realize their full potential, regardless of race, gender, religion, nationality, age, or other attributes. ITOCHU shares case studies of our company's workstyle reforms and human resource policies with our Group companies, such as our Morning-Focused Working System and health management, and develops unique human resource strategies that best suit the business needs of our respective Group companies. In addition, the Group is working as one to enhance its corporate value by providing in-depth support for the challenges faced by each Group company, including recruitment, talent development, and labor management.

1) Governance

In order to realize ITOCHU Group's corporate mission of "Sampo-yoshi," ITOCHU has positioned our human resource strategy as one of our key management strategies. In addition, key human resources policies that have a major impact on management policy as well as other related matters are proposed by the Human Resources & General Affairs Division and reviewed by the CAO, Chief Strategy Officer (CSO), and the Corporate Planning & Administration Division before being approved by the HMC, which is responsible for deliberating overall management policy and important matters related to management. Decisions that are implemented are regularly reported by the CAO to the Board of Directors, which provides oversight. In order to strengthen corporate governance, the Group dispatches appropriate personnel to respective Group companies. In addition, to accelerate the priority task of supporting women's advancement against the backdrop of increasing societal expectations for diversification of human resources in accordance with the revised Japan's Corporate Governance Code and other developments, ITOCHU established the Women's Advancement Committee, a voluntary advisory committee of the Board of Directors, in October 2021, with the Board of Directors holding responsibility for overseeing key initiatives in this area. This committee is chaired by an outside director, and more than half of its members are outside officers. Going forward, we will continue a cycle of (1) Discussions with the frontline worksites, (2) Discussions at the Women's Advancement Committee, and (3) Reporting to the Board of Directors, based on an understanding of the situation at frontline worksites and individual circumstances, and work to translate these discussions into effective measures. By systematically recruiting and training female talent, we will increase the number of candidates for

managerial positions, one of the key policies. ITOCHU will also strive to promote women's advancement across the Group through personnel exchanges with other Group companies.

2) Strategy

ITOCHU Group's policies for talent development and the internal environment development and specific approach are outlined below.

<Human Resources Strategy (Human Resources Development Policy)>

In order to achieve the group's corporate mission of "Sampo-yoshi," ITOCHU has set "Enhancement of Corporate Brand Value" as one of our key objectives. As part of this, ITOCHU will focus on reinforcement of human capital as an important initiative. By reinforcing human capital, ITOCHU aims to pursue further labor productivity and enhance sustainable Corporate Brand Value. Under the concept of "market-oriented perspective," ITOCHU will listen to the voices of the market, society, and consumers and focus on implementing the following measures:

1. Securing excellent talents by leveraging the advantage in recruiting market

In order to achieve higher results with fewer employees compared to other companies in the same industry, ITOCHU will secure outstanding human resources who resonate with our corporate philosophy of "Sampo-yoshi."

2. Continuous development of diverse management talents through officer appointment system

Based on the diverse customer needs in the consumer goods industry, ITOCHU is promoting women's active participation in order to diversifying the organization and management in decision-making for the purpose of developing and evolving business. ITOCHU will also foster a "culture of continuous learning" within the company and focus on nurturing management talents and global talents in order to accelerate downstream-centered investments and further expand and strengthen our business infrastructure with hands-on approach.

3. Enhancing employee motivation and pursuing further labor productivity

ITOCHU has been implementing advanced initiatives in workstyle reform, such as Morning-Focused Working System and Health Management, evaluation and compensation commensurate with results, early promotion, and creating opportunities for challenging experiences. ITOCHU aims to realize a "Challenging but Rewarding Workplace" where all employees can maximize their abilities.

Since FYE 2000, ITOCHU has positioned development expenses as human capital investment for continuous enhancement of corporate value, and ITOCHU has reviewed them throughout the company to link them to talent development. Through these efforts, ITOCHU will nurture "One" who fulfill "Infinite Missions" in response to changes in the social environment and customer needs, and achieve our Group's corporate mission of "Sampo-yoshi."

<Company Environment Improvement Policy>

ITOCHU believes improving employee health is a cornerstone for supporting the enhancement of its human resource capabilities which will, in turn, enable the fulfillment of its Guideline of Conduct, "I am One with Infinite Missions." Based on this concept, the Company has established the ITOCHU Health Charter. Moreover, ITOCHU has developed a robust health and safety management structure aimed at, for example, helping employees who strive to balance cancer care and work. In addition, our company physicians support our Group companies such as providing information on occupational health and safety. With the health of each of our employees as our top priority, our entire group will continue to strive

to create a working environment where our employees can work with peace of mind.

3) Risk Management

ITOCHU is committed to developing a platform that enables each and every employee, who are the driving force behind the Company's value creation, to reach their maximum potential. As part of these efforts, we delegate authority to operating segments in order to enable swift decision-making and to manage human resource-related risks and opportunities associated with their

business operations. Based on human resource strategies that is aligned with management strategies, the Division Company President of each operating segment works to secure and assign the right talent for their specific needs. In addition, ITOCHU conducts regular employee engagement survey and reports the results to each operating segment in order to establish a structure for monitoring the job satisfaction of our employees. ITOCHU also strives to provide detailed support to Group companies to help them identify and address labor management and human resource risks and challenges through each operating segment.

4) Metrics and Targets

a) Human Resources Strategy (Human Resources Development Policy)

Metrics	FYE 2024 Results	Goals / FYE 2023 Results (Note 1)	Scopes
Labor Productivity (Note 2)	5.2 times	FYE 2023: 5.2 times	ITOCHU
Female employees as a percentage of workforce	25%	Goal: 30% (by FYE 2026)	ITOCHU
Female employees as a percentage of new employees	39%	Goal: 40% (by FYE 2026)	ITOCHU
Female executives as a percentage of executive positions (Note 3)	12%	Goal: 30% (by FYE 2031)	ITOCHU
Childcare leave acquisition rate of male employees	53%	Goal: 100% (by FYE 2026)	ITOCHU
Number of employees receiving training (cumulative)	68,824	FYE 2023: 48,044	ITOCHU
Rate of overseas assignment and secondment experience among individuals in their 20s and 30s	71%	FYE 2023: 72 %	ITOCHU
Total investment in talent development (Note 4)	2.3 billion Yen		ITOCHU
• Development of global and management talent (such as global training programs)	1.5 billion Yen		ITOCHU
• Preservation of the "ITOCHU spirit" (such as visiting the founding site)	0.4 billion Yen		ITOCHU
• Support for "continuous learning" (such as DX training)	0.4 billion Yen		ITOCHU
Investment in talent development per employee	555 thousand Yen		ITOCHU
Number of employees visiting the foundation site to gain a deeper understanding of "Sampo-yoshi" corporate mission (Note 5)	3,565	FYE 2023: 3,027	ITOCHU Group

(Note 1) For Non Financial Key Performance Indicators (KPIs) with set goals, goals are listed in the Goals / FYE 2023 Results column.

(Note 2) The multiple obtained by dividing the consolidated net profit by the number of employees of the reporting company, using FYE 2011 as the starting point for workstyle reform.

(Note 3) Female executives as a percentage of executive positions includes directors and executive officers as defined by company law.

(Note 4) Includes some expenses related to the integrated single-person dormitory aimed at talent development.

(Note 5) Cumulative number of employees visiting the foundation site since FYE 2005.

b) Company Environment Improvement Policy

Metrics	FYE 2024 Results	Goals / FYE 2023 Results	Scopes
Percentage of employees eligible for taking special cancer screening	94%	FYE 2023: 93%	ITOCHU
Number of work-related injuries	8	FYE 2023: 3	ITOCHU
Number of work-related fatalities	0	FYE 2023: 0	ITOCHU
Response rate for Group Compliance Awareness Survey (Note)	98%	FYE 2023: 99%	ITOCHU Group

Note: Scope of survey includes 56,090 employees of consolidated subsidiaries and their related companies in Japan and overseas, excluding listed subsidiaries that conduct their own surveys.

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. To respond to these risks, ITOCHU Group establishes necessary risk managing system / method, monitors and controls such risks. However, there is no assurance that it can completely avoid such risks.

The risks described below are not exhaustive. Rather, these risks describe matters that may have a significant impact on investors' decisions from the perspective of materiality. In addition to the risks described here, ITOCHU Group's business may be affected by currently unknown risks, and risks that require no special mention or that are not considered material at this point. These risk factors may also affect investor decisions.

With respect to descriptions about future events, ITOCHU appropriately has determined its assumptions and estimates based on information currently available as of March 31, 2024.

(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 metal and mineral resources and energy.

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 sectors such as textiles and food. However, economic trends in the world have been more influential even on the consumer sectors, as economic globalization proceeds.

Furthermore, global economic trends including specific regional trends, changes in industrial structures due to rapid technological innovation in recent years, increasing competition from companies in newly developing countries due to globalization, and changes in the business environment due to deregulation and entrants from other industries could significantly affect the existing business model and the competitiveness, future 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 contracts, however, cannot completely avoid such risk.

Further, ITOCHU's investments in overseas businesses expose ITOCHU Group to the risk that fluctuations in foreign exchange rates could affect shareholders' equity through the accounting for foreign currency translation adjustments and the amount of periodic

income when converted to yen. These foreign exchange rate risks could significantly affect the future financial position and results of operations of ITOCHU Group.

For more details, please refer to "Foreign exchange rate risk management" in "Notes to Consolidated Financial Statements 24. Financial Instruments."

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.

In addition, ITOCHU Group periodically tracks interest rate trends and monitors the amount of influence on interest payments due to interest rate changes, using the Earnings at Risk (EaR). However, interest rate trends could significantly affect the future financial position and results of operations of ITOCHU Group.

For more details, please refer to "Interest rate risk management" in "Notes to Consolidated Financial Statements 24. Financial Instruments."

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 are 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 future financial position and results of operations of ITOCHU Group.

ITOCHU Group uses "Value at Risk (VaR)" to ascertain and monitor risk in commodity transactions, which are susceptible to market fluctuations. The figures in this method are based on market fluctuation data for specific past periods, and statistical methods are used to estimate maximum loss amounts that may be incurred during specific future periods.

For more details, please refer to "Commodity price risk management" in "Notes to Consolidated Financial Statements 24. Financial Instruments."

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. These shares are exposed to stock price fluctuation risk and could significantly affect the future financial position and results of operations of ITOCHU Group depending on stock price trends.

ITOCHU Group periodically tracks and monitors the amount of influence on consolidated shareholders' equity, using "Value at Risk (VaR)." The figures in this method are based on market fluctuation data for specific past periods, and statistical methods are used to estimate maximum loss amounts that may be incurred during specific future periods.

For more details, please refer to "Stock price risk management" in "Notes to Consolidated Financial Statements 24. Financial Instruments."

(3) 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 may 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 are 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. To reduce these risks, ITOCHU Group works through decision making based on the establishment of investment criteria for the implementation of new investments while monitoring existing investments periodically and promoting asset replacement through the application of exit criteria to investments with low investment efficiency that has little reason to hold.

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

(4) Risks Associated with Impairment Loss on Fixed Assets

ITOCHU Group is exposed to the risk of impairment losses on fixed assets which are held or leased. These include real estate, assets related to natural resource development, aircraft and ships, and goodwill and intangible assets.

ITOCHU Group has recognized impairment losses that are currently necessary. However, new impairment losses might be recognized if stores, warehouses, and other assets were to become unable to recover their book value due to declining profitability. Impairment losses could also be recognized if a market slump were to occur due to price fluctuations on coal, iron ore, crude oil or other resources, or the R&D policies were to change and if a decline in asset prices or unplanned additional funding were to result in losses on all or some investments. Such losses could significantly affect the future financial position and results of operations of ITOCHU Group.

ITOCHU Group sustains its strength, highly efficient management, through investment in developing the foundations for sustainable growth and by steadily implementing flexible asset replacement. In addition, we manage investments appropriately, making investment decisions after thoroughly deliberating the appropriateness of the acquisition price and then monitoring investments periodically.

(5) Credit Risk

Through trade receivables, loans, guarantees, and other formats, ITOCHU Group grants credit to its trading partners, both domestically and overseas. The Group bears the 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 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 future financial position and results of operations of ITOCHU Group.

For more details, please refer to "Credit risk management" in "Notes to Consolidated Financial Statements 24. Financial Instruments."

(6) 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.

Therefore, we formulated the appropriate risk countermeasures by project. To control the risk, from the standpoint of preventing ITOCHU Group from excessive concentrations of risk in specific countries or regions, we set limits for each country that are based on internal country ratings and maintain overall exposure at a level that is appropriate for the Group's financial strengths.

Although we strive to reduce risk through these measures, ITOCHU Group cannot completely avoid such risks and the actualization of such risk as the Russia-Ukraine situation could delay or incapacitate debt collection or operational implementation, causing losses under certain circumstances, and could significantly affect the future financial position and results of operations of ITOCHU Group.

With regards to the impact from the Russia-Ukraine situation, ITOCHU Group has exposure including resource-related investments in Russia, the ratio of them to our total assets is less than 1% as of March 31, 2024. As a result of continued appropriate accounting treatment reflecting the most recent situation for our Russia-Ukraine-related assets, we do not expect a material impact on our financial position and operating results.

(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 future financial position and results of operations of ITOCHU Group.

For more details, please refer to "Liquidity risk management" in "Notes to Consolidated Financial Statements 24. Financial Instruments."

(8) Risks Associated with Taxes

ITOCHU Group has established the Group tax policy, whose basic principles are to conduct our tax affairs in a sincere manner in accordance with the provisions, significance, and legislative intent of the taxation system, not to engage in transactions designed to avoid taxation, and to pay appropriate taxes based on income earned through our business activities. In addition, to ensure appropriate and fair taxation, we strive to ensure tax transparency throughout the Group through timely and appropriate information disclosure, build relationships of trust through sincere responses to tax authorities in each country and region, and maintain fair relationships through constructive dialogues. Through these measures, we are addressing risks such as damage to corporate value due to increased tax expenses resulting from differences in views with tax authorities.

However, ITOCHU Group is unable to completely avoid all risks associated with taxes. Factors such as fluctuations in estimates of taxable income used in tax planning, changes in tax planning, revisions in tax rates and other changes to tax systems could significantly affect the future financial position and results of operations of ITOCHU Group.

In addition, the amount of deferred tax assets recorded in the asset section of ITOCHU Group's consolidated statement of financial position is significant, and accounting judgments related to the valuation of deferred tax assets significantly impact ITOCHU Group's consolidated financial statements. For these reasons, ITOCHU Group takes future taxable income and viable tax planning into consideration, recording recoverable amounts of deferred tax assets.

(9) Risks Associated with Significant Lawsuits

Currently, there is no significant 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 such lawsuits, arbitrations or other legal proceedings, and significantly affect the future financial position and results of operations of ITOCHU Group.

(10) 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 companies act, financial instruments and exchange laws, tax laws, and the laws for each industry, 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.

However, even with all these measures, 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, the possibility of unexpected, additional enactment or changes in laws and regulations by both domestic / foreign legislative, judicial and regulatory bodies, and the possibility of major changes in laws and regulations by political / economical changes cannot be ruled out.

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

(11) Risks Associated with Human Resources

ITOCHU Group conducts diverse business activities in various countries. In the advancement of individual businesses, important roles are played by personnel responsible for operational planning and execution as well as organizational direction and supervision. ITOCHU Group has secured a diverse workforce and is able to place the right people in the right positions through continuous skills development, which includes collaboration between ITOCHU and Group companies, and through the creation of rewarding work environments.

Going forward, however, the environment for securing human resources could change significantly due to such factors as further mobilization of the labor market or a business model change that results in the concentration of demand on personnel with advanced knowledge and experience in specific fields. Therefore, even if ITOCHU Group strengthens its efforts to secure and develop human resources, it cannot completely avoid the risk of being unable to fully respond to opportunities for new business creation and operational expansion due to shortages of the required human resources in certain business fields. Shortages of human resources could significantly affect the future financial position and results of operations of ITOCHU Group.

(12) Risks Associated with the Environment and Society

ITOCHU Group positions the resolution of global issues related to the environment and society as one of the most important management issues. Accordingly, we have formulated a basic policy on sustainability and identified material sustainability issues. The Group takes an active approach to managing risks. These efforts include building an environmental management system (ISO 14001) 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; conducting extensive sustainability studies of supply chains; evaluating and identifying the effects of businesses on human rights; building human rights due diligence processes; and evaluating proposed new business investments in relation to environmental, social, and governance (ESG) factors. Specific actions include establishment of the Sustainability Committee, the formulation and revision of policies related to sustainability, and annual reviews of company-wide activities as well as the promotion of environmental and social management activities in individual departments.

With regard to risks related to climate change, ITOCHU Group endorses the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) and regularly conducts 1.5°C to 4°C scenario analyses of the impact of climate change on our operations and business performance to examine countermeasures and business opportunities, and uses this information for management purposes. In addition, for achieving the Group's GHG emissions reduction targets, ITOCHU Group will strive to reduce emissions as much as possible through energy conservation, use of renewable energy, asset replacement including withdrawal from thermal coal interests, and provision of products and services in an environmentally friendly manner, while at the same time actively promoting businesses that will contribute to reducing emissions in our society.

With regard to risks related to natural capital, in addition to the conventional risk management described above, based on the recommendations of the Task Force on Nature-Related Financial Disclosure (TNFD), ITOCHU Group will assess the degree of dependence and impact on natural capital in the Group's business and analyze risks and opportunities by location using the LEAP approach. Through the above methods, ITOCHU Group is working on effective measures for sustainable business activities.

However, despite such countermeasures the occurrence of environmental pollution and other environmental or social problems due to ITOCHU Group's business activities could lead to the delay or suspension of operations, the incurring of countermeasure expenses, or the lowering of society's evaluation of the Group and could significantly affect the future financial position and results of operations of ITOCHU Group.

(13) Risks Associated with Natural Disasters

In the countries and regions in which ITOCHU Group conducts business activities, natural disasters, such as earthquakes, or the outbreak of infectious diseases may adversely affect the Group's business activities. ITOCHU has implemented measures such as developing Business Continuity Plans (BCPs) for large-scale disasters and the outbreak of infectious diseases, introducing a safety confirmation system, and conducting emergency drills. Also, various measures have been implemented individually in each Group company.

However, ITOCHU Group conducts business activities across a wide range of regions and the Group cannot completely avoid damages arising from natural disasters or the outbreak of infectious diseases. Therefore, such occurrences could significantly affect the future financial position and results of operations of ITOCHU Group.

(14) Risks Associated with Information Systems and Information Security

ITOCHU Group has established a code of conduct for the handling of information and recognizes that ensuring a high level of information security is an important matter. ITOCHU Group formulates company-wide informatization strategies for digitization/data utilization, builds and operates information systems for information sharing and business efficiency, and implements various information security measures. Specifically, ITOCHU Group applies information security guidelines and cyber security frameworks that take cyber security risks into account and monitors compliance with them. In addition to the existing cyber security team, ITOCHU Cyber & Intelligence Inc. has strengthened the system, and is continuing its efforts to ensure thorough risk management.

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 future financial position and results of operations of ITOCHU Group.

Overview

For the fiscal year ended March 31, 2024, the global economy generally remained sluggish, although some sectors performed stably. The U.S. economy showed gradual improvement mainly in consumer spending due to strong employment conditions, despite the rise in policy interest rate. In Europe, the economy remained stagnant as inflation rate remained high despite monetary tightening. Weak recovery also continued in China due to a slowdown in the real estate market and stagnant exports. The WTI crude oil price rose from the US\$80 per barrel level at the beginning of the fiscal year, temporarily reaching the US\$93 per barrel level in September against a backdrop of supply constraints by major oil-producing countries, before trending downward to the US\$67 per barrel level through to December due to the stagnation of the global economy. It then rebounded due in part to the deteriorating situation in the Middle East to close the fiscal year at the US\$83 per barrel level.

Although the Japanese economy underwent a period of stagnation from summer to fall as rising prices curbed consumer spending, it subsequently showed a recovery trend against a backdrop of rising wages and increased demand from inbound tourism, as economic activity normalized based on the assumption of coexistence with COVID-19. The U.S. dollar-yen exchange rate depreciated from the ¥133 per dollar level at the beginning of the fiscal year to the ¥151 per dollar level in mid-November due to fluctuations in U.S. long-term interest rates. Although it temporarily appreciated to the ¥141 per dollar level through to the end of December, it once again depreciated to close the fiscal year at the ¥151 per dollar level, despite the lifting of the negative interest rate policy by the Bank of Japan in March. The Nikkei Stock Average temporarily rose from the ¥28,000 level at the beginning of the fiscal year to the ¥41,000 level in late March due to the recovery trend in the domestic economy, strong corporate performance due to the weak yen, and rising U.S. stock prices, closing the fiscal year at the ¥40,000 level. The yield on 10-year Japanese government bonds rose from the 0.4% level at the beginning of the fiscal year, reaching 0.96% in early November after the Bank of Japan decided in July to raise the ceiling on long-term interest rate target, before subsequently declining to around 0.6% in mid-January due to lower U.S. long-term interest rates. Although the Bank of Japan ended its control of long-term interest rates in March, interest rates rose only moderately to 0.75% at the end of the fiscal year due to the prevailing view that the low interest rate policy would continue.

ITOCHU Group set “realizing business transformation by shifting to a market-oriented perspective” and “enhancing our contribution to and engagement with the SDGs through business activities” as its basic policies in the medium-term management plan “Brand-new Deal 2023” (three-year plan from FYE 2022 to FYE 2024). The specific achievements for FYE 2024, the final year of “Brand-new Deal 2023,” are as follows:

Textile Company

Acquisition of Exclusive Distribution Rights for Luxury Handbag Brand Gherardini in Japan, the U.S., and Europe

In December 2023, ITOCHU acquired the exclusive distribution rights in Japan, the United States, and Europe for the luxury handbag brand Gherardini, which was born in Florence, Italy. These handbags are beloved the world over for their superior craftsmanship, beautiful designs, and elegance. The distribution will be managed by Kuipo Co., Ltd. in the market in Japan and Pelletteria Fiorentina Montecristo S.R.L. in the markets in the United States and Europe, which includes Italy, with the aim of promoting the charm of this traditional brand that has been in business for over 130 years.

Going forward, ITOCHU will continue to expand the business by fully leveraging its extensive experience and industry-leading expertise in the brand business.

Establishment of a New Company for “FILA” Shoes and Apparel

ITOCHU has established IFJ Inc., which will plan, manufacture, and sell shoes and apparel for the Italian sports brand “FILA.” FILA was founded in 1911 in Biella, Italy, and has gained popularity primarily among Generation Z as a fashion-forward sports brand. In recent years, FILA has also been providing apparel to leading athletes in Japan. ITOCHU acquired the master license rights for the FILA brand in the Japanese market in 2006, and have been expanding various product categories in collaboration with sublicensees.

Going forward, IFJ Inc. will accelerate its efforts to enhance the value of the FILA brand by planning and manufacturing integrated collections of shoes and apparel, and by establishing directly-operated stores that clearly communicate the traditional brand identity.

Machinery Company

Expansion of the Products Handled by YANASE & CO., LTD. (YANASE), Including Electric Vehicles and Ferrari

ITOCHU's subsidiary, YANASE & CO., LTD. is Japan's largest imported vehicle sales company, boasting a sales and service network with over 240 locations across the country. YANASE provides the highest quality products and services to more than 200,000 customers across Japan.

In October 2023, YANASE opened Mercedes EQ Aoyama, Mercedes Benz's first electric car-only showroom in Tokyo, next to ITOCHU's Tokyo Headquarters with the aim of further expanding sales of electric vehicles. Then, in March 2024, YANASE concluded an agreement with Ferrari Japan to open a Ferrari dealership in Shinjuku Ward in Tokyo in line with its ongoing efforts to expand the brands it handles. Going forward, YANASE will continue to identify diversifying customer needs and provide enhanced services.

Establishment of Renewable Energy Fund in North America

ITOCHU's U.S. subsidiary Tyr Energy, Inc. established Overland Capital Partners, L.P., a fund investing in renewable energy generation assets in North America, following the establishment in 2022 of Tyr Energy Development Renewables, LLC, a company that specializes in the development of renewable energy. ITOCHU plans to conduct a renewable energy project worth approximately US\$2 billion through this fund. In the renewable energy field, ITOCHU's wholly owned U.S. subsidiary NAES Corporation, the world's largest independent operation and maintenance service provider, provides operation and maintenance services for approximately 1,400 solar power plants with a capacity of 2 GW as well as wind power plants with a capacity of 1.1 GW.

ITOCHU will leverage the capabilities and expertise of each company to provide institutional investors, mainly in Japan, with prime investment opportunities in the fast-growing renewable energy market in North America.

Metals & Minerals Company

Entry into One of the World's Largest Green Hydrogen Value Chain in Northern Europe

ITOCHU and Osaka Gas Co., Ltd. jointly invested in Everfuel A/S (Everfuel), which is the world's largest hydrogen producer and is working on a project to locally produce green hydrogen* for local consumption in Denmark. Commercial operations of Everfuel's first project which will be the world's largest green hydrogen production project are slated to begin in 2024. Through its own successful hydrogen stations, the company will construct a value chain on the basis of local production for local consumption in order to sell hydrogen in the industrial and mobility fields. Everfuel is also planning to transport the hydrogen through a pipeline to Germany, which is expected to become one of the biggest hydrogen consumers in the future.

In addition to quickly achieving profit in the business and rolling out the business to the United States, Europe and Asia (including Japan), ITOCHU will continue helping realize a decarbonized society by participating in the production of hydrogen-derived products, such as ammonia and e-fuel (synthetic fuel), demand for which is expected to expand going forward.

*Hydrogen produced by electrolyzing water using renewable energy, which does not emit carbon dioxide during production

Energy & Chemicals Company

Full-scale Entry into the Large-scale Energy Storage System Business

ITOCHU has made a full-scale entry into the large-scale energy storage system business, leveraging the knowledge gained from the household energy storage system business. Natural renewable energy sources, such as solar and wind power, present problems of unstable power generation timing and quantity. Large-scale energy storage systems with supply-demand balancing functions are expected to be a solution. Starting with the collaboration with Kaneka Solar Marketing Corporation in June 2023, ITOCHU has established three energy storage system projects with Osaka Gas Co., Ltd., Tokyo Century Corporation, and TOKYU LAND CORPORATION. In addition, ITOCHU is leading the market by establishing, in collaboration with Tokyo Metropolitan Government, the first grid storage battery business public-private partnership fund in Japan. Additionally, to advance the decarbonized power source business in regions disconnected from the power grid, ITOCHU has invested in Australia's UON PTY LTD, which is engaged in this business in coal mining areas, using a combination of renewable energy sources such as solar power and large-scale storage batteries.

We will continue to focus on expanding the large-scale energy storage system business to promote the widespread adoption of more efficient renewable energy.

Food Company

Promotion of Added Value Strategy under the New Brand Message "Smiles Powered by Fruits"

ITOCHU's wholly-owned subsidiary, Dole Japan, Inc. (Dole) has crafted the new brand message unique to Japan, "Smiles Powered by Fruits," with the aim of bringing smiles to people's lives through fruits. Under this new brand message, we are advancing various initiatives centered on "deliciousness," "health and beauty benefits," and "ethical consumption." In pursuit of deliciousness, we have introduced light sensors for selecting pineapples, and since 2023, we have been selling "Gokusen Pineapple," which meets our strict criteria for sugar content, acidity, and ripeness. For health and beauty benefits, we promote "Bana-Katsu®," an initiative to spread awareness and encourage a healthy gut through banana consumption. Regarding ethical consumption, we are advancing the development of products using non-standard bananas and promoting the sale of bananas by weight, aiming to reduce fruit loss.

Moving forward, Dole will continue to create added value unique to its brand, striving for a society filled with smiles and sustainability.

General Products & Realty Company

Promotion of Road Infrastructure Maintenance and Repair Business

In May 2023, ITOCHU agreed on a capital and business partnership with Oriental Shiraishi Corporation (Oriental Shiraishi), which is a prominent bridge manufacturer in Japan, acquired new shares of Oriental Shiraishi stock through a third-party allotment, and became the largest shareholder in Oriental Shiraishi. With aging roadway infrastructure in Japan becoming a serious social issue, the amount of highway repair construction work being done in recent years has been increasing, and Oriental Shiraishi boasts one of the highest numbers of bridge repair orders in Japan.

With the capital and business partnership with Oriental Shiraishi as a starting point, ITOCHU aims to establish a system within the ITOCHU Group that may handle road infrastructure maintenance and repair needs as a one-stop solution. Furthermore, ITOCHU aims to achieve a safe and secure social infrastructure by promoting public-private partnership projects with local governments, which expect to see an increase in the maintenance needs of bridges.

Enhancement of Earning Power through the Privatization of DAIKEN CORPORATION (DAIKEN)

ITOCHU conducted a public tender offer for its affiliate DAIKEN from August 2023 and completed the privatization in December 2023. DAIKEN is a wood interior construction materials manufacturer with 11 major factories in Japan and overseas, and boasts the highest domestic market share in the wood board and flooring business.

