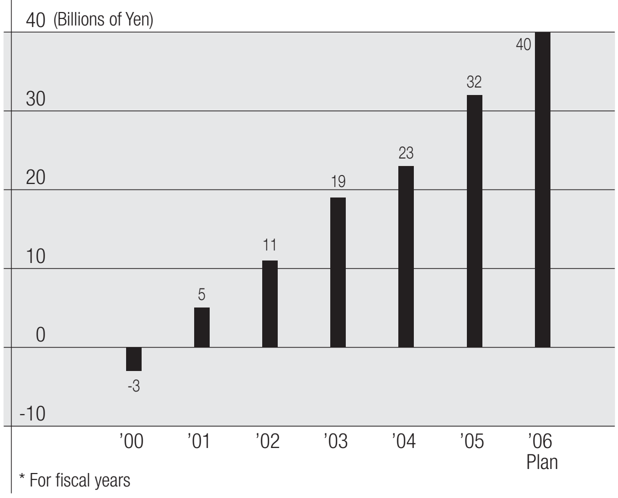
the communications and financial related sectors and the sale of shares of a certain bank, ITOCHU recognized a ¥46.9 billion of other-than-temporary impairment on marketable securities which included a ¥45.1 billion impairment loss on equity method goodwill of ITOCHU's investment in FamilyMart. In addition to this, ITOCHU also recognized a ¥7.1 billion loss on the restructuring of businesses. As a result, total losses on the disposal of investments and marketable securities increased to ¥25.4 billion for fiscal 2005 from ¥13.6 billion fiscal 2004.

Loss on property and equipment-net amounted to ¥6.0 billion, an improvement of ¥123.5 billion from the previous fiscal year. This marked a tremendous improvement from the previous period, when ITOCHU suffered a ¥121.8 billion impairment loss for fixed assets, as well as a ¥2.3 billion impairment loss in overseas aircraft leases.

Due to an improvement in losses on foreign exchange and the booking of reserves for losses on guarantees for debt, ITOCHU recognized a ¥0.4 billion profit for *other-net* in fiscal 2005. This was an improvement of ¥14.4 billion from the previous fiscal year.

Equity in earnings of associated companies:
Equity in earnings of associated companies for the current fiscal year increased to ¥31.8 billion ($296 million), an ¥8.9 billion (39.0%) improvement from the previous period. This was due to the commencement of natural gas production and a strong demand for Energy, Metals & Minerals from the steel products industry, in addition to solid demand experienced by equity-method associated companies for Aerospace, Electronics & Multimedia, Food and Finance, Realty, Insurance & Logistics Service. The results of major equity-method associated companies were shown under "Major Group Companies Reporting Profits" and "Major Group Companies Reporting Losses" under the title of "Performance of Subsidiaries and Equity-Method Associated Companies."

Equity in Earnings of Associated Companies



* For fiscal years