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This document is provided on ITOCHU Corporation's website (https://www.itochu.co.jp/en/ir/shareholder/general_meeting/), pursuant to the provisions of laws and regulations and Article 16 of ITOCHU Corporation's Articles of Incorporation.

The Japanese original version of this document (excluding financial statements for reference) is in the scope of the audit by the Corporate Auditors and Independent Auditor in preparing the Audit Reports.

ITOCHU Corporation

[Notes to Consolidated Financial Statements]

[Basis of Presenting Consolidated Financial Statements]

1. Basis of Consolidated Financial Statements

The Consolidated Financial Statements of ITOCHU Corporation (the "Company") have been prepared in conformity with International Financial Reporting Standards (IFRS) pursuant to the provision of paragraph 1, Article 120 of the Ordinance on Company Accounting. Some of the descriptions and notes required under IFRS have been omitted based on the provision of the latter part of the said paragraph of the Ordinance.

2. Scope of Consolidation and Application of Equity Method

(1) Number of consolidated subsidiaries and names of principal consolidated subsidiaries

Number of Consolidated Subsidiaries: 203 (*1)

Names of Principal Consolidated Subsidiaries:

	Name	
	Domestic	Overseas
Subsidiaries	Dole International Holdings, Inc. ITOCHU Techno-Solutions Corporation ITOCHU ENEX CO., LTD. FamilyMart UNY Holdings Co., Ltd. (*2) C.I. TAKIRON Corporation POCKET CARD CO., LTD. (*3) ITOCHU PROPERTY DEVELOPMENT, LTD. YANASE & CO., LTD ITOCHU-SHOKUHIN Co., Ltd. ITOCHU LOGISTICS CORP. CONEXIO Corporation NIPPON ACCESS, INC. ITOCHU CONSTRUCTION MACHINERY CO., LTD.	ITOCHU International Inc. ITOCHU Europe PLC ITOCHU Hong Kong Ltd. ITOCHU (CHINA) HOLDING CO., LTD. ITOCHU Minerals & Energy of Australia Pty Ltd ITOCHU Coal Americas Inc. European Tyre Enterprise Limited ITOCHU FIBRE LIMITED Orchid Alliance Holdings Limited

(2) Number of equity-method associated companies and names of principal associated companies

Number of Equity-Method Associated Companies: 88 (*1)

Names of Principal Associated Companies:

	Name	
	Domestic	Overseas
Equity-Method Associated Companies	Orient Corporation Marubeni-Itochu Steel Inc. FUJI OIL HOLDINGS INC. (*3) DESCENTE LTD. (*3)	C.P. Pokphand Co. Ltd.

The Company, through a subsidiary, holds a 20.0% interest in Drummond International, LLC (“DIL”), which conducts mining operations and related infrastructure that are currently being operated in Colombia. The subsidiary does not have approval authority over significant matters for resolution regarding DIL, such as for budgets and capital expenditures, and cannot exercise significant influence over the operations and financial policies of DIL. Accordingly, the equity method is not applied to the Company’s investment in DIL.

(*1) Investment companies which are considered as part of the parent company (165 companies) and companies other than those which are directly invested by the Company and its overseas trading subsidiaries (483 companies) are not included in the number of companies.
(*2) FamilyMart UNY Holdings Co., Ltd., which was an equity-method associated company of the Company, became a consolidated subsidiary of the Company by way of a tender offer.
(*3) POCKET CARD CO., LTD. is added as principal consolidated subsidiaries, and FUJI OIL HOLDINGS INC. and DESCENTE LTD. are added as principal associated companies from this fiscal year.

(3) Major changes in the scope of consolidation and application of equity method
New
Subsidiaries: RICARDO PÉREZ, S.A.
Exclusion
Subsidiaries: CIECO Exploration and Production (UK) Limited
Equity-Method Associated Companies: Komatsu Africa Holdings (Pty) Ltd.,
TODA KOGYO CORP., Excite Japan Co., Ltd.

3. Significant Accounting Policies
Significant Accounting Policies are described in the “Significant Accounting Policies” notes.

4. The Application of IFRS 9 "Financial Instruments (revised July 2014)"
The Company and its subsidiaries previously applied IFRS 9 “Financial Instruments (revised November 2013)”. From the fiscal year ended March 31, 2019, the Company and its subsidiaries have applied IFRS 9 “Financial Instruments (revised July 2014)”.The standard revised the provisions related to classification and measurement of financial assets and to impairment of financial assets.
The Company and its subsidiaries recognized the cumulative effects of initially applying the standard as an adjustment to the opening balance of retained earnings of the fiscal year ended March 31, 2019 in accordance with the transitional method provided by the standard. As a result of applying the standard, at the beginning of the fiscal year ended March 31, 2019, the opening balance of Retained earnings decreased by ¥13,767 million.

5. The Application of IFRS 15 "Revenue from Contracts with Customers"
The Company and its subsidiaries have applied IFRS 15 “Revenue from Contracts with Customers”, from the fiscal year ended March 31, 2019. The standard is based on the principle that revenue should be recognized at the time when control of goods or services is transferred to a customer.
The Company and its subsidiaries recognized the cumulative effects of initially applying the standard as an adjustment to the opening balance of retained earnings of the fiscal year ended March 31, 2019 in accordance with the transitional method provided by the standard. The application of the standard resulted in a decrease in the opening balance of Retained earnings of the fiscal year ended March 31, 2019, the amount of which is immaterial.
In addition, the transactions wherein the Company and its subsidiaries obtain control of goods or services before transferring goods or services to a customer are now presented on a gross basis, even if the Company and its subsidiaries are exposed to limited risks related to transferring goods or services in the transaction. As a result of applying the standard, Revenues and Cost increased by ¥5,090,724 million respectively, for the fiscal year ended March 31, 2019.