As the new construction housing market in Japan shrinks, ITOCHU Group will fully leverage its resources and achieve more efficient management through unification with DAIKEN in order to further solidify its position as the industry leader in the domestic detached housing business. In addition, ITOCHU aims to further enhance its earning power and sustainable corporate value in part by expanding into the business area of domestic non-residential construction (including commercial and public facilities), which will be a focus market moving forward, and through the overseas expansion of the wood board business in collaboration with our North American construction-materials-related companies.

ICT & Financial Business Company

Expansion of Retail Insurance Operations

ITOCHU's subsidiary, HOKEN NO MADOGUCHI GROUP INC. (HOKEN NO MADOGUCHI), which operates walk-in insurance shops, is the industry leader which specializes in a nationwide network of approximately 700 stores and its consulting services supported by a proprietary employee training system. In a life insurance market predominantly dominated by direct sales from insurance companies, the company has established a corporate philosophy to be the "an excellent and the most caring company for customers." It focuses intensively on selecting the ideal products with customers, without bias toward specific insurance companies or products, earning high acclaim for this approach. Furthermore, in response to concerns about retirement funds and wealth creation, it started handling NISA and iDeCo from January 2024, and launched a service that allows for specialized consultations online.

Moving forward, HOKEN NO MADOGUCHI will expand services aligned with its corporate philosophy, aiming for further business growth.

Acceleration of its Growth through the Privatization of ITOCHU Techno-Solutions Corporation (CTC)

ITOCHU conducted a public tender offer for CTC from August 2023 and completed the privatization in December 2023. The IT market is rapidly undergoing environmental and structural changes to meet the expanding digitalization needs of companies. By fully integrating with CTC through privatization, we established a system that enables us to dynamically execute growth strategies through capital and business alliances, mergers and acquisitions, making full use of our network, investment expertise, and other management resources. We are currently advancing capital and business alliances with corporate groups that specialize in data analysis and utilization functions and in consulting for supporting IT and digital utilization for client companies. By leveraging the problem-solving capabilities of consulting firms in capital and business alliances, we have already seen results that demonstrate accelerated profit growth for CTC, such as an increase in the number of projects acquired, including the upstream process of system development, where problem-solving is crucial.

Going forward, we will further strengthen such initiatives as expanding system development resources with the aim of maximizing the corporate value of CTC.

The 8th Company

Promotion of a Digital Advertising Distribution Business with Don Quijote at Retail Stores

In April 2023, ITOCHU began a retail media collaboration with Pan Pacific International Holdings Corporation (PPIH), which operates Don Quijote. We linked the membership data of around 29 million people held by FamilyMart Co., Ltd. and Data One Corp., which operates a digital advertising distribution business, with the membership data of PPIH, expanding to Japan's largest number of advertisement delivery users at over 30 million. In addition, by analyzing purchasing behavior in PPIH's wide range of 100,000 items and increasing understanding of customer interests and concerns, we will deliver advertisements and coupons that better meet individual needs and achieve more effective advertising delivery for advertisers.

Moving ahead, we will further promote collaboration with retail businesses based on our partnership with PPIH, expand the number of advertising delivery users and the breadth of purchasing data to deepen customer understanding, and expand our presence as a top runner in the retail media industry.

Expansion of the Installation of Digital Signage at FamilyMart Stores

FamilyMart Co., Ltd. and Gate One Corp., which operates a media business, completed installation of digital signage (FamilyMartVision) at around 10,000 FamilyMart stores in 47 prefectures across Japan by March 2024. The signage streams a wide range of content, not only advertisements but also news, quizzes, music videos, and comedy videos. It is the country's largest retail media platform with around 64 million views per week. As a result, FamilyMart stores are becoming bases for disseminating information, leading to store visits for the purpose of viewing unique content.

In addition to the current prefecture-based content, we will also respond to the various needs of advertisers by focusing on location-based content and advertising targeting office areas and school neighborhoods as well as target-based content and advertising focusing on stores with a high proportion of specific kinds of customers. We aim to install signage in all FamilyMart stores where it is possible to do so and provide customers with totally unique store experiences when they visit.

Analysis of Results of Operations in FYE 2024

The analysis of the financial position and results of operations for FYE 2024 were as follows.

Revenues

Revenues for the fiscal year ended March 31, 2024 increased by 0.6%, or ¥84.3 billion, compared to the previous fiscal year to ¥14,029.9 billion (US\$92,662 million). This increase was attributable to higher revenue from Food Company, due to expansion of transactions resulting from the recovery of consumer activity and higher sales prices in food-distribution-related companies, and higher transaction volume in provisions-related transactions; higher revenue from General Products & Realty Company, due to the stable performance in domestic real estate transactions and European Tyre Enterprise Limited (European tire-related company), and the conversion of DAIKEN CORPORATION into a subsidiary; higher revenue from Machinery Company, due to the favorable sales in automobile-related companies, higher transaction volume in operation and maintenance services, and gains on sales of renewable energy development assets in North American electric-power-related business; and lower revenue from Energy & Chemicals Company, due to lower market prices in energy trading transactions, energy-related companies, and chemical-related transactions. Furthermore, the breakdown of Revenues for the fiscal year ended March 31, 2024 was ¥12,658.0 billion (US\$83,601 million) for Revenues from sale of goods, and ¥1,371.9 billion (US\$9,061 million) for Revenues from rendering of services and royalties.

Gross Trading Profit

Gross trading profit increased by 4.8%, or ¥102.5 billion, compared to the previous fiscal year to ¥2,232.4 billion (US\$14,744 million). Gross trading profits increased in General Products & Realty Company, due to the stable performance in domestic real estate transactions and European Tyre Enterprise Limited, and the conversion of DAIKEN CORPORATION into a subsidiary; in Food Company, due to the improvement in logistics cost in Dole, expansion of transactions resulting from the recovery of consumer activity and higher sales prices in food-distribution-related companies, and higher transaction volume in provisions-related transactions; in The 8th Company, due to the increase in daily sales along with higher number of customers and spend per customer resulting from enhancement of product appeal and sales promotion in FamilyMart Co., Ltd.; and decreased in Energy & Chemicals Company, due to the absence of favorable performance in energy trading transactions in the previous fiscal year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 7.2%, or ¥102.6 billion, compared to the previous fiscal year to ¥1,521.7 billion (US\$10,051 million), due to the conversion of DAIKEN CORPORATION into a subsidiary, the acquisition of DOME CORPORATION, the increase in personnel expenses, and the depreciation of the yen, partially offset by the decrease because of the de-consolidation of CONEXIO Corporation in the fourth quarter of the previous fiscal year.

Provision for Doubtful Accounts

Provision for doubtful accounts decreased by ¥1.1 billion, compared to the previous fiscal year to a loss of ¥7.7 billion (US\$51 million), due to the decreases in provision for doubtful accounts in general receivables.

Gains (Losses) on Investments

Gains (losses) on investments decreased by 48.2%, or ¥32.3 billion, compared to the previous fiscal year to a gain of ¥34.8 billion (US\$230 million), due to the absence of the gains on the sales of a North American beverage-equipment-maintenance company and CONEXIO Corporation in the previous fiscal year, partially offset by the revaluation gain on a lithium-ion batteries company.

Gains (Losses) on Property, Plant, Equipment and Intangible Assets

Gains (losses) on property, plant, equipment and intangible assets improved by ¥44.1 billion, compared to the previous fiscal year to a loss of ¥6.1 billion (US\$40 million), due to the gains on the sale of fixed assets in ITOCHU ENEX CO., LTD. and the absence of impairment loss in Dole in the previous fiscal year.

Other-net

Other-net decreased by ¥1.9 billion, compared to the previous fiscal year to a gain of ¥13.2 billion (US\$87 million).

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 ¥19.0 billion, compared to the previous fiscal year to expenses of ¥46.5 billion (US\$307 million), due to the increase in interest expense with higher U.S. dollar interest rates. Dividends received increased by 1.8%, or ¥1.4 billion, compared to the previous fiscal year to ¥81.1 billion (US\$535 million), due to the increase in dividends from oil and gas related investments in upstream interests, partially offset by the decrease in dividends from LNG projects. Net financial income, which is the total of net interest expenses and dividends received, decreased by ¥17.6 billion, compared to the previous fiscal year to a gain of ¥34.5 billion (US\$228 million).

Equity in Earnings of Associates and Joint Ventures

Equity in earnings of associates and joint ventures decreased by 1.4%, or ¥4.3 billion, compared to the previous fiscal year to ¥316.3 billion (US\$2,089 million). This decrease was attributable to decreases in General Products & Realty Company, due to lower earnings in ITOCHU FIBRE LIMITED (European pulp-related company) resulting from lower pulp prices and lower sales volume, and the absence of favorable performance in overseas real estate business in the previous fiscal year; in Others, Adjustments & Eliminations (Note), due to lower earnings in CITIC Limited resulting from the increase in interest expense with higher U.S. dollar interest rates and the absence of revaluation gain on securities business in the previous fiscal year, partially offset by the stable performance in comprehensive financial services segment; and an increase in Machinery Company, due to higher earnings in North American electric-power-related business, the start of equity pick-up of Hitachi Construction Machinery Co., Ltd. from the third quarter of the previous fiscal year, and the absence of the losses on aircraft leased to Russian airlines in a leasing-related company in the previous fiscal year.

(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 decreased by 1.0%, or ¥11.2 billion, compared to the previous fiscal year to ¥1,095.7 billion (US\$7,236 million). Income tax expense decreased by 7.0%, or ¥18.4 billion, compared to the previous fiscal year to ¥243.8 billion (US\$1,610 million), due to lower profit before tax. Net profit, which is calculated as profit before tax of ¥1,095.7 billion minus income tax expense of ¥243.8 billion, increased by 0.9%, or ¥7.2 billion, compared to the previous fiscal year to ¥851.9 billion (US\$5,626 million). Net profit attributable to ITOCHU, which is calculated as Net profit minus Net profit attributable to non-controlling interests of ¥50.2 billion (US\$331 million), increased by 0.2%, or ¥1.3 billion, compared to the previous fiscal year to ¥801.8 billion (US\$5,295 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 0.1%, or ¥1.0 billion, compared to the previous fiscal year to ¥702.9 billion (US\$4,642 million). This increase was attributable to increases in Food Company, due to the improvement in logistics cost in Dole, expansion of transactions resulting from the recovery of consumer activity and higher sales prices in food-distribution-related companies, and higher transaction volume in provisions-related transactions; in The 8th Company, due to the increase in daily sales along with higher number of customers and spend per customer resulting from enhancement of product appeal and sales promotion, partially offset by the increase in various costs caused by changes in external environment and execution of digital measures to strengthen business foundations in FamilyMart Co., Ltd.; and a decrease in Energy & Chemicals Company, due to the absence of favorable performance in energy trading transactions in the previous fiscal year.

Operating Segment Information

Business results by operating segment are as follows. ITOCHU uses the eight 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 1.0%, or ¥5.0 billion, to ¥535.2 billion (US \$3,535 million), due to the conversion of DOME CORPORATION into a subsidiary in the second quarter of the previous fiscal year. Gross trading profit increased by 9.9%, or ¥11.5 billion, to ¥128.0 billion (US\$846 million), due to the conversion of DOME CORPORATION into a subsidiary in the second quarter of the previous fiscal year, and the stable performance in apparel-related companies resulting from the recovery of retail market because of the alleviation of the impact of COVID-19. Net profit attributable to ITOCHU increased by 6.0%, or ¥1.5 billion, to ¥27.0 billion (US\$178 million), due to the stable performance in apparel-related companies resulting from the recovery of retail market because of the alleviation of the impact of COVID-19, partially offset by the absence of extraordinary gains in the previous fiscal year. Total assets increased by 6.2%, or ¥28.4 billion, to ¥486.0 billion (US \$3,210 million), due to the increase in trade receivables due to higher transaction volume resulting from the recovery of retail market because of the alleviation of the impact of COVID-19, equity method investments due to the accumulation of earnings and additional investments, and the depreciation of the yen.

Machinery

Revenues increased by 6.1%, or ¥85.4 billion, to ¥1,478.9 billion (US\$9,767 million), due to the favorable sales in automobile-related companies, higher transaction volume in operation and maintenance services and gains on sales of renewable energy development assets in North American electric-power-related business. Gross trading profit increased by 6.6%, or ¥15.5 billion, to ¥250.4 billion (US\$1,653 million), due to the favorable sales in automobile-related transactions/companies, and gains on sales of renewable energy development assets in North American electric-power-related business. Net profit attributable to ITOCHU increased by 22.5%, or ¥24.2 billion, to ¥131.6 billion (US\$869 million), due to favorable sales in automobile-related transactions/companies, higher earnings in North American electric-power-related business, and the start of equity pick-up of Hitachi Construction Machinery Co., Ltd. from the third quarter of the previous fiscal year. Total assets increased by 19.2%, or ¥318.9 billion, to ¥1,983.5 billion (US \$13,100 million), due to the increase in inventories in automobile-related companies and aircraft-related companies, trade receivables in construction-machinery-related business, equity method investments due to the accumulation of earnings, and the depreciation of the yen.

Metals & Minerals

Revenues decreased by 4.4%, or 55.4 billion, to ¥1,212.6 billion (US\$8,009 million), due to lower coal prices. Gross trading profit decreased by 11.8%, or ¥26.1 billion, to ¥195.9 billion (US\$1,294 million), due to the same reason noted above. Net profit attributable to ITOCHU decreased by 8.6%, or ¥21.3 billion, to ¥226.1 billion (US\$1,493 million), due to lower coal prices and lower earnings in Marubeni-Itochu Steel Inc. resulting from the absence of favorable performance in North American steel pipe business in the previous fiscal year, partially offset by higher earnings in iron ore companies. Total assets increased by 10.1%, or ¥128.7 billion, to ¥1,403.5 billion (US\$9,270 million), due to the increase because of the rise in the fair value of iron-ore-related investments, equity method investments due to the accumulation of earnings, the investment in coking-coal-related companies, and the depreciation of the yen.

Energy & Chemicals

Revenues decreased by 10.2%, or ¥344.4 billion, to ¥3,044.5 billion (US\$20,108 million), due to lower market prices in energy trading transactions, energy-related companies, and chemical-related transactions. Gross trading profit decreased by 14.5%, or ¥45.6 billion, to ¥269.7 billion (US\$1,781 million), due to the absence of favorable performance in energy trading transactions in the previous fiscal year. Net profit attributable to ITOCHU decreased by 20.8%, or ¥24.1 billion, to ¥91.7 billion (US\$606 million), due to the absence of favorable performance in energy trading transactions in the previous fiscal year, partially offset by the revaluation gain on a lithium-ion batteries company. Total assets increased by 4.7%, or ¥73.7 billion, to ¥1,626.3 billion (US\$10,741 million), due to the increase in trade receivables in chemical-related companies and inventories in energy-storage-system-related transactions, the rise in the fair value due to the revaluation of a lithium-ion batteries company, and the depreciation of the yen.

Food

Revenues increased by 5.1%, or ¥236.7 billion, to ¥4,863.0 billion (US\$32,118 million), due to expansion of transactions resulting from the recovery of consumer activity and higher sales prices in food-distribution-related companies, and higher transaction volume in provisions-related transactions. Gross trading profit increased by 15.1%, or ¥50.0 billion, to ¥380.9 billion (US\$2,516 million), due to the improvement in logistics cost in Dole, expansion of transactions resulting from the recovery of consumer activity and higher sales prices in food-distribution-related companies, and higher transaction volume in provisions-related transactions. Net profit attributable to ITOCHU increased by 228.2%, or ¥46.1 billion, to ¥66.3 billion (US\$438 million), due to the improvement in logistics cost in Dole, expansion of transactions resulting from the recovery of consumer activity and higher sales prices in food-distribution-related companies, higher transaction volume in provisions-related transactions, the improvement in earnings of North American meat-products-related company, and the absence of extraordinary gains and losses in the previous fiscal year. Total assets increased by 12.8%, or ¥274.1 billion, to ¥2,420.9 billion (US\$15,989 million), due to the increase in trade receivables in food-distribution-related companies with the effect of the last day falling on a weekend, and the depreciation of the yen.

General Products & Realty

Revenues increased by 9.3%, or ¥117.3 billion, to ¥1,380.8 billion (US\$9,120 million), due to the stable performance in domestic real estate transactions and European Tyre Enterprise Limited, and the conversion of DAIKEN CORPORATION into a subsidiary. Gross trading profit increased by 24.8%, or ¥55.9 billion, to ¥280.9 billion (US\$1,855 million), due to the same reason noted above. Net profit attributable to ITOCHU decreased by 30.4%, or ¥28.9 billion, to ¥66.2 billion (US\$437 million), due to the lower earnings in ITOCHU FIBRE LIMITED resulting from lower pulp prices and lower sales volume, and the absence of favorable performance in overseas real estate business in the previous fiscal year, partially offset by the stable performance in domestic real estate transactions and the increased ownership percentage in DAIKEN CORPORATION. Total assets increased by 16.3%, or ¥200.0 billion, to ¥1,423.3 billion (US\$9,400 million), due to the increase in the conversion of DAIKEN CORPORATION into a subsidiary, and the depreciation of the yen.

ICT & Financial Business

Revenues decreased by 1.2%, or ¥10.9 billion, to ¥864.3 billion (US\$5,708 million), due to the de-consolidation of CONEXIO Corporation in the fourth quarter of the previous fiscal year, partially offset by the stable transactions in ITOCHU Techno-Solutions Corporation, and higher agency commissions in HOKEN NO MADOGUCHI GROUP INC. Gross trading profit increased by 3.5%, or ¥10.0 billion, to ¥296.1 billion (US\$1,956 million), due to the stable transactions in ITOCHU Techno-Solutions Corporation, and higher agency commissions in HOKEN NO MADOGUCHI GROUP INC., partially offset by the de-consolidation of CONEXIO Corporation in the fourth quarter of the previous fiscal year. Net profit attributable to ITOCHU increased by 5.0%, or ¥3.2 billion, to ¥67.8 billion (US\$448 million), due to the stable transactions in ITOCHU Techno-Solutions Corporation, higher agency commissions in HOKEN NO MADOGUCHI GROUP INC., and the improvement of remeasurement gains (losses) for fund held investments, partially offset by the impairment loss on Orient Corporation. Total assets increased by 10.1%, or ¥132.4 billion, to ¥1,440.5 billion (US\$9,514 million), due to the increase in trade receivables in ITOCHU Techno-Solutions Corporation, the rise in the fair value of investments, and the depreciation of the yen.

The 8th

Revenues increased by 10.3%, or ¥48.1 billion, to ¥515.2 billion (US\$3,403 million), due to the increase in daily sales along with higher number of customers and spend per customer resulting from enhancement of product appeal and sales promotion in FamilyMart Co., Ltd. Gross trading profit increased by 10.6%, or ¥40.8 billion, to ¥424.6 billion (US\$2,804 million), due to the same reason noted above. Net profit attributable to ITOCHU increased by 115.8%, or ¥19.2 billion, to ¥35.8 billion (US\$236 million), due to the increase in daily sales along with higher number of customers and spend per customer resulting from enhancement of product appeal and sales promotion, in addition to the improvement in performance of group companies and impairment losses on stores, and the extraordinary gain on the sale of a domestic company, partially offset by the increase in various costs caused by changes in external environment and execution of digital measures to strengthen business foundations in FamilyMart Co., Ltd. Total assets increased by 3.8%, or ¥71.7 billion, to ¥1,978.3 billion (US\$13,066 million), due to the increase in trade receivables because of the increase in daily sales, the purchase of fixed assets, and the rise in the fair value of investments in FamilyMart Co., Ltd.

Others, Adjustments & Eliminations

Net profit attributable to ITOCHU decreased by 17.3%, or ¥18.7 billion, to ¥89.4 billion (US\$590 million), due to lower earnings in CITIC Limited resulting from the absence of revaluation gain on securities business in the previous fiscal year, partially offset by the stable performance in comprehensive financial services segment, and the increase in interest expense with higher U.S. dollar interest rates.

Segment Information

Fiscal years ended March 31	Billions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Revenues:			
Textile	¥ 535.2	¥ 530.1	\$ 3,535
Machinery	1,478.9	1,393.5	9,767
Metals & Minerals	1,212.6	1,268.1	8,009
Energy & Chemicals	3,044.5	3,389.0	20,108
Food	4,863.0	4,626.3	32,118
General Products & Realty	1,380.8	1,263.5	9,120
ICT & Financial Business	864.3	875.1	5,708
The 8th	515.2	467.1	3,403
Others, Adjustments & Eliminations	135.4	133.0	894
Total	¥ 14,029.9	¥ 13,945.6	\$ 92,662
Gross trading profit:			
Textile	¥ 128.0	¥ 116.5	\$ 846
Machinery	250.4	234.8	1,653
Metals & Minerals	195.9	222.0	1,294
Energy & Chemicals	269.7	315.4	1,781
Food	380.9	330.9	2,516
General Products & Realty	280.9	225.0	1,855
ICT & Financial Business	296.1	286.1	1,956
The 8th	424.6	383.8	2,804
Others, Adjustments & Eliminations	5.9	15.3	39
Total	¥ 2,232.4	¥ 2,129.9	\$ 14,744
Net profit attributable to ITOCHU:			
Textile	¥ 27.0	¥ 25.5	\$ 178
Machinery	131.6	107.4	869
Metals & Minerals	226.1	247.4	1,493
Energy & Chemicals	91.7	115.8	606
Food	66.3	20.2	438
General Products & Realty	66.2	95.1	437
ICT & Financial Business	67.8	64.6	448
The 8th	35.8	16.6	236
Others, Adjustments & Eliminations	89.4	108.1	590
Total	¥ 801.8	¥ 800.5	\$ 5,295
Total assets as of March 31:			
Textile	¥ 486.0	¥ 457.7	\$ 3,210
Machinery	1,983.5	1,664.6	13,100
Metals & Minerals	1,403.5	1,274.8	9,270
Energy & Chemicals	1,626.3	1,552.6	10,741
Food	2,420.9	2,146.8	15,989
General Products & Realty	1,423.3	1,223.3	9,400
ICT & Financial Business	1,440.5	1,308.1	9,514
The 8th	1,978.3	1,906.7	13,066
Others, Adjustments & Eliminations	1,727.3	1,580.8	11,408
Total	¥ 14,489.7	¥ 13,115.4	\$ 95,698

Notes: 1. "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. Revenues include revenues resulting from contracts with customers and other sources of revenue. Revenues resulting from other sources of revenue mainly include revenues from energy trading transactions such as oil and gas and lease contracts, which are immaterial in terms of amount.

3. As of October 1, 2022, ITOCHU dissolved the mutual-holdings for certain group companies held by The 8th segment as minority and the other segment as majority, and shares of such group companies are only held by the other segment. According to the above, the results for the fiscal year ended March 31, 2023 are reclassified in the same manner.

Performance of Subsidiaries, Associates, and Joint Ventures

Group Companies Reporting Profits / Losses

Fiscal years ended March 31		Billions of Yen								
		2024			2023			Changes		
		Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
Group companies (including overseas trading subsidiaries)		¥771.5	¥(31.4)	¥740.1	¥771.6	¥(77.9)	¥693.7	¥ (0.1)	¥ 46.4	¥ 46.3

Ratio of Group Companies Reporting Profits

Fiscal years ended March 31		2024			2023			Changes		
		Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
Consolidated subsidiaries	No. of group companies	177	13	190	177	11	188	0	2	2
	Ratio	93.2%	6.8%	100.0%	94.1%	5.9%	100.0%	(1.0%)	1.0%	
Associates and Joint Ventures	No. of group companies	65	8	73	63	20	83	2	(12)	(10)
	Ratio	89.0%	11.0%	100.0%	75.9%	24.1%	100.0%	13.1%	(13.1%)	
Total	No. of group companies	242	21	263	240	31	271	2	(10)	(8)
	Ratio	92.0%	8.0%	100.0%	88.6%	11.4%	100.0%	3.5%	(3.5%)	

Note: Investment companies which are considered as part of the parent company (199 companies), and companies other than those which are directly invested by the Company and its overseas trading subsidiaries (504 companies) are not included in the number of companies.

In the fiscal year ended March 31, 2024, profits / losses of Group companies increased by ¥46.3 billion to ¥740.1 billion (US\$4,888 million).

The profits of Group companies reporting profits remained consistent at ¥771.5 billion (US\$5,096 million), resulting from higher earnings of Tokyo Century Corporation due to the absence of the losses on aircraft leased to Russian airlines in the previous fiscal year, and higher earnings in FamilyMart Co., Ltd. due to the increase in daily sales, offset by lower earnings in ITOCHU FIBRE LIMITED due to lower pulp prices and lower sales volume, and lower earnings in Orchid Alliance Holdings Limited due to decreased equity in earnings in CITIC Limited resulting from the absence of the revaluation gain on securities business in the previous fiscal year.

Meanwhile, the losses of Group companies reporting losses improved by ¥46.4 billion to ¥31.4 billion (US\$208 million), resulting from improvement in Dole International Holdings, Inc. due to the improvement in logistics cost and the absence of the impairment losses in the previous fiscal year, and the improvement in HYLIFE GROUP HOLDINGS LTD. due to the absence of the losses from the U.S. company in the previous fiscal year.

The ratio of Group companies reporting profits increased by 3.5 points, from 88.6% to 92.0%.

