

The following table shows a summary of cash flows for fiscal years ended March 31, 2006 and 2005.

March 31	Billions of Yen		Millions of U.S. dollars
	2006	2005	2006
Net cash provided by operating activities	¥ 185.1	¥ 126.6	\$ 1,576
Net cash provided by investing activities	(79.9)	(127.6)	(680)
Net cash used in financing activities	(85.2)	(125.3)	(725)
Effect of exchange rate changes on cash and cash equivalents	4.7	(0.3)	40
Net increase in cash and cash equivalents	24.8	(126.6)	211
Cash and cash equivalents at beginning of year	452.9	579.6	3,856
Cash and cash equivalents at end of year	¥ 477.7	¥ 452.9	\$ 4,067

The Company believes that funding generated by net cash provided by operating activities, borrowing from financial institutions, or the issuance of stocks or bonds in the capital market, will be sufficient to ensure an adequate source of funds to cover expenditures and payments of liabilities, which it anticipates at this point, now and in the future. However, the actual availability of funding may vary depending on future conditions, such as the condition of

financial markets, the economy and business operations and other factors, which the Company is now unable to estimate accurately, because the Company cannot control many of these. Nevertheless, the Company is convinced that it will be capable of ensuring adequate liquidity from cash flows provided by other sources, even if net cash provided by operating activities falls short of current expectations.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

ITOCHU issues various guarantees for indebtedness including bank loans to subsidiaries, equity-method associated companies and customers. Because the guaranteed borrowings of subsidiaries are included in the Company's con-

solidated financial statements, off-balance sheet guarantees are solely the total guarantees to equity-method associated companies and customers. The breakdown of guarantees as of March 31, 2006 and 2005 is as follows:

March 31	Billions of Yen		Millions of U.S. dollars
	2006	2005	2006
Guarantees for equity-method associated companies:			
Maximum potential amount of future payments	¥ 140.3	¥ 137.1	\$ 1,194
Amount of substantial risk	96.1	82.4	818
Guarantees for customers:			
Maximum potential amount of future payments	¥ 131.8	¥ 137.6	\$ 1,122
Amount of substantial risk	81.6	79.0	695
Total:			
Maximum potential amount of future payments	¥ 272.1	¥ 274.7	\$ 2,316
Amount of substantial risk	177.7	161.5	1,513

The maximum potential amount of future payments of the Company under the guarantee contracts is presented above. The amount of substantial risk represents the total amount of the substantial risk taken, based on the actual amount of liability incurred by the guaranteed parties as of the end of the respective term within the pre-determined guaranteed limit established under the guarantee contracts. The amounts that can be recovered from third parties under the back-to-back guarantees submitted by them

to the Company or subsidiaries concerned have been excluded in determining the amount of substantial risk. The disclosures related to guarantees are shown in Note 23 "Commitments and Contingent Liabilities" to the consolidated financial statements.

The disclosures related to variable interest entities are shown in Note 22 "Variable Interest Entities" of the consolidated financial statements.