

October 28, 2005

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## ***Financial Results for 1<sup>st</sup> Half of FY2005***

**(April 1, 2005 - September 30, 2005)**

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*\*This document is an English translation of a statement written initially in Japanese.*

*The original in Japanese should be considered the primary version.*

### Disclaimer Regarding Forward-Looking Statements

This document contains forward-looking statements about the performance of Marubeni and its Group companies, based on management's assumptions in light of current information. The following factors may therefore influence actual results.

These factors include consumer trends in Japan and in major global markets, private capital expenditures, currency fluctuations, notably against the U.S. dollar, material prices, and political turmoil in certain countries and regions.

**Marubeni**  
CORPORATION

(TSE Code: 8002)

**Summary of Consolidated Financial Statements for 1st Half FY2005 (US GAAP basis)**Company name : Marubeni Corporation (URL <http://www.marubeni.com>)

Code Number : 8002

Listed : Tokyo, Osaka, Nagoya

Head Office: Tokyo

Representative: KATSUMATA, Nobuo President and CEO, Member of the Board

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Title General Manager, Media Relations Sec.  
Corporate Communications Dept.

Date of Director meeting for 1st Half FY2005 Financial Results : October 28, 2005

Adoption of US GAAP : YES

**1. Consolidated financial results for 1st Half FY2005 (April 1, 2005 - September 30, 2005)**

## (1) Consolidated statements of income

	Total volume of trading transactions		Operating profit		Income from Continuing Operations before taxes & equity in earnings	
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
1st Half FY2005	4,014,371	7.3	65,377	60.8	54,048	64.8
1st Half FY2004	3,742,041	-2.2	40,648	1.7	32,805	7.1
FY2004	7,936,348		86,461		61,590	

	Net income		Basic Earnings per Share	Diluted EPS
	(millions of yen)	(%)	(yen)	(yen)
1st Half FY2005	38,123	57.8	25.03	20.94
1st Half FY2004	24,159	22.6	16.18	13.06
FY2004	41,247		26.61	22.31

(Note) [1] Equity in earnings-net 1st Half FY2005 16,732 million yen  
1st Half FY2004 12,487 million yen FY 2004 20,672 million yen[2] Average number of outstanding shares for the term  
1st Half FY2005 (Common Stock) 1,493,107,028 Class I preferred shares 75,500,000  
1st Half FY2004 (Common Stock) 1,493,239,443 Class I preferred shares 75,500,000  
(Consolidated basis) FY2004 (Common Stock) 1,493,231,438 Class I preferred shares 75,500,000

[3] Any changes of accounting method? No

[4] The ratio of total volume of trading transactions, operating profit, income from continuing operations before tax &amp; equity in earnings, and net income represents the changes from the same period of the previous fiscal year.

[5] For Japanese investors' convenience, Total volume of trading transactions and Operating profit are shown according to Japanese accounting practice. Total volume of trading transactions is the sum of those in which Marubeni and its consolidated subsidiaries ("the Companies") act as principal and those in which the Companies act as agent.

[6] In accordance with SFAS No.144 "Accounting for the Impairment or Disposal of Long-Lived Assets", some of the figures for the 1st Half FY2004 and FY2005 have been reclassified, in relation to operations discontinued during the 1st half FY2005.

## (2) Consolidated balance sheet

	Total assets	Shareholders' equity	Shareholders' equity/ total assets	Shareholders' equity per share
	(millions of yen)	(millions of yen)	(%)	(yen)
September 30, 2005	4,313,988	513,723	11.9	293.07
September 30, 2004	4,073,032	407,409	10.0	222.32
March 31, 2005	4,208,037	443,152	10.5	245.27

(Note) Number of outstanding shares at September 30, 2005 (Common Stock) 1,492,982,926 Class I preferred shares 75,500,000  
(Consolidated basis) at September 30, 2004 (Common Stock) 1,493,297,203 Class I preferred shares 75,500,000  
at March 31, 2005 (Common Stock) 1,493,166,616 Class I preferred shares 75,500,000

## (3) Consolidated cash flow

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at the end of the term
	(millions of yen)			
1st Half FY2005	3,683	-41,789	-59,097	367,327
1st Half FY2004	34,829	-73	-222,616	292,153
FY2004	173,824	46,043	-238,057	459,194

(4) Number of consolidated subsidiaries and affiliated companies accounted for by equity method

Subsidiaries 392 Affiliated companies 170

(5) Increase/decrease of consolidated subsidiaries and affiliated companies accounted for by equity method

Subsidiaries (Newly included) 31 (Excluded) 8 Affiliated companies (Newly included) 16 (Excluded) 2

**2. Consolidated financial prospects for FY2005 (April 1, 2005 - March 31, 2006)**

(millions of yen)

	Total volume of trading transactions	Net income
For the year ending March 31, 2006	8,700,000	70,000

(Reference) EPS prospect of the year ending March 31, 2006 45.87 (yen)

Remarks: The above prospects are based upon available information and assumption, at the announcement date, about uncertain factors which would influence upon future businesses. Actual results might be influenced by various factors in the future. Assumptions of the above prospects are mentioned in page 28.

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*For reference:*

## **Formulas for 1<sup>st</sup> Half of FY2005 consolidated earnings indicators**

- **Basic Earning Per Share**  
$$\frac{\text{Net income} - \text{corresponding amount of dividends for preferred shares resulting from appropriation of profits}}{\text{Average number of shares of common stock for the term} * 1}$$
- **Diluted EPS**  
$$\frac{\text{Net income} - \text{corresponding amount of dividends for preferred shares resulting from appropriation of profits} + \text{adjusted net income} * 2}{\text{Average number of shares of common stock for the term} * 1 + \text{Number of latent shares}}$$
- **Shareholders' Equity per share**  
$$\frac{\text{Term-end shareholders' equity} - \text{sum of capital and additional paid-in capital relating to preferred shares} - \text{corresponding amount of dividends for preferred shares resulting from appropriation of profits}}{\text{Number of shares of common stock outstanding at term-end} * 1}$$

## **Formulas for FY2005 earnings forecast indicators**

- **Forecasted EPS**  
$$\frac{\text{Forecasted net income} - \text{forecasted total preferred share dividends}}{\text{Number of shares of common stock outstanding at term-end} * 1}$$

\*1) Excluding treasury stock and shares held by the subsidiaries and the affiliated companies

\*2) Amount of interest paid during the term in relation to convertible bonds less assumed amount of equivalent tax imposed on that amount + corresponding amount of dividends for preferred shares resulting from appropriation of profits

# Marubeni Corporation

## **Business Group**

The major activities of Marubeni's business group are sales and trades of wide range of products and commodities, making the most of our world wide business bases and information network. In addition, we offer various financing and project-organizing services to customers, and also work on diversified businesses like natural resource development and investment in leading-edge technologies.

The Company breaks its operating segments into 12 segments identified by product and service, in addition to its domestic branches and offices, and overseas corporate subsidiaries and branches.

Below are our products and services, and some of our major group firms by operating segment.

**Agri-marine products:** This group produces and handles all sorts of foods such as agricultural and marine products, processed food and beverages, raw materials and fodder and manure in addition to distributing these products both domestically and internationally.

**Subsidiaries:** Marubeni Nisshin Feed Co., Ltd., Nacx Nakamura Corporation  
Cia. Iguaçu de Café Solúvel, Columbia Grain International, Inc.

**Affiliated companies:** Yamaboshiya Co., Ltd., The Maruetsu, Inc.,  
The Nisshin OilliO Group, LTD., Toyo Sugar Refining Co., Ltd.

**Textile:** As a consistent organization handling various textile-related goods from raw materials through finished products, the group purchases and produces raw materials for apparel and designs and sells apparel and living products in addition to rendering distribution services both domestically and internationally.

**Subsidiaries:** Marubeni Fashion Link, Limited, Marubeni Intex Co., Ltd,  
Marubeni Textile Asia Ltd.

**Affiliated companies:** Fabricant Co., Ltd., Erawan Textile Co., Ltd.

**Forest products and general merchandise:** Besides selling rubber products, footwear and housing materials, the group operates leisure facilities, manufactures and sells raw materials for paper production, paper and cardboard, and takes part in afforestation projects both domestically and internationally.

**Subsidiaries:** Marubeni Pulp & Paper Sales Co., Ltd., Koa Kogyo Co., Ltd.,  
Marubeni Building Materials Co., Ltd.

**Affiliated companies:** Marusumi Paper Co., Ltd., Daishowa-Marubeni International Ltd.

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**Chemicals:** This group handles a wide variety of goods ranging from basic raw materials to leading-edge materials or bio technology-related articles for sale both domestically and internationally. Especially, this group focuses on furthering bolster efficient operations in electronic materials, basic chemicals, and resin area mainly in China.

**Subsidiaries:** Marubeni Plax Corporation, Marubeni Chemix Corporation

**Affiliated companies:** Shanghai Asahi Electronic Glass Co., Ltd., Dampier Salt Limited

**Energy:** This group focuses on products related to energy such as oil and gas, etc. It also enters into various sorts of businesses which benefit from the development of resources through retail such as gas stations.