Major Group companies reporting profits or losses for the fiscal years ended March 31, 2024 and 2023 were as follows:

Major Group Companies

Fiscal years ended March 31	Ownership	Net income (loss) attributable to ITOCHU ^{*1}	
		Billions of Yen	
		2024	2023
Textile			
JOI'X CORPORATION	100.0%	¥ 0.8	¥ 1.1
LEILIAN CO., LTD.	100.0%	0.9	0.7
DESCENTE LTD.	44.5%	5.3	4.1
DOVE CORPORATION	69.7%	0.4	0.5
EDWIN CO., LTD.	100.0%	0.6	0.6
Sankei Co., Ltd.	100.0%	1.2	1.1
ITOCHU Textile Prominent (ASIA) Ltd.	100.0%	0.9	2.2
ITOCHU TEXTILE (CHINA) CO., LTD.	100.0%	2.1	2.1
Machinery			
Tokyo Century Corporation	30.0%	23.4	4.1
I-ENVIRONMENT INVESTMENTS LIMITED	100.0%	2.3	3.6
ITOCHU Plantech Inc.	100.0%	1.7	1.9
IMECS Co., Ltd.	100.0%	5.1	3.3
JAMCO Corporation	33.4%	0.6	0.7
JAPAN AEROSPACE CORPORATION	100.0%	2.3	1.7
YANASE & CO., LTD.	82.8%	12.8	12.7
Auto Investment Inc.	100.0%	2.7	3.0
Citrus Investment LLC ^{*2}	100.0%	9.8	3.6
ITOCHU MACHINE-TECHNOS CORPORATION	100.0%	1.7	1.4
Metals & Minerals			
ITOCHU Minerals & Energy of Australia Pty Ltd	100.0%	166.9	176.3
JAPÃO BRASIL MINÉRIO DE FERRO PARTICIPAÇÕES LTDA.	77.3%	8.4	8.9
Marubeni-Itochu Steel Inc.	50.0%	40.1	47.8
ITOCHU Metals Corporation	100.0%	2.6	3.0
Energy & Chemicals			
ITOCHU Oil Exploration (Azerbaijan) Inc.	100.0%	7.2	7.1
ITOCHU PETROLEUM CO., (SINGAPORE) PTE. LTD.	100.0%	0.4	1.7
ITOCHU ENEX CO., LTD.	54.0%	7.4	7.5
Japan South Sakha Oil Co., Ltd.	25.0%	0.7	2.7
ITOCHU CHEMICAL FRONTIER Corporation	100.0%	8.2	7.6
ITOCHU PLASTICS INC.	100.0%	5.5	5.3
C.I. TAKIRON Corporation	55.7%	2.5	1.4
Food			
Dole International Holdings, Inc.	100.0%	1.5	(36.4)
NIPPON ACCESS, INC.	100.0%	21.0	17.5
FUJI OIL HOLDINGS INC.	43.9%	0.7	3.1
WELLNEO SUGAR Co., Ltd.	37.8%	2.1	0.0
ITOCHU FEED MILLS CO., LTD.	100.0%	1.6	0.9
Prima Meat Packers, Ltd.	47.9%	3.1	1.4
ITOCHU-SHOKUHN Co., Ltd.	52.2%	3.4	3.3
HYLIFE GROUP HOLDINGS LTD.	49.9%	(3.9)	(13.1)
General Products & Realty			
European Tyre Enterprise Limited	100.0%	5.5	4.4
ITOCHU FIBRE LIMITED	100.0%	(3.1)	21.7
ITOCHU PULP & PAPER CORPORATION	100.0%	2.3	2.1
ITOCHU CERATECH CORPORATION	100.0%	0.8	0.9
ITOCHU LOGISTICS CORP.	100.0%	6.1	6.3
ITOCHU KENZAI CORPORATION	100.0%	4.0	5.3
DAIKEN CORPORATION ^{*3}	100.0%	5.2	4.3
ITOCHU Property Development, Ltd.	100.0%	4.6	3.8
ITOCHU Urban Community Ltd.	100.0%	1.6	1.5

		Net income (loss) attributable to ITOCHU ^{*1}	
		Billions of Yen	
Fiscal years ended March 31	Ownership	2024	2023
ICT & Financial Business			
ITOCHU Techno-Solutions Corporation ^{*4}	100.0%	¥ 37.6	¥ 20.9
BELLSYSTEM24 Holdings, Inc.	40.7%	2.0	2.8
ITOCHU Fuji Partners, Inc.	63.0%	2.6	2.2
A2 Healthcare Corporation	100.0%	2.0	2.0
HOKEN NO MADOGUCHI GROUP INC.	92.0%	4.6	2.8
POCKET CARD CO.,LTD. ^{*5}	78.2%	4.5	4.2
Orient Corporation ^{*6}	16.5%	(13.2)	3.0
Gaitame.Com Co.,Ltd.	40.2%	1.2	0.5
First Response Finance Ltd.	100.0%	2.7	3.1
ITOCHU FINANCE (ASIA) LTD.	100.0%	3.1	3.8
GCT MANAGEMENT (THAILAND) LTD.	100.0%	4.7	4.1
The 8th			
FamilyMart Co., Ltd. ^{*7}	94.7%	41.8	23.7
Others, Adjustments & Eliminations			
Orchid Alliance Holdings Limited ^{*8}	100.0%	98.3	117.2
C.P. Pokphand Co. Ltd. ^{*9}	23.8%	(2.9)	(4.3)
Chia Tai Enterprises International Limited ^{*10}	23.8%	0.1	(2.4)
(Reference) Overseas Subsidiaries ^{*11}			
ITOCHU International Inc.	100.0%	32.1	51.0
ITOCHU Europe PLC	100.0%	4.2	12.3
ITOCHU (CHINA) HOLDING CO., LTD.	100.0%	6.4	7.1
ITOCHU Hong Kong Ltd.	100.0%	5.5	6.9
ITOCHU Singapore Pte Ltd	100.0%	6.1	7.0

- * 1. Net income (losses) attributable to ITOCHU is the figure after adjusting to IFRSs, which may be different from the figures each company announces.
- * 2. The figures include net profit from Hitachi Construction Machinery Co., Ltd., which is the affiliate of the company. The figures do not include the interest income, etc. resulting from ITOCHU's loan to the partner.
- * 3. DAIKEN CORPORATION became a subsidiary of ITOCHU in the third quarter of the fiscal year ended March 31, 2024.
- * 4. Ownership percentage of ITOCHU Techno-Solutions Corporation is 99.95%. It is shown 100.0% by rounding less than the first decimal place.
- * 5. The figures of POCKET CARD CO.,LTD. include net profits through FamilyMart Co., Ltd.
- * 6. The figures of Orient Corporation for the fiscal year ended March 31, 2024 include the impairment loss on investment accounted for by the equity method.
- * 7. The figures of FamilyMart Co., Ltd. include net profits from POCKET CARD CO.,LTD.
- * 8. The figures of Orchid Alliance Holdings Limited include related tax effects and other factors.
- * 9. The figures of C.P. Pokphand Co. Ltd. for the fiscal year ended March 31, 2023 include the impairment loss on investment accounted for by the equity method.
- * 10. The figures of Chia Tai Enterprise International Limited for the fiscal year ended March 31, 2023 include the impairment loss on investment accounted for by the equity method.
- * 11. Net profits of each overseas trading subsidiary included in each segment are presented.

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 March 31, 2024, funding by the parent Company, domestic and overseas Group Finance managing companies accounted for approximately 75% 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 2023 to August 2025, 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). In addition, the Company has established SDGs Bond Framework (Sustainability Bond Framework) in March 2021 and SDGs Bonds were issued based on the Framework.

Ratings of the Company's long-term debt and short-term debt as of March 31, 2024 were as follows. Aiming to secure even higher ratings, the Company will strengthen profitability, improve financial position, and implement a thorough risk management.

Credit Rating Agency	Long-term Debt	Short-term Debt
Japan Credit Rating Agency (JCR)	AA+ / Stable	J-1+
Rating & Investment Information (R&I)	AA / Stable	a-1+
Moody's Investors Service	A2 / Stable	P-1
S&P Global Ratings	A / Stable	A-1

Interest-Bearing Debt

Interest-bearing debt as of March 31, 2024 increased by ¥351.0 billion, compared to March 31, 2023 to ¥3,357.6 billion (US\$22,176 million). Net interest-bearing debt (Interest-bearing debt after deducting Cash and cash equivalents and Time deposits) increased by ¥350.4 billion, to ¥2,741.6 billion (US\$18,107 million). NET DER (debt-to-equity ratio) slightly increased from 0.50 times to 0.51 times. Furthermore, the ratio of long-term interest-bearing debt to total interest-bearing debt was 78%, the same level compared to March 31, 2023.

Details of interest-bearing debt as of March 31, 2024 and 2023 were as follows:

Fiscal years ended March 31	Billions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Short-term debentures and borrowings			
Short-term and current maturities of long-term loans mainly from banks	¥ 678.0	¥ 601.7	\$ 4,478
Commercial paper	35.0	28.0	231
Current maturities of debentures	15.0	30.1	99
Short-term total	728.0	659.7	4,808
Long-term debentures and borrowings			
Long-term loans mainly from banks, less current maturities	2,235.5	2,225.7	14,764
Debentures	394.2	121.3	2,604
Long-term total	2,629.6	2,346.9	17,368
Total interest-bearing debt	3,357.6	3,006.6	22,176
Cash and cash equivalents, time deposits	616.0	615.5	4,069
Net interest-bearing debt	¥2,741.6	¥2,391.2	\$ 18,107

Financial Position

Total assets as of March 31, 2024 increased by 10.5%, or ¥1,374.3 billion, compared to March 31, 2023 to ¥14,489.7 billion (US \$95,698 million), due to the increase in investments accounted for by the equity method, the increase in trade receivables resulting from the increase of trading transactions, the conversion of DAIKEN CORPORATION into a subsidiary, and the depreciation of the yen.

Total shareholders' equity increased by 12.5%, or ¥603.7 billion, compared to March 31, 2023 to ¥5,427.0 billion (US\$35,843 million), due to net profit attributable to ITOCHU during this fiscal year and the depreciation of the yen, partially offset by the decrease of capital surplus resulting from the additional investment in shares in ITOCHU Techno-Solutions Corporation and dividend payments and share buybacks. As a result, the ratio of shareholders' equity to total assets increased by 0.7 points compared to March 31, 2023 to 37.5%.

Total equity, or the sum of Total shareholders' equity and Non-controlling interests, increased by 9.6%, or ¥524.7 billion, compared to March 31, 2023 to ¥5,992.1 billion (US\$39,575 million).

Reserves for Liquidity

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

As of March 31, 2024, against the necessary liquidity amount, which is the total of short-term interest-bearing debt and contingent liabilities of ¥1,191.8 billion (US\$7,871 million), the amount of reserves, which is the sum of cash, cash equivalents, time deposits (¥616.0 billion), and the unutilized commitment line (yen: ¥670.0 billion, multiple currency: US\$884 million) was ¥1,419.9 billion (US \$9,378 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 was ¥979.6 billion (US\$6,470 million).

Liquidity Reserves

Fiscal years ended March 31

	Billions of Yen	Millions of U.S. Dollars
	2024	2024
Cash and cash equivalents, time deposits	¥ 616.0	\$ 4,069
Commitment line	803.8	5,309
Total	¥ 1,419.9	\$ 9,378

Short-term interest-bearing debt and Contingent liabilities

Fiscal years ended March 31

	Billions of Yen	Millions of U.S. Dollars
	2024	2024
Short-term debentures and borrowings	¥ 728.0	\$ 4,808
Long-term debentures and borrowings (Note)	362.6	2,395
Contingent liabilities		
(Financial guarantees (substantial risk) of associates and joint ventures, customers)	101.2	668
Total	¥ 1,191.8	\$ 7,871

Note: 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

Main funding needs in ITOCHU Group are working capital for operating activity, as well as funds for investment and acquisition of property, plant and equipment. 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.

Further, with the Management Policy "The Brand-new Deal -Profit opportunities are shifting downstream-," ITOCHU Group has set the financial policy of maintaining financial foundation based on balancing three factors, growth investments, shareholder returns, and control of interest-bearing debt.

Cash flows from operating activities for the fiscal year ended March 31, 2024 was a net cash-inflow of ¥978.1 billion (US\$6,460 million), due to the stable performance in operating revenues in The 8th, General Products & Realty, and Food Companies, and dividends received from equity method investments in Machinery and Metals & Minerals Companies. Cash flows from operating activities for the fiscal year ended March 31, 2023 was a net cash-inflow of ¥938.1 billion.

Cash flows from investing activities was a net cash-outflow of ¥206.0 billion (US\$1,361 million), due to the the payment resulting from the conversion of DAIKEN CORPORATION into a subsidiary in General Products & Realty Company, the acquisition of equity method investments in Metals & Minerals Company, and the purchase of fixed assets in The 8th, Food, and Energy & Chemicals Companies. Cash flows from investing activities for the fiscal year ended March 31, 2023 was a net cash-outflow of ¥453.8 billion.

Cash flows from financing activities was a net cash-outflow of ¥801.2 billion (US\$5,291 million), due to the additional investment in shares in ITOCHU Techno-Solutions Corporation, repayments of lease liabilities, and dividend payments and share buybacks, partially offset by proceeds from debentures and loans payable. Cash flows from financing activities for the fiscal year ended March 31, 2023 was a net cash-outflow of ¥500.1 billion.

"Cash and cash equivalents" as of March 31, 2024 decreased by 0.9%, or ¥5.6 billion, to ¥600.4 billion (US\$3,966 million), compared to March 31, 2023.

Summaries of cash flows for the fiscal years ended March 31, 2024 and 2023 were as follows:

Fiscal years ended March 31	Billions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Cash flows from operating activities	¥ 978.1	¥ 938.1	\$ 6,460
Cash flows from investing activities	(206.0)	(453.8)	(1,361)
Cash flows from financing activities	(801.2)	(500.1)	(5,291)
Net change in cash and cash equivalents	(29.1)	(15.8)	(192)
Cash and cash equivalents at the beginning of the year	606.0	611.7	4,003
Effect of exchange rate changes on cash and cash equivalents	23.5	10.1	155
Cash and cash equivalents at the end of the year	¥ 600.4	¥ 606.0	\$ 3,966

Material Accounting Policies

The Company's Consolidated Financial Statements are prepared in conformity with IFRSs. In preparing the Consolidated Financial Statements, the management of the Company is required to make a number of estimates, assumptions and judgments 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, assumptions and judgments based on the available information that is considered to be reasonable, judging from historical experiences and circumstances. These estimates, assumptions and judgments, 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.

With regards to the impact from the Russia-Ukraine situation, the Company and its subsidiaries have exposure including resource-related investments in Russia, the ratio of them to our total assets is less than 1% as of the end of this fiscal year. As a result of continued appropriate accounting treatment reflecting the most recent situation for our Russia-Ukraine-related assets, we do not expect a material impact on our financial position and operating results.

Estimates and assumptions 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 of "Notes to Consolidated Financial Statements" regarding the balances of assets and liabilities related to each of the following items.

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 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 their 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 and intangible assets, and investments in associates and joint ventures measured through impairment tests

In impairment tests of property, plant and equipment, investment property, goodwill and 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. The recoverable amounts are based on the value in use calculated with the support of independent appraisers. The 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, the business plans are limited to a period of five years and formulated in a manner that reflects past results and are consistent with external information. The growth rate is determined by considering the long-term average growth rate of the markets or countries to which the cash-generating unit belongs. The discount rate is determined based on the weighted average cost of capital and other factors for each cash-generating unit. 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 and 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 estimates and judgments 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 utilized. 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 the application of accounting policies significantly affects the amounts of assets, liabilities, revenues, and expenses are mainly as follows. Also, please refer to the respective relevant notes of "Notes to Consolidated Financial Statements" regarding the balances of assets and liabilities related to each of the following items.

- 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
- Judgments regarding the transfer of significant risks and economic values associated with contracts containing lease as a lessor
- Judgments about whether credit risks on financial assets measured at amortized cost and debt FVTOCI financial assets have increased significantly
- Identification of cash-generating units, evaluation of whether there are indications of impairment or reversals of impairment in conducting impairment tests for property, plant and equipment, investment property, goodwill and intangible assets, and investments in associates and joint ventures
- Assessments regarding the existence of current obligations arising from past events and the likelihood of an outflow of resources to settle such obligations in recognizing provisions

Consolidated Statement of Financial Position

ITOCHU Corporation and its Subsidiaries
As of March 31, 2024 and 2023
Prepared in conformity with IFRSs

Assets	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Current assets			
Cash and cash equivalents	¥ 600,435	¥ 606,002	\$ 3,966
Time deposits	15,582	9,467	103
Trade receivables (Note 6)	2,831,112	2,533,297	18,698
Other current receivables (Note 6)	274,313	243,043	1,812
Other current financial assets (Note 12)	73,046	73,336	482
Inventories (Note 7)	1,382,164	1,304,942	9,128
Advances to suppliers	159,152	142,862	1,051
Other current assets (Note 27)	287,946	208,419	1,902
Total current assets	5,623,750	5,121,368	37,142
Non-current assets			
Investments accounted for by the equity method (Note 13)	3,158,520	2,828,850	20,861
Other investments (Note 12)	1,194,106	943,270	7,887
Non-current receivables (Note 6)	899,232	805,159	5,939
Non-current financial assets other than investments and receivables	156,929	162,768	1,036
Property, plant and equipment (Notes 8 and 16)	2,110,616	1,998,485	13,940
Investment property (Note 9)	42,469	44,050	280
Goodwill (Note 11)	383,878	366,659	2,535
Intangible assets (Note 11)	744,428	712,594	4,917
Deferred tax assets (Note 19)	68,533	54,478	453
Other non-current assets	107,240	77,719	708
Total non-current assets	8,865,951	7,994,032	58,556
Total assets (Note 4)	¥14,489,701	¥13,115,400	\$ 95,698

Refer to Notes to Consolidated Financial Statements.

Liabilities and Equity	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Current liabilities			
Short-term debentures and borrowings (Notes 15 and 33)	¥ 727,966	¥ 659,710	\$ 4,808
Lease liabilities (short-term) (Note 16)	224,086	238,289	1,480
Trade payables (Note 14)	2,343,112	2,042,608	15,475
Other current payables (Note 14)	216,360	190,014	1,429
Other current financial liabilities	65,960	71,642	436
Current tax liabilities (Note 19)	86,305	118,109	570
Advances from customers (Note 27)	168,511	162,409	1,113
Other current liabilities (Notes 18 and 27)	510,085	462,044	3,369
Total current liabilities	4,342,385	3,944,825	28,680
Non-current liabilities			
Long-term debentures and borrowings (Notes 15 and 33)	2,629,642	2,346,928	17,368
Lease liabilities (long-term) (Note 16)	814,489	766,278	5,379
Other non-current financial liabilities	55,025	56,543	363
Non-current liabilities for employee benefits (Note 17)	93,469	96,942	617
Deferred tax liabilities (Note 19)	380,414	273,123	2,513
Other non-current liabilities (Note 18)	182,156	163,386	1,203
Total non-current liabilities	4,155,195	3,703,200	27,443
Total liabilities	8,497,580	7,648,025	56,123
Equity			
Common stock (Note 21)	253,448	253,448	1,674
Capital surplus (Note 21)	(446,824)	(169,322)	(2,951)
Retained earnings (Notes 21 and 22)	5,032,035	4,434,463	33,234
Other components of equity (Note 23)			
Translation adjustments	744,976	458,560	4,920
FVTOCI financial assets (Note 12)	206,633	117,210	1,365
Cash flow hedges (Note 25)	38,424	30,840	254
Total other components of equity	990,033	606,610	6,539
Treasury stock (Note 21)	(401,730)	(301,940)	(2,653)
Total shareholders' equity	5,426,962	4,823,259	35,843
Non-controlling interests (Note 34)	565,159	644,116	3,732
Total equity	5,992,121	5,467,375	39,575
Total liabilities and equity	¥14,489,701	¥13,115,400	\$ 95,698

Consolidated Statement of Comprehensive Income

ITOCHU Corporation and its Subsidiaries
Fiscal years ended March 31, 2024 and 2023
Prepared in conformity with IFRSs

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Revenues (Notes 4 and 27)			
Revenues from sale of goods	¥ 12,657,964	¥ 12,605,631	\$ 83,601
Revenues from rendering of services and royalties	1,371,946	1,340,002	9,061
Total revenues	14,029,910	13,945,633	92,662
Cost			
Cost of sale of goods	(11,078,471)	(11,092,435)	(73,169)
Cost of rendering of services and royalties	(719,079)	(723,295)	(4,749)
Total cost	(11,797,550)	(11,815,730)	(77,918)
Gross trading profit (Note 4)	2,232,360	2,129,903	14,744
Other gains (losses)			
Selling, general and administrative expenses (Notes 17 and 28)	(1,521,735)	(1,419,121)	(10,051)
Provision for doubtful accounts (Note 24)	(7,725)	(8,869)	(51)
Gains (losses) on investments (Notes 29 and 34)	34,817	67,157	230
Gains (losses) on property, plant, equipment and intangible assets (Notes 8, 11 and 30)	(6,059)	(50,118)	(40)
Other-net (Note 31)	13,169	15,071	87
Total other losses	(1,487,533)	(1,395,880)	(9,825)
Financial income (loss) (Note 32)			
Interest income	54,125	39,370	358
Dividends received	81,064	79,667	535
Interest expense	(100,641)	(66,865)	(665)
Total financial income	34,548	52,172	228
Equity in earnings of associates and joint ventures (Notes 4 and 13)	316,332	320,666	2,089
Profit before tax	1,095,707	1,106,861	7,236
Income tax expense (Note 19)	(243,784)	(262,180)	(1,610)
Net profit	851,923	844,681	5,626
Net profit attributable to ITOCHU (Note 4)	¥ 801,770	¥ 800,519	\$ 5,295
Net profit attributable to non-controlling interests	50,153	44,162	331

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Other comprehensive income net of tax (Notes 19 and 23)			
Items that will not be reclassified to profit or loss			
FVTOCI financial assets (Note 26)	¥ 96,848	¥ (830)	\$ 640
Remeasurement of net defined pension liability (Note 17)	19,321	(1,666)	128
Other comprehensive income in associates and joint ventures (Note 13)	(2,006)	(21,868)	(13)
Items that will be reclassified to profit or loss			
Translation adjustments (Note 26)	258,515	111,639	1,707
Cash flow hedges (Note 25)	14	(1,145)	0
Other comprehensive income in associates and joint ventures (Note 13)	49,975	(7,878)	330
Total other comprehensive income net of tax	422,667	78,252	2,792
Total comprehensive income	1,274,590	922,933	8,418
Total comprehensive income attributable to ITOCHU	¥ 1,200,025	¥ 876,260	\$ 7,926
Total comprehensive income attributable to non-controlling interests	74,565	46,673	492

	Yen		U.S. Dollars
	2024	2023	2024
Basic earnings per share attributable to ITOCHU (Note 20)	¥553.00	¥546.10	\$3.65
Diluted earnings per share attributable to ITOCHU (Note 20)	¥553.00	¥546.10	\$3.65

Refer to Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

ITOCHU Corporation and its Subsidiaries
Fiscal years ended March 31, 2024 and 2023
Prepared in conformity with IFRSs

	Millions of Yen						
	Shareholders' equity						Non-controlling interests
	Common stock	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total shareholders' equity	
Balance on April 1, 2023	¥253,448	¥(169,322)	¥4,434,463	¥606,610	¥(301,940)	¥4,823,259	¥644,116
Net Profit			801,770			801,770	50,153
Other comprehensive income (Note 23)				398,255		398,255	24,412
Total comprehensive income			801,770	398,255		1,200,025	74,565
Cash dividends to shareholders (Note 22)			(225,458)			(225,458)	
Cash dividends to non-controlling interests							(21,404)
Net change in acquisition (disposition) of treasury stock (Note 21)					(99,790)	(99,790)	
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests (Note 21)		(277,502)		6,428		(271,074)	(132,118)
Transfer to retained earnings			21,260	(21,260)			
Balance on March 31, 2024	¥253,448	¥(446,824)	¥5,032,035	¥990,033	¥(401,730)	¥5,426,962	¥565,159

	Millions of Yen						
	Shareholders' equity						Non-controlling interests
	Common stock	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total shareholders' equity	
Balance on April 1, 2022	¥253,448	¥(161,917)	¥3,811,991	¥537,007	¥(241,204)	¥4,199,325	¥564,375
Cumulative effects of the application of new accounting standards (Notes 2 and 23)			7,219	(3,471)		3,748	
Net Profit			800,519			800,519	44,162
Other comprehensive income (Note 23)				75,741		75,741	2,511
Total comprehensive income			800,519	75,741		876,260	46,673
Cash dividends to shareholders (Note 22)			(188,372)			(188,372)	
Cash dividends to non-controlling interests							(28,437)
Net change in acquisition (disposition) of treasury stock (Note 21)					(60,736)	(60,736)	
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests		(7,405)		439		(6,966)	61,505
Transfer to retained earnings			3,106	(3,106)			
Balance on March 31, 2023	¥253,448	¥(169,322)	¥4,434,463	¥606,610	¥(301,940)	¥4,823,259	¥644,116

	Millions of U.S. Dollars						
	Shareholders' equity						Non-controlling interests
	Common stock	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total shareholders' equity	
Balance on April 1, 2023	\$1,674	\$(1,118)	\$29,288	\$4,006	\$(1,994)	\$31,856	\$4,254
Net Profit			5,295			5,295	331
Other comprehensive income (Note 23)				2,631		2,631	161
Total comprehensive income			5,295	2,631		7,926	492
Cash dividends to shareholders (Note 22)			(1,489)			(1,489)	
Cash dividends to non-controlling interests							(142)
Net change in acquisition (disposition) of treasury stock (Note 21)					(659)	(659)	
Net change in sale (purchase) of subsidiary shares to (from) non-controlling interests (Note 21)		(1,833)		42		(1,791)	(872)
Transfer to retained earnings			140	(140)			
Balance on March 31, 2024	\$1,674	\$(2,951)	\$33,234	\$6,539	\$(2,653)	\$35,843	\$3,732

Refer to Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

ITOCHU Corporation and its Subsidiaries
Fiscal years ended March 31, 2024 and 2023
Prepared in conformity with IFRSs

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Cash flows from operating activities			
Net profit	¥ 851,923	¥ 844,681	\$ 5,626
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation and amortization	420,343	409,962	2,776
(Gains) losses on investments	(34,817)	(67,157)	(230)
(Gains) losses on property, plant, equipment and intangible assets	6,059	50,118	40
Financial (income) loss	(34,548)	(52,172)	(228)
Equity in earnings of associates and joint ventures	(316,332)	(320,666)	(2,089)
Income tax expense	243,784	262,180	1,610
Provision for doubtful accounts and other provisions	10,013	(3,338)	66
Change in trade receivables	(193,369)	(58,394)	(1,277)
Change in inventories	3,628	(197,452)	24
Change in trade payables	231,419	50,118	1,529
Other-net	(130,324)	22,010	(861)
Proceeds from interest	61,789	35,029	408
Proceeds from dividends	218,814	233,884	1,445
Payments for interest	(96,119)	(57,855)	(635)
Payments for income taxes	(264,155)	(212,890)	(1,744)
Net cash provided by (used in) operating activities	978,108	938,058	6,460
Cash flows from investing activities			
Payments for purchase of investments accounted for by the equity method	(60,260)	(328,634)	(398)
Proceeds from sale of investments accounted for by the equity method	37,334	33,744	246
Payments for purchase of other investments	(66,479)	(60,776)	(439)
Proceeds from sale of other investments	42,090	39,585	278
Payments for acquisition of subsidiaries or businesses (Notes 5 and 33)	(36,180)	(26,033)	(239)
Proceeds from sale of subsidiaries or businesses (Notes 33 and 34)	—	70,161	—
Origination of loans receivable	(104,134)	(104,359)	(688)
Collections of loans receivable	117,019	84,324	773
Payments for purchase of property, plant, equipment and intangible assets	(202,546)	(194,081)	(1,338)
Proceeds from sale of property, plant, equipment and intangible assets	66,162	28,360	437
Net change in time deposits	1,000	3,903	7
Net cash provided by (used in) investing activities	(205,994)	(453,806)	(1,361)
Cash flows from financing activities			
Proceeds from debentures and loans payable (Note 33)	1,419,037	699,001	9,372
Repayments of debentures and loans payable (Note 33)	(1,225,977)	(801,893)	(8,097)
Repayments of lease liabilities (Note 33)	(252,580)	(261,271)	(1,668)
Net change in other loans payable (Note 33)	(6,864)	86,416	(45)
Equity transactions with non-controlling interests	(387,845)	54,766	(2,561)
Cash dividends (Note 22)	(225,458)	(188,372)	(1,489)
Cash dividends to non-controlling interests	(21,404)	(28,547)	(142)
Net change in treasury stock	(100,083)	(60,181)	(661)
Net cash provided by (used in) financing activities	(801,174)	(500,081)	(5,291)
Net change in cash and cash equivalents	(29,060)	(15,829)	(192)
Cash and cash equivalents at the beginning of the year	606,002	611,715	4,003
Effect of exchange rate changes on cash and cash equivalents	23,493	10,116	155
Cash and cash equivalents at the end of the year	¥ 600,435	¥ 606,002	\$ 3,966

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 eight 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 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 Material 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 fiscal year ended March 31, 2024 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥151.41 = US\$1, the exchange rate prevailing on March 31, 2024.

(4) Changes in Accounting Policies

The Company and its subsidiaries have applied standards or interpretations of IFRSs which are required to be applied from the fiscal year ended March 31, 2024.

Among such standards or interpretations, the Company and its subsidiaries have applied IFRS 17, "Insurance Contracts," from the fiscal year ended March 31, 2024. The cumulative effects of this adoption are reflected through adjustment of Retained earnings and Other components of equity.

3. Material 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 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, exceed the aggregate of the consideration transferred, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, and 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.

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, its subsidiaries, 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, foreign associates and joint ventures

In translating the foreign currency denominated financial statements of foreign subsidiaries, foreign associates and joint ventures (foreign operations), 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 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 obligor pays the obligee and the obligation is discharged, or when the contractual obligation is cancelled or expires.

4) Derivative instruments and hedging activities

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

- A hedge of the variability of the fair value of a recognized asset or liability, or of an unrecognized firm commitment, wherein the hedging relationship meets the hedge effectiveness requirements, such as the existence of an economic relationship between the hedged item and the hedging instrument, 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, wherein the hedging relationship meets the hedge effectiveness requirements, such as the existence of an economic relationship between the hedged item and the hedging instrument, 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.

In applying the rules above for fair value hedges, cash flow hedges, and hedges of a net investment in foreign operations, in order to assess the economic relationship between the hedged item and the hedging instrument, the Company and its subsidiaries evaluate at the inception of the hedge, and on an ongoing basis, 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 prospectively from the point at which the hedging relationship no longer meets the qualifying criteria.

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

Property, plant and equipment other than right-of-use assets, except for items that are not subject to depreciation, such as land, 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. Right-of-use assets are depreciated using the straight-line method 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 revised as necessary.

(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.

Investment properties other than right-of-use assets, except for items that are not subject to depreciation, such as land, are depreciated mainly using the straight-line method over its estimated useful life (2–50 years) from the time when it becomes available for use. Right-of-use assets are depreciated using the straight-line method over the shorter of the lease period or the estimated useful life.

(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: 3–10 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 revised as necessary.

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

In accordance with IFRS 16 “Leases,” the Company and its subsidiaries decide whether or not a contract is a lease. Determining a contract includes a lease is decided based on examination of the economic nature of transactions, regardless of whether or not a contract’s legal form is that of a lease contract.

1) Leases as lessee

If a contract is, or contains a lease, right-of-use assets and lease liabilities are recognized at the commencement date of the lease.

Lease liabilities are measured using the present value of unpaid lease payments. Lease payments are allocated to finance costs and repayments of lease liabilities based on the effective interest method with finance costs presented in Interest expense in the Consolidated Statement of Comprehensive Income.