[Notes to Consolidated Statement of Financial Position]

1. Pledged Assets as Collateral and Secured Obligations

(1) Pledged assets as collateral	(Millions of Yen)
Trade receivables and others	9,453
Inventories	58,720
Investments and non-current receivables	124,617
Property, plant and equipment	16,712
Total	209,502

(2) Secured obligations	
Short-term borrowings	2,339
Trade payables and others	46,201
Long-term borrowings	16,043
Total	64,583

2. Allowance for doubtful accounts directly deducted from assets

Allowance for doubtful receivables directly deducted from current assets, including trade receivables	¥18,690 million
Allowance for doubtful receivables directly deducted from non-current assets, including non-current receivables	¥24,187 million

3. Accumulated depreciation and accumulated impairment losses for property, plant and equipment ¥749,982 million

4. Accumulated depreciation and accumulated impairment losses for investment property ¥19,386 million

5. Fair value of investment property ¥35,456 million

6. Guarantees of Contracts and Others

The maximum potential amount of future payments and the amount of substantial risk of the guarantees for associates, joint ventures and customers of the Company and its subsidiaries at March 31, 2019 were as follows:

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.

(Millions of Yen)

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

Brazil Japan Iron Ore Corporation, 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 Brazil Japan Iron Ore Corporation will be ¥34,538 million in the event that the amortization of goodwill for tax purposes is not deductible. The Company’s proportionate interest related to the tax assessment is ¥23,311 million, including interest and penalties of ¥16,497 million. CM, which took over the tax litigation, recorded no liabilities related to this assessment.

7. Impairment of assets

If the recoverable amount of cash-generating units is less than the related carrying amount as a result of impairment tests for assets of the Company and its subsidiaries, the carrying amount is reduced to the recoverable amount, and impairment losses are recognized in profit or loss.

The major impairment losses of the fiscal year ended March 31, 2019 were as follows:

Chia Tai Bright Investment Company Limited (hereinafter referred to as “CTB”), a company in which the Company and Charoen Pokphand Group Company Limited each invested 50%, owns 20% of CITIC Limited ordinary shares. Accordingly, CTB applied the equity-method to account for the investment in CITIC Limited.

The Company conducts assessment of equity-method investments on a quarterly basis in order to determine whether an indicator of impairment exists, and various factors such as expected future profitability, stock price, economic environment, and industry trends are considered at the assessment.
In light of the current status of the trade conflicts between the U.S. and China, the Company considered the uncertainty of the economic outlook of China, where CITIC Limited conducts its primary business activities, was increasing. Also, the Company judged the stock price of CITIC limited, which is listed on the Hong Kong Stock Exchange, was unlikely to recover to its carrying amount of the investment accounted for by the equity-method of CITIC Limited held by CTB in the short term. Given the above factors, the recoverable amount calculated based on the expected future cash flows was less than the carrying amount of the investment accounted for by the equity-method, the Company recognized an impairment loss of ¥145,677 million in the second quarter of the fiscal year ended March 31, 2019. (The impact on Net Profit attributable to ITOCHU was ¥143,346 million (loss).)

[Notes to Consolidated Statement of Changes in Equity]

1. The total number of issued shares was 1,584,889,504 shares of common stock as of March 31, 2019.

2. Cash dividends on common stock

Dividends paid were as follows:

Resolution	Type of shares	Total cash dividends	Source	Dividends per share	Dividends record date	Dividends effective date
Ordinary general meeting of shareholders held on June 22, 2018	Common stock	¥58,995 million	Retained earnings	¥38	March 31, 2018	June 25, 2018
Board of Directors meeting held on November 2, 2018	Common stock	¥57,442 million	Retained earnings	¥37	September 30, 2018	December 3, 2018

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

Resolution	Type of shares	Total cash dividends	Source	Dividends per share	Dividends record date	Dividends effective date
Ordinary general meeting of shareholders to be held on June 21, 2019	Common stock	¥70,099 million	Retained earnings	¥46	March 31, 2019	June 24, 2019

[Financial Instruments]

1. Status of financial instruments

The Company and its subsidiaries hold financial instruments such as trade receivables and payables, loans and guarantees, corporate bonds and borrowings, investments, and derivatives.

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.

(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.

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

(3) Commodity price risk management

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

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

(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 Value at Risk (VaR) method, periodically track and monitor the amount of influence on consolidated shareholders' equity.

(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 guaranties as needed. At the same time, the Company and its subsidiaries establish an allowance for doubtful accounts by estimating 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 businesses across a wide range of regions, are not exposed to credit risk that is significantly concentrated on any individual counterparty.

(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 fundraising 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 fundraising.

2. Fair values of financial instruments

The carrying amounts and fair values of financial instruments as of March 31, 2019 are as follows:

(Millions of Yen)

	Carrying amount	Fair value
Financial assets:		
FVTPL financial assets……..	¥ 56,081	¥ 56,081
FVTOCI financial assets……	788,339	788,339
Derivative assets……	25,677	25,677
Non-current receivables and Non-current financial assets other than investments and receivables (excluding derivative assets)……	363,695	367,335
Financial liabilities:		
Derivative liabilities……..	19,938	19,938
Long-term debentures and borrowings and Other non-current financial liabilities (excluding derivative liabilities)……	2,546,002	2,543,695

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 financial instruments classified as FVTPL financial assets and FVTOCI financial assets are as follows:

Of the financial instruments classified as FVTPL and FVTOCI financial assets, securities that are listed on exchanges are measured using quoted market prices. 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.

On the Consolidated Statement of Financial Position, financial instruments classified as FVTPL financial assets and FVTOCI financial assets are included in Other current financial assets and Other investments.

The valuation techniques for fair values of derivative assets and derivative liabilities are as follows:

Of the derivative assets and derivative liabilities, the derivative instruments that are traded in an active market are valued at quoted market prices. The other derivative instruments are measured using commonly used fair value pricing models, such as the Black-Scholes model, based upon observable inputs only.

On the Consolidated Statement of Financial Position, derivative assets are included in Other current financial assets and Non-current financial assets other than investments and receivables, and derivative liabilities are included in Other current financial liabilities and Other non-current financial liabilities.

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

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

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

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

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 are approximately the same as their carrying amounts.

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

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

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

As of March 31, 2019, the balances of the investment and the shareholder loan to CTB accompanying the acquisition of CITIC Limited shares amounted to US$514 million (¥57,014 million) and US$4,657 million (¥516,861 million) respectively. The balance of the shareholder loan is presented under "Non-current receivables" on the Consolidated Statement of Financial Position.

The closing price of CITIC Limited shares on the Hong Kong Stock Exchange on March 31, 2019 was HK$11.72 per share, and the value obtained by multiplying the number of CITIC Limited shares that CTB owns by the said share price is HK$68,188 million (¥964,172 million). In addition, the amount obtained by multiplying this value by 50%, which is the Company's ownership interest in CTB, is HK$34,094 million (¥482,086 million).

