Business Results for Fiscal 2005 - A Comparison between Fiscal 2005 and Fiscal 2004

Revenue (the total of “Sales revenue” and “Trading margins and commissions on trading transactions”) increased by 14.5% or ¥252.5 billion from the previous fiscal year to ¥1,991.2 billion ($18,542 million) principally from an increase in natural resource-related transactions amid a spike in commodity market prices in Energy, Metals and Minerals segment and from strong demand in the construction machinery and general merchandise field in North America.

Gross trading profit increased by 13.5% or ¥74.9 billion from the previous fiscal year to ¥630.8 billion ($5,874 million). Profits increased in Textile segment due largely to higher transaction volumes tied to newly acquired business transactions; in Machinery segment as a result of an increase in ship related business, higher sales of automobiles in Europe, and solid performance in the construction machinery business in North America; in Energy, Metals and Minerals segment due mainly to rising market prices of coal, iron ore as well as higher crude oil prices and transaction volume; in Chemicals, Forest Products and General Merchandise segment on the back of high market prices for chemical products, and solid growth in building material transactions in North America; and in Finance, Realty, Insurance and Logistics Services segment due primarily to an increase in residential unit sales. In addition no significant impairment losses on long-lived assets and write-downs of real estate inventories were recorded in this fiscal year compared to the previous fiscal year.

Selling, general and administrative expenses increased by 0.9% or ¥3.9 billion from the previous fiscal year to ¥466.8 billion ($4,347 million) with the expansion in business and despite a decrease in pension plan reserves. In Fiscal 2004, following the transfer of the substitutional portion of Employee’s Pension Fund to the government in Japan, *Settlement loss from the transfer of the substitutional portion of the Employee’s Pension Fund* of ¥22.8 billion and *Subsidy from government on the transfer of the substitutional portion of the Employees’ Pension Fund* of ¥19.6 million were recognized respectively.

Provisions for doubtful receivables improved by 41.8% or ¥4.4 billion from the previous fiscal year to ¥6.2 billion ($58 million) due principally to a decrease in bad debt.

The net financial expenses, the net of *interest income, interest expense* and *dividends received*, improved by 51.6% or ¥7.3 billion from the previous fiscal year to expense of ¥6.9 billion ($65 million). This resulted principally from an increase in dividends from LNG-related investments and a decrease in interest expenses by 15.0% or ¥3.7 billion caused by a reduction of interest-bearing debts.

Loss on disposal of investments and marketable securities, including write-down deteriorated by ¥11.8 billion from the previous fiscal year to ¥25.4 billion ($236 million) due primarily to an impairment loss of ¥45.1 billion relating to the investment in FamilyMart despite of IPO gains of subsidiaries and associated companies.

Losses on property and equipment-net improved by ¥123.5 billion from the previous fiscal year to ¥6.0 billion ($55 million), mainly reflecting the absence of large impairment losses on long-lived assets recorded in the previous year.

Other-net improved by ¥14.4 billion from the previous fiscal year to a gain of ¥0.4 billion ($4 million) due principally to improved foreign exchange results.

As a result, *income (loss) before income taxes, minority interests, equity in earnings of associated companies and extraordinary items* improved by ¥212.0 billion from the previous fiscal year to ¥120.0 billion ($1,117 million).

Income taxes increased by ¥108.0 billion from the previous fiscal year to ¥62.5 billion ($582 million), *Minority interests* increased by 13.4% or ¥1.3 billion from the previous fiscal year to ¥11.4 billion ($107 million). Additionally, *Equity in earnings of associated companies* improved by 39.0% or ¥8.9 billion to ¥31.8 billion ($296 million) due principally to strong operating performance of a steel business associated company. *Net income before extraordinary items* improved by ¥111.6 billion from the previous fiscal year to ¥77.8 billion ($724 million).

Extraordinary items - gain on negative goodwill totaling ¥1.8 billion (less applicable income taxes of ¥1.3 billion) was recognized in 2004 due to newly acquired associated companies. As a result, *Net income (loss)* improved by ¥109.7 billion to ¥77.8 billion.

Total trading transactions, represent transaction volume and are parenthetically disclosed in the statement of operations, increased due principally to a large increase in Energy, Metals, and Minerals segment resulting from rising market prices for coal, iron ore, and crude oil, and also due to a large increase in Chemicals, Forest Products & General Merchandise segment caused by favorable market prices in chemical products as well as higher building material transactions in North American market. Although the termination of low-efficiency transactions and the impact of the stronger yen in this fiscal year over the transactions provided negative effects, total trading transactions increased by 0.6% or ¥59.1 billion from the previous fiscal year to ¥9,576.0 billion ($89,171 million), marking the first annual increase in trading transactions since the year ended March 31, 1999 (“Fiscal 1999”).