**Subsidiaries:** Marubeni Energy Corporation, Marubeni Liquefied Gas Corporation

**Affiliated companies:** Shenzhen Sino-Benny LPG Co., Ltd.

**Metals and mineral resources:** This group produces, processes and sells nonferrous light metals both domestically and internationally, in addition to processing and selling raw materials for production of steel and light metals internationally.

**Subsidiaries:** Marubeni Metals Corporation, Marubeni Tetsugen Co., Ltd.

Marubeni Aluminium Australia Pty. Ltd., Marubeni Coal Pty. Ltd.

**Affiliated companies:** Toyo-Memory Technology Sdn. Bhd., Nippon LP Resources

**Transportation Machinery:** This group focuses on domestic and international trade (export import, wholesale, and retail) in aerospace and defense systems, automotive, construction agricultural machinery, and sea transport vessels and other transportation related machinery; and related services such as loans and investments, trade finance, leasing and overseas business support services

**Subsidiaries:** Marubeni Aerospace Corporation,

Marubeni Auto & Construction Machinery America, Inc.

Koyo Line Ltd., Royal Maritime Corporation

**Affiliated companies:** Kubota Europe S.A.

**Industrial Machinery & Information Business:** This group focuses on domestic and overseas export/import and domestic sales of production equipment, environmental and industrial equipment, textile machinery, personal computers and related products. The division also operates IT related businesses including IP network infrastructure businesses, overseas communication plant, national ID related business, cell phone related businesses, cable TV, BS/CS and other broadcasting businesses, IC tag/RFID business, and ASP/ISP businesses.

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**Subsidiaries:** Marubeni Telecom Co., Ltd. (\*1),  
Marubeni Information Systems Co., Ltd.,  
Marubeni Tekmatex Corporation, Marubeni Solutions Corporation,  
Marubeni Techno-Systems Corporation, Global Access Ltd.

**Affiliated companies:** Japan Cablenet Holdings Ltd., Marubeni Infotec Corporation

**Plant, Power & Infrastructure Projects:** This group deals with origination and management of projects related to power plants, water and wastewater projects in domestic and overseas markets; delivery and subcontracting of construction works related to infrastructure development such as power plant, railway/airport, potable water treatment and wastewater treatment. Also included in the division are oil, gas, chemical and metal resource development, environmental, steel production and other industrial plant-related equipment trading and total coordination activities, including project development, implementation and administration.

**Subsidiaries:** Marubeni Power Systems Corporation,  
Marubeni Power Development Corporation,  
Marubeni Protechs Corporation,  
Axia Power Holdings, San Roque Power

**Affiliated companies:** Kaji Technology Corporation, Uni-Mar Enerji Yatirimlari A.S.

**Development and construction:** This group mainly develops and sells condominiums, and rents and subleases commercial buildings in Japan, while operating asset/property management business concerning real estate fund and investment trust and housing development projects in overseas markets.

**Subsidiaries:** Marubeni Real Estate Co., Ltd., Marubeni Real Estate Sales Co., Ltd.,  
Benny Estate Service Co., Ltd.  
Shanghai House Property Development

**Affiliated companies:** Tipness Co., Ltd., Koshigaya Community Plaza Co., Ltd.

**Finance and logistics business:** Both domestically and internationally, this group is involved in various financial businesses such as investment finance - fund management and fund investment - and financial product trading, while in the logistics area, it operates forwarding business and logistics related consultation, and invests in logistics infrastructure. In the insurance area, it operates insurance intermediary business.

**Subsidiaries:** Marubeni Logistics Corporation, Marubeni Safenet Co., Ltd.  
Marubeni International Finance p.l.c.

**Affiliated companies:** MG Leasing Corporation,  
Eastern Sea Leam Chabang Terminal Co., Ltd.

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**Iron & Steel Strategies and Coordination:** This group is involved in domestic and international manufacture, processing and sales of steel related products such as steel plate, steel pipe, and special steel, operated by its affiliated companies such as Marubeni-Itochu Steel Inc. and Thai Cold Rolled Steel Sheet. Also, the group provides its customers with high value-added solution services.

**Affiliated companies:** Marubeni-Itochu Steel Inc.,  
Marubeni Construction Material Lease Co., Ltd.  
Thai Cold Rolled Steel Sheet Public Co., Ltd.

**Domestic branches and offices:** Domestic branches and offices are located throughout Japan, and handle various merchandise and carry out related activities.

**Subsidiaries:** IMT Corporation

**Overseas corporate subsidiaries and branches:** Overseas corporate subsidiaries and branches are located throughout the world, and handle various merchandise and perform related activities.

**Overseas corporate subsidiaries:** Marubeni America Corporation, Marubeni Europe p.l.c.,  
Marubeni Hong Kong and South China Ltd.

**Subsidiaries:** Helena Chemical Company, Carlisle Leasing International LLC

**Corporate and administration, etc.:** This group carries out financial services, group finance, etc.

**Subsidiaries:** Marubeni Finance Corporation  
Marubeni Management Resources Corp.

(\*1) Domestic listed subsidiaries:

Marubeni Telecom Co., Ltd. (Tokyo Stock Exchange Section 2),

# Marubeni Corporation Management Policy

## Management Policy

### 1. Fundamental Policy

The Marubeni Group has been implementing a three year medium-term management plan called the “V”PLAN since fiscal 2003.

Under the “V”PLAN, Marubeni’s fundamental aim is to become a resilient Group possessing the No.1 Portfolio Unit in each industry. To this end, Marubeni is working to strengthen its portfolio management and to ensure that risk/return assessment is rigorously applied in every aspect of management decision making to strengthen its earnings base and to improve its financial position.

The quantitative targets of the “V”PLAN include consolidated net income of ¥50 billion in the final fiscal year of the plan (to March 2006), net interest-bearing debt of under ¥2 trillion and a net debt to equity ratio of under 5X.

In addition, qualitative targets in the Plan include the promotion and strengthening of corporate governance and CSR, and a further strengthening of the systems for internal controls and compliance in order to provide enhanced management transparency and maximize corporate value. In doing so, the Group aims to build a stable and sustainable corporate base to gain the trust of each and every stakeholder through profitable returns and increased satisfaction.

Furthermore, specific policies for a new medium-term management plan to succeed the “V”PLAN from fiscal 2006 (to March 2007) are currently being drawn up, led by a new medium-term management plan development committee.

### 2. Basic policy regarding profit distribution

The Group believes that an important responsibility of management is to maximize corporate value and competitiveness while maintaining a stable dividend for shareholders through the effective use of internal reserves. In terms of dividends, the Group’s basic policy is to ensure the stability and sustainability of the business while considering financial performance, dividend payout ratio and internal reserves in determining profit distribution.

In terms of use of internal reserves, the Group is working to reduce interest-bearing debt and to invest fund flows in strategic areas in order to strengthen the Group’s earnings base so that future earnings growth can be returned to the Group’s shareholders.

Moreover, as previously announced at the beginning of the period, the Group intends to pay an interim dividend at the end of the first half of ¥2 per share.

In addition, the Group as prescribed intends to pay an interim dividend at the end of the first half of ¥10 per each share of the first issue of first-class preferred shares.



# Marubeni Corporation Management Policy

## 3. Progress of the “V”PLAN and Measures Implemented

Because of a permeation of “V”PLAN management policies and strategies throughout the Group, thorough portfolio management and the establishment of management systems beginning with risk-return focused management, the “V”PLAN is proceeding smoothly. Record high profits were recorded in fiscal 2004 for the second consecutive year, and the targeted level of interest-bearing debt of under ¥2 trillion was maintained.

The following is an outline of the progress made in the Plan in the first half.

In terms of profitability, consolidated net income for the first half was ¥38.1 billion (versus consolidated net income of ¥24.2 billion in the first half of the previous year) and recorded a new historical high for the third consecutive year. While the Group’s earnings performance benefited from the recent sharp appreciation in natural resource markets, the earnings base of non-resource related businesses has also been strengthened, and the Group’s profitability continues to steadily expand.

As a result, the Group has just revised its original forecast for consolidated net income announced in April of this year from ¥60 upward to ¥70 billion.

Regarding financial position, the Group’s consolidated shareholders’ equity at the end of the first half was ¥513.7 billion (versus ¥443.2 billion at the end of previous fiscal year), and ¥706 billion higher. In addition, net interest-bearing debt at the end of the first half was ¥1.874 trillion (versus ¥1.824 trillion at the end of the previous fiscal year). While new investments continued to be increased particularly in strategic businesses, the Group was able to maintain its target of keeping interest-bearing debt under ¥2 trillion while working to expand earnings power through continued selection and concentration of investments.

As a result of the declining trend in consolidated net interest-bearing debt and increased consolidated net income, shareholders’ equity expanded, resulting in a 0.47 point improvement in the net D/E ratio at the end of the first half to 3.65X (versus 4.12X at the end of the previous year). Thus the Group continues to make favorable progress in the “V”PLAN..

The following specific measures has been implemented based on the “V”PLAN..

### **(i) Introduction of portfolio unit system**

In addition to existing divisional management and control, a portfolio unit system was introduced from April 2003 which categorizes products, businesses and customers into portfolio unit segments in order to foster selection and concentration

# Marubeni Corporation Management Policy

## **(ii) Implementing portfolio management and strengthening financial position**

PATRAC(\*), which measures risk-return, was positioned the most important management indicator in order to pursue appropriate return for risk. The Group is pursuing a balance between minimizing risk and maximizing income, and has made PATRAC the indicator for performance evaluation of portfolio units, while promoting asset replacement in favor of assets with high profitability in addition to the strengthening of the financial position.