[Per Share Information]

Shareholders' equity per share	¥1,930.47
Basic earnings per share attributable to ITOCHU	¥324.07
Diluted earnings per share attributable to ITOCHU	¥324.07

Note: The Company's shares held in the trust account for the benefit share ESOP and the BIP trust account for officer remuneration are treated as treasury stock on the Consolidated Statement of Financial Position and included in the treasury stock that is subtracted in the calculation of the Per Share Information stated above.

[Significant Accounting Policies]

1. Basis of Consolidation

(1) Business combinations

The Company and its subsidiaries apply the acquisition method in accordance with IFRS 3 “Business Combinations”. That is, one of the parties to the business combination, as the acquirer, recognizes the acquisition-date fair value of the identifiable assets acquired from the acquiree and the liabilities assumed from the acquiree. (However, assets and liabilities that need to be measured at other than fair value in accordance with IFRS 3, such as deferred tax assets, deferred tax liabilities, and assets / liabilities related to employee benefit arrangements, are recognized at the amount stipulated in IFRS 3). Any previously held equity interest is remeasured at acquisiton-date fair value and non-controlling interest is remeasured at acquisition-date fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Goodwill is then recognized as of the acquisition date, measured as the excess of the aggregate of the consideration transferred, any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer’s previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. In addition, for business combinations resulting in a bargain purchase, that is, for transactions where the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with IFRS 3, exceeds the aggregate of the consideration transferred, the acquisition-date fair value of the acquirer’s previously held equity interest in the acquiree, and any non-controlling interest in the acquiree, the excess amount is recognized as profit in the Consolidated Statement of Comprehensive Income.

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

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

(2) Subsidiaries

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

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

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

reporting period end of the Company, adjustments are made to reflect significant transactions or events that occur during the period between the subsidiaries' reporting period-end and the Company's reporting period-end.

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

(3) Loss of control

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

(4) Business combinations under common control

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

(5) Associates and joint ventures

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

A joint arrangement is a contractual arrangement in which multiple venturers undertake economic activities under joint control, and all significant operating and financial decisions require unanimous consent of parties sharing control.

A joint venture is a specific type of joint arrangement under which operations are independent from each of the investing companies and the investing companies have rights only to the net assets of the arrangement.

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

The Consolidated Financial Statements include investments in associates and joint ventures with reporting period ends that differ from that of the Company because it is impracticable to unify the reporting period ends. The reasons why it is impracticable include the existence of a shareholder that has control over the associates or undertakes economic activities under the joint arrangement but has a reporting period that differs from the Company's reporting period, and the impossibility of doing so under the legal codes of regions in which the associates and joint ventures are located. However, the difference between the end of

the reporting period of these associates and joint ventures and the end of the reporting period of the Company does not exceed three months. Adjustments are made to reflect significant transactions or events that result from the difference in the reporting period ends.

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

(6) Joint operations

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

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

(7) Transactions eliminated on consolidation

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

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

2. Foreign Currency Translation

(1) Foreign currency transactions

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

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

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

(2) Translation of foreign currency denominated financial statements of foreign subsidiaries and foreign associates and joint ventures

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

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

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

(3) Hedges of a net investment in foreign operations

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

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

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

3. Financial Instruments

(1) Financial assets other than derivatives

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

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

- Those assets are held under a business model whose objective is to collect contractual cash flows; and
- The contractual cash flows associated with those assets comprise only payments of principal and interest on the outstanding principal balance, and the dates of those cash flows are specified.

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

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

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

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

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

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

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

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

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(2) Cash equivalents

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

(3) Financial liabilities other than derivatives

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

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

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

(4) Derivative instruments and hedging activities

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

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

- A hedge of the variability of future cash flows arising in relation to a forecasted transaction or a recognized asset or liability, that is expected to be highly effective and for which the hedging relationship, risk management objective, and hedge implementation strategy are documented at the inception of the hedge, is designated as a cash flow hedge. For those designated as cash flow hedges, changes in the fair value of the derivative are recognized in other comprehensive income as Cash flow hedges. This treatment is continued until the variability in future cash flows arising in relation to the forecasted transactions or the recognized assets or liabilities are realized. The ineffective portion of the hedge is recognized in profit or loss.
- Changes in the fair value of hedging instruments for a net investment in foreign operations are handled as described in "(3) Hedges of a net investment in foreign operations" of "2. Foreign Currency Translation".
- Changes in the fair value of derivatives other than those above are recognized in profit or loss.

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

Hedge accounting is discontinued for ineffective hedges, if any.

(5) Presentation of financial assets and liabilities

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

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

4. Inventories

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

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

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

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

5. Property, Plant and Equipment

(1) Recognition and measurement

The cost model is applied, and property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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

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

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

(2) Depreciation

Except for items that are not subject to depreciation, such as land, property, plant and equipment are mainly depreciated using the straight-line method or the unit-of-production method over their estimated useful lives (buildings and structures: 2-60 years, machinery and vehicles: 2-33 years, fixtures, fittings and office equipment: 2-20 years) from the time when they become available for use.

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

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

6. Investment Property

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

A cost model is applied, and investment property is measured at cost less accumulated depreciation and accumulated impairment losses. Except for items that are not subject to depreciation, such as land, investment property is depreciated mainly using the straight-line method over its estimated useful life (2-50 years) from the time when it becomes available for use.

7. Goodwill and Intangible Assets

(1) Goodwill

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

(2) Intangible assets

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

Except for intangible assets for which useful lives cannot be determined, intangible assets are mainly depreciated using the straight-line method over their estimated useful lives (trademarks and other intangible assets: 5-42 years, and software: 3-5 years) from the time when they become available for use. The amortization expenses allocated to each accounting period are recognized in profit or loss.

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

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

8. Leases

(1) Leases as lessee

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

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

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

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

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

(2) Leases as lessor

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

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

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

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

9. Impairment

(1) Financial assets measured at amortized cost and debt FVTOCI financial assets

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

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

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

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

(2) Property, plant and equipment, investment property, goodwill, intangible assets, and investment in associates and joint ventures

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

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

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

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

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

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

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

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

10. Employee Benefits

(1) Post-employment defined benefit plans

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

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

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

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

(2) Post-employment defined contribution plans

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

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

(3) Multi-employer plans

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

(4) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis, and recognized in profit or loss as benefits expected to be paid as compensation for service that employees render during the accounting period. Estimated bonus payments are recognized in liabilities, if the Company or its subsidiaries have legal or constructive obligations for which they should make payments, and if the obligations can be estimated reliably.