The cost model is applied to measure right-of-use assets, and the value, measured at acquisition cost less accumulated depreciation and accumulated impairment losses, is presented in the Consolidated Statement of Financial Position by including it under Property, plant and equipment and Investment property. The acquisition cost includes the initial direct costs and other items in addition to the amount initially measured for the lease liability. Right-of-use assets are depreciated over the underlying asset’s estimated useful life if ownership rights of the underlying asset are transferred to the lessee before the termination of the lease term or if exercise of a bargain purchase option is expected, and in other cases right-of-use assets are depreciated using the straight-line method over the shorter of the lease period or the estimated useful life.

2) Leases as lessor

If the contract is a lease or contains a lease, and the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset, it is classified as a finance lease and any lease other than finance leases is classified as an operating lease.

For finance leases, net investments in the leases are recognized as lease receivables. Lease payments receivable are allocated to finance income and lease receivables based on the effective interest method with finance income presented in Interest income in the Consolidated Statement of Comprehensive Income. Further, if the main purpose of the finance lease is the sale of goods and the finance lease 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 Revenues in the Consolidated Statement of Comprehensive Income, and the purchase price of the assets subject to leases is recognized as Cost of sale of goods in the Consolidated Statement of Comprehensive Income.

For operating leases, except in cases where another systematic basis is more representative of the pattern of the lessee’s benefit, lease payments receivable are recognized in profit or loss on a straight-line basis over the lease term.

(9) Non-Current Assets Held for Sale

Non-current assets and disposal groups are classified as non-current assets or disposal groups held for sale when a commitment has been made for the execution of a sale plan and the recovery is expected to arise from the sale rather than continuing use. Such assets are classified as current assets if it is highly probable that the asset will be sold within one year and it is available for immediate sale in its present condition. Non-current assets or disposal groups classified as held for sale are measured using the lower of the carrying amounts, or the fair values less costs to sell.

(10) 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 the 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 and intangible assets, and investments in associates and joint ventures

At the end of each quarter, property, plant and equipment, investment property, goodwill and intangible assets, and investments 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 there are indications of impairment, impairment tests of goodwill and intangible assets for which the useful lives cannot be determined 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, the 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 including the carrying amount of the portion of corporate assets allocated to them, is compared 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.

(11) 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.

(12) 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

Regarding provisions for losses that could be incurred as a result of fulfilling debt guarantees or other contracts, the expected credit loss is recognized relating to a contract in which there is a promise to repay the debt or to provide monetary compensation if the guaranteed party has defaulted on a specified debt, or the estimated loss is recognized if it is probable that the costs of meeting the contractual obligation arising prior to the end of the fiscal year exceed the economic benefits expected to be received under the contract.

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.

(13) Equity

Common stock is classified as equity. Incidental expenses related to the issuance of common stock (net of 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 of tax) are deducted from equity. If treasury stock is sold, the consideration received is recognized as an addition to equity.

(14) 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

Revenues from sale of goods and Revenues from rendering of services and royalties are recognized when performance obligations in contracts with customers are satisfied, i.e., at a point of time when control of goods or services provided by the Company and its subsidiaries is transferred to customers. Consideration for goods or services does not include significant financing arrangements if the period between payment from customers and the transfer of goods or services to customers would be one year or less, as a practical expedient. In addition, if the 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 by eight operating segments: Textile, Machinery, Metals & Minerals, Energy & Chemicals, Food, General Products & Realty, ICT & Financial Business, and The 8th. Performance obligations for these transactions are satisfied and revenues are recognized at a point in time when the delivery conditions agreed to with customers on contracts are met, such as delivery of products to customers, issuance of warehouse receipt, and receipt of acceptance certificate. Revenues from contract work transactions in Machinery and software development in ICT & Financial Business and others are recognized in accordance with the progress of satisfaction of the performance obligations, since performance obligations are satisfied over a period of time of the

contract work or production to order. Revenues are recognized on a measurement of the progress 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 determined to be recoverable are recognized.

2) Rendering of services and royalty transactions

Revenues from rendering of services include software maintenance in ICT & Financial Business and other services. Revenues from software maintenance are mainly recognized over a period of time of maintenance contract by allocating the consideration agreed with customer on the contracts. Revenues from other services include agent businesses in import / export trades in Machinery, General Products & Realty and others, which are recognized at a point of time when the delivery of services is completed. Revenues from royalty transactions include royalty transactions on franchise contract in The 8th, mainly recognized over a period of time of franchise contract by a method calculating gross margin multiplied by a certain percentage.

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 the Company and its subsidiaries before the goods or services are transferred to the customer, are presented on a gross basis.

(15) 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.

(16) 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.

Current taxes are measured based on taxes payable on taxable income or taxes refundable on taxable loss of the fiscal year. These tax amounts are calculated based on tax rates enacted, or substantially enacted, at the end of the fiscal year.

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, tax loss carryforwards and tax credit carryforwards, and foreign tax credit carryforwards, are recognized to the extent that it is probable that future taxable income 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:

- Taxable temporary differences arising from the initial recognition of goodwill;
- Temporary differences arising from the initial recognition of assets or liabilities in a transaction which is not a business combination, affects neither accounting profit nor taxable income and does not give rise to an equal taxable and deductible temporary differences at the time of the transaction.

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 income 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 fiscal year and based on the tax rates that are expected to apply in the fiscal year 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.

The Company and its subsidiaries apply the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two model of international tax reform (global minimum tax).

(17) 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.

(18) 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 salable minerals have not been extracted in the fiscal year 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 salable minerals are recognized in the fiscal year under review as cost of inventory.

(19) 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, the 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.

(20) Significant Accounting Estimates

To prepare the Consolidated Financial Statements, the Company and its subsidiaries make a variety of estimates and assumptions. These estimates and assumptions affect disclosures of amounts recognized for assets, liabilities, revenues, and expenses.

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.

With regards to the impact from the Russia-Ukraine situation, the Company and its subsidiaries have exposure including resource-related investments in Russia, the ratio of them to our total assets is less than 1% as of the end of this fiscal year. As a result of continued appropriate accounting treatment reflecting the most recent situation for our Russia-Ukraine-related assets, we do not expect a material impact on our financial position and operating results.

Estimates and assumptions 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 regarding the balances of assets and liabilities related to each of the following items.

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 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 their 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. (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 and intangible assets, and investments in associates and joint ventures measured through impairment tests

In impairment tests of property, plant and equipment, investment property, goodwill and 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. The recoverable amounts are based on the value in use calculated with the support of independent appraisers. The 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, the business plans are limited to a period of five years and formulated in a manner that reflects past results and are consistent with external information. The growth rate is determined by considering the long-term average growth rate of the markets or countries to which the cash-generating unit belongs. The discount rate is determined based on the weighted average cost of capital and other factors for each cash-generating unit. 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 and intangible assets, and investments in associates and joint ventures in the future accounting periods. (Refer to Note 8 Property, Plant and Equipment, Note 9 Investment Property, Note 11 Goodwill and Intangible Assets, and Note 13 Associates and Joint Ventures)

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

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

Measurement of provisions

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

Estimates of income taxes

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

(21) Judgments made in the process of applying the accounting policies

Accounting areas where the judgment on the application of accounting policies significantly affects the amounts of assets, liabilities, revenues, 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)
- Judgments regarding the transfer of significant risks and economic values associated with contracts containing lease as a lessor (Refer to Note 16 Leases)
- Judgments about whether credit risks on financial assets measured at amortized cost and debt FVTOCI financial assets have increased significantly (Refer to Note 24 Financial Instruments)
- Identification of cash-generating units, evaluation of whether there are indications of impairment or reversals of impairment in conducting impairment tests for property, plant and equipment, investment property, goodwill and 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)
- Assessments regarding the existence of current obligations arising from past events and the likelihood of an outflow of resources to settle such obligations in recognizing provisions (Refer to Note 18 Provisions)

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 eight 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 Division Companies organized in line with their respective industries, principal products, and services. 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 eight Division Companies—Textile, Machinery, Metals & Minerals, Energy & Chemicals, Food, General Products & Realty, ICT & Financial Business, and The 8th, comprising the reportable segments.

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

Textile

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

Machinery segment is engaged in business activities for plants, bridges, railways, and other infrastructures; power generation and transmission-transformation, and electricity sales; water, environment and waste-related business; trading of ships, aircraft, automobiles, construction machinery, industrial machinery, machine tools, environmental equipment, electronic devices, and related equipment; environmentally friendly business such as renewable and alternative energy, and waste recycling.

Metals & Minerals

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, trading in greenhouse gas emissions, and recycling and waste treatment.

Energy & Chemicals

Energy & Chemicals segment is engaged in trading and business relating to energy, chemical, and power including renewable energy.

Food

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

General Products & Realty segment is engaged in the general products and distribution sector such as pulp and paper business, natural rubber business, tire business, and logistics business; in the construction and real estate sector such as development, sales, lease, and operation of real estate and building products & materials business.

ICT & Financial Business

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 8th

The 8th segment collaborates with the other seven Division Companies to fully leverage various business platforms, particularly in the consumer sector, which is an area of our strength. By accelerating cross-industrial integrations and cross-Division Company initiatives, The 8th Company develops new business fields and cultivates new partners with a market-oriented perspective for catering to market and consumer needs.

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 fiscal years ended March 31, 2024 and 2023.

Millions of Yen										
2024										
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Consolidated Total
Revenues from external customers	¥ 535,175	¥ 1,478,945	¥ 1,212,627	¥ 3,044,544	¥ 4,862,991	¥ 1,380,793	¥ 864,260	¥ 515,194	¥ 135,381	¥ 14,029,910
Intersegment revenues	27	86	—	42,921	16,989	17,334	13,862	4,065	(95,284)	—
Total revenues	535,202	1,479,031	1,212,627	3,087,465	4,879,980	1,398,127	878,122	519,259	40,097	14,029,910
Gross trading profit	128,038	250,350	195,886	269,727	380,866	280,901	296,121	424,615	5,856	2,232,360
Equity in earnings of associates and joint ventures	5,504	87,840	60,490	5,096	16,801	2,788	36,898	2,322	98,593	316,332
Net profit attributable to ITOCHU	27,006	131,576	226,080	91,705	66,267	66,165	67,791	35,809	89,371	801,770
Reportable segment assets	¥ 486,009	¥ 1,983,497	¥ 1,403,523	¥ 1,626,289	¥ 2,420,929	¥ 1,423,281	¥ 1,440,489	¥ 1,978,342	¥ 1,727,342	¥ 14,489,701

Millions of Yen										
2023										
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Consolidated Total
Revenues from external customers	¥ 530,138	¥ 1,393,501	¥ 1,268,056	¥ 3,388,985	¥ 4,626,264	¥ 1,263,457	¥ 875,134	¥ 467,105	¥ 132,993	¥ 13,945,633
Intersegment revenues	4,446	124	—	41,818	14,404	21,944	14,153	4,051	(100,940)	—
Total revenues	534,584	1,393,625	1,268,056	3,430,803	4,640,668	1,285,401	889,287	471,156	32,053	13,945,633
Gross trading profit	116,523	234,822	222,009	315,356	330,913	225,024	286,125	383,845	15,286	2,129,903
Equity in earnings of associates and joint ventures	5,362	44,749	61,955	8,621	4,431	38,486	40,480	327	116,255	320,666
Net profit attributable to ITOCHU	25,477	107,371	247,361	115,792	20,191	95,067	64,551	16,594	108,115	800,519
Reportable segment assets	¥ 457,659	¥ 1,664,644	¥ 1,274,803	¥ 1,552,638	¥ 2,146,794	¥ 1,223,292	¥ 1,308,118	¥ 1,906,655	¥ 1,580,797	¥ 13,115,400

Millions of U.S. Dollars

2024										
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Consolidated Total
Revenues from external customers	\$ 3,535	\$ 9,767	\$ 8,009	\$ 20,108	\$ 32,118	\$ 9,120	\$ 5,708	\$ 3,403	\$ 894	\$ 92,662
Intersegment revenues	0	1	—	283	112	114	92	27	(629)	—
Total revenues	3,535	9,768	8,009	20,391	32,230	9,234	5,800	3,430	265	92,662
Gross trading profit	846	1,653	1,294	1,781	2,516	1,855	1,956	2,804	39	14,744
Equity in earnings of associates and joint ventures	36	580	400	34	111	18	244	15	651	2,089
Net profit attributable to ITOCHU	178	869	1,493	606	438	437	448	236	590	5,295
Reportable segment assets	\$ 3,210	\$ 13,100	\$ 9,270	\$ 10,741	\$ 15,989	\$ 9,400	\$ 9,514	\$ 13,066	\$ 11,408	\$ 95,698

Notes: 1. "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. Revenues from external customers include revenues resulting from contracts with customers and other sources of revenue. Revenues resulting from other sources of revenue mainly include revenues from energy trading transactions such as oil and gas and lease contracts, which are immaterial in terms of amount.
3. As of October 1, 2022, ITOCHU dissolved the mutual-holdings for certain group companies held by The 8th segment as minority and the other segment as majority, and shares of such group companies are only held by the other segment. According to the above, the results for the fiscal year ended March 31, 2023 are reclassified in the same manner.

(2) Information about Geographical Areas

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

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Japan	¥ 10,652,574	¥ 10,785,348	\$ 70,356
United States	915,159	820,168	6,044
Singapore	914,222	854,772	6,038
Australia	383,423	385,548	2,532
China	325,350	351,017	2,149
Others	839,182	748,780	5,543
Consolidated Total	¥ 14,029,910	¥ 13,945,633	\$ 92,662

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

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Japan	¥ 2,378,040	¥ 2,322,004	\$ 15,706
United States	215,983	190,380	1,426
United Kingdom	206,410	172,974	1,363
Australia	204,054	183,236	1,348
Singapore	155,288	142,900	1,026
Others	191,631	178,136	1,266
Consolidated Total	¥ 3,351,406	¥ 3,189,630	\$ 22,135

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 combination for the fiscal year ended March 31, 2024 was as follows:

(Acquisition of DAIKEN CORPORATION)

On October 10, 2023, the Company acquired 51.06% of voting rights in DAIKEN CORPORATION (hereinafter "DAIKEN"), an equity-method associated company, through the issuing of a tender offer through BP Investment Godo Kaisha, the Company's subsidiary. These rights, added to its previously held equity interest, raised the Company's ownership of DAIKEN to 87.43%. As a result, DAIKEN became a subsidiary of the Company.

The shares were acquired for ¥39,909 million (US\$264 million), all of which was paid in cash. Through a series of procedures to make the Group the sole shareholder of DAIKEN, it was delisted on December 21, 2023, and became a wholly owned subsidiary of the Company. The shares under this procedure were acquired

for ¥9,907 million (US\$65 million), all of which was paid in cash by the fiscal year ended March 31, 2024, bringing the total acquisition cost of the shares in this business combination to ¥49,816 million (US\$329 million).

DAIKEN engages in a wide range of businesses such as the industrial materials business which deals with materials utilized in construction, the building materials business which deals with flooring, doors, storages and so on, and the engineering business which mainly deals with interior construction works.

In an environment where the domestic market is forecasted to shrink due to the decline in housing starts, by strengthening the profitability of the domestic housing business and strengthening and expanding the domestic non-housing business and overseas business, mainly in North America, we aim to further boost value across the entire Group, through further solidification of the partnership with DAIKEN.

The following table summarizes the consideration paid, 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 consideration paid (Note)	¥ 49,816	\$ 329
Fair value of previously held equity interests	44,433	293
Non-controlling interests	3,107	21
Total	97,356	643
Fair value of assets acquired and liabilities assumed		
Cash and cash equivalents	13,636	90
Trade receivables	50,744	335
Inventories	35,335	233
Other current assets	8,721	58
Property, plant and equipment	28,423	188
Intangible assets	13,755	91
Other non-current assets	34,607	228
Trade payables	(29,672)	(196)
Short-term debentures and borrowings	(24,446)	(161)
Other current liabilities	(33,766)	(223)
Long-term debentures and borrowings	(5,029)	(33)
Other non-current liabilities	(7,182)	(48)
Net assets	85,126	562
Goodwill	12,230	81
Total	97,356	643

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 Group and the acquired businesses and included in the General Products & Realty operating segment. This goodwill is not deductible for tax purposes.

The fair value of the assets acquired and liabilities assumed was calculated based on the comprehensive assessment of the financial and asset conditions that were carefully examined

through third-party due diligence conducted at the time of acquisition.

Upon remeasuring its previously held equity interests at its acquisition date fair value, the Company recorded a gain of ¥1,901 million (US\$13 million) in Gains (losses) on investments.

The acquisition costs of ¥375 million (US\$2 million) were recorded in Selling, general and administrative expenses related to this business combination.

The following table presents operating performance of DAIKEN included in the Consolidated Statement of Comprehensive Income for the year ended March 31, 2024 from the acquisition date.

	Millions of Yen	Millions of U.S. Dollars
Total revenues	¥ 105,595	\$ 697
Net profit	4,680	31
Net profit attributable to ITOCHU	4,647	31

(Pro forma information)

The unaudited pro forma result of operation, as if the business combination involving DAIKEN had occurred on April 1, 2023, is not presented because the impact is immaterial.

Major business combination for the fiscal year ended March 31, 2023 was as follows:

(Acquisition of Pacific Woodtech Corporation and Engineered Wood Products business in North America)

On August 1, 2022, the Company made an additional investment in Pacific Woodtech Corporation (hereinafter "PWT"), an equity-method affiliate in which it previously held 49.0% of the voting rights. As a result of this investment, the Company holds 75.0% of PWT's voting rights, and PWT has become a subsidiary of the Company. The amount invested in PWT was ¥23,627 million,

which was paid in cash. Recognizing the future potential of the Engineered Wood Products (hereinafter "EWP") business, PWT has been engaged in the manufacture and sale of EWP since its establishment in 1998.

This investment was made in order for PWT to acquire the EWP business of Louisiana-Pacific Corporation, a transaction which PWT completed on August 1, 2022. The consideration was ¥28,860 million, which was paid in cash. PWT aims to further increase its corporate value through expanding its construction materials business in North America, growing its existing businesses and strengthening its operations.

The following table summarizes the consideration paid, 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
Fair value of consideration paid (Note 1)	¥ 28,860
Fair value of previously held equity interests	11,132
Non-controlling interests (Note 2)	10,660
Total	50,652
Fair value of assets acquired and liabilities assumed	
Inventories	13,076
Other current assets	9,912
Property, plant and equipment	28,945
Intangible assets	13,853
Other non-current assets	5,732
Short-term debentures and borrowings	(5,183)
Other current liabilities	(5,714)
Long-term debentures and borrowings	(3,323)
Other non-current liabilities	(9,430)
Net assets	47,868
Goodwill	2,784
Total	50,652

Note: 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.

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 and included in the General Products & Realty operating segment. This goodwill is not deductible for tax purposes.

The fair value of the assets acquired and liabilities assumed was calculated based on the comprehensive assessment of the financial and asset conditions that were carefully examined

through third-party due diligence conducted at the time of acquisition.

Upon remeasuring its previously held equity interests at its acquisition date fair value, the Company recorded a gain of ¥8,347 million in Gains (losses) on investments.

The acquisition costs of ¥544 million were recorded in Selling, general and administrative expenses related to this business combination.

The following table presents operating performance of PWT and EWP business included in the Consolidated Statement of Comprehensive Income for the year ended March 31, 2023 from the acquisition date.

	Millions of Yen
Total revenues	¥ 73,592
Net profit	7,851
Net profit attributable to ITOCHU	5,888

6. Trade and Other Receivables

The breakdown of trade receivables as of March 31, 2024 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Notes receivable	¥ 171,900	¥ 157,717	\$ 1,135
Trade accounts receivable	2,332,446	2,103,862	15,405
Service fees receivable	345,873	291,628	2,284
Allowance for doubtful accounts (current)	(19,107)	(19,910)	(126)
Total	¥ 2,831,112	¥ 2,533,297	\$ 18,698

The breakdown of other current receivables as of March 31, 2024 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Short-term loans receivable	¥ 73,415	¥ 65,037	\$ 485
Other accounts receivable	39,833	36,449	263
Deposit to customer	79,854	74,446	527
Allowance for doubtful accounts (current)	(6,255)	(3,082)	(41)
Others	87,466	70,193	578
Total	¥ 274,313	¥ 243,043	\$ 1,812

The breakdown of non-current receivables as of March 31, 2024 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Long-term loans receivable	¥ 897,521	¥ 799,382	\$ 5,928
Allowance for doubtful accounts (non-current)	(36,132)	(32,537)	(239)
Others	37,843	38,314	250
Total	¥ 899,232	¥ 805,159	\$ 5,939

7. Inventories

The breakdown of Inventories as of March 31, 2024 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Merchandise	¥ 957,451	¥ 888,787	\$ 6,323
Finished goods	126,537	114,264	836
Real estate for sale	160,385	171,817	1,059
Raw materials and supplies	83,303	74,587	550
Work in progress	54,488	55,487	360
Total	¥ 1,382,164	¥ 1,304,942	\$ 9,128

The write-downs of inventories to net realizable value were ¥9,556 million (US\$63 million) and ¥9,239 million as of March 31, 2024 and 2023, 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 as of March 31, 2024 and 2023 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, 2024								
Cost	¥ 523,576	¥ 2,309,758	¥ 949,799	¥ 389,261	¥ 180,543	¥ 55,773	¥ 54,595	¥ 4,463,305
Accumulated depreciation and accumulated impairment losses	(168,283)	(1,238,735)	(560,596)	(265,830)	(90,356)	(951)	(27,938)	(2,352,689)
Carrying amount	355,293	1,071,023	389,203	123,431	90,187	54,822	26,657	2,110,616

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, 2023								
Cost	¥ 477,674	¥ 2,062,618	¥ 886,474	¥ 347,720	¥ 160,878	¥ 46,697	¥ 42,034	¥ 4,024,095
Accumulated depreciation and accumulated impairment losses	(136,596)	(1,046,388)	(497,923)	(244,526)	(78,238)	(948)	(20,991)	(2,025,610)
Carrying amount	341,078	1,016,230	388,551	103,194	82,640	45,749	21,043	1,998,485

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, 2024								
Cost	\$ 3,458	\$ 15,255	\$ 6,273	\$ 2,571	\$ 1,192	\$ 368	\$ 361	\$ 29,478
Accumulated depreciation and accumulated impairment losses	(1,111)	(8,181)	(3,702)	(1,756)	(597)	(6)	(185)	(15,538)
Carrying amount	2,347	7,074	2,571	815	595	362	176	13,940

The changes in the carrying amount of property, plant and equipment for the fiscal years ended March 31, 2024 and 2023 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, 2023	¥341,078	¥1,016,230	¥388,551	¥103,194	¥ 82,640	¥ 45,749	¥21,043	¥1,998,485
Acquisitions through business combinations	6,663	12,202	13,067	477	—	1,507	97	34,013
Individual acquisitions	10,303	102,968	51,238	56,200	—	48,623	9,143	278,475
Disposals and decreases through divestitures	(5,006)	(14,147)	(45,180)	(2,065)	—	(623)	(634)	(67,655)
Depreciation	(33,757)	(200,692)	(64,290)	(37,750)	(3,136)	—	(7,060)	(346,685)
Impairment losses recognized in profit or loss	(953)	(9,291)	(1,622)	(1,254)	—	(3)	(2)	(13,125)
Effect of foreign currency exchange differences	3,569	27,147	25,268	1,502	10,679	3,674	2,081	73,920
Others	33,396	136,606	22,171	3,127	4	(44,105)	1,989	153,188
Balance as of March 31, 2024	¥355,293	¥1,071,023	¥389,203	¥123,431	¥ 90,187	¥ 54,822	¥26,657	¥2,110,616

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, 2022	¥321,482	¥1,008,572	¥366,347	¥106,463	¥79,184	¥41,126	¥12,870	¥1,936,044
Acquisitions through business combinations	2,753	22,075	13,144	706	—	749	20	39,447
Individual acquisitions	13,743	86,954	47,229	31,755	—	63,099	8,752	251,532
Disposals and decreases through divestitures	(3,990)	(34,351)	(15,680)	(1,988)	—	(1,459)	(186)	(57,654)
Depreciation	(32,902)	(187,037)	(60,496)	(37,379)	(2,999)	—	(5,443)	(326,256)
Impairment losses (reversals) recognized in profit or loss	(1,248)	(17,245)	2,409	(1,394)	—	(113)	—	(17,591)
Effect of foreign currency exchange differences	2,369	10,497	6,230	558	6,393	662	59	26,768
Others	38,871	126,765	29,368	4,473	62	(58,315)	4,971	146,195
Balance as of March 31, 2023	¥341,078	¥1,016,230	¥388,551	¥103,194	¥82,640	¥45,749	¥21,043	¥1,998,485

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, 2023	\$ 2,253	\$ 6,712	\$ 2,566	\$ 681	\$ 546	\$ 302	\$ 139	\$ 13,199
Acquisitions through business combinations	44	81	86	3	—	10	1	225
Individual acquisitions	68	680	339	371	—	321	60	1,839
Disposals and decreases through divestitures	(33)	(94)	(298)	(14)	—	(4)	(4)	(447)
Depreciation	(223)	(1,325)	(425)	(249)	(21)	—	(47)	(2,290)
Impairment losses recognized in profit or loss	(6)	(61)	(11)	(8)	—	(0)	(0)	(86)
Effect of foreign currency exchange differences	24	179	167	10	70	24	14	488
Others	220	902	147	21	0	(291)	13	1,012
Balance as of March 31, 2024	\$ 2,347	\$ 7,074	\$ 2,571	\$ 815	\$ 595	\$ 362	\$ 176	\$ 13,940

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 fiscal year ended March 31, 2024 was ¥13,125 million (US\$86 million).

The amount of the impairment losses during the fiscal year ended March 31, 2023 was ¥23,082 million mainly consisted of the impairment loss recognized on store assets in FamilyMart Co., Ltd in The 8th segment. The amount of the reversal of impairment loss was ¥5,491 million consisted of the reversal of an impairment loss on machinery and vehicles of the LNG long-term contract due to the market improvement in Energy & Chemicals segment.

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

The recoverable amounts used in the impairment tests for property, plant and equipment are calculated based on the higher of the value in use or fair value less costs to sell with the support of an independent expert. The recoverable amount, in principle, is calculated based on the value in use with the support of an independent expert. The 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, the business plans are limited to five years and are formulated in a manner that reflects the past results and are consistent with external information. The growth rate is determined by consideration of the long-term average growth rate of markets or countries to which the cash-generating unit belongs. The discount rate is determined considering such factors as the weighted average cost of capital for each cash generating unit (pre-tax, approximately 4–12%).