\* PATRAC (Profit After Tax less Risk Asset Cost), as calculated by the formula below, is an internal management indicator for measuring risk-return calculated from consolidated net income and risk asset.

$$\text{PATRAC} = \text{Consolidated Net Income} - \text{Risk Asset Cost (Risk Asset} \times 8\%)$$

The goal is  $\text{PATRAC} > 0$  and to maximize it.

Risk asset can be considered as the necessary equity capital for the assets held by each portfolio unit. PATRAC is the indicator verifying whether an appropriate return for risk is being obtained or not, by comparing the consolidated net income with the “risk asset cost” resulting from multiplying the risk asset by an assumed capital stock cost (8%).

## **(iii) Strengthening priority areas**

The Group has designated food distribution, pulp and paper, electronic materials, natural resource development, overseas IPP and new technology application as its strategic businesses to be further strengthened. As these are businesses which Marubeni believes it has competitive advantage and expects further growth, the Group will be concentrating its management resources in these areas and working to establish a stable earnings base in these areas.

In terms of specific measures implemented during the first half, the Group invested in Daiei Inc. through the acceptance of a third-party allotment in May of this year in the food distribution business, and participated in the Equatorial Guinea project and acquired concessions in the Qatar al-Rayyan oil field in the energy business. In addition, Marubeni won a concession to develop power and water generation operations in Saudi Arabia in the overseas IPP business.

The following gives an overview of specific activities by business segment.

### ● Agri-Marine Products

Overseas grain transactions trended favorably supported by the enhanced efficiency in distribution. In upstream businesses, in an effort to expand turnover in Brazilian soy beans,

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Marubeni invested in 6.8% of a Brazilian port and harbor company which is affiliated with the Agrenco Group, which is a major European grain trader.

In addition, in order to strengthen downstream distribution, the Group acquired 10% of The Daiei, Inc. in May of this year as a result of a capital increase by the company, and became a major shareholder in Tobu Store Co., Ltd. in raising the Group's holding in the company from 12.5% to 25%.

### ● Textiles

The Group continued to strengthen domestic downstream areas by acquiring casual apparel maker Baisu Corporation Ltd. and investing in ladies' wear specialty retailer Cabin Co., Ltd. In addition, the Group entered the pet products segment through the acquisition of commercial rights to a pet products business as a means of expanding Marubeni's domestic downstream business domain. In China, the China office of the Group's Hong Kong-based consolidated subsidiary, Passport Fashion Co., Ltd., was merged into Marubeni Textile (Shanghai) Co., Ltd. (MTS) in order to create an integrated business, from the raw materials to the finished product. In addition, a joint venture called SPM Automotive Textile Co., Ltd. was established with Suminoe Textile Co., Ltd. in order to support an entry into the production and sale of automobile interior materials in China.

### ● Forest Products & General Merchandise

The market for pulp and wood chips recorded mild growth amidst soaring global prices for raw materials. The domestic paper market was weakened by increasing paper imports and the inability to pass on higher raw material and fuel costs onto product prices.

In China on the other hand, as paper and paperboard demand continues to expand, a sales company was established in Shanghai and a recycled paper processing company that was established at the end of 2004 in Nantong began operations during the first half. In addition, a tree plantation joint venture was established with Oji Paper Co., Ltd. in Huizhou.

In the tire transactions business, sales for mining, construction and transportation use were firm supported by expanding world demand for primary commodity products.

### ● Chemicals

In the petrochemical products business, in spite of temporary declines, prices generally recovered to the previous high levels supported by the continued firmness in crude oil and naphtha prices. Strong demand in Asia and in China in particular resulted in favorable sales of basic chemicals and vinyl chloride alkali.

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In addition, growing demand in automobile and packaging related markets supported firm demand for synthetic resins.

In the electronic materials field, transactions of electronic materials for export to China saw favorable expansion supported by an investment in and strategic partnership with the Beijing Orient Electronics Group, a leading IT company in China.

### ● Energy

The energy resources development business continued to see favorable expansion. In addition, the earnings base for the business was expanded further by new projects such as the Equatorial Guinea LNG project and the acquisition of concessions such as the al-Rayyan oil field in Qatar.

In addition, trading, marketing and retail sales operations expanded favorably supported by crude oil trading based in Japan and the U.S., and the import and sale of LPG in China.

### ● Metals & Mineral Resources

The Los Pelambres copper mine in Chile made a significant contribution to earnings on sharply higher copper prices. In addition, production at Australia's Hail Creek coal mine in which Marubeni has an interest continued to expand favorably, and contributed to earnings on a more than two-fold year-on-year increase in coal prices. Capacity expansion at the Aluminerie Alouette aluminum smelter in Canada in which Marubeni has an interest was completed and began operations in September. After the capacity expansion, Marubeni's aluminum bullion trading volume increased from 16,000 tons/year to 37,000 tons/year.

### ● Transportation Machinery

Investment in engine development in the aerospace and defense segment is strong, and Marubeni made deliveries of U.S.-made small jets to the Japan Coast Guard.

In automotive, construction and agricultural machinery field, Marubeni saw good growth in selling approximately 40,000 units in the wholesale and retail business overseas in mainly the U.S. and Europe. Construction equipment exports and overseas sales of agricultural equipment in Asia and the Middle East were also favorable.

In shipping, the Group delivered approximately 20 newly built ships in Japan and overseas, and received orders for over 30 new ships.

### ● Industrial Machinery & Information Business

In the production and industrial machinery business, Marubeni won an order for an automobile manufacturing line in India. Marubeni is emphasizing new production equipment orders in this market where continued growth is expected.

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In the public security area, Marubeni won an order for a back-up fingerprint identification system from the Interior Ministry of the South African government.

The Vectant Group is also seeing solid growth on sales expansion that is being driven by the diffusion of broadband services.

### ● Plant, Power & Infrastructure Projects

In the overseas power generation business, Marubeni received an order for a large-scale coal-fired thermal electric power plant in Viet Nam and a large-scale hybrid thermal electric power plant in Thailand. In addition, Marubeni decided to participate in South Korea's largest wind power generation project, and acquired development rights for other projects such as the oil-fired cogeneration and desalination plant in Saudi Arabia.

Orders were also received in the plant business for a large-scale oil refinery project in Viet Nam and for hot rolling machine for iron manufacture from Turkey.

In the domestic water business, Marubeni established Susei Corporation in conjunction with Suido Kiko Kaisha Ltd. and Jenes Co., Ltd. to win orders for the comprehensive management of water systems.

### ● Development & Construction

Favorable sales were recorded in the domestic condominium business, including central Tokyo units such as "Grand Suite Nihonbashi Ningyocho" and family-oriented units such as "Grand Suite Yokohama Isogo" and "Grand Suite Kyoto Umekouji Park" in the Kinki region. In addition, earnings contribution was seen on transactions for income-producing real estate sold to J-REITs and funds.

Overseas, revenues from the Phoenix City condominium project for local Chinese in Shanghai also continued to grow favorably.

### ● Finance & Logistics Business

In the finance area, the MBI Fund Co., Ltd. made investments in large projects such as the Daiei, Inc. and Pokka Corporation. In addition, Marubeni continue to pursue exit strategies for several venture companies in which it has an investment by implementing capital policies in preparation for public offering.

In the logistics field, medical materials distribution company MDI Logistics Co., Ltd. won an order for the management of supply, processing and distribution for the Osaka Red Cross Hospital.

### ● Iron & Steel Strategies and Coordination

While market prices and inventories for steel materials entered a correction phase in the first half,

# Marubeni Corporation Management Policy

the steel products business centering on Marubeni-Itochu Steel, Inc. recorded favorable growth on strong demand for steel products in Japan, China, Southeast Asia and the U.S.

## ● Business Incubation ※ Note

The Group continued to pursue investments and tie-ups with venture firms within and without Japan with the aim of gaining access to new technologies and new businesses. In addition, Marubeni launched an “Emissions Business Team” in April 2005 to increase synergies with the Group’s utility and infrastructure business which is working to develop methods to reduce gas emissions that cause global warming, with the aim of establishing an integrated business structure, including proposal development, administration, acquisition of emission rights and sales. Using its capabilities as an integrated trading company, Marubeni is pursuing an emissions-related “one-stop shop solution” business.

## ● Domestic Regional Offices and Branches

The Nagoya branch recorded favorable mansion and machinery sales, while the Hokkaido branch saw growth in housing sales and raw concrete transactions. The Shizuoka branch also recorded favorable growth in transactions of chemical products.

Each domestic branch of the Group is working to implement measures to improve profitability and is working on ways to deepen business relationships with corporations that are rooted in the local communities.

## ● Overseas Subsidiaries and Branches

Marubeni America Corporation recorded favorable growth mainly driven by increased profit of its subsidiary, Helena Chemical Company (which sells agrichemicals and fertilizer), while foodstuff and chemical product transactions were also favorable.