11. Provisions

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

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

(1) Provisions for asset retirement obligations

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

(2) Restructuring provisions

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

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

(3) Provisions for losses on lawsuits

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

(4) Provisions for losses on guarantees

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

(5) Levies

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

12. Equity

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

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

13. Revenues

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

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

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

(1) Product sales transactions

Revenues from product sales transactions include wholesale, retail sales, manufactured product sales, and processed product sales. For these transactions, performance obligations are satisfied and revenue is recognized at the time the delivery conditions agreed to with customers are met, such as delivery of products to customers, issuance of warehouse receipt, and receipt of acceptance certificate. In work contract transactions and production of software to order, since performance obligations are satisfied according to the progress of the contract work or production to order, revenue is recognized in accordance with the progress of satisfaction of the performance obligations. In addition, revenues are recognized based on the accumulated actual cost incurred at the end of the period as a percentage of estimated total costs if the total costs required until completion can be estimated reliably, while if the total costs required until completion cannot be estimated reliably, revenues equivalent to the portion of costs incurred that are judged to be recoverable are recognized.

(2) Rendering of services and royalty transactions

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

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

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

14. Finance Income and Costs

Finance income comprises interest income and dividend income. Interest income is recognized when it arises according to the effective interest method. Dividend income is recognized when the right of the Company and its subsidiaries to receive payment is established. Finance costs comprise interest expense. Interest expense is recognized when it is incurred according to the effective interest method.

15. Income Taxes

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

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

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

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

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

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

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

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

16. Earnings per Share

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

17. Mining Operations

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

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

18. Agriculture

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

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

For bearer plants which are classified as property, plant and equipment, the cost model is applied, and bearer plants are measured at cost less accumulated depreciation and accumulated impairment losses.

19. Use of Estimates and Judgments

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

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

Assumptions and estimates that have a risk of resulting in material adjustments in the future accounting periods are mainly as follows:

- Measurement of the fair value of unlisted equity instruments

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

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

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

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

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

impairment losses of property, plant and equipment, investment property, goodwill, intangible assets, and investments in associates and joint ventures in the future accounting periods.

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

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

- Measurement of provisions

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

- Estimates of income taxes

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

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

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

- Scope of subsidiaries or associates and joint ventures
- Classification of financial assets measured at amortized cost, FVTOCI financial assets, and FVTPL financial assets in financial assets other than derivatives
- Judgment about whether, in light of their economic nature, transactions are lease transactions
- Judgment about whether credit risks on financial assets measured at amortized cost and debt FVTOCI financial assets have increased significantly.
- Identification of cash-generating units in conducting impairment tests for property, plant and equipment, investment property, goodwill, intangible assets, and investments in associates and joint ventures
- Evaluation of whether there are indications of impairment of property, plant and equipment, investment property, goodwill, intangible assets, and investments in associates and joint ventures

- Evaluation of whether there are indications of reversals of impairment of property, plant and equipment, investment property, intangible assets, and investments in associates and joint ventures
- Recognition of provisions
- Judgment about the timing of revenue recognition and whether to present revenue as gross basis or net basis

[Notes to Non-Consolidated Financial Statements]

[Significant Accounting Policies]

1. Basis and Method of Valuation for Assets

(1) Securities	
Held-to-maturity debt securities	Stated at amortized cost
Investments in subsidiaries' and associates' equity securities	Stated at cost, determined by the moving-average cost method
Available-for-sale securities	
With market value	Marketable available-for-sale securities are reported at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Cost of sales for marketable available-for-sale securities is determined by the moving-average cost method.
Without market value	Stated at cost, determined by the moving-average cost method
(2) Derivative financial instruments	Stated at fair value
(3) Inventories	Substantially all inventories are stated at the lower of cost, determined by the specific identification method, or net selling value. Certain inventories are stated at the lower of cost, determined by the average method, or net selling value.

2. Depreciation and Amortization

(1) Property, plant and equipment (except for leased assets)	Straight-line method The useful life of buildings, which are major assets, is 6 to 50 years.
(2) Intangible assets (except for leased assets)	Straight-line method Internal-use software development costs are amortized by the straight-line method over 5 years. Mining rights are amortized using the unit-of-production method based upon estimated proved reserves.
(3) Leased assets	
Finance leases that deem to transfer ownership of the leased property to the lessee	Straight-line method, same as for the Company owned non-current assets
Leased assets for finance leases other than those which deem to transfer ownership of the leased property to the lessee	Straight-line method, over the term of the lease with residual value of zero
(4) Long-term prepaid expenses	Straight-line method, over the estimated useful lives

3. Basis for Allowance and Provision

(1) Allowance for doubtful receivables

Allowance for doubtful receivables is provided for losses on bad debts and stated at amounts considered to be appropriate based on the Company's past credit loss experience and an evaluation of potential losses in receivables outstanding.

(2) Allowance for loss on investments

Allowance for loss on investments is provided for the impairment losses of the investment in subsidiaries and associated companies and stated at amounts considered to be appropriate based on an evaluation of subsidiaries' or associated companies' financial conditions.

(3) Provision for retirement benefits for employees

Provision for retirement and severance benefits is provided for the payment of employees' retirement benefits and stated in amounts based on projected benefit obligations and plan assets at the balance sheet date.

In the calculation of benefit obligations, the straight-line attribution method is used to allocate projected retirement benefit payments to the periods until the end of this fiscal year. An actuarial gain or loss is amortized beginning the next fiscal year using the straight-line method over the average residual service period (12-15 years). Prior service cost is amortized using the straight-line method over the average residual service period (14 years).

A difference between benefit obligations less the portion corresponding to unrecognized actuarial gain or loss and unrecognized prior service cost and plan assets is recorded as provision for retirement benefits for employees or prepaid pension cost in the balance sheet.

(4) Provision for stock benefits

Provision for stock benefits is provided for the delivery of shares of the Company to employees in accordance with stock benefit rules and the delivery of shares of the Company to directors and executive officers in accordance with stock delivery rules, and stated in amounts based on projected stock benefit obligations at the balance sheet date.

