

Performance of Subsidiaries and Equity-Method Associated Companies

For Fiscal 2006, the Company's consolidated results included 442 subsidiaries (220 domestic and 222 overseas) and 209 equity-method associated companies (95 domes-

tic and 114 overseas) totaling 651 companies. The following table presents information regarding the profitability of these companies.

Profits/Losses of Group Companies Reporting Profits/Losses

Years ended March 31	Billions of Yen								
	2006			2005			Changes		
	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total
Group companies excluding overseas trading subsidiaries	¥ 132.6	¥ (19.4)	¥ 113.2	¥ 86.7	¥ (38.8)	¥ 47.9	¥ 45.9	¥ 19.3	¥ 65.3
Overseas trading subsidiaries	16.1	(0.3)	15.7	14.7	(1.5)	13.2	1.4	1.2	2.6
Total	¥ 148.7	¥ (19.8)	¥ 128.9	¥ 101.3	¥ (40.3)	¥ 61.1	¥ 47.3	¥ 20.5	¥ 67.8

Share of Group Companies Reporting Profits

Years ended March 31	2006			2005			Changes		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Companies reporting profits	262	268	530	255	290	545	7	(22)	(15)
Group companies	315	336	651	316	340	656	(1)	(4)	(5)
Share	83.2%	79.8%	81.4%	80.7%	85.3%	83.1%	2.5%	(5.5%)	(1.7%)

For Fiscal 2006, the net income from subsidiaries and equity-method associated companies (the aggregate profits/losses of subsidiaries and equity-method associated companies excluding overseas trading subsidiaries; the same below) increased substantially by ¥65.3 billion to ¥113.2 billion, 2.4 times higher than the previous fiscal year. Profits from ITOCHU's overseas trading subsidiaries increased by ¥2.6 billion to ¥15.7 billion compared with the previous fiscal year, mainly due to profit achieved by a European subsidiary and an increase in profits by subsidiaries in China, Hong Kong, and Australia, which offset the decrease in profits by subsidiaries in the U.S. as a result of the payment of a legal settlement to Citigroup. The aggregate profits/losses of Group companies reporting profits, consisting of profits from subsidiaries and equity-method associated companies and profits from overseas trading subsidiaries, increased by ¥47.3 billion compared with the previous year, while the losses of Group companies reporting losses decreased by ¥20.5 billion compared with the previous year. The profitability of domestic and overseas consolidated companies has improved and made a well-balanced contribution to the total consolidated profit.

With regard to the share of Group companies reporting profits (the ratio of companies reporting profits to total Group companies), there was deterioration from 83.1% in the previous fiscal year to 81.4%. This was mainly due to losses reported from newly established companies for investments in new business areas, as well as an increase in the number of Group companies reporting losses relating to restructuring of businesses by the Company's overseas subsidiaries.

Net Income from Subsidiaries and Equity-Method Associated Companies