9. Investment Property

The cost, accumulated depreciation and accumulated impairment losses, and carrying amount of investment property as of March 31, 2024 and 2023 were as follows:

	Millions of Yen
Balance as of March 31, 2024	
Cost	¥ 94,728
Accumulated depreciation and accumulated impairment losses	(52,259)
Carrying amount	42,469

	Millions of Yen
Balance as of March 31, 2023	
Cost	¥ 89,762
Accumulated depreciation and accumulated impairment losses	(45,712)
Carrying amount	44,050

	Millions of U.S. Dollars
Balance as of March 31, 2024	
Cost	\$ 625
Accumulated depreciation and accumulated impairment losses	(345)
Carrying amount	280

The changes in the carrying amount of investment property for the fiscal years ended March 31, 2024 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Beginning of the year	¥ 44,050	¥ 47,742	\$ 291
Acquisitions through business combinations	2,799	230	18
Individual acquisitions	4,415	4,573	29
Disposals and decreases through divestitures	(922)	(1,145)	(6)
Depreciation	(7,557)	(8,845)	(50)
Impairment losses recognized in profit or loss	(423)	(8)	(3)
Effect of foreign currency exchange differences	473	110	3
Transfers to and from property, plant and equipment	(1,221)	(269)	(8)
Others	855	1,662	6
End of the year	¥ 42,469	¥ 44,050	\$ 280

Fair values of investment property as of March 31, 2024 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Fair Value	¥ 43,705	¥ 43,981	\$ 289

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

Rental income from investment property for the fiscal years ended March 31, 2024 and 2023 were ¥22,216 million (US\$147 million) and ¥20,017 million, respectively, and were reported in

Revenues in the Consolidated Statement of Comprehensive Income. Expenses directly attributable to generating rental income for the fiscal years ended March 31, 2024 and 2023 were ¥17,685 million (US\$117 million) and ¥15,629 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, 2024 and 2023:

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Cash and cash equivalents, and Time deposits	¥ 604	¥ 105	\$ 4
Trade receivables and others	8,202	15,416	54
Inventories	61,457	26,496	406
Investments and Non-current receivables	235,063	216,202	1,552
Property, plant and equipment, and others	4,969	26,853	33
Total	¥ 310,295	¥ 285,072	\$ 2,049

Collateral was pledged to secure the following obligations as of March 31, 2024 and 2023:

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Short-term borrowings (Note)	¥ 1,566	¥ 5,549	\$ 11
Trade payables and others	56,537	24,843	373
Long-term borrowings	1,711	8,176	11
Lease liabilities (short-term and long-term)	124,204	123,480	820
Total	¥ 184,018	¥ 162,048	\$ 1,215

Note: Short-term borrowings as of March 31, 2024 and 2023 included the current portion of Long-term borrowings of ¥327 million (US\$2 million) and ¥4,431 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 the 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 as of March 31, 2024 and 2023 were as follows:

	Millions of Yen									
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total
Balance as of March 31, 2024										
Cost	¥ 12,063	¥ 18,558	¥ —	¥ 3,718	¥ 83,593	¥ 116,096	¥ 65,174	¥ 221,431	¥ 2,306	¥ 522,939
Accumulated impairment losses	(9,444)	(12,398)	—	(119)	(44,639)	(49,863)	(14,145)	(6,147)	(2,306)	(139,061)
Carrying amount	2,619	6,160	—	3,599	38,954	66,233	51,029	215,284	—	383,878

	Millions of Yen									
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total
Balance as of March 31, 2023										
Cost	¥ 12,179	¥ 22,362	¥ —	¥ 3,987	¥ 77,498	¥ 91,056	¥ 59,630	¥ 222,531	¥ 2,033	¥ 491,276
Accumulated impairment losses	(9,392)	(14,565)	—	(105)	(38,917)	(43,410)	(10,057)	(6,138)	(2,033)	(124,617)
Carrying amount	2,787	7,797	—	3,882	38,581	47,646	49,573	216,393	—	366,659

	Millions of U.S. Dollars									
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total
Balance as of March 31, 2024										
Cost	\$ 80	\$ 123	\$ —	\$ 25	\$ 552	\$ 767	\$ 430	\$ 1,462	\$ 15	\$ 3,454
Accumulated impairment losses	(63)	(82)	—	(1)	(295)	(329)	(93)	(41)	(15)	(919)
Carrying amount	17	41	—	24	257	438	337	1,421	—	2,535

The changes in the carrying amount of goodwill for the fiscal years ended March 31, 2024 and 2023 were as follows:

	Millions of Yen									
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total
Balance as of April 1, 2023	¥ 2,787	¥ 7,797	¥ —	¥ 3,882	¥ 38,581	¥ 47,646	¥ 49,573	¥ 216,393	¥ —	¥ 366,659
Acquisitions through business combinations	—	—	—	—	—	12,230	—	—	—	12,230
Decrease through divestitures	—	—	—	—	—	—	—	(557)	—	(557)
Impairment losses recognized in profit or loss	—	—	—	—	—	—	(1,550)	(9)	—	(1,559)
Effect of foreign currency exchange differences, and others	(168)	(1,637)	—	(283)	373	6,357	3,006	(543)	—	7,105
Balance as of March 31, 2024	¥ 2,619	¥ 6,160	¥ —	¥ 3,599	¥ 38,954	¥ 66,233	¥ 51,029	¥ 215,284	¥ —	¥ 383,878

Millions of Yen										
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total
Balance as of April 1, 2022	¥ —	¥ 9,891	¥ —	¥ 923	¥ 36,879	¥ 41,148	¥ 54,877	¥ 225,271	¥ —	¥ 368,989
Acquisitions through business combinations	2,787	—	—	2,900	—	3,583	—	—	—	9,270
Decrease through divestitures	—	(3,309)	—	—	—	—	(2,451)	—	—	(5,760)
Impairment losses recognized in profit or loss	—	—	—	—	(7,758)	—	(3,290)	(508)	—	(11,556)
Effect of foreign currency exchange differences, and others	—	1,215	—	59	9,460	2,915	437	(8,370)	—	5,716
Balance as of March 31, 2023	¥ 2,787	¥ 7,797	¥ —	¥ 3,882	¥ 38,581	¥ 47,646	¥ 49,573	¥ 216,393	¥ —	¥ 366,659

Millions of U.S. Dollars										
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	The 8th	Others, Adjustments & Eliminations	Total
Balance as of April 1, 2023	\$ 18	\$ 52	\$ —	\$ 26	\$ 255	\$ 315	\$ 327	\$ 1,429	\$ —	\$ 2,422
Acquisitions through business combinations	—	—	—	—	—	81	—	—	—	81
Decrease through divestitures	—	—	—	—	—	—	—	(4)	—	(4)
Impairment losses recognized in profit or loss	—	—	—	—	—	—	(10)	(0)	—	(10)
Effect of foreign currency exchange differences, and others	(1)	(11)	—	(2)	2	42	20	(4)	—	46
Balance as of March 31, 2024	\$ 17	\$ 41	\$ —	\$ 24	\$ 257	\$ 438	\$ 337	\$ 1,421	\$ —	\$ 2,535

The goodwill balance as of March 31, 2024 included ¥215,284 million (US\$1,421 million) recognized as a result of the conversion of FamilyMart Co., Ltd. into a subsidiary of The 8th segment and ¥34,929 million (US\$231 million) recognized as a result of the acquisition of the Kwik-Fit Group of European Tyre Enterprise Limited of General Products & Realty segment.

The goodwill balance as of March 31, 2023 included ¥216,393 million recognized as a result of the conversion of FamilyMart Co., Ltd. into a subsidiary of The 8th segment and ¥30,242 million recognized as a result of the acquisition of the Kwik-Fit Group of European Tyre Enterprise Limited of General Products & Realty segment.

The amount of acquisitions through business combinations during the fiscal year ended March 31, 2024 is due to the conversion of DAIKEN CORPORATION into a subsidiary from an investment accounted for by the equity method.

The amount of effect of foreign currency exchange differences, and others in Food and The 8th segment during the fiscal year ended March 31, 2023 is mainly due to dissolving the mutual-holdings.

As a result of impairment tests for goodwill, the amount of the impairment losses for the fiscal year ended March 31, 2024 was ¥1,559 million (US\$10 million).

As a result of impairment tests for goodwill, the amount of the impairment losses for the fiscal year ended March 31, 2023 was ¥11,556 million.

Regarding the goodwill balance in Food segment resulting from the acquisition of Dole, in Dole Food & Beverages Group, as a result of comprehensively revising the business plan in response to the group's non-achievement of its targets due to decline in demand because of inflation and the increase in logistics cost, an impairment loss of ¥6,812 million was recognized.

The impairment losses were recognized in Gains (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 the value in use calculated with the support of independent appraisers. The 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 results and are consistent with external information. The growth rate is determined by consideration of the long-term average growth rate of markets or countries to which the cash-generating unit belongs. The discount rate is determined considering such factors as the weighted average cost of capital for each cash-generating unit (domestic: pre-tax, approximately 5–9%, overseas: pre-tax, approximately 10–15%).

The main amount of goodwill is allocated to cash-generating units that compose the businesses of FamilyMart Co., Ltd., as a result of the conversion of FamilyMart Co., Ltd. to a subsidiary. For the impairment test of this goodwill, the assumptions that have the greatest impact on the calculation of the value in use are the assumptions of maintaining the number of stores and increasing trading income through raising daily sales. These assumptions reflect past results, industry trends and the expected effect of improvement measures on store profitability. The business plan for the impairment test covers a period of three years. Despite the continued rise in cost such as electricity prices and personnel expenses due to the depreciation of the yen and the progress of inflation, the daily sales for this fiscal year exceeded that of the previous year by enhancement of product appeal and strengthening of sales promotion, in addition to the capture of the demand resulting from the recovery of consumer activity due to the transition of COVID-19 to Class 5. For the impairment test conducted in the fiscal year ended March 31, 2024, we expect to maintain the number of stores from the fiscal year ending March 31, 2025 through the fiscal year ending March 31, 2027. Also, despite the pressure of rising costs, we expect a moderate increase in daily sales due to the enhancement of product appeal and strengthening of sales promotion. The growth rate of future cash flows beyond the target period of the business plan, after the fiscal year ending March 31, 2028, is taken to be 0.5%. These growth rates are calculated by considering the long-term growth rate of the markets and countries to which the cash-generating unit belongs. In the event that the assumed numbers of the stores were significantly decreased, the assumed increase in the percentage of daily sales were to be revised significantly downward, or the discount rate were to be revised significantly upward, the value in use could fall below the carrying amount.

(2) Intangible Assets

The cost, accumulated amortization and accumulated impairment losses, and carrying amount of intangible assets as of March 31, 2024 and 2023 were as follows:

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of March 31, 2024				
Cost	¥ 574,164	¥ 271,761	¥ 362,397	¥ 1,208,322
Accumulated amortization and accumulated impairment losses	(131,818)	(161,461)	(170,615)	(463,894)
Carrying amount	442,346	110,300	191,782	744,428

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of March 31, 2023				
Cost	¥ 554,497	¥ 228,707	¥ 328,756	¥ 1,111,960
Accumulated amortization and accumulated impairment losses	(113,909)	(140,245)	(145,212)	(399,366)
Carrying amount	440,588	88,462	183,544	712,594

	Millions of U.S. Dollars			
	Trademarks	Software	Others	Total
Balance as of March 31, 2024				
Cost	\$ 3,792	\$ 1,795	\$ 2,394	\$ 7,981
Accumulated amortization and accumulated impairment losses	(870)	(1,067)	(1,127)	(3,064)
Carrying amount	2,922	728	1,267	4,917

The changes in the carrying amount of intangible assets for the fiscal years ended March 31, 2024 and 2023 were as follows:

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of April 1, 2023	¥ 440,588	¥ 88,462	¥ 183,544	¥ 712,594
Acquisitions through business combinations	27	1,751	13,520	15,298
Individual acquisitions	253	40,101	14,419	54,773
Disposals	(5)	(2,213)	(2,281)	(4,499)
Decrease through divestitures	—	(240)	(11)	(251)
Amortization expenses	(13,776)	(25,977)	(12,370)	(52,123)
Impairment losses recognized in profit or loss	(8)	(840)	(901)	(1,749)
Effect of foreign currency exchange differences, and others	15,267	9,256	(4,138)	20,385
Balance as of March 31, 2024	¥ 442,346	¥ 110,300	¥ 191,782	¥ 744,428

	Millions of Yen			
	Trademarks	Software	Others	Total
Balance as of April 1, 2022	¥ 459,111	¥ 72,377	¥ 181,130	¥ 712,618
Acquisitions through business combinations	5,303	334	19,738	25,375
Individual acquisitions	246	34,980	17,862	53,088
Disposals	(2,472)	(1,295)	(3,071)	(6,838)
Decrease through divestitures	—	(579)	(7,389)	(7,968)
Amortization expenses	(13,390)	(23,185)	(13,110)	(49,685)
Impairment losses recognized in profit or loss	(15,027)	(106)	(7,900)	(23,033)
Effect of foreign currency exchange differences, and others	6,817	5,936	(3,716)	9,037
Balance as of March 31, 2023	¥ 440,588	¥ 88,462	¥ 183,544	¥ 712,594

	Millions of U.S. Dollars			
	Trademarks	Software	Others	Total
Balance as of April 1, 2023	\$ 2,910	\$ 584	\$ 1,212	\$ 4,706
Acquisitions through business combinations	0	12	89	101
Individual acquisitions	2	265	95	362
Disposals	(0)	(15)	(15)	(30)
Decrease through divestitures	—	(2)	(0)	(2)
Amortization expenses	(91)	(172)	(81)	(344)
Impairment losses recognized in profit or loss	(0)	(5)	(6)	(11)
Effect of foreign currency exchange differences, and others	101	61	(27)	135
Balance as of March 31, 2024	\$ 2,922	\$ 728	\$ 1,267	\$ 4,917

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 for the fiscal year ended March 31, 2024 was ¥1,749 million (US\$11 million).

The amount of impairment losses for the fiscal year ended March 31, 2023 was ¥23,033 million.

Regarding trademarks and customer relationships in Dole Food & Beverages Group, as a result of comprehensively revising the business plan in response to the group's non-achievement of its targets due to decline in demand because of inflation and the increase in logistics cost, an impairment loss of ¥16,185 million was recognized. Moreover, regarding customer relationships in the Fresh Produce Group, as a result of comprehensively revising the business plan in response to the group's non-achievement of its targets due to a reduced production volume of fresh fruits due to unseasonable weather and an inflation-fueled increase in costs for fertilizer and agricultural chemicals, an impairment loss of ¥5,425 million was recognized.

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

The carrying amount of Trademarks as of March 31, 2024 included ¥278,776 million (US\$1,841 million) of trademarks in FamilyMart Co., Ltd. The carrying amount of Others included ¥104,715 million (US\$692 million) of customer relationships in FamilyMart Co., Ltd., ¥11,773 million (US\$78 million) of customer relationships in DAIKEN CORPORATION, ¥11,273 million (US\$74 million) of customer relationships in Pacific Woodtech Corporation and ¥10,558 million (US\$70 million) of customer relationships in ITOCHU Building Products Holdings Inc.

The carrying amount of Trademarks as of March 31, 2023 included ¥288,913 million of trademarks in FamilyMart Co., Ltd. The carrying amount of Others included ¥108,932 million of customer

relationships in FamilyMart Co., Ltd., ¥10,683 million of customer relationships in Pacific Woodtech Corporation and ¥10,053 million of customer relationships in ITOCHU Building Products Holdings Inc.

The carrying amounts of intangible assets with indefinite useful lives as of March 31, 2024 and 2023 were ¥115,370 million (US \$762 million) and ¥101,794 million, respectively. The balance of intangible assets with indefinite useful lives as of March 31, 2024 included ¥53,216 million (US\$351 million) of trademarks of Dole, and ¥52,899 million (US\$349 million) of trademarks of European Tyre Enterprise Limited. The balance of intangible assets with indefinite useful lives as of March 31, 2023 included ¥46,916 million of trademarks of Dole, and ¥45,800 million of trademarks of European Tyre Enterprise Limited. The fluctuation in the balance of trademarks of Dole and European Tyre Enterprise Limited is mainly due to foreign currency exchange differences. These trademarks were mainly acquired through business combinations and will 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 the value in use calculated with the support of independent appraisers. The 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 results 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 (domestic: pre-tax, approximately 5–11%, overseas: pre-tax, approximately 8–15%).

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
	2024	2023	2024
Securities:			
FVTPL financial assets	¥ 6,385	¥ 3,789	\$ 42
Amortized cost (Note)	74	17	1
Total	¥ 6,459	¥ 3,806	\$ 43
Other Investments:			
FVTPL financial assets	85,508	80,120	565
FVTOCI financial assets	1,106,564	862,650	7,308
Amortized cost (Note)	2,034	500	14
Total	¥ 1,194,106	¥ 943,270	\$ 7,887

Note: 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
	2024	2023	2024
Marketable equity securities	¥ 671,574	¥ 542,296	\$ 4,435
Non-marketable equity securities	434,990	320,354	2,873
Total	¥ 1,106,564	¥ 862,650	\$ 7,308

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, 2024

and 2023 were ¥247,302 million (US\$1,633 million) and ¥188,891 million, respectively. These investments included BHP Iron Ore (Jimblebar) Pty Ltd and QatarEnergy LNG S(1).

The main marketable equity securities that the Company and its subsidiaries owned as FVTOCI financial assets as of March 31, 2024 and 2023 were as follows:

March 31, 2024

Stock	Millions of Yen	Millions of U.S. Dollars
Pan Pacific International Holdings Corporation	¥ 116,527	\$ 770
ISUZU MOTORS LIMITED	108,788	718
CSN Mineração S.A.	81,246	537
NISSIN FOODS HOLDINGS CO., LTD.	68,634	453
Internet Initiative Japan Inc.	22,143	146
Seven & i Holdings Co., Ltd.	22,069	146
Nishimatsu Construction Co., Ltd.	21,085	139
Advance Residence Investment Corporation	11,757	78
eGuarantee, Inc.	11,356	75
Mazda Motor Corporation	10,623	70
Showa Sangyo Co., Ltd.	8,890	59
Oriental Shiraishi Corporation	8,097	53
SIGMAXYZ Holdings Inc.	7,171	47
NIPPON CORPORATION	5,460	36
Seibu Holdings Inc.	5,131	34

March 31, 2023

Stock	Millions of Yen
ISUZU MOTORS LIMITED	¥ 83,589
Pan Pacific International Holdings Corporation	82,313
NISSIN FOODS HOLDINGS CO., LTD.	66,074
CSN Mineração S.A.	64,413
Internet Initiative Japan Inc.	21,456
Seven & i Holdings Co., Ltd.	19,886
eGuarantee, Inc.	13,783
Nishimatsu Construction Co., Ltd.	13,778
Advance Residence Investment Corporation	11,141
momo.com Inc.	7,890
Mazda Motor Corporation	7,413
Showa Sangyo Co., Ltd.	6,444
Shandong Longda Meishi Co., Ltd.	4,715
SIGMAXYZ Holdings Inc.	4,649
FreakOut Holdings, inc.	4,634

FVTOCI financial assets which the Company derecognized in the fiscal years ended March 31, 2024 and 2023 were as follows:

Millions of Yen						Millions of U.S. Dollars		
2024			2023			2024		
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
¥13,522	¥175	¥336	¥17,849	¥(1,500)	¥2,844	\$89	\$1	\$2

The amount of transfer from FVTOCI financial assets to Retained earnings for the fiscal years ended March 31, 2024 and 2023 due to derecognition of FVTOCI financial assets were ¥403 million (US\$3 million) (loss) and ¥1,060 million (loss), respectively.

The transfer 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, 2024 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Investment			
Associates	¥ 1,806,591	¥ 1,699,734	\$ 11,932
Joint ventures	1,351,929	1,129,116	8,929
Total	¥ 3,158,520	¥ 2,828,850	\$ 20,861

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 ¥379,820 million (US\$2,509 million) and ¥382,660 million as of March 31, 2024 and 2023, respectively. The differences consist of certain fair value adjustments (net of tax) allocated to assets and liabilities recognized 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 fiscal years ended March 31, 2024 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Associates			
Share of profit or loss	¥ 141,334	¥ 129,541	\$ 933
Share of other comprehensive income	66,925	48,135	442
Subtotal	208,259	177,676	1,375
Joint ventures			
Share of profit or loss	174,998	191,125	1,156
Share of other comprehensive income	(18,956)	(77,881)	(125)
Subtotal	156,042	113,244	1,031
Share of comprehensive income			
Total share of profit or loss of associates and joint ventures	316,332	320,666	2,089
Total share of other comprehensive income of associates and joint ventures	47,969	(29,746)	317
Total	¥ 364,301	¥ 290,920	\$ 2,406

In Investments accounted for by the equity method, the Company recognized impairment losses, which were included in Gains (losses) on investments in the Consolidated Statement of Comprehensive Income, of ¥16,469 million (US\$109 million) and ¥14,227 million for the fiscal years ended March 31, 2024 and 2023, respectively. The Company calculated the recoverable amount of its investments accounted for by the equity method in Orient Corporation by comprehensively taking into account third-party valuations and stock prices, etc., due to the long-term decline in stock prices, and recorded an impairment loss of ¥15,161 million (US\$100 million) on its investments accounted for by the equity method in the company.

The recoverable amounts used in impairment tests for investments in associates and joint ventures are calculated as the

higher of the fair value less costs to sell or the value in use by comprehensively considering the value in use calculated with the support of independent appraisers or stock prices. The 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 results and are consistent with external information. The growth rate is determined by consideration of the long-term average growth rate of the markets or countries to which the cash-generating unit belongs. The discount rate is determined considering such factors as the weighted average cost of capital for each cash-generating unit (approximately 5–11%).

(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 as of March 31, 2024 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Balance of receivables			
Associates	¥ 84,483	¥ 84,438	\$ 558
Joint ventures	722,657	634,576	4,773
Total	¥ 807,140	¥ 719,014	\$ 5,331
Balance of payables			
Associates	141,684	112,123	936
Joint ventures	3,686	4,763	24
Total	¥ 145,370	¥ 116,886	\$ 960

(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 fiscal years ended March 31, 2024 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Revenues			
Associates	¥ 106,906	¥ 95,362	\$ 706
Joint ventures	31,862	32,014	211
Total	¥ 138,768	¥ 127,376	\$ 917
Purchases			
Associates	471,066	385,108	3,111
Joint ventures	33,897	41,536	224
Total	¥ 504,963	¥ 426,644	\$ 3,335

(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 Company conducts the assessments of equity method investments in order to determine whether an impairment indicator exists and various factors such as expected future profitability, stock price, economic environment, and industry trends are considered in the assessment. In the fiscal year ended March 31, 2024, the Company determined that there was an indication of impairment due to the decline in the stock price and measured the recoverable amount based on future cash flows with the assistance of an independent

appraiser, taking into account future profitability based on the growth outlook of the Chinese economy and regulations, etc. As a result, the recoverable amount exceeded the carrying amount of the investments accounted for by the equity method, and therefore no impairment loss was recognized.

The difference between the consideration paid for CITIC Limited shares acquired by CTB and CTB's share of the carrying amounts 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 RMB6,650 million (credit balance) as of March 31, 2024. In addition, CTB recognized an impairment loss of RMB17,291 million in the fiscal year ended March 31, 2019. The amounts above are not included in the summarized financial information below.

The summarized financial information of CITIC Limited based on the disclosed financial statements as of December 31, 2023 and 2022 were as follows:

CITIC Limited changed its presentation currency from HK Dollar to Renminbi (RMB) from the fiscal year ended December 31, 2023, and the financial statements for the previous fiscal year are also presented post-change of presentation currency.

	Millions of RMB	
	2023	2022
Total assets	11,330,920	10,542,043
Total liabilities	9,994,138	9,307,366
Total equity	1,336,782	1,234,677
Non-Controlling interests	633,604	574,568
Total equity after netting Non-Controlling interests	703,178	660,109

	Millions of RMB	
	2023	2022
Total revenues	680,832	663,438
Net profit	105,274	105,823
Total other comprehensive income for the year, net of tax	3,088	(5,249)
Total comprehensive income for the year	108,362	100,574

(Judgment on significant influence)

While the Company holds 16.58% 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.

14. Trade and Other Payables

The breakdown of trade payables as of March 31, 2024 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Notes payable	¥ 294,860	¥ 286,678	\$ 1,947
Trade accounts payable	1,832,080	1,557,585	12,100
Other accounts payable	216,172	198,345	1,428
Total	¥ 2,343,112	¥ 2,042,608	\$ 15,475

The breakdown of other current payables as of March 31, 2024 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Other accounts payable	¥ 51,221	¥ 26,840	\$ 338
Deposit received	165,139	163,174	1,091
Total	¥ 216,360	¥ 190,014	\$ 1,429

15. Debentures and Borrowings

The breakdown of Short-term debentures and borrowings as of March 31, 2024 and 2023 were as follows:

	Millions of Yen	Interest rate (%)	Millions of Yen	Interest rate (%)	Millions of U.S. Dollars
	2024		2023		2024
Current loans from financial institutions	¥ 407,786	2.0%	¥ 352,849	1.6%	\$ 2,694
Commercial paper	35,000	0.1%	28,000	0.0%	231
Subtotal	442,786	—	380,849	—	2,925
Current portion of long-term debentures and borrowings	285,180	—	278,861	—	1,883
Total	¥ 727,966	—	¥ 659,710	—	\$ 4,808

Note: Interest rates represent the weighted average interest rates based on balances as of March 31, 2024 and 2023. 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, 2024 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Borrowings			
Secured			
Due 2023–2039, interest rate mainly 0.1%–2.5%	¥ 2,038	¥ 12,607	\$ 13
Unsecured			
Due 2023–2040, interest rate mainly 0.0%–8.3%	2,505,010	2,460,547	16,545
Debentures			
Unsecured bonds and notes			
Year of issuance, Coupon, Type of bond, Maturity			
Issued in 2013–2024, 0.0%–1.2% Yen Bonds due 2023–2029 (Including Commercial paper)	293,995	40,000	1,942
Issued in 2021, 1.6% U.S. Dollar Bonds due 2026	75,705	66,765	500
Issued in and after 2017, debentures and others issued by subsidiaries, maturing through 2028	44,833	49,818	296
Subtotal	2,921,581	2,629,737	19,296
Fair value hedge and discontinuation of hedge adjustment	(6,759)	(3,948)	(45)
Total	2,914,822	2,625,789	19,251
Less: Current portion of long-term debentures and borrowings	(285,180)	(278,861)	(1,883)
Long-term debentures and borrowings	¥ 2,629,642	¥ 2,346,928	\$ 17,368

16. Leases

(1) Lessor

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

The schedule of future lease payments receivable under operating leases as of March 31, 2024 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Within 1 year	¥ 6,311	¥ 6,569	\$ 42
More than 1 to 5 years	11,226	11,406	74
More than 5 years	4,661	4,579	31
Total	¥ 22,198	¥ 22,554	\$ 147

The Company and its subsidiaries lease real estate, commercial vehicles and aircraft, and certain other assets under finance leases. The schedule of gross investment in the lease and net investment in the lease as of March 31, 2024 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Within 1 year	¥ 21,352	¥ 21,469	\$ 141
More than 1 to 5 years	51,995	46,022	344
More than 5 years	16,853	15,516	111
Total	90,200	83,007	596
Less: Unearned finance income	(9,309)	(6,366)	(62)
Net investment in the lease	¥ 80,891	¥ 76,641	\$ 534

For the fiscal years ended March 31, 2024 and 2023, the finance income on the net investment in the lease were ¥2,192 million (US\$14 million) and ¥2,029 million, respectively.

(2) Lessee

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

The changes in the carrying amount of right-of-use assets (except for those included in Investment property) for the fiscal years ended March 31, 2024 and 2023 were as follows:

	Millions of Yen				
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Total
Balance as of April 1, 2023	¥ 164,794	¥ 660,340	¥ 51,760	¥ 43,206	¥ 920,100
Individual acquisitions	5,337	56,208	18,752	21,845	102,142
Depreciation	(33,757)	(165,362)	(12,050)	(15,006)	(226,175)
Impairment losses (reversals) recognized in profit or loss	(753)	(6,530)	(123)	(684)	(8,090)
Others (Note)	34,382	150,625	(10,871)	892	175,028
Balance as of March 31, 2024	¥ 170,003	¥ 695,281	¥ 47,468	¥ 50,253	¥ 963,005

	Millions of Yen				
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Total
Balance as of April 1, 2022	¥ 149,694	¥ 675,180	¥ 32,387	¥ 46,396	¥ 903,657
Individual acquisitions	6,913	48,185	16,902	15,673	87,673
Depreciation	(32,902)	(164,518)	(10,870)	(16,876)	(225,166)
Impairment losses (reversals) recognized in profit or loss	(961)	(9,475)	5,251	(668)	(5,853)
Others (Note)	42,050	110,968	8,090	(1,319)	159,789
Balance as of March 31, 2023	¥ 164,794	¥ 660,340	¥ 51,760	¥ 43,206	¥ 920,100

	Millions of U.S. Dollars				
	Land	Buildings and structures	Machinery and vehicles	Fixtures, fittings, and office equipment	Total
Balance as of April 1, 2023	\$ 1,089	\$ 4,361	\$ 342	\$ 285	\$ 6,077
Individual acquisitions	35	371	124	144	674
Depreciation	(223)	(1,092)	(80)	(99)	(1,494)
Impairment losses (reversals) recognized in profit or loss	(5)	(43)	(1)	(4)	(53)
Others (Note)	227	995	(72)	6	1,156
Balance as of March 31, 2024	\$ 1,123	\$ 4,592	\$ 313	\$ 332	\$ 6,360

Note: Amounts are mainly the increase due to lease contract modifications in FamilyMart Co., Ltd.

In addition, lease contract modifications in other companies, mid-term terminations, business combinations and other factors are included.

The schedule of future lease payments under leases in the Company and its subsidiaries as of March 31, 2024 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Within 1 year	¥ 238,664	¥ 244,441	\$ 1,576
More than 1 to 5 years	578,715	543,185	3,822
More than 5 years	307,866	275,058	2,034
Total	¥ 1,125,245	¥ 1,062,684	\$ 7,432

For the fiscal years ended March 31, 2024 and 2023, the interest expense on lease liabilities were ¥14,948 million (US\$99 million) and ¥13,559 million, respectively. In addition, for the fiscal years ended March 31, 2024 and 2023, the total cash outflow for leases were ¥270,211 million (US\$1,785 million) and ¥277,405 million, respectively.

As of March 31, 2024, there are lease agreements for stores and certain other assets not yet commenced to which the lease is committed. The total lease payments under the agreements are ¥9,068 million (US\$60 million).

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.