(5) Provision for retirement benefits for directors, corporate auditors, and executive officers

The Company resolved to terminate the original policy of retirement benefits for directors, corporate auditors, and executive officers at the June 2005 ordinary general meeting of shareholders and the retirement benefits accumulated during their service period up to the date of the termination of the policy will be paid when they resign. The provision for retirement benefits for directors, corporate auditors, and executive officers is stated at the amount calculated based on the above resolution at the balance sheet date.

(6) Provision for loss on guarantees

Provision for loss on guarantees is provided for contingent losses on guarantees to subsidiaries and associated companies and stated at amounts considered to be appropriate based on an evaluation of the guaranteed parties' financial condition.

4. Other Significant Basis of Financial Statements

(1) Deferred assets	Stock issuance costs and bond issuance costs are charged to expense as incurred.
(2) Hedge accounting	
Method for hedge accounting	Measured at market value at the balance sheet date and the unrealized gains or losses are deferred until maturity as deferred gain on derivatives under hedge accounting in a separate component of equity. Receivables and payables subject to foreign currency forward contracts and currency swaps are translated at the contracted rates if the forward contracts qualify for simplified hedge accounting. Interest rate swaps which qualify for special hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.
Hedging instruments and hedged items	Hedging instruments include foreign currency forward contracts, currency swaps, interest rate swaps, deposits with banks and debts denominated in foreign currencies, commodity futures contracts, and commodity forward contracts. Hedged items include assets or liabilities which are exposed to market risks.
Hedging policy	The Company uses derivative financial instruments as a means of hedging exposure to market risks associated with assets and liabilities, in accordance with the Company's internal policies.
Assessment of hedge effectiveness	Based on the assessment method established depending upon the characteristics of each transaction, hedge accounting is applied when the hedges effectiveness requirements are met.

(3) Consumption tax and local consumption tax are accounted for by the tax exclusion method.

(4) The Company files a consolidated tax return under the Japanese corporate-tax system.

[Changes in method of presentation]

1. Other receivable, which was included in "Other current assets" in the previous fiscal year, has been presented separately beginning this fiscal year due to an increase in its financial materiality. As a result of this change in presentation, ¥62,848 million, which was included in "Other current assets" on the non-consolidated balance sheet as of March 31, 2018, has been reclassified as "Other receivable".

2. The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) effective from the beginning of this fiscal year and changed its method of presentation where "Deferred tax assets" are presented under "Investments and other assets" and "Deferred tax liabilities" are presented under "Non-current Liabilities". As a result, ¥5,634 million of "Deferred tax assets", previously recorded under "Current assets" on the non-consolidated balance sheet as of March 31, 2018, were reclassified to ¥26,744 million of "Deferred tax assets" under "Investments and other assets".

[Notes to Non-Consolidated Balance Sheet]

1. Pledged Assets as Collateral and Secured Obligations

(1) Pledged assets as collateral

Investments in subsidiaries' and associated companies' equity securities ¥19,601 million

In addition to the above, investments in securities amounting to ¥1,128 million are pledged as substitutes for deposits.

(2) Secured obligations

There are no obligations corresponding to the above.

Pledged assets represent the Company's assets which are pledged as collateral for the borrowings made by subsidiaries and associated companies.

2. Accumulated Depreciation of Property, Plant and Equipment ¥36,856 million

3. Contingent Liabilities

(1) Guarantees

The Company issues various guarantees for indebtedness of other companies including bank loans.

[Subsidiaries and associated companies]	(Millions of Yen)
Orchid Alliance Holdings Limited	566,515
ITOCHU Treasury Corporation (Note)	282,715
ITOCHU RETAIL INVESTMENT, LLC	99,901
ITOCHU Coal Americas Inc.	86,764
ITOCHU FOOD INVESTMENT, LLC	61,290
Dole International Holdings, Inc.	55,276
Itochu Automobile Investment LLC.	52,680
ITOCHU TAIWAN INVESTMENT CORPORATION	52,037
ITOCHU FIBRE LIMITED	43,907
PT. BHIMASENA POWER INDONESIA	29,018
Others	295,522
Subtotal	1,625,625

[The companies, not included in the consolidation group of ITOCHU Corporation]		
Consolidated Grain & Barge Co.		9,656
Others		4,748
Subtotal		14,404

Subsidiaries and associated companies	Subtotal	1,625,625
The companies, not included in the consolidation group of ITOCHU Corporation	Subtotal	14,404
Total		1,640,029

Guarantees include contracts similar to guarantees.

The amounts stated above are the Company's portion of the contingent liabilities that have been incurred jointly with other guarantors.

Note: The Company provided guarantees for loans from financial institutions of ¥651,063 million for ITOCHU Treasury Corporation. Excluding the amounts below, ¥282,715 million is recognized as the amount guaranteed to ITOCHU Treasury Corporation by the Company.

・The guarantees for loans include a long-term loan of ¥240,237 million to Orchid Alliance Holdings Limited. Since the Company also provided a guarantee for the long-term loan of Orchid Alliance Holdings Limited, this amount is excluded from the amount of the guarantees for ITOCHU Treasury Corporation.
・The guarantees for loans include loans arising from ITOCHU Treasury Corporation's assumption of obligations without specific liabilities for the Company's assumed import bills.
Of these,¥128,111 million was unpaid by the Company at the time the obligation was assumed. Since this corresponds to the recorded balance of other payable to ITOCHU Treasury Corporation, it has been excluded from the amount of the guarantees.

(2) Discounted trade notes receivable on a recourse basis with banks and trade notes receivable endorsed to suppliers in the settlement of accounts payable

Amounts of export bills discounted	¥87,926 million

4. Receivables from and Payables to Subsidiaries and Associated Companies

	(Millions of Yen)
Receivables from subsidiaries and associated companies:	
Current	445,664
Non-current	11,784
Payables to subsidiaries and associated companies:	
Current	401,550
Non-current	1,820

The above includes short-term loans receivable from subsidiaries and associated companies and long-term loans receivable from subsidiaries and associated companies that are presented separately on the balance sheet.

5. Payables to directors ¥1,000 million

In addition to the above, ¥113 million is recorded as accrued expenses for the projected amount of special bonus payments.