In Asia and China branches, good results were recorded overall centering on Hong Kong & South China Ltd., Marubeni Taiwan Co., Ltd. and Marubeni Thailand Corporation, mainly on expanded transactions in chemical products, base metals, materials, and pulp and paper.

※ Note: This operating segment is included in “corporate & elimination.”

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## 4. Corporate governance

### (1) Basic viewpoint regarding corporate governance

The directors and employees of Marubeni Corporation and its consolidated subsidiaries (“the Marubeni Group”), shall observe the letter of the laws, regulations and internal corporate rules, by observing the values of "Fairness, Innovation, and Harmony" expressed in our Company Creed and with the spirit expressed in the Marubeni Corporate Principles, and shall conduct our business activities in compliance with a high corporate ethical code and moral-minded management philosophies.

Based on the Company Creed, the Company Doctrine, and the Marubeni Corporate Principles, we are striving to strengthen our corporate governance.

#### (i) Company Creed

Fairness: To be fair and decent.

- We shall observe the laws and conduct fair corporate activities.

Innovation: To be active and innovative.

- We shall constantly strive to improve ourselves.

Harmony: To respect each other and cooperate

- We shall stay in touch with society and stakeholders, engaging in corporate activities that advance credibility as the number one principle.

#### (ii) Company Doctrine

Taking up the spirits of "Fairness - Innovation - Harmony", the Marubeni Group aims to proudly contribute to the economy and society through fair and upright corporate activities.

#### (iii) Marubeni Corporate Principles

Marubeni Corporation, as a business enterprise, will actively pursue its business interests through the exercise of fair and legal competition. As a company, Marubeni will also continue to play its part in the expansion of the global economy, while always striving to enrich the society within which it operates. In order to achieve all the elements of the aforementioned goal, Marubeni is committed to the following six basic principles of business.

1. Conduct fair and open business activities

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- Obey the law and be guided by fairness in all business dealings.
- Maintain sound relationships with government officials of all nations. Observe the principle of free competition in all business decisions.
- Resolutely oppose and avoid any illegal or improper business relationships and practices.

## 2. Develop a globally connected company

- Respect international cultural diversity and seek to enhance regional prosperity through Marubeni's business activities.
- Contribute to regional economic goals by fostering regional associations adopting a global management style.

## 3. Create New Value through Business Vision

- Be responsive to market and industry forces, but also take the initiative in creating changes in the markets by providing new products and services to the market and the customers.
- Discontinue outdated ideas and structures; challenge new possibilities.

## 4. Respect and Encourage Individuality and Originality

- Respect the individuality of each person and create a company work environment in which originality can flourish.
- Create an environment for individuals to set goals that require self-administration or independent, creative action.

## 5. Promote Good Corporate Governance

- Maintain a high level of management transparency or openness for information sharing in corporate relations with shareholders and society.
- Respect proposals for enhanced management accountability from shareholders and society.



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## 6. Safeguard Ecological and Cultural Diversity

- Recognize our responsibility as a good corporate citizen in world society and engage in activities, which are beneficial to that society.
- Recognize our responsibility as a global enterprise in the preservation of our earth and its resources for future generations.

### **(iv) Stakeholders**

Various stakeholders in the areas of the economy, the environment, and society support the Marubeni Group's corporate activities. Going forward, we will continue to emphasize our corporate social responsibility, and by pursuing the interests and satisfaction of every one of our stakeholders and acquiring their trust, we will build a stable and sustainable corporate group base. Marubeni defines its stakeholders as follows.

#### 1. Customers

- Based on the needs of our customers, we shall develop and supply products and services that are socially useful, while taking sufficient account of safety, and through sincere actions, we shall constantly endeavor to improve our customers' satisfaction and acquire their trust.

#### 2. Business Partners

- We aim to be a company that is trusted by its business partners, and we shall promote fair and transparent business transactions. In addition, based on the needs of customers, we shall strengthen cooperation with business partners to create new products and services.

#### 3. Shareholders

- In response to changes in the business environment, we shall strive to ensure stable earnings, and besides working to enhance corporate value while focusing on environmental and social aspects of business, we shall actively and fairly disclose corporate information.

# Marubeni Corporation Management Policy

## 4. Employees

- We shall respect every employee's sense of values and choice of lifestyle, abolish all kinds of discrimination, and create a work environment where everyone can work comfortably.

## 5. Regional communities

- While aiming to live in harmony as a member of regional communities, we shall endeavor to contribute to the creation of an affluent regional society. Overseas, we shall respect the local culture and customs and strengthen management that contributes to local development. Furthermore, we shall resolutely confront antisocial forces or organizations that threaten the order and safety of human society.

## 6. The Environment

- We recognize that tackling environmental problems is an essential condition for the existence and activity of corporations, and we shall engage in such measures voluntarily and actively. Moreover, we shall endeavor to reduce environmental load and contribute to the conservation of the global environment by promoting environmental businesses.

### **(2) Action relating to corporate governance**

#### **1) Business management organization associated with the company's management decision-making, execution, and supervision, and other corporate governance systems**

##### **(i) Company management organization**

The company's management organs are as described below.

##### **A Board of Directors**

The Board of Directors consists of 12 members (of which two are outside directors) that supervise the activities of the corporate vice president in addition to making decisions on corporate policies and other important corporate matters.

Moreover, in order to clarify the management responsibilities of these directors and to promote

# Marubeni Corporation Management Policy

flexible and timely decision making, the tenure of the directors is limited to one year, while the chairman of the board of directors has no power to legally represent the company, in order to clearly separate the supervisory and executive roles of management.

In addition, two outside directors were elected to the board in June 2005 with the aim of further strengthening corporate governance by providing enhanced control and supervision over the activities of the representative director.

## B Board of Corporate Auditors

The Board of Corporate Auditors consists of 4 corporate auditors (including 2 external auditors). Marubeni has adopted a corporate auditor system, and based on the audit policy and audit plans formulated by the Board of Corporate Auditors, each auditor audits the performance of the duties of the directors, through attending important meetings, including those of the Board of Directors, and investigating the status of business operations and assets.

## C Corporate Management Committee

Corporate Management Committee is comprised of the President & CEO and 8 directors under the jurisdiction of the President & CEO, and deliberate on general, important matters relating to management.

## D Committee of Corporate Vice President

The Committee of Corporate Vice President is comprised of 10 directors and 22 Corporate Vice Presidents. The committee reports on matters relating to the policy directions of the President & CEO, the communication of information, and the execution of business.

In addition, we have set up 9 committees in order to reinforce corporate governance.

- Investment and Credit Committee (held once a week in principle)  
Discusses investment-related issues. The chair of the Investment and Credit Committee decides matters that should be discussed at the Corporate Management Committee after being evaluated by the Investment and Credit Committee.
- (b) "V" Plan Committee (held as required)  
Executes, promotes, and follows up on matters decided at the Corporate Management Committee and policy relating to the medium-term management plan.
- (c) Compliance Committee (held twice a year, otherwise as required)

# Marubeni Corporation Management Policy

Generally constructs, maintains, and manages the compliance system in the Marubeni Group.

- (d) Management Remuneration Committee (held as required)  
Carries out discussion relating to the treatment for directors such as remuneration.
- (e) Reward and Disciplinary Committee (held when appropriate)  
Investigates and implements procedures relating to the reward and punishment of company employees.
- (f) Committee on Global Environmental Preservation  
(held regularly once a year, otherwise held as required)  
Discusses the basic action policy associated with environmental-related matters in general in the Marubeni group and reports on relevant activities.
- (g) Customs Clearance Control Committee (held as required)  
Investigates and controls the entry of imports in general for the Marubeni group.
- (h) Security Trade Control Committee (held as required)  
Promotes, plans, drafts, and implements legal compliance relating to security trade control in the Marubeni group.
- (i) CSR Committee (meets as required)  
Formulates policy to handle the Marubeni group's corporate social responsibility (CSR) and reviews progress status.

## **(ii) Status of the development of the internal control system**

In April 2004, the Group established an “Internal Control System Promotion Task Force” under the direct supervision of the president, and is promoting the MARICO Project (Marubeni Internal Control System Project) as a firm-wide project to upgrade its system of internal controls. Under the Project, outside consultants have been hired with the aim of making existing internal controls more systematic.

While the goal of the internal control system is threefold, i.e., to make operations more efficient, ensure reliability in financial reporting, and to ensure compliance, the main focus of the MARICO Project for the time being is to establish a framework to ensure reliability of financial reporting.

# Marubeni Corporation Management Policy

Specifically, the workflow of each operating unit is to be documented and operational risks reviewed with the aim of thoroughly implementing internal controls. The documentation stage has already been completed, and in addition to maintaining this documentation, the Group will be evaluating the effectiveness of internal controls during this fiscal year.

The MARICO Project is proceeding smoothly, and the internal control system related to the assurance of financial reporting reliability is expected to be completed by the end of this fiscal year. This Project is ongoing, and its scope will be expanded from the next fiscal year to include operational efficiency and other aspects with the aim of establishing an integrated and systematic framework for the Group as a whole.

