

Financial Position

Total assets as of March 31, 2006 increased by 7.3% or ¥324.7 billion to ¥4,797.0 billion (US\$40,836 million) compared with the previous fiscal year, due to increases in trade receivables and inventories related to increasing volume of transactions and rising prices of marketable commodities such as metals and mineral resources, energy and chemicals; an investment in Orient Corporation; and increases in equity in earnings of associated companies and in investments of available-for-sale securities resulting from rising stock prices.

Stockholders' equity rose by 42.4% or ¥216.4 billion to ¥726.8 billion (US\$6,187 million) compared with the previous fiscal year. This was due to improvements in unrealized holding gains on securities through rising stock prices and favorable foreign currency translation adjustments due to the yen's depreciation at the end of Fiscal 2006, in addition to an accumulation of retained earnings realized by net income for Fiscal 2006. As a result, the ratio of equity to total assets showed a 3.7 point improvement from the previous fiscal year to 15.2%.

Net interest-bearing debt (less cash and cash equivalents and time deposits) decreased by 8.8% or ¥166.8 billion to ¥1,724.3 billion (US\$14,679 million) compared with the previous fiscal year. As a result, and partly because of the increase in shareholder's equity, the net DER (debt-to-equity ratio) improved by 1.3 times to 2.4 times compared with the previous fiscal year.

The main increases or decreases compared with the previous fiscal year in the items on the balance sheet are:

Cash and cash equivalents increased by ¥24.8 billion to ¥477.7 billion (US\$4,067 million) compared with the previous fiscal year. This was due to an increase in temporary cash holdings as a resource for repayment of interest-bearing debt toward the end of their maturities although the Company repaid interest-bearing debt to improve its financial position utilizing increased cash flow from operating activities resulting from strong net income.

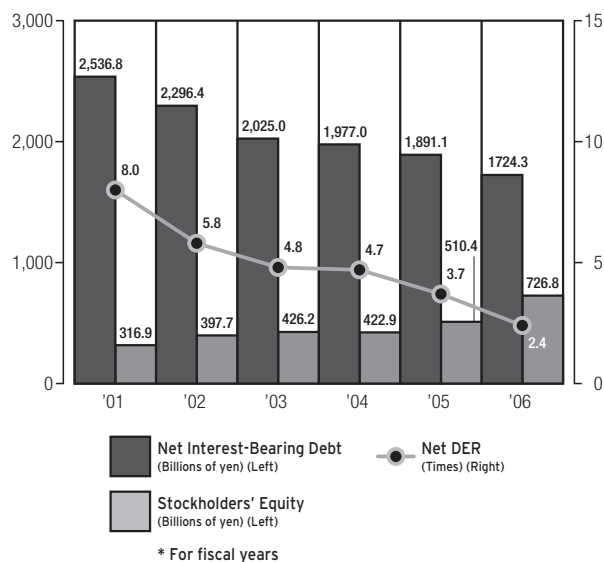
Similarly, **time deposits** also increased by ¥21.8 billion to ¥24.4 billion (US\$208 million) compared with the previous fiscal year.

Trade receivables (less allowance for doubtful receivables) increased by ¥125.2 billion to ¥1,211.0 billion (US\$10,309 million) compared with the previous fiscal year. This was due primarily to increases in Energy and Chemicals, Forest Products & General Merchandise, in accordance with increased transactions caused by rising prices.

Inventories increased by ¥38.8 billion to ¥458.9 billion (US\$3,906 million) compared with the previous fiscal year, as a result of increases in Machinery, Chemicals, Forest Products & General Merchandise, and Food, due to a sales expansion and rising prices of marketable commodities.

Additionally, there was an increase in **advances to suppliers**, a ¥34.8 billion increase to ¥121.3 billion (US\$1,032 million) compared with the previous fiscal year, mainly due to increases in Machinery, Aerospace, Electronics & Multimedia and a decrease in other current assets, a ¥11.1 billion decrease to ¥180.5 billion (US\$1,537 million) compared with the previous fiscal year, mainly due to the reduction in loans receivable and due from banks.

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



As a result, current assets were ¥2,679.6 billion (US\$22,811 million), an increase of ¥237.7 billion compared with the previous fiscal year.

Investments in and advances to associated companies increased by ¥146.5 billion to ¥619.0 billion (US\$526.9 million) compared with the previous fiscal year, due to the investment in Orient Corporation and an increase in earnings of associated companies in Energy, Metals & Minerals, and Food.

Other investments increased by ¥86.7 billion to ¥528.4 billion (US\$4,499 million) compared with the previous fiscal year, primarily due to the acquisition of new energy resource-related stakes and higher valuation of available-for-sale securities resulting from a rise in stock prices.

Other non-current receivables (less allowance for doubtful receivables) decreased by ¥93.5 billion to ¥92.8 billion (US\$790 million) compared with the previous fiscal year, mainly due to the disposal of Iraqi receivables and the decrease of non-current receivables in health-related business in the U.S.

As a result, total investments and non-current receivables were up ¥139.7 billion to ¥1,240.3 billion (US\$10,558 million) compared with the previous fiscal year.

Property and equipment, at cost (less accumulated depreciation) decreased by ¥9.6 billion to ¥487.8 billion (US\$4,152 million) as a result of the Company's efforts to reduce non-profitable assets despite an increase in Energy, Metals & Minerals-related assets.

Goodwill and other intangible assets, less accumulated amortization increased by ¥22.8 billion to ¥117.6 billion (US\$1,001 million) compared with the previous fiscal year, mainly due to an increase in intangible assets resulting from the acquisition of trademarks in Textile.