6. Notes matured at the end of the fiscal year

The settlement of matured notes at the end of the fiscal year is recorded on the date of bank clearing. Since the end of the fiscal year was a holiday of financial institutions, the following notes that matured on that date are included in the year-end balance.

Trade notes receivable	¥2,772 million
Trade notes payable	¥1,991 million

[Notes to Non-Consolidated Statement of Income]

Transactions with subsidiaries and associated companies	(Millions of Yen)
Sales to subsidiaries and associated companies	1,487,289
Purchases from subsidiaries and associated companies	508,930
Other transactions with subsidiaries and associated companies	257,722

[Notes to Non-Consolidated Statement of Changes in Equity]

1. Number of shares of common stock issued was 1,584,889,504 as of March 31, 2019.

2. The following summarizes the description and number of shares of treasury stock.

(Thousands of Shares)

Type of shares	As of April 1, 2018	Increase	Decrease	As of March 31, 2019
Common Stock	110,390	34,131	83,525	60,996

Note: As the 868 thousand shares of the Company held in the trust account for the benefit share ESOP and the 700 thousand shares of the Company held in the BIP trust account for officer remuneration are not owned by the Company, they are not included in the number of shares of treasury stock.

<Reason for increase or decrease>

(1)The increase in the number of shares of treasury stock is due to the purchase of 15,097 thousand shares of treasury stock in accordance with the resolution of the Board of Directors on December 4, 2018, the purchase of 19,024 thousand shares of treasury stock in accordance with the resolution of the Board of Directors on February 5, 2019, and the purchase of 10 thousand shares of less than one unit.
Moreover, the resolution of the Board of Directors on February 5, 2019 approved the purchase of up to 55,000 thousand shares or ¥100 billion worth of shares over the period from February 6, 2019 to June 30, 2019. The above figure represents the number of shares purchased as of March 31, 2019.

(2)The decrease in the number of shares of treasury stock is due to the cancellation of 78,000 thousand shares in accordance with the resolution of the Board of Directors on October 1, 2018, the delivery of 5,524 thousand shares of treasury stocks through share exchanges, and the disposal of 0 thousand shares of less than one unit.

3. The changes in equity due to share exchanges

The Company conducted share exchanges, in which the Company became the wholly owning parent company in the share exchange and NIPPON ACCESS, INC., ITOCHU LOGISTICS CORP., Leilian Co., Ltd., and ITOCHU PROPERTY DEVELOPMENT, LTD. became wholly owned subsidiaries in the share exchange, with an effective date of March 11, 2019. The allocation ratio of shares was determined after careful consideration between the Company and the target companies. The company referred to the value of the Company's shares based on the market price method and the target companies referred to the calculation results advised by an independent third party for the target companies' shares based on methods such as the discounted cash flow.

Furthermore, these share exchanges are mainly conducted as common control transactions, and therefore the amount of the affiliate company shares purchased less the amount of treasury stock delivered was recognized as an increase in other capital surplus.

[Notes to Income Taxes]

The tax effects of temporary differences that give rise to the significant components of deferred tax assets and liabilities were as follows:

	(Millions of Yen)
Deferred tax assets:	
Allowance for doubtful receivables	6,489
Loss on devaluation of investments in securities	91,101
Provision for retirement benefits for employees	31,836
Write-down of land and other properties held for sale	588
Provision for loss on guarantees	3,356
Loss on impairment of long-lived assets	4,700
Retained loss	2,422
Others	19,034
Subtotal	159,526
Less valuation allowance for deductible temporary differences	(117,320)
Less valuation allowance for retained loss	—
Deferred tax assets	42,206
Deferred tax liabilities:	
Gain on contribution from securities to retirement benefit trust	(24,355)
Unrealized gain on available-for-sale securities	(18,855)
Others	(5,744)
Deferred tax liabilities	(48,954)
Net deferred tax assets (liabilities)	(6,748)

[Related Party Transactions]

(Millions of Yen)

Category	Name of Company	Voting Rights (Owner-ship)	Relationship with Related Party	Description of Transactions	Amount	Account Name	As of March 31, 2019
Subsidiary	NIPPON ACCESS, INC.	Holding directly 100.00%	Sales of foods, liquors and sundry items, etc.	Sales of foods (*1)	377,294	Trade accounts receivable Other payable Accrued expenses Other non-current liabilities	83,287 1,684 1,083 150
Subsidiary	ITOCHU Treasury Corporation	Holding directly 100.00%	General entrustment of trade finance capital, etc.	General entrustment agreement regarding export bills (*2) Agreement for assumption of obligations for assumed import bills (*2) Payment of interest (*2)	– – 2,039	Other receivable Other payable –	163,667 128,111 –
			Transfer of obligations	Transfer of obligations (*3)	319,738	–	–
			Transfer of receivables	Transfer of receivables (*4)	240,872	–	–
			Deposit of funds	Deposit of funds (*5) Payment of interest (*5)	– 30	Deposits received –	123,700 –
			Borrowing of funds	Borrowing of funds (*6) Payment of interest (*6)	– 560	Short-term debt –	105,783 –
			Guarantees	Guarantees (*7) Receipt of guarantee commission (*7)	651,063 763	– –	– –
Subsidiary	Orchid Alliance Holdings Limited	Holding directly 100.00%	Guarantees	Guarantees (*8) Receipt of guarantee commission (*8)	566,515 564	– –	– –
Subsidiary	ITOCHU RETAIL INVESTMENT, LLC	Holding directly 100.00%	Guarantees	Guarantees (*9) Receipt of guarantee commission (*9)	99,901 76	– –	– –
Subsidiary	ITOCHU Coal Americas Inc.	Holding directly 100.00%	Guarantees	Guarantees (*10) Receipt of guarantee commission (*10)	86,764 191	– –	– –
Subsidiary	ITOCHU FOOD INVESTMENT, LLC	Holding directly 90.00%, indirectly 10.00%	Guarantees	Guarantees (*11) Receipt of guarantee commission (*11)	61,290 77	– –	– –
Subsidiary	Dole International Holdings, Inc.	Holding directly 100.00%	Guarantees	Guarantees (*12) Receipt of guarantee commission (*12)	55,276 59	– –	– –

Subsidiary	Itochu Automobile Investment LLC.	Holding directly 90.00%, indirectly 10.00%	Guarantees	Guarantees (*13)	52,680	–	–
				Receipt of guarantee commission (*13)	54	–	–
Subsidiary	ITOCHU TAIWAN INVESTMENT CORPORATION	Holding directly 100.00%	Guarantees	Guarantees (*14)	52,037	–	–
				Receipt of guarantee commission (*14)	35	–	–
Subsidiary	ITOCHU FIBRE LIMITED	Holding directly 75.00%, indirectly 25.00%	Guarantees	Guarantees (*15)	43,907	–	–
				Receipt of guarantee commission (*15)	48	–	–
Subsidiary	CIECO Exploration and Production (UK) Limited	Holding directly 100.00%	Underwriting of new shares	Underwriting of new shares (*16)	47,363	–	–

Terms and conditions of transactions and the policy of determining the terms and conditions of the transactions:

*1 Conditions of the sales to NIPPON ACCESS, INC. are determined by considering the market prices by negotiating the prices periodically.