Marubeni believes that compliance is management's most important social responsibility. As a result, a compliance committee under the direct supervision of the president was established in April 2002 in order to strengthen the Group's compliance system. A compliance officer responsible for the compliance system of the Group as a whole is chairman of the committee, and the committee includes 16 compliance officers responsible for compliance at each sales division, regional office and Group company as well as the head of the corporate compliance division. The committee is responsible for the preparation and updating of compliance manuals, director and employee training, monitoring of implementation and responding to compliance issues that arise as the primary group responsible for the creation, maintenance and implementation of the Group's compliance system.

In addition, while internal compliance reporting follows the organization hierarchy in principle, an alternative reporting and consultation office called the "door of courage" (a hotline to the compliance committee chairman or outside lawyers to facilitate whistle-blowing) has been established for use by all Group employees in the event that the organizational hierarchy fails to function properly.

Moreover, following the enforcement of Personal Information Protection Law in April 2005, the Group in April 2005 implemented firm-wide regulations concerning the protection of personal information, and created and announced the Group's "protection of personal information policy" on April 1, 2005.

### **(iii) Status of development of the risk management system**

The Marubeni group is using the following systems to promote the management of risks that significantly impact management.

## Marubeni Corporation Management Policy

For important investment and financing, and other such individual matters, decision-making is carried out by the Corporate Management Committee after deliberation by the Investment and Credit Committee, followed by final approval of President&CEO. In addition, items requiring approval by the board of directors are first debated at a board of director's meeting, and then put to the board for a vote. When the cases are not carried out by the Corporate Management Committee, Chairman of Investment and Credit Committee is to provide a final approval, the result of which is to be reported to President&CEO. Post-implementation follow-up is carried out by the business department in charge and, for particularly important matters, status reports are regularly submitted to the Investment and Credit Committee and the Board of Directors, which are reflected in future decision-making.

In terms of diversification of overall risk, the company quantifies risk and practices integrated portfolio management (integrated risk management).

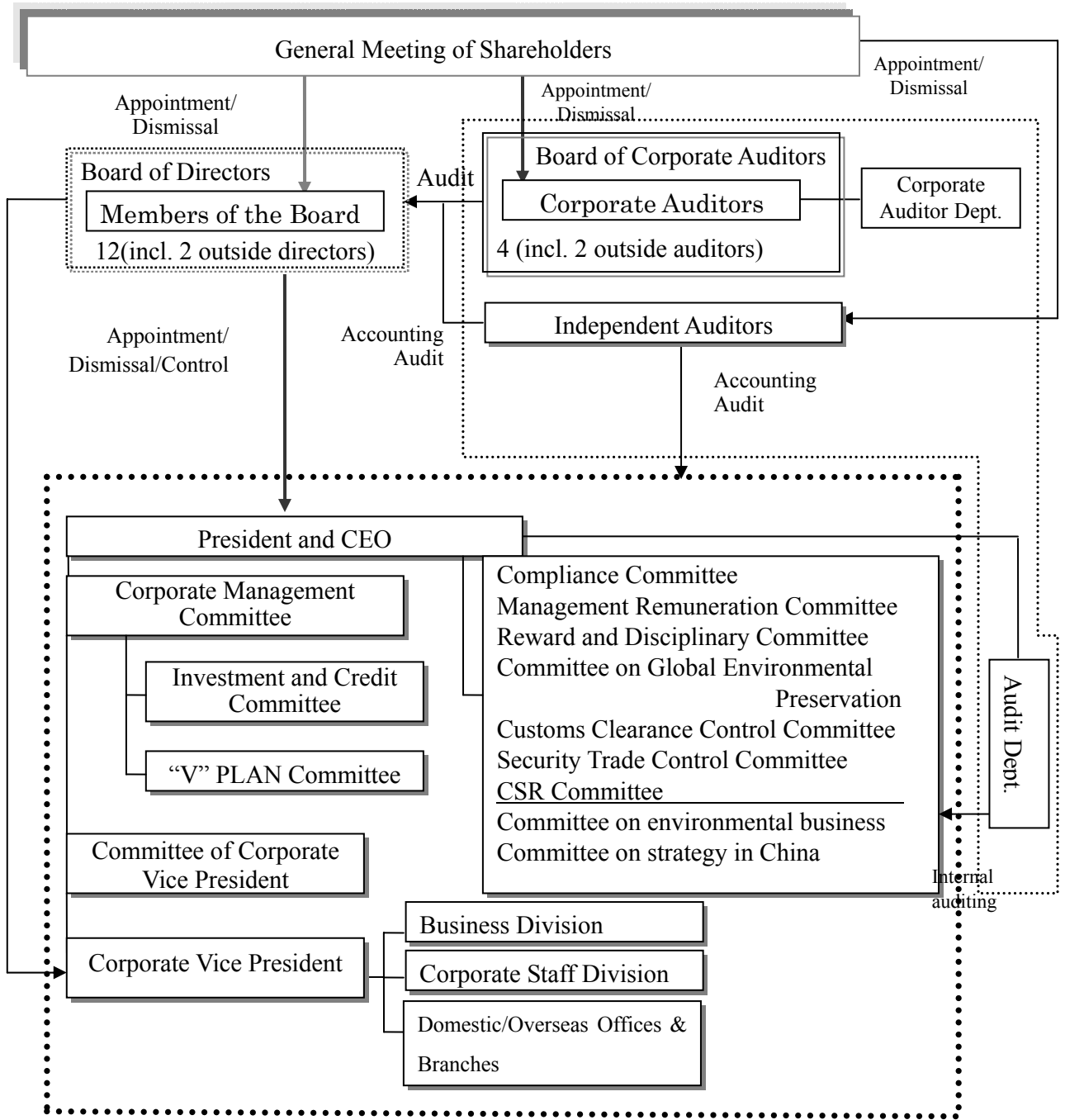
### **(iv) Internal audit and status of audits by internal and independent auditors**

In April 2003, the company created the Corporate Auditors Office (presently comprised of three Corporate Auditors), thereby, strengthened the function of audits performed by Corporate Auditors. The Audit Division (presently comprised of 28 staffs) performs internal audits for the entire Marubeni group and promotes the strengthening of the group's corporate governance by testing and evaluating the effectiveness of internal controls, monitoring compliance, and performing other such roles.

The Corporate Auditors and the Audit Division meet monthly for an exchange of opinions and, by sharing staff and taking other measures, as well, work in close cooperation as they perform audit work. The Corporate Auditors and independent auditors meet monthly to exchange information and take other steps to mutually determine the status of audits. The company has built an audit system that maintains objectivity through the independent and mutually complementary performance of audits by Corporate Auditors, internal auditors, and independent auditors.

“(i) Company management organization,” “(ii) Status of the development of the internal control system,” and “(iv) Internal audit and status of audits by internal and independent auditors,” are depicted in the diagram below.

# Marubeni Corporation Management Policy

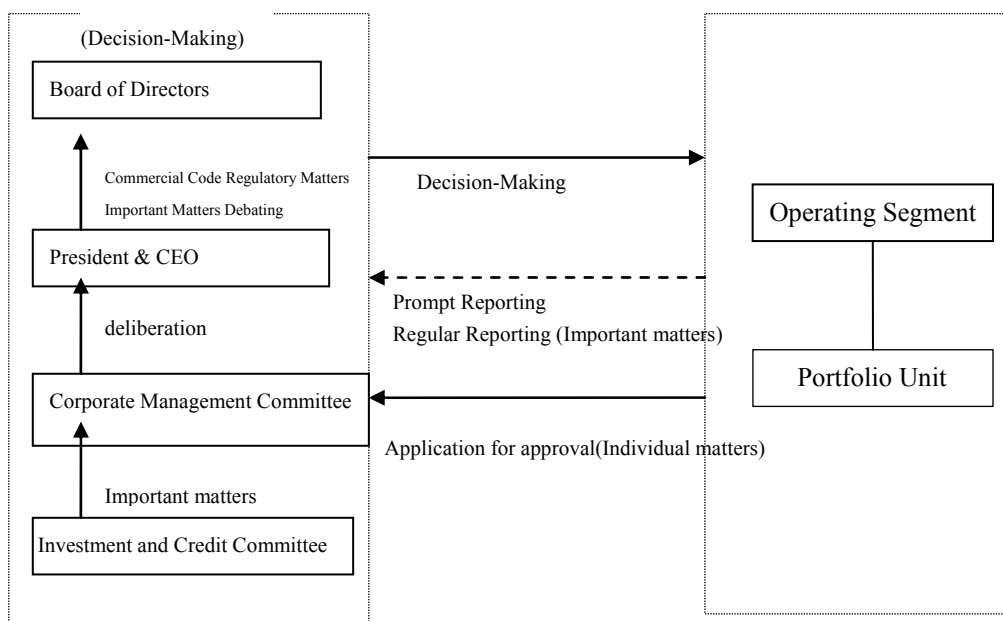


# Marubeni Corporation Management Policy

The system of internal controls is being implemented through an organization that spans the entire group. It was impossible to include the entire company organization in the diagram above, so only principle elements are shown.

When required for the execution of business operations, we receive appropriate advice from third parties such as lawyers and independent auditors.

A diagram depicting the risk management system discussed in “(iii) Status of development of the risk management system” is shown below.



## 2) Summary of personal relations between the company, the company's external directors, and external auditors as well as capital relations, business relations, and other interests

The Group has elected two outside board members and two external auditors.

External auditor Hiroaki Shinoda owns 62,000 shares of Marubeni Corporation stock.