Changes in the present value of defined benefit obligations and the fair value of plan assets were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Changes in the present value of defined benefit obligations :			
Defined benefit obligations at the beginning of the year	¥ 388,168	¥ 416,128	\$ 2,564
Service cost	14,152	14,960	93
Current service cost	14,187	15,138	94
Prior service cost	(35)	(178)	(0)
Interest cost	4,828	3,276	32
Plan participants' contributions	597	603	4
Remeasurements	(8,657)	(18,301)	(57)
Benefits paid from plan assets	(18,013)	(17,667)	(119)
Benefits paid by employer	(7,716)	(6,177)	(51)
Foreign currency translation adjustments	3,836	1,178	25
Acquisitions and divestitures	17,766	(4,737)	117
Settlements	(37)	(1,095)	(0)
Defined benefit obligations at the end of the year	¥ 394,924	¥ 388,168	\$ 2,608
Changes in the fair value of plan assets :			
Plan assets at the beginning of the year	¥ 321,906	¥ 345,850	\$ 2,126
Interest income	4,293	2,878	28
Remeasurements	25,491	(20,878)	168
Employer contributions	12,319	12,844	81
Plan participants' contributions	597	603	4
Benefits paid from plan assets	(18,013)	(17,667)	(119)
Foreign currency translation adjustments	3,120	563	21
Acquisitions and divestitures	17,075	(1,454)	113
Settlements	—	(833)	—
Plan assets at the end of the year	¥ 366,788	¥ 321,906	\$ 2,422
Effect of the asset ceiling	¥ 18,910	¥ 12,865	\$ 125
The net amount of defined benefit obligations	¥ 47,046	¥ 79,127	\$ 311

As of March 31, 2024 and 2023, 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		
	2024		
	Level 1	Level 2 and 3	Total
Equity instruments:			
Domestic	¥ 41,053	¥ 37,464	¥ 78,517
Overseas	350	20,382	20,732
Debt instruments:			
Domestic	25,764	35,881	61,645
Overseas	16,409	51,276	67,685
Other assets:			
Cash and cash equivalents	37,136	—	37,136
Life insurance company general accounts	—	37,894	37,894
Others	—	63,179	63,179
Total	¥ 120,712	¥ 246,076	¥ 366,788

	Millions of Yen		
	2023		
	Level 1	Level 2 and 3	Total
Equity instruments:			
Domestic	¥ 24,818	¥ 30,678	¥ 55,496
Overseas	295	51,053	51,348
Debt instruments:			
Domestic	30,633	38,477	69,110
Overseas	12,685	38,118	50,803
Other assets:			
Cash and cash equivalents	12,960	—	12,960
Life insurance company general accounts	—	33,044	33,044
Others	—	49,145	49,145
Total	¥ 81,391	¥ 240,515	¥ 321,906

	Millions of U.S. Dollars		
	2024		
	Level 1	Level 2 and 3	Total
Equity instruments:			
Domestic	\$ 271	\$ 247	\$ 518
Overseas	2	135	137
Debt instruments:			
Domestic	170	237	407
Overseas	108	339	447
Other assets:			
Cash and cash equivalents	245	—	245
Life insurance company general accounts	—	250	250
Others	—	417	417
Total	\$ 796	\$ 1,625	\$ 2,421

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 50% in domestic and overseas debt securities, approximately 35% in domestic and overseas equity securities, and approximately 15% 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 defined 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 defined 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 defined benefit obligation, which takes into account the amount, timing, and discount rate. The weighted average duration of the Company's defined benefit obligation is 11 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 fiscal year ending March 31, 2025 is approximately ¥13,700 million.

The assumptions regarding the defined benefit obligation were as follows:

	2024	2023
Discount rate	1.5%	1.2%
Rate of compensation increase	3.6%	3.8%
Mortality rate	0.02 - 0.64%	0.02 - 0.64%
Retirement rate	0.4 - 14.0%	0.4 - 14.0%
Lump sum election rate	28.9%	30.0%

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, 2024, a movement of 1% in the discount rate would have an effect of ¥15,224 million (US\$101 million) on the defined benefit obligation and an effect of ¥424 million (US\$3 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.

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, the plan is accounted for as a defined contribution plan because it is not possible to obtain sufficient

information to account for such plan as a defined benefit 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, 2023, the ITOCHU United Pension Fund was underfunded by ¥9,058 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 ¥2,971 million (US\$20 million) and ¥2,653 million for the fiscal years ended March 31, 2024 and 2023, respectively. The planned amount of contributions in the fiscal year ending March 31, 2025 is approximately ¥3,000 million. The portion of participating subsidiaries' contributions as a percentage of all contributions to the ITOCHU United Pension Fund was approximately 70% in the fiscal year ended March 31, 2024.

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 fiscal years ended March 31, 2024 and 2023 were ¥10,941 million (US\$72 million) and ¥10,041 million, respectively.

Details of Compensation

Details of compensation and bonuses for the Company's directors in the fiscal year ended March 31, 2024 were as follows:

Type	Number of people	Millions of Yen	Millions of U.S. Dollars	Details
		Amount paid	Amount paid	
Directors (Outside directors)	11	¥ 3,661	\$ 24	(1) Monthly remuneration: ¥ 714 million
	(5)	¥ (81)	\$ (1)	(2) Performance-linked bonuses: ¥ 1,966 million
				(3) Share price-linked bonuses: ¥ 512 million
				(4) Stock remuneration: ¥ 469 million

Notes: 1. FYE 2024 Director remuneration is composed of monthly remuneration, performance-linked remuneration as performance-linked bonuses, share price-linked bonuses, and stock remuneration (non-monetary remuneration). These remunerations and bonuses were approved unanimously by the Board of Directors following deliberation by the Governance and Remuneration Committee (at that time).

2. Monthly remuneration is decided based on the standard amount by position and the level of contribution to ITOCHU Corporation, including its response to climate change, SDGs and ESG.

3. 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 fiscal year ended March 31, 2024 were as follows:

	Millions of Yen		
	Provisions for asset retirement obligations	Other provisions	Total
Balance as of April 1, 2023	¥ 124,299	¥ 21,189	¥ 145,488
Provisions increased for the year	11,955	6,947	18,902
Provisions charged-off	(3,767)	(5,528)	(9,295)
Provisions reversed	(1,178)	(3,870)	(5,048)
Accretion expense	3,017	7	3,024
The effect of changing in the discount rate	(1,476)	—	(1,476)
Others	5,554	(266)	5,288
Balance as of March 31, 2024	¥ 138,404	¥ 18,479	¥ 156,883

	Millions of U.S. Dollars		
	Provisions for asset retirement obligations	Other provisions	Total
Balance as of April 1, 2023	\$ 821	\$ 140	\$ 961
Provisions increased for the year	79	47	126
Provisions charged-off	(25)	(37)	(62)
Provisions reversed	(8)	(26)	(34)
Accretion expense	20	0	20
The effect of changing in the discount rate	(10)	—	(10)
Others	37	(2)	35
Balance as of March 31, 2024	\$ 914	\$ 122	\$ 1,036

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.

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

	Millions of Yen	Millions of U.S. Dollars
	2024	2024
Other current liabilities	¥ 12,479	\$ 82
Other non-current liabilities	144,404	954
Total	¥ 156,883	\$ 1,036

19. Income Taxes

The Company and its domestic subsidiaries are subject to corporate, inhabitant, and enterprise taxes, which are based on income. The statutory effective tax rates for the fiscal years ended March 31, 2024 and 2023 calculated based on the statutory tax rates, were 31.0%. Commencing with the fiscal year ended March 31, 2003, the Company adopted a consolidated taxation system and shifted to adoption of the group relief system since the fiscal year ended March 31, 2023. Foreign subsidiaries are subject to income taxes of the countries where they operate.

In response to the Pillar Two model of international tax reform (global minimum taxation), laws and regulations related to corporate income tax were enacted in Japan. Based on the laws and regulations, a top-up tax on profits of subsidiaries and other entities in countries and regions where the effective tax rate by country is less than the base rate of 15% will be imposed on the Company from the fiscal year ending March 31, 2025.

The Company and its subsidiaries have estimated the top-up tax amount based on the profits and tax expenses calculated in the past as part of the preparation of the Consolidated Financial Statements and have made the prescribed adjustments required by the application of the laws and regulations. As the results, no significant impact is anticipated on the Consolidated Financial Statements.

Since not all of the adjustments required by the laws and regulations have been made in the estimate and the estimate is based on past figures, the impact on the Company and its subsidiaries' results for the fiscal year ending March 31, 2025 may be different.

The Company and its subsidiaries continue to evaluate the impact of the global minimum taxation on their future financial results.

Amounts provided for income taxes for the fiscal years ended March 31, 2024 and 2023 were allocated as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Income tax expense			
Current tax expense	¥ (217,152)	¥ (261,126)	\$ (1,434)
Deferred tax expense (Note)	(26,632)	(1,054)	(176)
Total	(243,784)	(262,180)	(1,610)
Income taxes recognized directly in equity	1,330	(502)	9
Total	1,330	(502)	9
Income tax related to each component of other comprehensive income			
Translation adjustments	(6,771)	(2,419)	(45)
Remeasurement of net defined pension liability	(8,782)	985	(58)
FVTOCI financial assets	(41,507)	(6,154)	(274)
Cash flow hedges	901	(985)	6
Other comprehensive income in associates and joint ventures	(2,273)	(4,031)	(15)
Total	¥ (58,432)	¥ (12,604)	\$ (386)

Notes: 1. Deferred tax expense relating to the origination and reversal of temporary differences recognized, tax loss carryforwards and tax credit carryforwards for the fiscal years ended March 31, 2024 and 2023 were ¥27,522 million (US\$182 million) (expense) and ¥2,138 million (income), respectively.

2. Deferred tax expense relating to the reassessment of the recoverability of deferred tax assets for the fiscal years ended March 31, 2024 and 2023 were ¥890 million (US \$6 million) (income) and ¥3,192 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 fiscal years ended March 31, 2024 and 2023 were as follows:

	2024	2023
Statutory effective tax rate	31.0%	31.0%
Items not deductible or not taxable for tax purposes	0.3	0.3
Difference of tax rates for foreign subsidiaries	(0.5)	(0.0)
Tax effect on dividends received	(0.6)	(0.7)
Change in temporary differences for which no deferred tax asset is recognized	(0.1)	0.3
Equity in earnings of associates and joint ventures	(8.9)	(9.0)
Tax effect on equity interests in subsidiaries, associates, and joint ventures	1.2	1.7
Others	(0.2)	0.1
Effective tax rate in the Consolidated Statement of Comprehensive Income	22.2%	23.7%

Deferred tax assets are not recognized for deductible 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 fiscal years ended March 31, 2024 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Deductible temporary differences	¥ 376,005	¥ 278,100	\$ 2,483
Tax loss carryforwards / tax credit carryforwards	64,968	59,982	429
Total	¥ 440,973	¥ 338,082	\$ 2,912

The expiration schedules 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
	2024	2023	2024
Within 1 year	¥ 2,901	¥ 2,863	\$ 19
Within 2 years	3,792	3,490	25
Within 3 years	2,896	4,287	19
Within 4 years	715	3,209	5
Within 5 years	3,039	3,252	20
More than 5 to 10 years	35,652	30,655	235
More than 10 years (or no expiration date)	15,973	12,226	106
Total	¥ 64,968	¥ 59,982	\$ 429

The total amount of taxable temporary differences arising from investments in subsidiaries, associates, and joint ventures, for which deferred tax liabilities were not recognized as of March 31, 2024 and 2023, were immaterial.

The tax effect amounts of temporary differences, tax loss carryforwards and tax credit carryforwards from which deferred tax assets and deferred tax liabilities arise as of March 31, 2024 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Deferred tax assets:			
Inventories, and Property, plant and equipment	¥ 79,970	¥ 77,661	\$ 528
Allowance for doubtful accounts	9,689	8,964	64
Tax loss carryforwards	37,647	43,785	249
Non-current liabilities for employee benefits	46,414	62,643	306
Lease liabilities	253,639	246,692	1,675
Others	116,542	107,127	770
Total deferred tax assets	543,901	546,872	3,592
Deferred tax liabilities:			
Non-current liabilities for employee benefits	(24,337)	(42,754)	(161)
Securities and investments	(175,912)	(112,462)	(1,162)
Equity interests in subsidiaries, associates, and joint ventures	(179,494)	(147,608)	(1,185)
Property, plant and equipment, and Intangible assets	(459,396)	(443,875)	(3,034)
Others	(16,643)	(18,818)	(110)
Total deferred tax liabilities	(855,782)	(765,517)	(5,652)
Net deferred tax assets (liabilities)	¥ (311,881)	¥ (218,645)	\$ (2,060)

Among the above changes of deferred tax assets and deferred tax liabilities for the fiscal years ended March 31, 2024 and 2023, the changes recognized through other comprehensive income were mainly from FVTOCI financial assets, which are included in Securities and investments.

Due to the adoption of IAS 12 (amended May 2021) from the fiscal year ended March 31, 2024, the tax effect amounts for March 31, 2023 are presented post retroactive adjustment.

The details of changes in deferred tax assets and deferred tax liabilities for the fiscal years ended March 31, 2024 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Net deferred tax assets (liabilities)			
Balance at the beginning of the year	¥ (218,645)	¥ (196,360)	\$ (1,444)
Deferred tax expense for the current period	(26,632)	(1,054)	(176)
Deferred taxes recognized directly in equity			
Capital surplus	1,330	(1,046)	9
Deferred tax related to each component of other comprehensive income			
Translation adjustments	(6,655)	(2,337)	(44)
Remeasurement of net defined pension liability	(8,782)	985	(58)
FVTOCI financial assets	(41,168)	(6,151)	(272)
Cash flow hedges	329	(303)	2
Other comprehensive income in associates and joint ventures	(2,273)	(4,031)	(15)
Changes in deferred tax assets (liabilities) accompanying business combination	(9,385)	(8,348)	(62)
Balance at the end of the year	¥ (311,881)	¥ (218,645)	\$ (2,060)

20. Earnings per Share Attributable to ITOCHU

The basic and diluted earnings per share attributable to ITOCHU for the fiscal years ended March 31, 2024 and 2023 were as follows:

	Yen		U.S. Dollars
	2024	2023	2024
Earnings per share			
Basic earnings per share attributable to ITOCHU	¥553.00	¥546.10	\$3.65
Diluted earnings per share attributable to ITOCHU	¥553.00	¥546.10	\$3.65

The base data to calculate the basic and diluted earnings per share attributable to ITOCHU for March 31, 2024 and 2023 were as follows:

(Numerator)	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Net profit attributable to ITOCHU	¥801,770	¥800,519	\$5,295
Effect of dilutive securities	—	—	—
Diluted net profit attributable to ITOCHU	¥801,770	¥800,519	\$5,295

(Denominator)	Number of Shares	
	2024	2023
Weighted-average number of common shares outstanding	1,449,848,444	1,465,872,321

21. Equity

(1) Common Stock

The number of shares authorized and issued were as follows:

	Number of Shares	
	2024	2023
Authorized		
Common stock	3,000,000,000	3,000,000,000
Issued		
Balance at the beginning of the year	1,584,889,504	1,584,889,504
Net changes in the year	—	—
Balance at the end of the year	1,584,889,504	1,584,889,504

The number of shares of treasury stock included in the number of shares issued above as of March 31, 2024 and 2023 were 146,053,365 shares and 129,625,295 shares, respectively. The number of shares of treasury stock as of March 31, 2024 includes 530,018 shares of the Company held in the trust account for the benefit share ESOP and 909,117 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, 2023 includes 597,994 shares of the Company held in the trust account for the benefit share ESOP and 981,316 shares of the Company held in the BIP trust account for officer remuneration.

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 ¥1,301,823 million (US\$8,598 million) as of March 31, 2024. 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 (cash dividends only) once during the fiscal year by resolution of the Board of Directors 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.

The amount of additional paid-in capital as of March 31, 2024 decreased by ¥277,502 million, compared with the previous fiscal year to ¥446,824 million (US\$2,951 million /Debit balance), and the amount of non-controlling interests decreased by ¥78,957 million, compared with the previous fiscal year to ¥565,159 million (US \$3,732 million). These are mainly due to an additional investment in shares in ITOCHU Techno-Solutions Corporation.

22. Dividends

(1) Dividends paid during the fiscal years ended March 31, 2024 and 2023 were as follows:

Resolution	Class of shares	Millions of Yen	Source of dividends	Yen	Record date	Effective date
		(Millions of U.S. Dollars)		(U.S. Dollars)		
Ordinary general meeting of shareholders held on June 24, 2022	Ordinary shares	¥92,715	Retained earnings	¥63.00	March 31, 2022	June 27, 2022
Board of Directors' meeting held on November 4, 2022	Ordinary shares	¥95,658	Retained earnings	¥65.00	September 30, 2022	December 2, 2022
Ordinary general meeting of shareholders held on June 23, 2023	Ordinary shares	¥109,265 (\$722)	Retained earnings	¥75.00 (\$0.50)	March 31, 2023	June 26, 2023
Board of Directors' meeting held on November 6, 2023	Ordinary shares	¥116,192 (\$767)	Retained earnings	¥80.00 (\$0.53)	September 30, 2023	December 4, 2023

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

Resolution	Class of shares	Millions of Yen	Source of dividends	Yen	Record date	Effective date
		(Millions of U.S. Dollars)		(U.S. Dollars)		
Ordinary general meeting of shareholders held on June 21, 2024	Ordinary shares	¥115,224 (\$761)	Retained earnings	¥80.00 (\$0.53)	March 31, 2024	June 24, 2024

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
	2024	2023	2024
Translation adjustments			
Balance at the beginning of the year	¥ 458,560	¥ 383,215	\$ 3,029
Adjustment for the year	286,416	75,345	1,891
Balance at the end of the year	744,976	458,560	4,920
FVTOCI financial assets			
Balance at the beginning of the year	117,210	146,638	774
Cumulative effects of the application of new accounting standards	—	(3,471)	—
Adjustment for the year	90,229	(22,501)	596
Transfer to retained earnings	(806)	(3,456)	(5)
Balance at the end of the year	206,633	117,210	1,365
Cash flow hedges			
Balance at the beginning of the year	30,840	7,154	203
Adjustment for the year	7,584	23,686	51
Balance at the end of the year	38,424	30,840	254
Remeasurement of net defined pension liability			
Balance at the beginning of the year	—	—	—
Adjustment for the year	20,454	(350)	135
Transfer to retained earnings	(20,454)	350	(135)
Balance at the end of the year	—	—	—
Total other components of equity			
Balance at the beginning of the year	606,610	537,007	4,006
Cumulative effects of the application of new accounting standards	—	(3,471)	—
Adjustment for the year	404,683	76,180	2,673
Transfer to retained earnings	(21,260)	(3,106)	(140)
Balance at the end of the year	¥ 990,033	¥ 606,610	\$ 6,539

(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					
	2024			2023		
	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	¥ 138,355	¥ (41,507)	¥ 96,848	¥ 5,324	¥ (6,154)	¥ (830)
Adjustment for the year	138,355	(41,507)	96,848	5,324	(6,154)	(830)
Remeasurement of net defined pension liability						
Amount arising during the year on net defined pension liability	28,103	(8,782)	19,321	(2,651)	985	(1,666)
Adjustment for the year	28,103	(8,782)	19,321	(2,651)	985	(1,666)
Other comprehensive income in associates and joint ventures						
Amount arising during the year	(1,561)	(445)	(2,006)	(23,264)	1,396	(21,868)
Adjustment for the year	(1,561)	(445)	(2,006)	(23,264)	1,396	(21,868)
Items that will be reclassified to profit or loss						
Translation adjustments						
Amount arising during the year on translation adjustment	267,328	(6,776)	260,552	113,581	(2,272)	111,309
Reclassification to profit or loss for the year	(2,042)	5	(2,037)	477	(147)	330
Adjustment for the year	265,286	(6,771)	258,515	114,058	(2,419)	111,639
Cash flow hedges						
Amount arising during the year on derivative instruments for cash flow hedges	5,662	(788)	4,874	9,612	(3,031)	6,581
Reclassification to profit or loss for the year	(6,549)	1,689	(4,860)	(9,772)	2,046	(7,726)
Adjustment for the year	(887)	901	14	(160)	(985)	(1,145)
Other comprehensive income in associates and joint ventures						
Amount arising during the year	64,180	(2,740)	61,440	1,576	(5,590)	(4,014)
Reclassification to profit or loss for the year	(12,377)	912	(11,465)	(4,027)	163	(3,864)
Adjustment for the year	51,803	(1,828)	49,975	(2,451)	(5,427)	(7,878)
Total other comprehensive income for the year, net of tax	¥ 481,099	¥ (58,432)	¥ 422,667	¥ 90,856	¥ (12,604)	¥ 78,252

Millions of U.S. Dollars			
	2024		
	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	\$ 914	\$ (274)	\$ 640
Adjustment for the year	914	(274)	640
Remeasurement of net defined pension liability			
Amount arising during the year on net defined pension liability	186	(58)	128
Adjustment for the year	186	(58)	128
Other comprehensive income in associates and joint ventures			
Amount arising during the year	(10)	(3)	(13)
Adjustment for the year	(10)	(3)	(13)
Items that will be reclassified to profit or loss			
Translation adjustments			
Amount arising during the year on translation adjustment	1,766	(45)	1,721
Reclassification to profit or loss for the year	(14)	0	(14)
Adjustment for the year	1,752	(45)	1,707
Cash flow hedges			
Amount arising during the year on derivative instruments for cash flow hedges	37	(5)	32
Reclassification to profit or loss for the year	(43)	11	(32)
Adjustment for the year	(6)	6	0
Other comprehensive income in associates and joint ventures			
Amount arising during the year	424	(18)	406
Reclassification to profit or loss for the year	(82)	6	(76)
Adjustment for the year	342	(12)	330
Total other comprehensive income for the year, net of tax	\$ 3,178	\$ (386)	\$ 2,792

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 fiscal years ended March 31, 2024 and 2023 were ¥2,397 million (US\$16 million) (income) and ¥1,139 million (income) (before tax effect), ¥1,654 million (US\$11 million) (income) and ¥786 million (income) (net of tax), respectively. These amounts were reclassified from Other components of equity during 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

doing so, 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, 2024 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Interest-bearing debt	¥ 3,357,608	¥ 3,006,638	\$ 22,176
Cash and cash equivalents	600,435	606,002	3,966
Time deposit	15,582	9,467	103
Net Interest-bearing debt	2,741,591	2,391,169	18,107
Shareholders' equity	¥ 5,426,962	¥ 4,823,259	\$ 35,843
NET DER (times)	0.51	0.50	—

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, 2024 and 2023 were as follows:

	Millions of Yen							
	2024							
	U.S. dollar	Euro	Pound	Renminbi	Australian dollar	Brazilian real	Other	Total
Short-term balance	¥(11,776)	¥ (7,847)	¥ 8,127	¥ (3,861)	¥(10,067)	¥ (229)	¥(10,662)	¥(36,315)
Long-term balance	74,600	9,632	(11,963)	(9)	367	—	4,216	76,843
Total	¥ 62,824	¥ 1,785	¥ (3,836)	¥ (3,870)	¥ (9,700)	¥ (229)	¥ (6,446)	¥ 40,528

	Millions of Yen							
	2023							
	U.S. dollar	Euro	Pound	Renminbi	Australian dollar	Brazilian real	Other	Total
Short-term balance	¥(13,673)	¥ 844	¥ 3,706	¥ 1,479	¥(19,349)	¥ (225)	¥ 1,284	¥(25,934)
Long-term balance	51,437	197	(3,744)	201	3,506	—	4,400	55,997
Total	¥ 37,764	¥ 1,041	¥ (38)	¥ 1,680	¥(15,843)	¥ (225)	¥ 5,684	¥ 30,063

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, 2024, the effect (loss) from a 1% increase in the Japanese yen would be ¥405 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, 2024, the interest rate mismatch amount was ¥1,217,947 million (US\$8,044 million), and the effect on interest expense from a 0.1% increase in interest rate would be ¥1,218

million (US\$8 million) (profit before tax). This amount was calculated by multiplying the interest mismatch balance of the Company and its subsidiaries as of March 31, 2024, by 0.1%. 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, the Company and its subsidiaries periodically track interest rate trends and monitor the amount of influence on interest payments due to interest rate changes, using the Earnings at Risk (EaR).

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, 2024 and 2023 were as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2024		2023		2024	
	Long	Short	Long	Short	Long	Short
Commodity	¥ 9,734	¥ 5,125	¥ 12,416	¥ 6,176	\$ 64	\$ 34

Commodity price sensitivity analysis

The Company and its subsidiaries use the Value at Risk (VaR) 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, 2024 and 2023.

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

	Millions of Yen				Millions of U.S. Dollars	
	2024		2023		2024	
	March 31	Average	March 31	Average	March 31	Average
Commodity	¥ 741	¥ 764	¥ 885	¥ 2,929	\$ 5	\$ 5

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, 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, 2024 and 2023 were ¥673,012 million (US\$4,445 million) and ¥544,430 million, respectively.

Stock price sensitivity analysis

The Company and its subsidiaries use the VaR to measure stock price risk. The following table shows year-end VaR figures as of March 31, 2024 and 2023.

(Method: variance-covariance method / confidence interval 99% / holding period: 10 days / measurement frequency: monthly)

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
	March 31	Average	March 31
Marketable equity securities	¥ 33,773	¥ 30,992	\$ 223

The Company and its subsidiaries periodically conduct backtesting 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 thereof.

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, 2024 and 2023 were as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2024		2023		2024	
	Stage 1 and 2	Stage 3	Stage 1 and 2	Stage 3	Stage 1 and 2	Stage 3
Operating receivables and contract assets	¥ 2,847,505	¥ 47,927	¥ 2,537,736	¥ 47,483	\$ 18,807	\$ 316
Lease receivables	80,671	220	76,581	60	533	1

The credit risk exposures related to loans, financial guarantee contracts, and other financial instruments as of March 31, 2024 and 2023 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2024			2023			2024		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Loan	¥896,373	¥ 2,708	¥12,740	¥796,544	¥ 1,443	¥10,202	\$ 5,920	\$ 18	\$ 84
Financial guarantee contract (substantial risk)	122,632	—	—	112,575	—	—	810	—	—
Other	436,176	490	10,079	424,671	671	7,219	2,881	3	67

The credit risk exposures for each operating segment as of March 31, 2024 and 2023 were as follows:

Millions of Yen							
2024							
	Trade receivables and contract assets	Lease receivables	Loans	Financial guarantee contracts (substantial risk)	Other	Allowance for doubtful accounts	Total
Textile	¥ 130,787	¥ 397	¥ 1,590	¥ 217	¥ 11,851	¥ (10,291)	¥ 134,551
Machinery	264,869	25,841	82,776	71,184	65,500	(11,253)	498,917
Metals & Minerals	158,292	—	4,444	121	34,257	(2,213)	194,901
Energy & Chemicals	618,726	3,588	7,328	14,143	63,278	(2,523)	704,540
Food	880,966	458	6,359	26,847	76,668	(11,250)	980,048
General Products & Realty	258,176	11,108	26,043	5,833	22,025	(2,224)	320,961
ICT & Financial Business	490,124	20,347	89,840	—	29,052	(22,523)	606,840
The 8th	161,214	23,343	5,279	—	129,333	(933)	318,236
Other	(67,722)	(4,191)	688,162	4,287	14,781	(828)	634,489
Total	¥ 2,895,432	¥ 80,891	¥ 911,821	¥ 122,632	¥ 446,745	¥ (64,038)	¥ 4,393,483

Millions of Yen							
2023							
	Trade receivables and contract assets	Lease receivables	Loans	Financial guarantee contracts (substantial risk)	Other	Allowance for doubtful accounts	Total
Textile	¥ 119,203	¥ 290	¥ 1,618	¥ 242	¥ 11,891	¥ (9,532)	¥ 123,712
Machinery	208,534	20,922	69,897	49,536	34,812	(11,348)	372,353
Metals & Minerals	160,873	—	5,452	294	64,184	(2,644)	228,159
Energy & Chemicals	597,078	5,527	5,092	11,262	62,707	(3,698)	677,968
Food	746,508	551	3,328	20,333	55,724	(7,018)	819,426
General Products & Realty	216,239	12,292	23,382	20,343	20,704	(2,138)	290,822
ICT & Financial Business	430,139	20,539	72,028	—	35,428	(19,401)	538,733
The 8th	113,407	21,167	5,319	—	142,265	(1,401)	280,757
Other	(6,762)	(4,647)	622,073	10,565	4,846	(525)	625,550
Total	¥ 2,585,219	¥ 76,641	¥ 808,189	¥ 112,575	¥ 432,561	¥ (57,705)	¥ 3,957,480

Millions of U.S. Dollars							
2024							
	Trade receivables and contract assets	Lease receivables	Loans	Financial guarantee contracts (substantial risk)	Other	Allowance for doubtful accounts	Total
Textile	\$ 864	\$ 3	\$ 11	\$ 1	\$ 78	\$ (68)	\$ 889
Machinery	1,749	171	547	470	432	(74)	3,295
Metals & Minerals	1,045	—	29	1	227	(15)	1,287
Energy & Chemicals	4,087	24	48	93	418	(17)	4,653
Food	5,818	3	42	178	506	(74)	6,473
General Products & Realty	1,705	73	172	39	146	(15)	2,120
ICT & Financial Business	3,237	134	593	—	192	(149)	4,007
The 8th	1,065	154	35	—	854	(6)	2,102
Other	(447)	(28)	4,545	28	98	(5)	4,191
Total	\$ 19,123	\$ 534	\$ 6,022	\$ 810	\$ 2,951	\$ (423)	\$ 29,017

The Company and its subsidiaries hold collateral of ¥49,511 million (US\$327 million) and ¥45,515 million as security for the loans included above as of March 31, 2024 and 2023. Properties and other credit enhancements held by the Company and its subsidiaries as collateral are measured at fair value.