*2 The Company has entered into agreements including a general entrustment agreement with ITOCHU Treasury Corporation related to trade finance capital in the fiscal year ended March 31, 2019. The agreements were entered into in order for the Company to use trade financing on documentary bills, such as export bill discounting, as a method for raising foreign currency. For foreign currency-denominated export bills, ITOCHU Treasury Corporation is entrusted with the capital recovery services with discretionary authority over early payment discounts. Of the amounts that are subject to early payment discounts by ITOCHU Treasury Corporation based on this discretionary authority, the Company recognizes the balance of uncollected payments as other receivable. Moreover, regarding assumed import bills, the Company entered into an agreement of assumption of obligations without specific liabilities with ITOCHU Treasury Corporation where ITOCHU Treasury Corporation assumes the obligations of the Company's assumed import bills as notes payable to banks. In addition, upon the assumption of these obligations, the Company records the unpaid balances against ITOCHU Treasury Corporation as other payable, and the interest rate pertaining to the payables is determined by considering market rates.

*3 Obligations related to the Group Financial System (bank loans corresponding to Group finance loans and deposits from subsidiaries, etc. arising from Group finance) are transferred to ITOCHU Treasury Corporation and the amounts transferred are determined based on the same conditions as for transactions between third parties.

*4 Claims related to the Group Financial System (Group finance loans, etc.) are transferred to ITOCHU Treasury Corporation and the amounts transferred are determined based on the same conditions as for transactions between third parties.

*5 The deposits received from ITOCHU Treasury Corporation are made on the basis of the Group Financial System, and interest rates are determined by considering market rates.

*6 The borrowings from ITOCHU Treasury Corporation are made on the basis of the Group Financial System, and interest rates are determined by considering market rates.

*7 The Company provided guarantees for bank loans and other loans of ITOCHU Treasury Corporation. The rate of the guarantee premium is determined by considering the creditworthiness and other factors of

ITOCHU Treasury Corporation. The Company also provided a guarantee for long-term loans of ITOCHU Treasury Corporation of ¥240,237 million for Orchid Alliance Holdings Limited which is a part of the above loans guaranteed (See *8). Furthermore, the guaranteed borrowings include bank loans arising from assumption of obligations by ITOCHU Treasury Corporation related to the Company's assumed import bills. Of these, ¥128,111 million corresponds to the unpaid balances recorded as other payable against ITOCHU Treasury Corporation upon this assumption of obligations (See *2). Excluding these amounts, the amount of the guarantee that the Company provided for ITOCHU Treasury Corporation is ¥282,715 million.

*8 The Company provided Orchid Alliance Holdings Limited with guarantees for bank loans and loans from ITOCHU Treasury Corporation. The rate of the guarantee premium is determined by considering the creditworthiness and other factors of Orchid Alliance Holdings Limited.

*9 The Company provided guarantees for loans of ITOCHU RETAIL INVESTMENT, LLC from ITOCHU Treasury Corporation. The rate of the guarantee premium is determined by considering the creditworthiness and other factors of ITOCHU RETAIL INVESTMENT, LLC.

*10 The Company provided guarantees for bank loans of ITOCHU Coal Americas Inc. The rate of the guarantee premium is determined by considering the creditworthiness and other factors of ITOCHU Coal Americas Inc.

*11 The Company provided guarantees for loans of ITOCHU FOOD INVESTMENT, LLC from ITOCHU Treasury Corporation. The rate of the guarantee premium is determined by considering the creditworthiness and other factors of ITOCHU FOOD INVESTMENT, LLC.

*12 The Company provided guarantees for bank loans of Dole International Holdings, Inc. The rate of the guarantee premium is determined by considering the creditworthiness and other factors of Dole International Holdings, Inc.

*13 The Company provided guarantees for loans of Itochu Automobile Investment LLC. from ITOCHU Treasury Corporation. The rate of the guarantee premium is determined by considering the creditworthiness and other factors of Itochu Automobile Investment LLC.

*14 The Company provided guarantees for bank loans of ITOCHU TAIWAN INVESTMENT CORPORATION. The rate of the guarantee premium is determined by considering the creditworthiness and other factors of ITOCHU TAIWAN INVESTMENT CORPORATION.

*15 The Company provided guarantees for loans of ITOCHU FIBRE LIMITED from an overseas treasury center. The rate of the guarantee premium is determined by considering the creditworthiness and other factors of ITOCHU FIBRE LIMITED.

*16 The Company underwrote the share allotment to the shareholder of 317,680 thousand shares of CIECO Exploration and Production (UK) Limited for GPB 317,681 thousand. After the share allotment to the shareholder, the Company sold all of the shares of CIECO Exploration and Production (UK) Limited to a third party in November 2018, and it ceased to qualify as a related party. The "Voting Rights (Ownership)" figure presented corresponds to the ownership at the time when CIECO Exploration and Production (UK) Limited qualified as a related party.

*17 Transaction amounts do not include consumption taxes, whereas the year-end balances include consumption taxes.

[Per Share Information]

Equity per common share	¥710.14
Net profit per common share	¥185.37

Note: The Company's shares held in the trust account for the benefit share ESOP and the BIP trust account for officer remuneration are treated as treasury stock in the balance sheet and included in the treasury stock that is subtracted in the calculation of the Per Share Information stated above.

