Business Results for Fiscal 2006 - A Comparison between Fiscal 2006 and Fiscal 2005

Revenue (the total of "Sales revenue" and "Trading margins and commissions on trading transactions") increased by 11.4% or ¥227.0 billion to ¥2,218.2 billion (US$18,883 million) compared with the previous fiscal year, because of the increases in transactions in automobiles, domestic IT-related businesses, as well as resource-related businesses due to higher market prices.

Gross trading profit increased by 13.3% or ¥83.6 billion to ¥714.4 billion (US$6,081 million) compared with the previous fiscal year. An increase in gross trading profit occurred in every segment including Textile contributed by a newly consolidated Men's apparel company, Machinery supported by growth in the automobile business in Europe and the U.S. and good performance of the construction machinery business in North America, Aerospace, Electronics & Multimedia from steady growth in domestic IT industry-related business, and Energy, Metals & Minerals due to higher prices of coal, iron ore, and crude oil.

Selling, general and administrative expenses, increased by 8.4% or ¥39.4 billion to ¥506.3 billion (US$4,310 million), due to business expansion and newly consolidated companies.

Provision for doubtful receivables increased by 138.3% or ¥8.5 billion to ¥14.7 billion (US$125 million) compared with the previous fiscal year, mainly due to a loss on Iraq receivables.

Although ***net interest expenses*** increased by 23.7% or ¥5.0 billion, due to a rise in the U.S. interest rate, the increase in ***net financial expenses*** (net of interest income, interest expense, and dividend received) was less at 13.6% or ¥0.9 billion to ¥7.8 billion (US$67 million) compared with the previous fiscal year, mainly because of an increase in dividends received from LNG-related investments.

Gain (loss) on disposal of investments and marketable securities, net of write-down improved by ¥77.0 billion to a again of ¥51.6 billion (US$439 million) compared with the previous fiscal year, due to profits from sales of U.S. 7-Eleven, Inc. (¥13.6 billion or US$112 million) and U.S. healthcare-related securities (¥10.8 billion or US$101 million), and the absence of an impairment loss on investment in FamilyMart (¥45.1 billion) taken in the previous fiscal year.

Loss on property and equipment - net decreased by ¥2.0 billion to a loss of ¥7.9 billion (US$67 million).

Other - net decreased by ¥12.8 billion to a loss of ¥12.4 billion (US$105 million) reflecting payment of a legal settlement (¥19.5 billion or US$185 million) by an overseas trading subsidiary in the U.S. in Fiscal 2006.

As a result, ***income before income taxes, minority interests, equity in earnings of associated companies, and cumulative effect of an accounting change*** increased by 80.8% or ¥96.9 billion to ¥216.9 billion (US$1,846 million) compared with the previous fiscal year.

Income taxes increased by 71.0% or ¥44.4 billion to ¥106.9 billion (US$910 million) compared with the previous fiscal year, while ***minority interests*** increased by 15.0% or ¥1.7 billion to ¥13.1 billion (US$112 million) compared with the previous fiscal year. Additionally, ***equity in earnings of associated companies*** increased by 62.9% or ¥20.0 billion to ¥51.7 billion (US$441 million) compared with the previous fiscal year, due to contributions by a steel products-related associated company and a new finance-related associated company. ***Income before cumulative effect of an accounting change*** increased 91.0% or ¥70.8 billion to ¥148.6 billion (US$1,265 million) compared with the previous fiscal year.

Net income increased by 86.6% or ¥67.4 billion to ¥145.1 billion (US$1,236 million) compared with the previous fiscal year, after additional charge of ¥3.4 billion (US$29 million) representing, the cumulative effect of an accounting change (early adoption of Accounting for Stripping Costs in Mining Industry).

Total trading transactions increased by 9.4% or ¥897.8 billion to ¥10,473.9 billion (US$89,162 million) compared with the previous fiscal year, mainly in Machinery due to an increase in plant and automobile volume; in Energy, Metals & Minerals as a result of rising prices for coal, iron ore and crude oil; and in Chemicals, Forest Products & General Merchandise due to steadily high market prices in chemicals, continuous growth in the building material market in North America and contributions by newly consolidated subsidiaries.