The Group has no related party transactions with the other outside directors and external auditors involving personnel affairs, capital investment, commercial transactions, and other transactions that may create potential conflict of interest.



# Marubeni Corporation

## Financial Results and Conditions

### 1. Financial Results

#### **Business Environment**

In summarizing the economic environment for the first half of the fiscal year to March 31, 2006, the global economy was affected by increasingly restrictive economic policies in the U.S. and China, leading to a deceleration in growth from high levels in 2004 to a more stable and sustainable pace. On the other hand, crude oil prices continued to appreciate and became a major concern as regards their impact on the global economy.

In the U.S., the FRB (Federal Reserve Board) continued to cautiously raise interest rates on gradually increasing inflationary pressures. As a result, although growth in personal consumption and capital expenditures decelerated slightly from the pace of growth seen in 2004, prices continued to trend stably reflecting the moderate slowdown in economic activity. Expanding interest rate spreads due to rate hikes and shrinking fiscal deficits owing to increased tax revenues prevented the dollar from becoming excessively weak. However, this monetary tightening was not sufficient to stem an overheating housing market that was the result of past low interest rate policies.

In Europe, domestic demand continued weak on stagnant employment conditions and continued restructuring in the corporate sector. Consequently, economic activity continued to be supported by external demand. Given the overall price stability that prevailed in spite of the sharp rises in oil prices, and the concern over the potential weakness of the economy, central European banks continued to maintain loose monetary policies.

In Asia, particularly in China, economies continued to expand favorably. While capital expenditure decelerated due to restrictive economic policies, China's economy recorded 9.5% year-on-year growth in the first half of 2005 on an expanding balance of trade surplus. In addition, the Chinese government effectively raised the Yuan's exchange rate amidst growing international pressure to revalue the Chinese currency. While growth rates in the region slowed slightly on production adjustments in digital IT-related products and components in South Korea, Taiwan, Hong Kong and Singapore, and soaring crude oil prices in the ASEAN bloc, growth of around 4% is expected for the NIES bloc, while growth of around 5% is foreseen for the ASEAN bloc. In the Indian economy, growth accelerated, with 7.0% year-on-year growth being recorded in the January-March quarter of 2005.

The Russian and Brazilian economies trended strongly, benefiting from expanding global demand for primary goods and rapidly rising prices, which boosted exports and supported personal consumption as well as capital expenditures.

## Marubeni Corporation Financial Results and Conditions

Given such global economic conditions, Japan's economy was supported by personal consumption arising from improving employment conditions and capital expenditures supported by improving corporate profits, although economic activity was hampered by slowing export growth. While the rate of price declines abated due to a mild expansion in demand, this was not sufficient to eradicate lingering deflationary pressures.

## Consolidated Financial Results

The summary of consolidated financial results for the 1<sup>st</sup> Half of FY2005 is as follows:

(billions of yen)

	1st Half FY2005	1st Half FY2004	Variance	
			Amount	%
Total volume of trading transactions	4,014.4	3,742.0	272.3	7.3%
Gross trading profit	236.2	210.8	25.4	12.0%
Operating profit	65.4	40.6	24.7	60.8%
Income before income taxes	54.0	32.8	21.2	64.8%
Net income	38.1	24.2	14.0	57.8%
Revenue	1,527.7	1,535.1	-7.4	-0.5%

(Note) For Japanese investors' convenience, Total volume of trading transactions and Operating profit are shown according to Japanese accounting practice.  
Income before income taxes means income from continuing operations before taxes & equity in earnings

Consolidated total volume of trading transactions increased 7.3% year-on-year to ¥4,014.4 billion.

Gross trading profit grew ¥25.4 billion (+12.0% year-on-year) to ¥236.2 billion.

While provisions for doubtful accounts increased during the period, operating profit grew ¥24.7 billion (+60.8%) to ¥65.4 billion, supported by the increase in gross trading profit.

Income from continuing operations before income taxes and equity in earnings deteriorated because of losses on property, plant and equipment and losses on investment securities, but increased by ¥21.2 billion (+64.8%) to ¥54.0 billion supported by the increase in operating profit as well as higher interest and dividend income.

Net equity in the earnings of affiliated companies improved ¥4.2 billion (+34.0%) to ¥16.7 billion. As a result, net income for the period excluding loss from discontinued operations ( ¥ -6.4 billion) grew ¥14.0 billion (+57.8%) to ¥38.1 billion. In addition, "Revenue" as defined under U.S. GAAP were ¥1,527.7 billion, or ¥7.4 billion (0.5%) lower than the same period a year previous.

## 2. Financial Condition

### Consolidated Financial Conditions

A summary of the consolidated balance sheets for the 1<sup>st</sup> Half of FY2005 is as follows:  
(billions of yen)

	September 30, 2005	March 31, 2005	Variance
Total assets	4,314.0	4,208.0	106.0
Shareholders' equity	513.7	443.2	70.6
Interest-bearing debt	2,253.1	2,286.4	-33.2
Net interest-bearing debt (Net D/E ratio)	1,874.1 3.65 times	1,823.9 4.12 times	50.2 -0.47 points
Net interest-bearing debt after factoring out impact of FAS No. 133 (Net D/E ratio)	1,864.2 3.63 times	1,805.2 4.07 times	59.0 -0.44 points

Total consolidated assets increased ¥ 106 billion from the end of the previous fiscal year to ¥ 4,314 billion, largely due to an increase in investment securities. Gross consolidated interest-bearing debt declined by ¥33.2 billion from the end of the previous fiscal year to ¥2,253.1 billion. In addition, net interest-bearing debt increased ¥50.2 billion from the end of the previous fiscal year to ¥1,874.1 billion.

Consolidated shareholders' equity was ¥70.6 billion higher than the end of the previous fiscal year at ¥513.7 billion, reflecting the increase in net income for the period as well as higher net unrealized gains on investment securities. As a result, the net debt/equity ratio improved 0.47 points to 3.65, compared to 4.12 at the end of the previous fiscal year.

Net cash provided by operating activities declined by ¥ 31.1 billion from the previous fiscal year to ¥3.7 billion. Net cash used by investing activities was ¥ 41.8 billion, reflecting the sale and redemption of marketable securities, and loan recovery.

Therefore free cash flow for the period was negative ¥ 38.1 billion.

As a result of the continued reduce interest-bearing debt, net cash used in financing activities came out to ¥59.1 billion. Cash and cash equivalents at the end of the period were ¥367.3 billion, and ¥91.9 billion lower than at the end of the previous fiscal year.

### 3. Financial Prospects for the Fiscal Year Ending March 31, 2006

Financial prospects for the year ending March 31, 2006, is as follows:

(billions of yen)

	Forecast FY2005	Result FY2004
Total volume of trading transactions	8,700.0	7,936.3
Net income	70.0	41.2

Major assumptions:

Foreign exchange rate: US\$1 = approx. 110 yen

Short-term prime rate (Japan): 1.375%

Long-term prime rate (Japan): 1.6%

Marubeni Corporation  
Consolidated Statements of Income

*Millions of yen*

	<i>Six months ended</i>		Variance	Ratio
	September 30			
	2005	2004		
<b>Revenues:</b>				
Revenues from trading and other activities	¥ 1,437,931	¥ 1,459,070	¥ - 21,139	-1.4 %
Commissions on services and trading margins	89,747	76,011	13,736	18.1 %
Total	1,527,678	1,535,081	-7,403	-0.5 %
Cost of revenues from trading and other activities	- 1,291,452	- 1,324,244	32,792	-2.5 %
Gross trading profit	236,226	210,837	25,389	12.0 %
<b>Expenses and other:</b>				
Selling, general and administrative expenses	- 167,673	- 166,265	- 1,408	0.8 %
Loss from transfer of the substitutional portion of Japanese Welfare Pension Fund	-	- 1,453	1,453	-
Provision for doubtful accounts	- 3,176	- 2,471	-705	28.5%
Interest income	10,118	9,206	912	9.9%
Interest expense	- 22,307	- 21,594	-713	3.3 %
Dividends received	5,597	4,917	680	13.8 %
Impairment loss on investment securities	- 638	- 2,645	2,007	- 75.9 %
Gain (loss) on sales of investment securities	2,512	11,465	- 8,953	-78.1 %
Gain (loss) on property and equipment	- 3,151	- 2,661	- 490	18.4%
Other – net	- 3,460	- 6,531	3,071	-47.0 %
Total	- 182,178	- 178,032	- 4,146	2.3 %
Income (loss) from continuing operations before income taxes and equity in earnings (losses) of affiliated companies	54,048	32,805	21,243	64.8 %
Provision for income taxes	- 24,533	- 18,522	- 6,011	32.5 %
Income (loss) from continuing operations before equity in earnings (losses) of affiliated companies	29,515	14,283	15,232	106.6 %
Minority interests in consolidated subsidiaries	- 1,724	- 1,538	- 186	12.1 %
Equity in earnings (losses) of affiliated companies-net (after income tax effects)	16,732	12,487	4,245	34.0 %
Net income (loss) from continuing operations	44,523	¥ 25,232	¥ 19,291	76.5 %
Loss from Discontinued Operations (after income tax)	-6,400	¥ - 1,073	¥ -5,327	496.5 %
Net Income	¥ 38,123	¥ 24,159	¥ 13,964	57.8 %
Dividend for preferred shares	¥ 755	¥ -	755	-
Net income available for shareholders	37,368	24,159	13,209	54.7 %
Basic earnings per share (yen)	¥ 25.03	¥ 16.18	¥ 8.85	54.7 %
Diluted earnings per share (yen)	20.94	13.06	7.88	60.3%
Total volume of trading transactions (Based on Japanese accounting practice)	¥ 4,014,371	¥ 3,742,041	¥ 272,330	7.3 %
Operating profit (Based on Japanese accounting practice)	65,377	40,648	24,729	60.8 %

(Note 1) These financial statements are based on US GAAP. (Revenue is presented in accordance with FASB Emerging Issue Task Force (EITF) 99-19.)