(Reference)

Consolidated Statement of Cash Flows

ITOCHU Corporation and its Subsidiaries

Years ended March 31, 2019 and 2018

(Amount less than 1 million yen have been rounded to the nearest 1 million yen)

	Millions of Yen	
	2019	2018
Cash flows from operating activities:		
Net profit	**¥ 545,689**	¥ 431,720
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation and amortization	**154,944**	114,102
(Gains) losses on investments	**(203,034)**	(7,080)
(Gains) losses on property, plant, equipment and intangible assets	**12,041**	29,629
Financial (income) loss	**(34,112)**	(27,526)
Equity in earnings of associates and joint ventures	**(98,052)**	(216,228)
Income tax expense	**149,694**	106,138
Provision for doubtful accounts and other provisions	**1,394**	12,995
Changes in assets and liabilities, other-net	**(37,738)**	(72,842)
Proceeds from interest	**37,525**	31,321
Proceeds from dividends	**140,146**	110,518
Payments for interest	**(56,365)**	(38,703)
Payments for income taxes	**(135,581)**	(85,832)
Net cash provided by (used in) operating activities	**476,551**	388,212
Cash flows from investing activities:		
Net change in investments accounted for by the equity method	**(106,112)**	(125,146)
Net change in other investments	**353,023**	(56,833)
Net change in loans receivable	**27,723**	21,307
Net change in property, plant, equipment and intangible assets	**(95,672)**	(87,019)
Net change in time deposits	**22,187**	(8,659)
Net cash provided by (used in) investing activities	**201,149**	(256,350)
Cash flows from financing activities:		
Net change in debentures and loans payable	**(345,047)**	(160,858)
Cash dividends	**(116,437)**	(92,845)
Net change in treasury stock	**(68,700)**	(27,895)
Other	**(8,134)**	(14,538)
Net cash provided by (used in) financing activities	**(538,318)**	(296,136)
Net change in cash and cash equivalents	**139,382**	(164,274)
Cash and cash equivalents at the beginning of the year	**432,140**	605,589
Effect of exchange rate changes on cash and cash equivalents	**508**	(9,175)
Cash and cash equivalents at the end of the year	**¥ 572,030**	¥ 432,140

Notes: ITOCHU Corporation prepared the Consolidated Statement of Cash Flows in conformity with IFRS.

(Reference)

Operating Segment Information

ITOCHU Corporation and its Subsidiaries

Years ended March 31, 2019 and 2018

The Company and its subsidiaries conduct trading, finance, and logistics involving a wide variety of products, as well as project planning and coordination. The Company and its subsidiaries also have cultivated a diverse range of functions and expertise through investments in resource development and other projects. By leveraging these comprehensive capabilities and via global networks spanning seven Division Companies, the Company and its subsidiaries operate in a wide range of industries. The Consumer-Related Sector covers textiles, food, general products & realty, and ICT & financial business; the Basic Industry-Related Sector includes machinery, chemicals, petroleum products and steel products; and the Natural Resource-Related Sector includes metal and energy resources.

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

In consideration of the above, the Company uses the seven Division Companies as its reportable segments, and the reportable segment information for 2019 and 2018 is as follows.

(Amount less than 1 million yen have been rounded to the nearest 1 million yen)

	Millions of Yen								
	2019								
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	Others, Adjustments & Eliminations	Consolidated
Revenues:									
Revenues from external customers ……	¥ 593,553	¥ 1,222,821	¥ 666,109	¥ 3,124,420	¥ 4,290,792	¥ 890,057	¥ 728,043	¥ 84,690	¥ 11,600,485
Intersegment revenues	73	9,479	–	33,740	457	24,089	10,070	(77,908)	–
Total revenues	¥ 593,626	¥ 1,232,300	¥ 666,109	¥ 3,158,160	¥ 4,291,249	¥ 914,146	¥ 738,113	¥ 6,782	¥ 11,600,485
Gross trading profit	¥ 118,905	¥ 193,830	¥ 82,845	¥ 216,554	¥ 583,640	¥ 164,079	¥ 207,824	¥ (3,905)	¥ 1,563,772
Equity in earnings of associates and joint ventures	¥ 8,404	¥ 30,051	¥ 20,114	¥ 13,401	¥ 30,841	¥ 30,904	¥ 42,147	¥ (77,810)	¥ 98,052
Net profit attributable to ITOCHU	¥ 29,764	¥ 47,628	¥ 79,230	¥ 80,643	¥ 207,909	¥ 62,921	¥ 68,432	¥ (76,004)	¥ 500,523
Total assets at March 31, 2019 ...	¥ 527,204	¥ 1,180,268	¥ 844,399	¥ 1,288,711	¥ 3,238,135	¥ 980,618	¥ 1,093,255	¥ 946,113	¥ 10,098,703

	Millions of Yen								
	2018								
	Textile	Machinery	Metals & Minerals	Energy & Chemicals	Food	General Products & Realty	ICT & Financial Business	Others, Adjustments & Eliminations	Consolidated
Revenues:									
Revenues from external customers ……	¥ 522,427	¥ 722,774	¥ 229,661	¥ 1,576,750	¥ 1,149,176	¥ 594,420	¥ 697,187	¥ 17,664	¥ 5,510,059
Intersegment revenues	42	27	–	1,097	460	12,876	6,965	(21,467)	–
Total revenues	¥ 522,469	¥ 722,801	¥ 229,661	¥ 1,577,847	¥ 1,149,636	¥ 607,296	¥ 704,152	¥ (3,803)	¥ 5,510,059
Gross trading profit	¥ 121,978	¥ 171,934	¥ 93,464	¥ 206,756	¥ 278,279	¥ 152,428	¥ 178,741	¥ 6,860	¥ 1,210,440
Equity in earnings of associates and joint ventures	¥ 7,046	¥ 25,068	¥ 20,779	¥ 6,249	¥ 33,584	¥ 18,076	¥ 37,369	¥ 68,057	¥ 216,228
Net profit attributable to ITOCHU	¥ 12,499	¥ 57,052	¥ 82,460	¥ 36,882	¥ 80,466	¥ 55,683	¥ 51,099	¥ 24,192	¥ 400,333
Total assets at March 31, 2018 ...	¥ 474,856	¥ 1,218,556	¥ 850,295	¥ 1,355,712	¥ 1,962,169	¥ 978,777	¥ 766,159	¥ 1,057,413	¥ 8,663,937

Notes: 1. ITOCHU Corporation prepared the Operating Segment Information in conformity with IFRS.

2. [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.