As of March 31, 2024 and 2023, 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, 2024 and 2023, a finance-related subsidiary of the Company holds ¥3,069,696 million (US\$20,274 million) and ¥3,065,175 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 fiscal years ended March 31, 2024 and 2023 were as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2024		2023		2024	
	Stage 1 and 2	Stage 3	Stage 1 and 2	Stage 3	Stage 1 and 2	Stage 3
Balance at the end of the previous year	¥ (9,264)	¥ (24,743)	¥ (8,920)	¥ (24,708)	\$ (61)	\$ (163)
Provision	(2,603)	(3,530)	(2,243)	(4,325)	(17)	(23)
Reversal	3,203	922	696	1,360	21	6
Charge-offs	1,303	2,183	1,235	2,908	9	14
Reclassification of credit risk stage	264	(264)	497	(497)	2	(2)
Increase, decrease due to foreign currency translation and others	(995)	(1,327)	(529)	519	(7)	(9)
Balance at the end of the year	¥ (8,092)	¥ (26,759)	¥ (9,264)	¥ (24,743)	\$ (53)	\$ (177)

The changes in allowance for doubtful accounts related to loans and other financial instruments for the fiscal years ended March 31, 2024 and 2023 were as follows:

	Millions of Yen						Millions of U.S. Dollars		
	2024			2023			2024		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Balance at the end of the previous year	¥ (7,174)	¥ (960)	¥ (15,564)	¥ (4,498)	¥ (836)	¥ (18,859)	\$ (47)	\$ (6)	\$ (103)
Provision	(2,260)	(1,067)	(3,434)	(2,389)	(619)	(2,034)	(15)	(7)	(23)
Reversal	1,709	264	1,427	1,338	105	3,217	11	2	10
Charge-offs	114	183	1,981	100	157	1,149	1	1	13
Reclassification of credit risk stage	318	352	(670)	170	255	(425)	2	2	(4)
Increase, decrease due to foreign currency translation and others	(834)	(126)	(3,446)	(1,895)	(22)	1,388	(6)	(1)	(23)
Balance at the end of the year	¥ (8,127)	¥ (1,354)	¥ (19,706)	¥ (7,174)	¥ (960)	¥ (15,564)	\$ (54)	\$ (9)	\$ (130)

The contractual amount outstanding on financial assets that have been written off but still subject to enforcement activities was immaterial for the fiscal years ended March 31, 2024 and 2023.

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 ¥616,017 million (US\$4,069 million) as of March 31, 2024, the Company and its subsidiaries have the unutilized commitment line (Yen: ¥670,000 million; multiple currency: US\$884 million).

As of March 31, 2024 and 2023, 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			
	2024			
	Within 1 year	More than 1 to 5 years	More than 5 years	Total
Debentures and borrowings (Short-term and Long-term)	¥ 727,966	¥ 1,303,827	¥ 1,325,815	¥ 3,357,608
Trade payables, other current payables, and other financial liabilities (Short-term and Long-term)	2,634,711	29,428	16,318	2,680,457
Contingent liabilities	21,370	52,409	47,061	120,840

	Millions of Yen			
	2023			
	Within 1 year	More than 1 to 5 years	More than 5 years	Total
Debentures and borrowings (Short-term and Long-term)	¥ 659,710	¥ 1,117,808	¥ 1,229,120	¥ 3,006,638
Trade payables, other current payables, and other financial liabilities (Short-term and Long-term)	2,343,754	15,306	1,747	2,360,807
Contingent liabilities	26,344	57,479	19,322	103,145

Millions of U.S. Dollars				
2024				
	Within 1 year	More than 1 to 5 years	More than 5 years	Total
Debentures and borrowings (Short-term and Long-term)	\$ 4,808	\$ 8,611	\$ 8,757	\$ 22,176
Trade payables, other current payables, and other financial liabilities (Short-term and Long-term)	17,401	194	108	17,703
Contingent liabilities	141	346	311	798

The remaining contractual maturities of derivatives for the Company and its subsidiaries as of March 31, 2024 and 2023 were as follows:
The amounts for derivatives that will be net settled with other contracts are also presented in gross amounts.

Millions of Yen					
2024					
		Within 1 year	More than 1 to 5 years	More than 5 years	Total
Currency derivatives	Receipts	¥ 26,290	¥ 489	¥ —	¥ 26,779
	Payments	(14,476)	(349)	—	(14,825)
Interest rate derivatives	Receipts	3	311	11	325
	Payments	—	(6,102)	(1,413)	(7,515)
Commodity derivatives	Receipts	28,921	1,551	—	30,472
	Payments	(37,185)	(1,540)	—	(38,725)

Millions of Yen					
2023					
		Within 1 year	More than 1 to 5 years	More than 5 years	Total
Currency derivatives	Receipts	¥ 7,193	¥ 4,550	¥ 16	¥ 11,759
	Payments	(5,064)	(29)	—	(5,093)
Interest rate derivatives	Receipts	1	572	223	796
	Payments	—	(5,987)	(193)	(6,180)
Commodity derivatives	Receipts	51,017	795	—	51,812
	Payments	(55,412)	(1,085)	—	(56,497)

Millions of U.S. Dollars					
2024					
		Within 1 year	More than 1 to 5 years	More than 5 years	Total
Currency derivatives	Receipts	\$ 174	\$ 3	\$ —	\$ 177
	Payments	(96)	(2)	—	(98)
Interest rate derivatives	Receipts	0	2	0	2
	Payments	—	(40)	(9)	(49)
Commodity derivatives	Receipts	191	10	—	201
	Payments	(246)	(10)	—	(256)

(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, 2024 and 2023 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		
2024		
	Carrying amount	Fair value
Financial assets:		
Non-current receivables and Non-current financial assets other than investments and receivables (excluding derivative assets)	¥ 406,326	¥ 400,934
Financial liabilities:		
Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative liabilities)	¥ 2,675,263	¥ 2,675,126

Millions of Yen		
2023		
	Carrying amount	Fair value
Financial assets:		
Non-current receivables and Non-current financial assets other than investments and receivables (excluding derivative assets)	¥ 380,743	¥ 375,991
Financial liabilities:		
Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative liabilities)	¥ 2,396,177	¥ 2,395,831

Millions of U.S. Dollars		
2024		
	Carrying amount	Fair value
Financial assets:		
Non-current receivables and Non-current financial assets other than investments and receivables (excluding derivative assets)	\$ 2,684	\$ 2,648
Financial liabilities:		
Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative liabilities)	\$ 17,669	\$ 17,668

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 in and a shareholder loan to CTB.

As of March 31, 2024 and 2023, the balance of the investment to CTB accompanying the acquisition of CITIC Limited shares amounted to US\$514 million (¥77,777 million) and US\$514 million (¥68,593 million), respectively. The shareholder loan to CTB accompanying the acquisition of CITIC Limited shares amounted to US\$4,276 million (¥647,473 million) and US\$4,351 million (¥581,028 million), respectively. The balance of the shareholder loan is presented under Non-current receivables on the Consolidated Statement of Financial Position.

As of March 28, 2024 and March 31, 2023, the closing price of CITIC Limited shares on the Hong Kong Stock Exchange were HK \$7.52 and HK\$9.18 per share, respectively. The value obtained by multiplying the number of CITIC Limited shares that CTB owns by the said share prices are HK\$43,752 million (¥846,143 million) and HK\$53,410 million (¥908,510 million), respectively. In addition, the amount obtained by multiplying this value by 50%, which is the Company's ownership percentage in CTB, are HK\$21,876 million (¥423,072 million) and HK\$26,705 million (¥454,255 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 the right to offset receivables and payables with the same counterparty in the event of default by the counterparty.

The following table provides offsetting information of financial assets and financial liabilities with the same counterparty as of March 31, 2024 and 2023.

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
The amount of financial assets	¥ 6,108,793	¥ 5,434,047	\$ 40,346
The amount of possible offsetting under master netting arrangement or similar arrangement	(206,448)	(212,195)	(1,363)
Net	¥ 5,902,345	¥ 5,221,852	\$ 38,983

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
The amount of financial liabilities	¥ 7,076,640	¥ 6,372,012	\$ 46,738
The amount of possible offsetting under master netting arrangement or similar arrangement	(206,448)	(212,195)	(1,363)
Net	¥ 6,870,192	¥ 6,159,817	\$ 45,375

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 fiscal years ended March 31, 2024 and 2023, 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 fiscal years ended March 31, 2024 and 2023, 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 fiscal years ended March 31, 2024 and 2023, the amounts reclassified from other comprehensive income into profit or loss as the forecasted transaction became no longer probable to occur were immaterial.

Hedges of a net investment in foreign operations:

Hedges of a net investment in foreign operations are hedges of the exchange differences that arise between the functional currencies of the foreign operations and the functional currency of the parent company. The changes in fair value of hedging instruments that are designated and qualify as hedges of a net investment in foreign operations are recognized in other comprehensive income if the hedges are considered effective. This treatment is continued until foreign operations are disposed of, and 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. The ineffective portion of the hedge is recognized as profit or loss. For the fiscal years ended March 31, 2024 and 2023, the Company and its subsidiaries did not designate any new hedges as hedges of the net investment in foreign operations.

The impact of hedges on consolidated financial statements:

The fair values of hedging instruments as of March 31, 2024 and 2023 were as follows:

As of the fiscal years ended March 31, 2024 and 2023, the Company and its subsidiaries did not designate any hedges as hedges of the net investment in foreign operations. 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				
2024				
Type of hedge accounting	Hedging instruments	Notional amounts	Assets	Liabilities
Fair value hedges	Currency derivatives	¥ 71,968	¥ 2,339	¥ 306
	Interest rate derivatives	512,930	84	7,509
	Commodity derivatives	518,228	5,762	15,241
Cash flow hedges	Currency derivatives	¥ 182,218	¥ 8,330	¥ 691
	Interest rate derivatives	21,680	241	6
	Commodity derivatives	8,815	348	273

Millions of Yen				
2023				
Type of hedge accounting	Hedging instruments	Notional amounts	Assets	Liabilities
Fair value hedges	Currency derivatives	¥ 86,423	¥ 749	¥ 1,112
	Interest rate derivatives	342,994	474	5,874
	Commodity derivatives	470,002	13,614	18,350
Cash flow hedges	Currency derivatives	¥ 203,378	¥ 6,697	¥ 949
	Interest rate derivatives	15,310	322	306
	Commodity derivatives	26,389	9	549

Millions of U.S. Dollars				
2024				
Type of hedge accounting	Hedging instruments	Notional amounts	Assets	Liabilities
Fair value hedges	Currency derivatives	\$ 475	\$ 15	\$ 2
	Interest rate derivatives	3,388	1	50
	Commodity derivatives	3,423	38	101
Cash flow hedges	Currency derivatives	\$ 1,203	\$ 55	\$ 5
	Interest rate derivatives	143	2	0
	Commodity derivatives	58	2	2

For the fiscal years ended March 31, 2024 and 2023, the amounts of hedged items designated as fair value hedges were as follows:

Millions of Yen			
2024			
Risk category	Main account on Consolidated Statement of Financial Position	Carrying amount	Accumulated amount of fair value hedge adjustments included in the carrying amount
Currency risk	Trade receivables	¥ 4,585	¥ 40
	Trade payables	6,340	208
	Other current assets	239	239
	Other current liabilities	2,104	2,104
Interest rate risk	Debentures and borrowings	¥ 505,505	¥ (7,425)
Commodity price risk	Inventories	¥ 23,921	¥ (499)
	Other current assets	15,220	15,220
	Other current liabilities	5,243	5,243

Millions of Yen			
2023			
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	¥ 3,777	¥ 29
	Trade payables	7,040	148
	Other current assets	1,061	1,061
	Other current liabilities	579	579
Interest rate risk	Debentures and borrowings	¥ 337,594	¥ (5,400)
Commodity price risk	Inventories	¥ 35,147	¥ 127
	Other current assets	18,009	18,009
	Other current liabilities	13,400	13,400

Millions of U.S. Dollars			
2024			
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	\$ 30	\$ 0
	Trade payables	42	1
	Other current assets	2	2
	Other current liabilities	14	14
Interest rate risk	Debentures and borrowings	\$ 3,339	\$ (49)
Commodity price risk	Inventories	\$ 158	\$ (3)
	Other current assets	101	101
	Other current liabilities	35	35

Note: For the fiscal years ended March 31, 2024 and 2023, the accumulated amounts of fair value hedge adjustments related to the hedged items on which the hedging transactions have been ceased totaled ¥666 million (US\$4 million) and ¥1,452 million, respectively. These amounts are included in Short-term debentures and borrowings and Long-term debentures and borrowings.

For the fiscal years ended March 31, 2024 and 2023, 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				
2024				
Risk category	Amount recognized in Other components of equity	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	¥ (802)	¥ (1,890)	Other-net	¥ (2,063)
Interest rate risk	74	2,197	Interest expense	(73)
Commodity price risk	116	5,355	Revenues from sale of goods	(4,413)
Total	¥ (612)	¥ 5,662		¥ (6,549)

Millions of Yen				
2023				
Risk category	Amount recognized in Other components of equity	Amount of hedge income (loss) recognized in OCI	Main account of profit or loss reclassified from Other components of equity	Amount of profit or loss reclassified from Other components of equity
Currency risk	¥ 1,238	¥ 2,376	Other-net	¥ 256
Interest rate risk	(111)	(399)	Interest expense	(17)
Commodity price risk	(45)	7,635	Revenues from sale of goods	(10,011)
Total	¥ 1,082	¥ 9,612		¥ (9,772)

Millions of U.S. Dollars				
2024				
Risk category	Amount recognized in Other components of equity	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	\$ (5)	\$ (12)	Other-net	\$ (14)
Interest rate risk	0	14	Interest expense	(0)
Commodity price risk	1	35	Revenues from sale of goods	(29)
Total	\$ (4)	\$ 37		\$ (43)

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 fiscal years ended March 31, 2024 and 2023 were ¥2,397 million (US\$16 million) (income) and ¥1,139 million (income), 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. In contrast, 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 (Approximately 8–17%. Meanwhile, for the resource-related investments in Russia, a higher discounted rate reflecting the rise of the country risk was applied).

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, 2024 and 2023 was as follows:

For the fiscal years ended March 31, 2024 and 2023, there were no significant transfers between Level 1 and 2.

Millions of Yen				
2024				
	Level 1	Level 2	Level 3	Total
Assets				
Inventories	¥ —	¥ 5,455	¥ —	¥ 5,455
Securities and other investments				
FVTPL financial assets	1,438	26,788	63,667	91,893
FVTOCI financial assets	671,574	—	434,990	1,106,564
Derivative assets	8,134	49,442	—	57,576
Liabilities				
Derivative liabilities	¥ 17,932	¥ 43,133	¥ —	¥ 61,065

	Millions of Yen			
	2023			
	Level 1	Level 2	Level 3	Total
Assets				
Inventories	¥ —	¥ 5,932	¥ —	¥ 5,932
Securities and other investments				
FVTPL financial assets	2,134	28,503	53,272	83,909
FVTOCI financial assets	542,296	—	320,354	862,650
Derivative assets	3,924	60,443	—	64,367
Liabilities				
Derivative liabilities	¥ 9,828	¥ 57,942	¥ —	¥ 67,770

	Millions of U.S. Dollars			
	2024			
	Level 1	Level 2	Level 3	Total
Assets				
Inventories	\$ —	\$ 36	\$ —	\$ 36
Securities and other investments				
FVTPL financial assets	10	177	420	607
FVTOCI financial assets	4,435	—	2,873	7,308
Derivative assets	54	326	—	380
Liabilities				
Derivative liabilities	\$ 118	\$ 285	\$ —	\$ 403

The changes in Level 3 items for the fiscal years ended March 31, 2024 and 2023 were as follows:

	Millions of Yen	
	2024	
	FVTPL financial assets	FVTOCI financial assets
Beginning Balance	¥ 53,272	¥ 320,354
Total gains or losses	6,112	65,371
Included in gains on investments	6,112	—
Included in other comprehensive income (loss) (FVTOCI financial assets)	—	40,959
Included in other comprehensive income (loss) (Translation adjustments)	—	24,412
Purchases	5,358	11,582
Sales	(3,630)	(1,688)
Transfers into Level 3	—	—
Transfers out of Level 3	(1,175)	(1,386)
Others	3,730	40,757
Ending balance	63,667	434,990
The amount of gains (losses) on investments for the period relating to assets still held as of March 31, 2024	¥ 3,865	¥ —

	Millions of Yen	
	2023	
	FVTPL financial assets	FVTOCI financial assets
Beginning Balance	¥ 67,614	¥ 342,951
Total gains or losses	1,975	(21,069)
Included in gains on investments	1,975	—
Included in other comprehensive income (loss) (FVTOCI financial assets)	—	(20,414)
Included in other comprehensive income (loss) (Translation adjustments)	—	(655)
Purchases	14,235	6,684
Sales	(24,971)	(1,387)
Transfers into Level 3	—	2
Transfers out of Level 3	(200)	(100)
Others	(5,381)	(6,727)
Ending balance	53,272	320,354
The amount of gains (losses) on investments for the period relating to assets still held as of March 31, 2023	¥ 200	¥ —

	Millions of U.S. Dollars	
	2024	
	FVTPL financial assets	FVTOCI financial assets
Beginning Balance	\$ 352	\$ 2,116
Total gains or losses	40	432
Included in gains on investments	40	—
Included in other comprehensive income (loss) (FVTOCI financial assets)	—	271
Included in other comprehensive income (loss) (Translation adjustments)	—	161
Purchases	35	76
Sales	(24)	(11)
Transfers into Level 3	—	—
Transfers out of Level 3	(8)	(9)
Others	25	269
Ending balance	420	2,873
The amount of gains (losses) on investments for the period relating to assets still held as of March 31, 2024	\$ 26	\$ —

Transfers into Level 3 recognized for the fiscal year ended March 31, 2023 were due to the fact that the fair value of equity securities became unobservable resulting from delisting from exchanges.

Transfers out of Level 3 recognized for the fiscal years ended March 31, 2024 and 2023 were due to the fact that the fair value of equity securities became measurable using the quoted market price resulting from listing on exchanges.

27. Revenue

(1) Contract Balances

The breakdown of contract balances for the fiscal years ended March 31, 2024 and 2023 were as follows:

	Millions of Yen				Millions of U.S. Dollars
	2024		2023		2024
	Beginning balance	Ending balance	Beginning balance	Ending balance	Ending balance
Receivables from Contracts with Customers	¥ 2,533,297	¥ 2,831,112	¥ 2,458,991	¥ 2,533,297	\$ 18,698
Contract Assets	32,510	45,020	27,665	32,510	297
Contract Liabilities	172,314	193,123	151,027	172,314	1,275

A contract asset is recognized when the Company and its subsidiaries transfer goods or services to a customer on their ordinary activities, but a right to receive the payment is conditional in line with a series of performance related milestones other than the passage of time. Contract assets generally increase when the Company and its subsidiaries transfer goods or services to the customer before the customer pays the consideration or before the payment becomes due and decrease when the Company and its subsidiaries bill the customer. The balance of contract assets increased mainly due to the progress of satisfaction of the performance obligations for the fiscal years ended March 31, 2024 and 2023.

A contract liability is recognized when a payment from a customer is already received or due, prior to the Company and its subsidiaries transferring goods or services to the customer on their operating activities. Contract liabilities generally increase when the Company and its subsidiaries receive consideration from a customer prior to the transfer of goods or services to the customer and decrease when the Company and its subsidiaries meet their performance obligations. The balance of contract liabilities increased mainly due to increases in advances from customer for the fiscal years ended March 31, 2024 and 2023.

Revenues recognized for the fiscal years ended March 31, 2024 and 2023 include ¥131,268 million (US\$867 million) and ¥118,137 million respectively, recognized from contract liabilities at the beginning of the fiscal years ended March 31, 2024 and 2023.

Revenues recognized for the fiscal years ended March 31, 2024 and 2023 arising from performance obligations fulfilled in past periods, are immaterial.

(2) Remaining Performance Obligations

As of March 31, 2024 and 2023, the Company and its subsidiaries have total transaction price allocated to remaining performance obligations of ¥1,485,183 million (US\$9,809 million) and ¥1,004,489 million respectively, mainly in energy, iron ore, system development, ships and aircraft transactions. The Company and its subsidiaries expect that revenues from North American LNG sales contracts are recognized almost over the next 20 years and revenues from other contracts are recognized almost over the next 3 years in accordance with the progress of execution of the contracts.

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.

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

For the fiscal years ended March 31, 2024 and 2023, the amounts of assets or their depreciation arising from costs incurred to acquire or execute customer contracts were immaterial.

28. Selling, General and Administrative Expenses

The breakdown of Selling, general and administrative expenses for the fiscal years ended March 31, 2024 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Personnel expenses	¥ 651,509	¥ 615,823	\$ 4,303
Depreciation	250,131	248,103	1,652
Amortization	42,550	40,492	281
Service charge	155,286	137,235	1,026
Distribution costs	108,393	95,821	716
Others	313,866	281,647	2,073
Total	¥1,521,735	¥1,419,121	\$ 10,051

29. Gains (losses) on Investments

The breakdown of Gains (losses) on investments for the fiscal years ended March 31, 2024 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Investments in subsidiaries, associates and joint ventures	¥ 28,717	¥ 74,346	\$ 190
FVTPL financial assets	6,104	(7,187)	40
Financial assets measured at amortized cost	(4)	(2)	(0)
Total	¥ 34,817	¥ 67,157	\$ 230

In the fiscal year ended March 31, 2024, Gains (losses) on investments relating to Investments in subsidiaries, associates and joint ventures mainly consists of the gain of ¥23,884 million (US \$158 million) on the partial sale and the remeasurement of the remaining interest with the loss of significant influence over a lithium-ion batteries company in Energy & Chemicals segment.

In the fiscal year ended March 31, 2023, Gains (losses) on investments relating to Investments in subsidiaries, associates and joint ventures mainly consists of the gain of ¥29,732 million on the sale of a North American beverage-equipment-maintenance company in Machinery segment and the gain of ¥20,427 million on

the sale of CONEXIO Corporation in ICT & Financial Business segment.

The losses relating to Financial assets measured at amortized cost include losses arising from impairment loss of financial assets of ¥4 million (US\$0 million) for the fiscal year ended March 31, 2024.

The losses relating to Financial assets measured at amortized cost include gains and losses from disposal of financial assets of ¥2 million for the fiscal year ended March 31, 2023.

30. Gains (losses) on Property, Plant, Equipment and Intangible Assets

The breakdown of Gains (losses) on property, plant, equipment and intangible assets for the fiscal years ended March 31, 2024 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Gains on sales of property, plant and equipment	¥ 19,531	¥ 8,676	\$ 129
Losses on disposal and sales of property, plant and equipment	(9,494)	(7,067)	(63)
Impairment losses and reversal gains on property, plant and equipment	(15,431)	(40,750)	(102)
Impairment losses on goodwill	(1,559)	(11,556)	(10)
Others	894	579	6
Total	¥ (6,059)	¥ (50,118)	\$ (40)

For the fiscal year ended March 31, 2023, the losses mainly consist of impairment losses recognized on goodwill and trademarks in Dole in Food segment. In Energy & Chemicals segment, regarding the property, plant and equipment of the LNG long-term contract, the Company recognized reversal gain of impairment loss of ¥5,491 million due to the market improvement.

31. Other-Net

The breakdown of Other-net for the fiscal years ended March 31, 2024 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Net foreign exchange gains (losses)	¥ 7,979	¥ (3,459)	\$ 53
Others	5,190	18,530	34
Total	¥ 13,169	¥ 15,071	\$ 87

32. Financial Income (Loss)

The breakdown of Financial income (loss) for the fiscal years ended March 31, 2024 and 2023 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Interest income			
Financial assets measured at amortized cost	¥ 54,125	¥ 39,370	\$ 358
Subtotal	54,125	39,370	358
Dividends received			
FVTPL financial assets	744	642	5
FVTOCI financial assets	80,320	79,025	530
Subtotal	81,064	79,667	535
Interest expense			
Financial liabilities measured at amortized cost	(14,811)	(13,279)	(98)
Lease liabilities			
Others	(79,605)	(47,856)	(526)
Derivatives	(2,673)	(2,821)	(18)
Others	(3,552)	(2,909)	(23)
Subtotal	(100,641)	(66,865)	(665)
Total	¥ 34,548	¥ 52,172	\$ 228

33. Cash Flow Information

(1) Acquisitions and Sales of Subsidiaries or businesses

(Acquisitions of subsidiaries or businesses)

The acquisition of major subsidiaries for the fiscal year ended March 31, 2024 was that of DAIKEN CORPORATION.

The acquisitions of major subsidiaries or businesses for the fiscal year ended March 31, 2023 were that of PWT and PWT's EWP business.

	Millions of Yen		Millions of U.S. Dollars
	2024	2023	2024
Acquisitions of subsidiaries or businesses			
Fair value of assets acquired	¥ 185,221	¥ 71,518	\$ 1,223
Fair value of liabilities acquired	(100,095)	(23,650)	(661)
Net assets, before deduction of cash	85,126	47,868	562
Fair value of previously held equity interests	(44,433)	(11,132)	(293)
Goodwill and Non-controlling interests	9,123	(7,876)	60
Fair value of consideration	49,816	28,860	329
Effect of exchange rate changes	—	341	—
Cash acquired	(13,636)	(3,168)	(90)
Payments for acquisition of subsidiaries or businesses	¥ 36,180	¥ 26,033	\$ 239

Note: The amounts listed above for the fiscal year ended March 31, 2023 are after the completion of the fair value measurement.

(Sales of subsidiaries or businesses)

There were no sales of major subsidiaries or businesses for the fiscal year ended March 31, 2024.

The sales of major subsidiaries or businesses for the fiscal year ended March 31, 2023 were that of a North American beverage-equipment-maintenance company and CONEXIO Corporation.

	Millions of Yen
	2023
Sales of subsidiaries or businesses	
Fair value of assets sold	¥ 131,461
Fair value of liabilities sold	(74,188)
Net assets, before deduction of cash	57,273
Fair value of consideration	88,254
Effect of exchange rate changes	1,128
Cash included in assets sold	(19,221)
Proceeds from sale of subsidiaries or businesses	¥ 70,161

(2) Changes in Liabilities Arising from Financing Activities

Changes in liabilities arising from financing activities for the fiscal years ended March 31, 2024 and 2023 were as follows:

	Millions of Yen		
	2024		
	Debentures and Borrowings	Lease liabilities and the others	Total
Beginning of the year	¥ 3,006,638	¥ 1,004,567	¥ 4,011,205
Cash flow	186,196	(252,580)	(66,384)
Non-cash changes			
Increase through acquisitions	35,702	2,065	37,767
Decrease through divestitures	(1,773)	(98)	(1,871)
New leases	—	91,116	91,116
Effect of foreign currency exchange differences	135,507	23,711	159,218
Fair value changes	(2,811)	—	(2,811)
Others	(1,851)	169,794	167,943
End of the year	¥ 3,357,608	¥ 1,038,575	¥ 4,396,183

	Millions of Yen		
	2023		
	Debentures and Borrowings	Lease liabilities and the others	Total
Beginning of the year	¥ 2,905,903	¥ 1,011,032	¥ 3,916,935
Cash flow	(16,476)	(261,271)	(277,747)
Non-cash changes			
Increase through acquisitions	45,109	7,254	52,363
Decrease through divestitures	—	(20,411)	(20,411)
New leases	—	90,115	90,115
Effect of foreign currency exchange differences	82,112	11,418	93,530
Fair value changes	(4,734)	—	(4,734)
Others	(5,276)	166,430	161,154
End of the year	¥ 3,006,638	¥ 1,004,567	¥ 4,011,205

	Millions of U.S. Dollars		
	2024		
	Debentures and Borrowings	Lease liabilities and the others	Total
Beginning of the year	\$ 19,858	\$ 6,634	\$ 26,492
Cash flow	1,230	(1,668)	(438)
Non-cash changes			
Increase through acquisitions	236	13	249
Decrease through divestitures	(12)	(0)	(12)
New leases	—	602	602
Effect of foreign currency exchange differences	895	157	1,052
Fair value changes	(19)	—	(19)
Others	(12)	1,121	1,109
End of the year	\$ 22,176	\$ 6,859	\$ 29,035

Note: Amounts of "Others" in "Lease Liabilities and the others" are mainly the increase due to lease contract modifications in FamilyMart Co., Ltd.
In addition, lease contract modifications in other companies, mid-term terminations and other factors are included.