(Note 2) Loss from transfer of the substitutional portion of Japanese Welfare Pension Fund is the net amount of the settlement loss on the transfer of the benefit obligation related to the substitutional portion of -14,858 million yen (including the extinguishment of the obligation for anticipated future salary increases of 1,064 million yen), and the subsidy of 13,405 million yen, which is a difference between the obligation settled and the assets transferred to the government.

(Note 3) In accordance with SFAS No.144 "Accounting for the Impairment or Disposal of Long-Lived Assets", some of the figures for the 1<sup>st</sup> half FY2004 have been reclassified, in relation to operations discontinued during the 1<sup>st</sup> half FY2005.

Marubeni Corporation  
Consolidated Balance Sheets

	<i>Millions of yen</i>		<b>Variance</b>
	<b>September 30 2005</b>	March 31 2005	
<b>Assets</b>			
Current assets:			
Cash and cash equivalents, and time deposits	¥ 379,002	¥ 462,450	-83,448
Investment securities	34,613	32,946	1,667
Notes and accounts receivable - trade:			
Notes receivable	97,596	101,298	- 3,702
Accounts receivable	868,387	783,001	85,386
Due from affiliated companies	89,093	94,453	- 5,360
Allowance for doubtful accounts	- 21,990	- 24,620	2,630
Inventories	403,569	376,480	27,089
Advance payments to suppliers	84,481	83,529	952
Deferred income taxes	42,674	43,483	- 809
Prepaid expenses and other current assets	167,293	140,332	26,961
Total current assets	<u>2,144,718</u>	<u>2,093,352</u>	<u>51,366</u>
Investments and long-term receivables:			
Affiliated companies	355,144	325,380	29,764
Securities and other investments	544,247	483,928	60,319
Notes, loans and accounts receivable - trade	245,985	270,792	- 24,807
Allowance for doubtful accounts	- 84,930	- 84,696	- 234
Property leased to others, at cost, less accumulated depreciation	246,339	248,338	- 1,999
Total investments and long-term receivables	<u>1,306,785</u>	<u>1,243,742</u>	<u>63,043</u>
Net property and equipment	547,557	532,306	15,251
Prepaid pension cost	84,903	84,709	194
Deferred income taxes	70,902	89,284	- 18,382
Intangible fixed assets	39,384	35,548	3,836
Goodwill	29,414	27,509	1,905
Other assets	90,325	101,587	- 11,262
Total assets	<u>¥4,313,988</u>	<u>¥4,208,037</u>	<u>¥ 105,951</u>

\*These financial statements are based on US GAAP.



Marubeni Corporation  
Consolidated Balance Sheets (continued)

	<i>Millions of yen</i>		
	September 30 2005	March 31 2005	Variance
<b>Liabilities and shareholders' equity</b>			
Current liabilities:			
Short-term loans	¥ 320,960	¥ 344,597	¥ - 23,637
Current portion of long-term debt	360,339	314,501	45,838
Notes and accounts payable-trade			
Notes and acceptances payable	182,980	207,663	- 24,683
Accounts payable	711,577	650,387	61,190
Due to affiliated companies	45,011	44,817	194
Advance payments received from customers	73,009	80,502	- 7,493
Income taxes	18,142	13,541	4,601
Deferred income taxes	3,673	3,849	- 176
Accrued expenses and other current liabilities	239,035	222,721	16,314
Total current liabilities	1,954,726	1,882,578	72,148
Long-term debt, less current portion	1,770,774	1,813,722	- 42,948
Employees' retirement benefits	8,475	9,319	- 844
Deferred income taxes	24,078	18,851	5,227
Minority interests in consolidated subsidiaries	42,212	40,415	1,797
Shareholders' equity:			
Paid-in capital	231,789	231,789	-
Additional paid-in capital	125,438	125,436	2
Retained earnings (losses)	161,835	131,195	30,640
Accumulated other comprehensive loss	- 5,147	- 45,126	39,979
Cost of common stock in treasury	- 192	- 142	- 50
Total shareholders' equity	513,723	443,152	70,571
Total liabilities and shareholders' equity	4,313,988	4,208,037	¥ 105,951

	<i>(millions of yen)</i>		
<b>*Cash and cash equivalents:</b>	¥ 367,327	¥ 459,194	¥ - 91,867
<b>*Accumulated other comprehensive loss:</b>			
Net unrealized gains (losses) on investment securities, net of reclassification	¥ 75,499	¥ 46,661	¥ 28,838
Currency translation adjustments, net of reclassification	- 74,870	- 89,586	14,716
Minimum pension liability adjustment	- 647	- 647	-
Net unrealized losses on derivatives	- 5,129	- 1,554	- 3,575

Marubeni Corporation  
Consolidated Statements of Changes in Shareholders' Equity

	<i>Millions of yen</i>					
	September 30 2005		March 31 2005		September 30 2004	
<b>Common stock:</b>						
Balance at beginning of year	231,789		231,789		231,789	
Balance at end of year	<u>231,789</u>		<u>231,789</u>		<u>231,789</u>	
<b>Capital surplus:</b>						
Balance at beginning of year	125,436		125,430		125,430	
Gains from disposition of treasury stock	<u>2</u>		<u>6</u>		<u>3</u>	
Balance at end of year	<u>125,438</u>		<u>125,436</u>		<u>125,433</u>	
<b>Retained earnings (losses):</b>						
Balance at beginning of year	131,195		94,870		94,870	
Net income (loss)	38,123	38,123	41,247	41,247	24,159	24,159
Cash dividend	- 7,483		- 4,922		- 4,922	
Balance at end of year	<u>161,835</u>		<u>131,195</u>		<u>114,107</u>	
<b>Accumulated other comprehensive Income(loss):</b>						
Balance at beginning of year	- 45,126		- 59,025		- 59,025	
Net Unrealized (losses) gains on investment securities	28,838		11,734		- 7,377	
Foreign Currency translation adjustments	14,716		- 1,659		2,067	
Net unrealized (losses) gains on derivatives	- 3,575		3,859		515	
Minimum pension liability adjustment	<u>-</u>		<u>- 35</u>		<u>-</u>	
Other comprehensive income (loss), net of tax	39,979	39,979	13,899	13,899	- 4,795	- 4,795
Comprehensive income (loss)	<u>78,102</u>		<u>55,146</u>		<u>19,364</u>	
Balance at end of year	<u>- 5,147</u>		<u>- 45,126</u>		<u>- 63,820</u>	
<b>Cost of common stock in treasury:</b>						
Balance at beginning of year	- 142		- 82		- 82	
Treasury stock sold (repurchased)	<u>- 50</u>		<u>- 60</u>		<u>- 18</u>	
Balance at end of year	<u>- 192</u>		<u>- 142</u>		<u>- 100</u>	

\*These financial statements are based on US GAAP.

Marubeni Corporation  
Consolidated Statements of Cash Flows

*Millions of yen*

	<b>Six Months ended Sept. 30</b>		<b>Variance</b>
	<b>2005</b>	<b>2004</b>	
<b>Operating activities</b>			
Net income (loss)	¥ 38,123	¥ 24,159	¥ 13,964
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	31,706	30,996	710
Provision for doubtful accounts	3,176	2,471	705
Equity in (earnings) losses of affiliated companies- net	- 12,679	- 9,624	- 3,055
(Gain) loss on investment securities	- 1,874	- 8,820	6,946
(Gain) loss on property and equipment	3,151	2,661	490
Deferred income taxes	4,926	5,256	- 330
Loss from Discontinued Operations (after income tax)	6,400	1,073	5,327
Changes in operating assets and liabilities:			
Notes and accounts receivable	- 66,140	- 4,861	- 61,279
Inventories	- 18,929	778	- 19,707
Advance payments to suppliers and prepaid expenses and other current assets	- 28,388	- 9,143	- 19,245
Prepaid pension cost	- 115	18,996	- 19,111
Notes, acceptances and accounts payable	23,764	7,903	15,861
Advance payments received from customers and accrued and other current liabilities	18,913	- 19,637	38,550
Income taxes	4,259	- 400	4,659
Other	- 2,610	- 6,979	4,369
Net cash provided by operating activities	<b>3,683</b>	<b>34,829</b>	<b>- 31,146</b>
<b>Investing activities</b>			
Proceeds from sales and redemptions of securities and other investments	21,041	31,234	- 10,193
Purchases of securities and other investments	- 46,395	- 37,853	- 8,542
Proceeds from sales of property and equipment and property leased to others	10,453	8,344	2,109
Purchases of property and equipment and property leased to others	- 46,284	- 26,375	- 19,909
Collection of loans receivable	34,532	33,703	829
Loans made to customers	- 16,931	- 21,186	4,255
Other	1,795	12,060	- 10,265
Net cash provided (used) by investing activities	<b>- 41,789</b>	<b>- 73</b>	<b>- 41,716</b>
Free Cash Flows	<b>- 38,106</b>	<b>34,756</b>	<b>- 72,862</b>
<b>Financing activities</b>			
Net decrease (increase) in short-term loans	- 34,145	- 80,330	46,185
Proceeds from long-term debt	265,270	135,769	129,501
Payments of long-term debt	- 282,089	- 271,825	- 10,264
Cash dividend	- 7,483	- 4,922	- 2,561
(Purchase) sale of treasury stock	- 48	- 15	- 33
Other	- 602	- 1,293	691
Net cash used (provided) in financing activities	<b>- 59,097</b>	<b>- 222,616</b>	<b>163,519</b>
Effect of exchange rate changes on cash and cash equivalents	5,336	1,282	4,054
Net increase (decrease) in cash and cash equivalents	<b>- 91,867</b>	<b>- 186,578</b>	<b>94,711</b>
Cash and cash equivalents at beginning of period	459,194	478,731	- 19,537
Cash and cash equivalents at end of period	<b>367,327</b>	<b>292,153</b>	<b>75,174</b>

