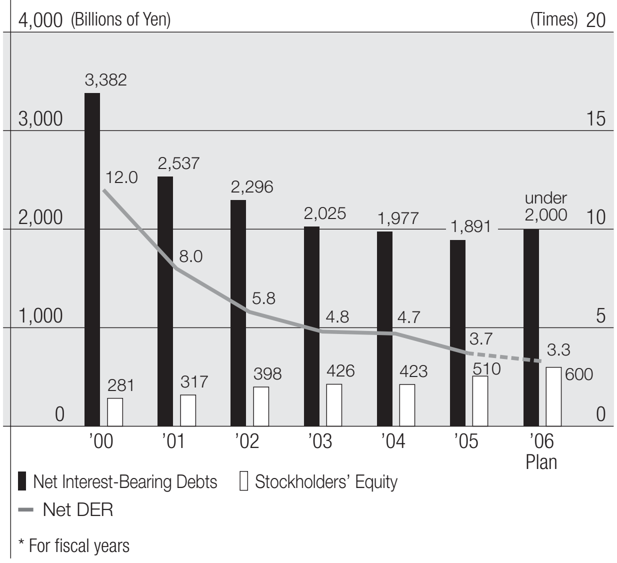
Financial Position

Total assets as of the end of the fiscal year decreased by ¥14.9 billion from fiscal 2004 to ¥4,472.3 billion ($41,646 million) due to improved collections of trade receivables, reductions resulted form the write down of impaired goodwill involving FamilyMart, a decrease in cash and cash equivalents applied to the repayments of interest-bearing debts, which were partially offset by increases in trade receivables and inventory due to rising prices of marketable commodities represented by crude oil prices and new or additional investments in Orico and Isuzu. Stockholder's equity increased ¥87.5 billion (20.7%) from fiscal 2004 to ¥510.4 billion ($4,753 million). This was due to improvements in unrealized holdings gains (losses) on securities and foreign currency translation adjustments, in addition to an accumulation of retained earnings through solid business performance. As a result, the equity ratio showed a 2.0 percentage point improvement from fiscal 2004 to 11.4%.

Net interest-bearing debts less cash and cash equivalents and time deposits decreased by ¥86.0 billion (4.3%) to ¥1,891.1 billion ($17,610 million) from fiscal 2004. As a result, and also partly because of the increase in shareholder's equity, net DER (debt-to-equity ratio) improved by 1.0 from fiscal 2004 to 3.7 times.

Net Interest-Bearing Debts, Stockholders' Equity and Net DER (Debt-to-Equity Ratio)



The main increases or decreases from the end of fiscal 2004 in the items on the balance sheet are as follows:

Cash and cash equivalents decreased by ¥126.6 billion to ¥452.9 billion ($4,218 million) from fiscal 2004. This was due to repayment of interest-bearing debts to improve the Company's financial position after securing sufficient liquidity reserves.

Trade receivables (less allowance for doubtful receivables) increased ¥28.4 billion to ¥1,085.9 billion ($10,111 million) from fiscal 2004. This was due primarily to increases in Chemicals, Forest products & General Merchandise and Energy, Metals & Minerals, in accordance with increased net sales caused by rising prices and volumes of marketable commodities.

Inventories increased ¥45.9 billion from fiscal 2004 to ¥420.1 billion ($3,912 million) as a result of increases in Machinery, Aerospace, Electronics & Multimedia, Energy, Metals & Minerals, Chemicals, Forest products & General Merchandise, which occurred due to rising prices of marketable commodities and sales volume expansion.

Additionally, there was an increase in *advances to suppliers* (a ¥39.7 billion increase from fiscal 2004 to ¥86.5 billion ($805 million), due mainly to growth in the Machinery, Aerospace, Electronics & Multimedia) and a decrease in *other current assets*, (a ¥25.4 billion decrease from fiscal 2004 to ¥191.6 billion ($1,784 million), due to reductions mainly in income receivable).

As a result, current assets for the fiscal year were ¥2,441.9 billion ($22,739 million), down ¥21.3 billion from fiscal 2004.

Investments in and advances to associated companies increased due to the incorporation of equity-method associated companies in Energy, Metals & Minerals, and Food. However, there was a decrease of ¥9.0 billion to ¥472.5 billion ($4,400 million) from fiscal 2004 due to the decrease (¥45.1 billion) resulting from the write down of impaired goodwill involving FamilyMart.

Other investments increased by ¥55.3 billion to ¥441.8 billion ($4,114 million) from fiscal 2004, due primarily to new investments in the preferred stocks of Orico and additional investments in Isuzu.

Other non-current receivables (less allowance for doubtful receivables) experienced a decrease, due mainly to the collection of machinery-related non-current receivables, dropping ¥21.9 billion from fiscal 2004 to ¥186.4 billion ($1,735 million).

As a result, total investments and non-current receivables were up ¥24.4 billion from fiscal 2004 to ¥1,100.6 billion ($10,249 million).

At the end of fiscal 2005, EITF 04-2,"Whether Mineral Rights are Tangible or Intangible Assets." has been applied to *property and equipment, at cost (less accumulated depreciation)* and *mineral rights*. Although conventionally included in Other Assets, such rights are now included in property and equipment. After reclassifying fiscal 2004's figure in the same way, the value is down ¥9.7 billion from fiscal 2004 at ¥497.4 billion ($4,631 million).

Deferred tax assets, non-current increased due to the recognition of the impairment of the equity method investment in FamilyMart, however the final result was a ¥20.0 billion decrease from fiscal 2004 to ¥109.1 billion ($1,016 million). The decrease was a result of tax basis losses through dispositions of loans, corporate stocks, and real estate. Such losses had already been recognized for financial statement purposes. The net value of short-term and long-term deferred tax assets and liabilities also dropped by ¥15.2 billion from fiscal 2004 to ¥136.7 billion ($1,274 million), due to losses of taxation.

Goodwill and other intangible assets, less accumulated amortization increased ¥7.9billion from fiscal 2004 to ¥94.7 billion ($882 million) due mainly to additional purchases of consolidated subsidiary company stock.

Short-term debt was down ¥128.1 billion from fiscal 2004