34. Parent's Ownership Interest in Subsidiaries

Subsidiaries of the Company as of March 31, 2024 were as follows:

Name	Location	Voting shares (%)
Textile		
ROYNE CO., LTD.	Shinagawa-ku, Tokyo	100.0
Sankei Co., Ltd.	Koto-ku, Tokyo	100.0
EDWIN CO., LTD.	Shinagawa-ku, Tokyo	100.0
DOVE CORPORATION	Koto-ku, Tokyo	69.7
JOI'X CORPORATION	Chiyoda-ku, Tokyo	100.0
LEILIAN CO., LTD.	Meguro-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)
34 other companies		
Machinery		
IMECS Co., Ltd.	Minato-ku, Tokyo	100.0
ITOCHU AVIATION CO., LTD.	Minato-ku, Tokyo	100.0
ITOCHU Plantech Inc.	Minato-ku, Tokyo	100.0
JAPAN AEROSPACE CORPORATION	Minato-ku, Tokyo	100.0
ITOCHU MACHINE-TECHNOS CORPORATION	Chiyoda-ku, Tokyo	100.0
YANASE & CO., LTD.	Minato-ku, Tokyo	82.8
Citrus Investment LLC	Minato-ku, Tokyo	100.0
I-Power Investment Inc.	Wilmington, Delaware, U.S.A.	100.0
I-ENVIRONMENT INVESTMENTS LIMITED	London, U.K.	100.0 (30.0)
MULTIQUIP INC.	Cypress, California, U.S.A.	100.0 (80.0)
RICARDO PÉREZ, S.A.	Panama, Republic of Panama	70.0
Auto Investment Inc.	Pelham, Alabama, U.S.A.	100.0
ITOCHU Automobile America Inc.	Farmington Hills, Michigan, U.S.A.	100.0
TOYOTA SALES MONGOLIA LLC	Ulaanbaatar, Mongolia	100.0
76 other companies		
Metals & Minerals		
ITOCHU Metals Corporation	Minato-ku, Tokyo	100.0
JAPÃO BRASIL MINÉRIO DE FERRO PARTICIPAÇÕES LTDA.	Sao Paulo, Brazil	77.3
ITC Coal Resources International Inc.	Wilmington, Delaware, U.S.A.	100.0
ITOCHU Minerals & Energy of Australia Pty Ltd	Perth, W.A., Australia	100.0 (3.7)
6 other companies		
Energy & Chemicals		
ITOCHU ENEX CO., LTD.	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	55.7 (0.2)
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
CIECO West Qurna Limited	London, U.K.	60.0
ITOCHU Plastics Pte., Ltd.	Singapore	100.0 (30.0)
103 other companies		

Name	Location	Voting shares (%)
Food		
ITOCHU FEED MILLS CO., LTD.	Koto-ku, Tokyo	100.0
ITOCHU Food Sales and Marketing Co., Ltd.	Minato-ku, Tokyo	100.0
Prima Meat Packers, Ltd.	Shinagawa-ku, Tokyo	50.1 (4.5)
Dole International Holdings, Inc.	Minato-ku, Tokyo	100.0
ITOCHU-SHOKUHIN Co., Ltd.	Chuo-ku, Osaka	52.3 (0.1)
NIPPON ACCESS, INC.	Shinagawa-ku, Tokyo	100.0
PROVENCE HUILES	Vitrolles, France	100.0 (25.0)
ITOCHU TAIWAN INVESTMENT CORPORATION	Taipei, Taiwan	100.0
105 other companies		
General Products & Realty		
ITOCHU LOGISTICS CORP.	Minato-ku, Tokyo	100.0
ITOCHU PULP & PAPER CORPORATION	Chuo-ku, Tokyo	100.0
ITOCHU CERATECH CORPORATION	Seto, Aichi	100.0
DAIKEN CORPORATION	Nanto, Toyama	100.0 (60.0)
ITOCHU HOUSING CO., LTD.	Minato-ku, Tokyo	100.0 (1.3)
ITOCHU KENZAI CORPORATION	Chuo-ku, Tokyo	100.0
ITOCHU Urban Community Ltd.	Chuo-ku, Tokyo	100.0
ITOCHU Property Development, Ltd.	Minato-ku, Tokyo	100.0
PT. Aneka Bumi Pratama	Palembang, Indonesia	100.0 (35.0)
Pacific Woodtech Corporation	Burlington, Washington, U.S.A.	100.0 (25.0)
European Tyre Enterprise Limited	Letchworth, U.K.	100.0 (25.0)
ITOCHU FIBRE LIMITED	London, U.K.	100.0 (25.0)
ITOCHU Building Products Holdings Inc.	Dallas, Texas, U.S.A.	100.0 (100.0)
85 other companies		
ICT & Financial Business		
ITOCHU Techno-Solutions Corporation	Minato-ku, Tokyo	100.0 (33.3)
A2 Healthcare Corporation	Bunkyo-ku, Tokyo	100.0
ITOCHU Fuji Partners, Inc.	Minato-ku, Tokyo	63.0
POCKET CARD CO., LTD.	Minato-ku, Tokyo	80.0 (80.0)
HOKEN NO MADOGUCHI GROUP INC.	Chiyoda-ku, Tokyo	92.0
ITC VENTURES XI, INC.	Wilmington, Delaware, U.S.A.	100.0
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)
38 other companies		
The 8th		
FamilyMart Co., Ltd.	Minato-ku, Tokyo	94.7 (44.7)
15 other companies		
Headquarters		
ITOCHU Treasury Corporation	Minato-ku, Tokyo	100.0
Orchid Alliance Holdings Limited	BR. Virgin Islands	100.0
17 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 LLC	Dubai, U.A.E.	100.0
ITOCHU (CHINA) HOLDING CO., LTD.	Beijing, China	100.0
ITOCHU TAIWAN CORPORATION	Taipei, Taiwan	100.0
18 other companies		

Notes: 1. The above numbers of subsidiaries do not include investment companies considered part of the parent (199 companies).

2. Figures in parentheses are indirect voting share percentages.

3. ITOCHU Automobile America Inc. became a subsidiary of ITOCHU International Inc. on April 1, 2024.

4. ITOCHU HOUSING CO., LTD. became a subsidiary of ITOCHU Property Development, Ltd. on April 1, 2024.

5. Voting shares percentage of ITOCHU Techno-Solutions Corporation is 99.95%. It is shown 100.0% by rounding less than the first decimal place.

(The loss of control of subsidiaries)

There were no major losses of control of subsidiaries for the fiscal year ended March 31, 2024.

The Company recognized gains, which were included in Gains (losses) on investments in the Consolidated Statement of Comprehensive Income, of ¥68,634 million for the fiscal year ended March 31, 2023 due to the losses of control over subsidiaries after disposals of interests. The main gains were related to a North American beverage-equipment-maintenance company in Machinery segment and CONEXIO Corporation in ICT & Financial Business segment.

(Determination of Control Over Investees)

The Company has acquired common shares of Hitachi Construction Machinery Co., Ltd. through HCJI Holdings Co., Ltd. (hereinafter the "Joint Venture"), an equally held joint venture with HCJ Holdings Ltd., a special purpose company in which a fund that Japan Industrial Partners, Inc. manages, operates, and provides information (hereafter "JIP SPC"). Additionally, JIP SPC is financed by a loan from ITOCHU Treasury Corporation, a subsidiary of the Company. Through this shareholding structure, the Company has determined that it has acquired the control of the Joint Venture as it is in a position to lead the significant activities of the Joint Venture, including the shareholding in Hitachi Construction Machinery Co., Ltd. and mid-to-long term measures to enhance its corporate value.

(Subsidiaries with material non-controlling interests)

There were no subsidiaries with material non-controlling interests as of March 31, 2024 and 2023.

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.

Unconsolidated structured entities are funded mainly in the aim of infrastructure-related businesses, and the Company and its subsidiaries are involved through investments, loans, and others.

Meanwhile, as of March 31, 2024 and 2023, the total assets of the unconsolidated structured entities were ¥1,979,854 million (US \$13,076 million) and ¥1,919,336 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, 2024 and 2023 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
	2024	2023	2024
Investments accounted for by the equity method	¥ 102,616	¥ 88,155	\$678
Non-current receivables	44,905	41,349	296
Total	¥ 147,521	¥ 129,504	\$974

In addition, as of March 31, 2024 and 2023, the maximum exposure to losses in relation to the unconsolidated structured entities were ¥149,250 million (US\$986 million) and ¥134,416 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, 2024 and 2023 were as follows:

	Millions of Yen		
	2024		
	Financial guarantees	Guarantees for performance transactions	Total
Guarantees for associates and joint ventures:			
Maximum potential amount of future payments	¥ 103,496	¥ 18,340	¥ 121,836
Amount of substantial risk	87,519	10,769	98,288
Guarantees for customers:			
Maximum potential amount of future payments	19,136	49,594	68,730
Amount of substantial risk	13,691	8,861	22,552
Total:			
Maximum potential amount of future payments	¥ 122,632	¥ 67,934	¥ 190,566
Amount of substantial risk	101,210	19,630	120,840

	Millions of Yen		
	2023		
	Financial guarantees	Guarantees for performance transactions	Total
Guarantees for associates and joint ventures:			
Maximum potential amount of future payments	¥ 79,565	¥ 3,142	¥ 82,707
Amount of substantial risk	69,691	3,142	72,833
Guarantees for customers:			
Maximum potential amount of future payments	33,010	44,673	77,683
Amount of substantial risk	21,952	8,360	30,312
Total:			
Maximum potential amount of future payments	¥ 112,575	¥ 47,815	¥ 160,390
Amount of substantial risk	91,643	11,502	103,145

	Millions of U.S. Dollars		
	2024		
	Financial guarantees	Guarantees for performance transactions	Total
Guarantees for associates and joint ventures:			
Maximum potential amount of future payments	\$ 684	\$ 121	\$ 805
Amount of substantial risk	578	71	649
Guarantees for customers:			
Maximum potential amount of future payments	126	328	454
Amount of substantial risk	90	59	149
Total:			
Maximum potential amount of future payments	\$ 810	\$ 449	\$ 1,259
Amount of substantial risk	668	130	798

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 ¥50,690 million (US\$335 million) and ¥43,675 million as of March 31, 2024 and 2023, respectively.

Under these guarantees, adequate allowance to cover the expected losses from probable performance is recognized as liabilities. As of March 31, 2024, 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.

JAPÃO BRASIL MINÉRIO DE FERRO PARTICIPAÇÕES LTDA. ("JBMF"), a subsidiary of the Company, currently holds 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 JBMF will be ¥47,761 million (US\$315 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 ¥33,265 million (US\$220 million), including interest and penalties of ¥26,451 million (US\$175 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 10, 2024.

38. Material Subsequent Events

The Company evaluated subsequent events through June 21, 2024, which is the issuance date of the consolidated financial statements.

Material subsequent event was as follows:

(Issuance of Corporate Bonds)

Based on the decision at the meeting of the Board of Directors held on May 17, 2023, the Company issued corporate bonds with an interest rate of 1.088% due 2034 for a total issue amount of ¥22,000 million on April 18, 2024 in Japan.

Independent Auditor's Report



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:

<Audit of Consolidated Financial Statements>

Opinion

We have audited the consolidated financial statements of ITOCHU Corporation and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of March 31, 2024, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the related notes to the consolidated financial statements (all expressed in Japanese yen).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Member of
Deloitte Touche Tohmatsu Limited

The Valuation of FamilyMart's Goodwill (Note 11 "Goodwill and Intangible Assets")	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As described in Note 11 "Goodwill and Intangible Assets" to the consolidated financial statements, ITOCHU Corporation (the "Company") recorded goodwill of ¥383,878 million on its consolidated statement of financial position as of March 31, 2024, which included goodwill of ¥215,284 million related to FamilyMart Co., Ltd. (hereafter, "FamilyMart"), a subsidiary that is in the business of operating convenience stores. The goodwill was recognized as a result of the conversion of FamilyMart into a subsidiary, and was allocated to a cash-generating unit composed of its businesses of FamilyMart. The cash-generating unit also included intangible assets with definite useful lives of ¥383,491 million, which was recognized as a result of the conversion of FamilyMart into a subsidiary.</p> <p>Impairment tests of FamilyMart's goodwill are conducted based on the cash-generating unit at least once a year, or whenever there are changes in situations or events that indicate the possibility of impairment.</p> <p>For the current fiscal year's goodwill impairment test, the recoverable amount of the cash-generating unit was based on the value in use, which was measured by discounting the estimated amount of future cash flows based on a business plan reflecting the most recent business environment. The Company determined that the value in use exceeded the carrying amount of the cash-generating unit, and therefore did not recognize an impairment loss.</p> <p>In the measurement of the value in use of the cash-generating unit, significant accounting estimates used are future cash flows, such as income projections from franchised stores and the calculation of a discount rate.</p> <p>Significant assumptions used in estimating future cash flows include maintaining the number of stores and increasing trading income through raising daily sales. These assumptions reflect forecasts that are based on past results and industry trends. For the impairment test conducted in the fiscal year ended March 31, 2024, the Company expects to maintain the number of stores from the fiscal year ending March 31, 2025 through the fiscal year ending March 31, 2027. Also, the Company expects a moderate increase in daily sales due to the enhancement of product appeal and strengthening of sales promotion. Therefore, estimating future cash flows requires accounting estimates that involves a high degree of uncertainty and subjectivity. In addition, the discount rate is likely to be affected by external environments, such as economic conditions and interest rate fluctuations and has a large impact on the value in use when it changes.</p> <p>For the above reasons, measurement of the estimated value in use when conducting an impairment test of the cash-generating unit pertaining to FamilyMart's goodwill was of significance in our audit of the consolidated financial statements for the current fiscal year. Therefore, we identified the valuation of FamilyMart's goodwill was a key audit matter.</p>	<p>Regarding the valuation of FamilyMart's goodwill, our audit procedures to address this key audit matter included the following, among others:</p> <ol style="list-style-type: none"> 1. Evaluation of the effectiveness of internal controls <ul style="list-style-type: none"> • We tested the design, implementation and operating effectiveness of controls that assess and approve the measurement of the recoverable amount in relation to the cash-generating unit composed of its businesses of FamilyMart and on the reasonableness of significant assumptions involved, including the number of stores in the future, future daily sales and the discount rate. 2. Evaluation of the reasonableness of the estimate of the value in use <ul style="list-style-type: none"> • We compared the outcomes of previous accounting estimates and their subsequent re-estimation for the significant assumptions used in the previous fiscal year, conducted the sensitivity analysis to assess the effect of changes in the significant assumptions, and assessed the degree of estimation uncertainty. • We inquired of management and conducted a comparison with actual results in previous fiscal years to evaluate the rationality of the significant assumptions. Furthermore, we assessed the consistency with their business strategies by inspecting the business plan, compared external data available on the Japanese economic environment and market growth including the convenience store industry and business plans of other companies in the same industry. • With the assistance of our valuation specialists, we evaluated whether the selection and application of the method, assumptions and data for measuring the value in use, including the discount rate, were reasonable. • We independently developed a reasonable range of the value in use by changing the significant assumptions and assessed whether the value in use determined by the Company was within the range.

The Valuation of CITIC Limited Investment (Note 13 "Associates and Joint Ventures")	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As described in Note 13 "Associates and Joint Ventures" to the consolidated financial statements, Chia Tai Bright Investment Company Limited (hereafter, "CTB"), a company in which the Company has 50% ownership and applies equity method, owns 20% of ordinary shares in CITIC Limited and applies the equity method to CITIC Limited. The summarized financial information of CITIC Limited is as described in Note 13(5) Others.</p> <p>CITIC Limited is a Chinese conglomerate with a wide range of businesses covering financial services, resources and energy, manufacturing, engineering contracting, real estate and other businesses in China and other countries.</p> <p>If the Company determined that there is an indication of impairment of the investment in CITIC Limited held by CTB, the recoverable amount of the investment is measured. If the recoverable amount is below the carrying amount, an impairment loss is recognized in profit or loss. The Company recognizes an amount corresponding to the share of the impairment loss recognized by CTB in "Equity in earnings of associates and joint ventures".</p> <p>In the current fiscal year, the decline of CITIC Limited's stock price was determined to be an indication of impairment and the recoverable amount of the investment was measured based on the estimated future cash flows of CITIC Limited. The Company did not recognize an impairment loss because the recoverable amount exceeded the carrying amount.</p> <p>As CITIC Limited has a large number of operating companies under its umbrella, such as listed companies and companies that operate businesses in various industries, significant complexity and judgment are involved in determining the recoverable amount of the investment. The Company uses appropriate valuation methods for each operating company under CITIC Limited for its impairment test.</p> <p>Significant accounting estimates, such as future cash flows, are used in measurement of the recoverable amount.</p> <p>Future cash flows are measured by reflecting the future profitability based on the growth outlook of the Chinese economy and regulations on the Chinese financial businesses. Therefore, estimating future cash flows requires accounting estimates that involves a high degree of uncertainty and subjectivity.</p> <p>For the above reasons, measurement of the estimated recoverable amount when conducting an impairment test of CITIC Limited investment was of significance in our audit of the consolidated financial statements for the current fiscal year. Therefore, we identified the valuation of CITIC Limited investment was a key audit matter.</p>	<p>Regarding the valuation of CITIC Limited investment, our audit procedures to address this key audit matter included the following, among others:</p> <ol style="list-style-type: none"> 1. Evaluation of the effectiveness of internal controls <ul style="list-style-type: none"> • We tested the design, implementation and operating effectiveness of controls that assess and approve the measurement of the recoverable amount in relation to CITIC Limited investment and on the reasonableness of the significant assumptions involved, including the future profitability of CITIC Limited and the impact of relevant regulations. 2. Evaluation of the reasonableness of the estimate of the recoverable amount <ul style="list-style-type: none"> • We compared the outcomes of previous accounting estimates and their subsequent re-estimation for the significant assumptions used in the previous fiscal year, conducted the sensitivity analysis to assess the effect of changes in the significant assumptions, and assessed the degree of estimation uncertainty. • We inquired of management to evaluate the rationality of the significant assumptions, conducted a comparison with actual results in previous fiscal years and compared external data available on the market environment and market growth. • For the future profitability, we assessed the consistency with their business strategies by inspecting the business plan. • For the impact of relevant regulations, we discussed with our specialists in the Chinese financial industry and verified the rationality of the assessment conducted by management's experts in the Chinese financial industry. • With the assistance of our valuation specialists, we evaluated whether the selection and application of the method, assumptions and data for measuring the recoverable amount, including the discount rate, were reasonable based on the characteristics of the CITIC Limited Group. • We independently developed a reasonable range of the recoverable amount by changing the significant assumptions and assessed whether the recoverable amount determined by the Company was within the range.

Other Information

The other information comprises the information included in the Financial Information Report, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS Accounting Standards and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with IFRS Accounting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2024, which were charged by us and our network firms to ITOCHU Corporation and its subsidiaries were ¥4,916 million and ¥817 million, respectively.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Report on Management's Report on Internal Control over Financial Reporting

Notwithstanding the second bullet point in the second paragraph of the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" 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 Financial Information Report as information for readers.

Deloitte Touche Tohmatsu LLC
June 21, 2024

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, 2024 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, 2024, we concluded that its internal control system over financial reporting as of March 31, 2024 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]

Keita Ishii, 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, 2024, 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, 2024. The Company and 87 consolidated subsidiaries and associated companies (the "87 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 87 entities, we reasonably determined the required scope of assessment of internal controls over business processes.

(Note) The 87 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 87 entities, however we included major special purpose entities into the scope of assessment. Regarding entities other than the 87 entities and the major special purpose entities, we concluded that they do not have any material impact on the consolidated financial statements and, thus, we did not include them in the scope of assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, we selected locations and business units to be tested based upon revenue and gross trading profit (before elimination of inter-company transactions). In addition, we also added locations and business units by considering qualitative aspects such as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management's judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting. We selected the Company and 37 entities as "significant locations and/or business units". We verified that combined revenue and gross trading profit of entities in scope exceeded two thirds of totals for the year ended March 31, 2024. 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, 2024

To the Board of Directors of
ITOCHU Corporation:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant: Masayuki Nakagawa
Designated Engagement Partner,
Certified Public Accountant: Hiroyuki Yamada
Designated Engagement Partner,
Certified Public Accountant: Susumu Nakamura
Designated Engagement Partner,
Certified Public Accountant: Daisuke Yabuuchi

<Audit of Consolidated Financial Statements>

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of ITOCHU Corporation and its consolidated subsidiaries (the "Group") included in the Financial Section, namely, the consolidated statement of financial position as of March 31, 2024, 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, 2023 to March 31, 2024, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Valuation of FamilyMart's Goodwill (Note 11 "Goodwill and Intangible Assets")	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As described in Note 11 "Goodwill and Intangible Assets" to the consolidated financial statements, ITOCHU Corporation (the "Company") recorded goodwill of ¥383,878 million on its consolidated statement of financial position as of March 31, 2024, which included goodwill of ¥215,284 million related to FamilyMart Co., Ltd. (hereafter, "FamilyMart"), a subsidiary that is in the business of operating convenience stores. The goodwill was recognized as a result of the conversion of FamilyMart into a subsidiary, and was allocated to a cash-generating unit composed of its businesses of FamilyMart. The cash-generating unit also included intangible assets with definite useful lives of ¥383,491 million, which was recognized as a result of the conversion of FamilyMart into a subsidiary.</p> <p>Impairment tests of FamilyMart's goodwill are conducted based on the cash-generating unit at least once a year, or whenever there are changes in situations or events that indicate the possibility of impairment.</p> <p>For the current fiscal year's goodwill impairment test, the recoverable amount of the cash-generating unit was based on the value in use, which was measured by discounting the estimated amount of future cash flows based on a business plan reflecting the most recent business environment. The Company determined that the value in use exceeded the carrying amount of the cash-generating unit, and therefore did not recognize an impairment loss.</p> <p>In the measurement of the value in use of the cash-generating unit, significant accounting estimates used are future cash flows, such as income projections from franchised stores and the calculation of a discount rate.</p> <p>Significant assumptions used in estimating future cash flows include maintaining the number of stores and increasing trading income through raising daily sales. These assumptions reflect forecasts that are based on past results and industry trends. For the impairment test conducted in the fiscal year ended March 31, 2024, the Company expects to maintain the number of stores from the fiscal year ending March 31, 2025 through the fiscal year ending March 31, 2027. Also, the Company expects a moderate increase in daily sales due to the enhancement of product appeal and strengthening of sales promotion. Therefore, estimating future cash flows requires accounting estimates that involves a high degree of uncertainty and subjectivity. In addition, the discount rate is likely to be affected by external environments, such as economic conditions and interest rate fluctuations and has a large impact on the value in use when it changes.</p> <p>For the above reasons, measurement of the estimated value in use when conducting an impairment test of the cash-generating unit pertaining to FamilyMart's goodwill was of significance in our audit of the consolidated financial statements for the current fiscal year. Therefore, we identified the valuation of FamilyMart's goodwill was a key audit matter.</p>	<p>Regarding the valuation of FamilyMart's goodwill, our audit procedures to address this key audit matter included the following, among others:</p> <ol style="list-style-type: none"> 1. Evaluation of the effectiveness of internal controls <ul style="list-style-type: none"> • We tested the design, implementation and operating effectiveness of controls that assess and approve the measurement of the recoverable amount in relation to the cash-generating unit composed of its businesses of FamilyMart and on the reasonableness of significant assumptions involved, including the number of stores in the future, future daily sales and the discount rate. 2. Evaluation of the reasonableness of the estimate of the value in use <ul style="list-style-type: none"> • We compared the outcomes of previous accounting estimates and their subsequent re-estimation for the significant assumptions used in the previous fiscal year, conducted the sensitivity analysis to assess the effect of changes in the significant assumptions, and assessed the degree of estimation uncertainty. • We inquired of management and conducted a comparison with actual results in previous fiscal years to evaluate the rationality of the significant assumptions. Furthermore, we assessed the consistency with their business strategies by inspecting the business plan, compared external data available on the Japanese economic environment and market growth including the convenience store industry and business plans of other companies in the same industry. • With the assistance of our valuation specialists, we evaluated whether the selection and application of the method, assumptions and data for measuring the value in use, including the discount rate, were reasonable. • We independently developed a reasonable range of the value in use by changing the significant assumptions and assessed whether the value in use determined by the Company was within the range.

The Valuation of CITIC Limited Investment (Note 13 "Associates and Joint Ventures")	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As described in Note 13 "Associates and Joint Ventures" to the consolidated financial statements, Chia Tai Bright Investment Company Limited (hereafter, "CTB"), a company in which the Company has 50% ownership and applies equity method, owns 20% of ordinary shares in CITIC Limited and applies the equity method to CITIC Limited. The summarized financial information of CITIC Limited is as described in Note 13(5) Others.</p> <p>CITIC Limited is a Chinese conglomerate with a wide range of businesses covering financial services, resources and energy, manufacturing, engineering contracting, real estate and other businesses in China and other countries.</p> <p>If the Company determined that there is an indication of impairment of the investment in CITIC Limited held by CTB, the recoverable amount of the investment is measured. If the recoverable amount is below the carrying amount, an impairment loss is recognized in profit or loss. The Company recognizes an amount corresponding to the share of the impairment loss recognized by CTB in "Equity in earnings of associates and joint ventures".</p> <p>In the current fiscal year, the decline of CITIC Limited's stock price was determined to be an indication of impairment and the recoverable amount of the investment was measured based on the estimated future cash flows of CITIC Limited. The Company did not recognize an impairment loss because the recoverable amount exceeded the carrying amount.</p> <p>As CITIC Limited has a large number of operating companies under its umbrella, such as listed companies and companies that operate businesses in various industries, significant complexity and judgment are involved in determining the recoverable amount of the investment. The Company uses appropriate valuation methods for each operating company under CITIC Limited for its impairment test.</p> <p>Significant accounting estimates, such as future cash flows, are used in measurement of the recoverable amount.</p> <p>Future cash flows are measured by reflecting the future profitability based on the growth outlook of the Chinese economy and the impact of relevant regulations on the Chinese financial businesses. Therefore, estimating future cash flows requires accounting estimates that involves a high degree of uncertainty and subjectivity.</p> <p>For the above reasons, measurement of the estimated recoverable amount when conducting an impairment test of CITIC Limited investment was of significance in our audit of the consolidated financial statements for the current fiscal year. Therefore, we identified the valuation of CITIC Limited investment was a key audit matter.</p>	<p>Regarding the valuation of CITIC Limited investment, our audit procedures to address this key audit matter included the following, among others:</p> <ol style="list-style-type: none"> 1. Evaluation of the effectiveness of internal controls <ul style="list-style-type: none"> • We tested the design, implementation and operating effectiveness of controls that assess and approve the measurement of the recoverable amount in relation to CITIC Limited investment and on the reasonableness of the significant assumptions involved, including the future profitability of CITIC Limited and the impact of relevant regulations. 2. Evaluation of the reasonableness of the estimate of the recoverable amount <ul style="list-style-type: none"> • We compared the outcomes of previous accounting estimates and their subsequent re-estimation for the significant assumptions used in the previous fiscal year, conducted the sensitivity analysis to assess the effect of changes in the significant assumptions, and assessed the degree of estimation uncertainty. • We inquired of management to evaluate the rationality of the significant assumptions, conducted a comparison with actual results in previous fiscal years and compared external data available on the market environment and market growth. • For the future profitability, we assessed the consistency with their business strategies by inspecting the business plan. • For the impact of relevant regulations, we discussed with our specialists in the Chinese financial industry and verified the rationality of the assessment conducted by management's experts in the Chinese financial industry. • With the assistance of our valuation specialists, we evaluated whether the selection and application of the method, assumptions and data for measuring the recoverable amount, including the discount rate, were reasonable based on the characteristics of the CITIC Limited Group. • We independently developed a reasonable range of the recoverable amount by changing the significant assumptions and assessed whether the recoverable amount determined by the Company was within the range.

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS Accounting Standards.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with IFRS Accounting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Audit of Internal Control

Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of ITOCHU Corporation as of March 31, 2024.

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, 2024, 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.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Internal Control Audit section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for 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. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit

Our objectives are to obtain reasonable assurance about whether management's report on internal control over financial reporting is free from material misstatement and to issue an auditor's report that includes our opinion.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence regarding 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.
- Examine 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.
- Obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting. We are responsible for the direction, supervision and performance of the internal control audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the internal control audit, result of the internal control audit, including any identified material weakness which should be disclosed and the result of remediation.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

<Fee-Related Information>

Fees for audit and other services, which were charged by us and our network firms to the Company and its subsidiaries, are disclosed in (3) "Status of Audit" of Corporate Governance Information included in Corporate Information of the Annual Securities Report.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.

ITOCHU Corporation

5-1, Kita-Aoyama 2-chome,
Minato-ku, Tokyo 107-8077, Japan

☎ +81 (3) 3497-2121

🌐 <https://www.itochu.co.jp/en/>