\*These financial statements are based on US GAAP.

Marubeni Corporation  
Notes to Consolidated Financial Statements

**Basis of Consolidated Financial Statements**

1. Subsidiaries and affiliated companies accounted for by equity method

(1) Number of subsidiaries and affiliated companies

	September 30, 2005	March 31, 2005	Variance
Subsidiaries	392	369	23
Affiliated companies	170	156	14
Total	562	525	37

(2) Major Group Firms

Subsidiaries

Overseas  244	Marubeni America Corporation Marubeni Europe p.l.c. Axia Power Holdings, B.V. Marubeni International Finance p.l.c. Cia. Iguazu de Café Solúvel
Domestic  148	Marubeni Real Estate Co., Ltd. Marubeni Pulp & Paper Sales Co., Ltd. Marubeni Telecom Co., Ltd. Marubeni Energy Corporation Marubeni Nisshin Feed Co., Ltd.

Affiliated companies

Overseas  113	Shanghai Asahi Electronic Glass Co., Ltd. Uni-Mar Energi Yatirimlari A.S. Daishowa-Marubeni International Ltd.
Domestic  57	Marubeni-Itochu Steel Inc. The Maruetsu, Inc. Marubeni Construction Material Lease Co., Ltd Marubeni Infotec Corporation

(3) Changes

Subsidiaries

Newly included  31	Marubeni Retail Investment Corporation Marubeni Power Development Co. Shanghai Marubeni Paper Sales Co., Ltd. Others--- 28 companies
Excluded	8 companies

Affiliated companies

Newly included  16	Tobu Store Co., Ltd. GCI Capital Co., Ltd. Gamgwon Wind Power Co., Ltd. Others--- 13 companies
Excluded	2 companies

Marubeni Corporation  
Notes to Consolidated Financial Statements (continued)

**Interim Earnings/Loss per Share of Common Stock**

The following table sets forth the computation of basic and diluted earnings/loss per share:

	<i>Millions of yen</i>			
	1 <sup>st</sup> Half (April 1 – September 30) of FY2005		FY2004	
<b>Numerator:</b>				
<b>Net income (loss)</b>	¥	38,123	¥	24,159
Amount which does not belong to ordinary shares – dividend for preferred shares		- 755		-
Net income available for common shareholders – Numerator for basic earnings (loss) per share		37,368		24,159
Effect of dilutive securities:				
Convertible debentures		162		162
Dividend for preferred shares		755		-
Numerator for diluted earnings (loss) per share	¥	38,285	¥	24,321
<b>Denominator:</b>				
<i>Number of shares</i>				
Denominator for basic earnings (loss) per share		1,493,107,028		1,493,239,443
Effect of dilutive securities:				
Convertible debentures		119,666,048		119,666,048
Preferred shares		215,714,286		250,000,000
Denominator for diluted earnings per share		1,828,487,362		1,862,905,491
<i>Yen</i>				
Basic earnings per share	¥	25.03	¥	16.18
Diluted earnings per share	¥	20.94	¥	13.06

The convertible debenture #8 issued in November 1996 has dilution effect for the 1<sup>st</sup> half of FY2004 and 1<sup>st</sup> half of FY2005, and Class I Preferred Stock issued in December 2003, in like wise.

Marubeni Corporation  
Notes to Consolidated Financial Statements (continued)

**Segment Information**

**1. Operating Segments**

The Company's operating segments by which management evaluates performance and allocates resources are classified in terms of the nature of the products and services or areas. The segments, by products and services, are managed by the divisions of the Head Office. Domestic branches and offices, and overseas corporate subsidiaries and branches operate in the respective areas and are independent operating units. Each reportable segment purchases, distributes and markets a wide variety of industrial and consumer goods including raw materials and equipment relating to a multitude of industries and, in addition, provides the related financing, insurance and other services to these operations primarily on a worldwide basis. The Company breaks its operating segments into 12 segments identified by product and service, in addition to its domestic branches and offices, and overseas corporate subsidiaries and branches.

Marubeni Corporation  
Notes to Consolidated Financial Statements (continued)

**Segment Information (continued)**

The Company's operating segment information for the 1<sup>st</sup> Half FY2005 and 1<sup>st</sup> Half FY2004, were as follows:

<b>1<sup>st</sup> Half FY2005</b> <b>(April 1, 2005 - September 30, 2005)</b>	<i>Millions of yen</i>							Industrial machinery & information business
	Agri-marine products	Textile	Forest products & general merchandise	Chemicals	Energy	Metals & mineral resources	Transportation machinery	
Total volume of trading transactions:								
Outside customers	¥ 464,579	¥ 165,803	¥ 371,182	¥ 364,139	¥ 999,049	¥ 322,427	¥ 337,711	¥ 163,532
Inter-segment	10,105	1,257	21,377	17,946	1,454	19,979	21,005	6,606
Total	¥ 474,684	¥ 167,060	¥ 392,559	¥ 382,085	¥ 1,000,503	¥ 342,406	¥ 358,716	¥ 170,138
Gross trading profit	¥ 33,859	¥ 12,160	¥ 22,546	¥ 16,350	¥ 30,040	¥ 11,013	¥ 24,781	¥ 17,810
Operating profit (loss)	¥ 5,904	¥ 1,675	¥ 7,439	¥ 5,940	¥ 16,156	¥ 6,427	¥ 5,050	¥ - 468
Segment net income (loss)	¥ 3,411	¥ 459	¥ - 2,869	¥ 4,417	¥ 9,546	¥ 7,878	¥ 2,997	¥ - 1,239
Segment asset (September 30, 2005)	¥ 423,114	¥ 135,731	¥ 297,006	¥ 188,609	¥ 473,529	¥ 232,383	¥ 284,952	¥ 192,249

	<i>Millions of yen</i>							Consolidated
	Plant, Power & Infrastructure projects	Development & construction	Finance & logistics business	Iron & Steel strategies and coordination	Domestic branches & offices	Overseas corporate subsidiaries & branches	Corporate and elimination	
Total volume of trading transactions:								
Outside customers	¥ 254,304	¥ 70,552	¥ 9,389	¥ 486	¥ 57,784	¥ 431,967	¥ 1,467	¥ 4,014,371
Inter-segment	158	229	2,941	16	8,272	163,840	-275,185	-
Total	¥ 254,462	¥ 70,781	¥ 12,330	¥ 502	¥ 66,056	¥ 595,807	¥ -273,718	¥ 4,014,371
Gross trading profit	¥ 13,204	¥ 10,953	¥ 3,556	¥ 502	¥ 2,328	¥ 40,920	¥ -3,796	¥ 236,226
Operating profit (loss)	¥ 2,271	¥ 3,266	¥ 96	¥ 176	¥ - 131	¥ 9,624	¥ 1,952	¥ 65,377
Segment net income (loss)	¥ 3,828	¥ 939	¥ 2,334	¥ 10,774	¥ - 14	¥ 5,747	¥ -10,085	¥ 38,123
Segment asset (September 30, 2005)	¥ 668,403	¥ 318,120	¥ 119,406	¥ 73,926	¥ 52,430	¥ 473,373	¥ 380,757	¥ 4,313,988

Marubeni Corporation  
Notes to Consolidated Financial Statements (continued)

Segment Information (continued)

1 <sup>st</sup> Half FY2004 (April 1, 2004 - September 30, 2004)	<i>Millions of yen</i>							
	Agri-marine products	Textile	Forest products & general merchandise	Chemicals	Energy	Metals & mineral resources	Transportation machinery	Industrial machinery & information business
Total volume of trading transactions:								
Outside customers	¥ 479,762	¥ 172,924	¥ 375,513	¥ 305,093	¥ 812,861	¥ 289,085	¥ 292,780	¥ 228,262
Inter-segment	3,782	1,402	19,066	12,459	534	11,627	17,235	4,430
Total	¥ 483,544	¥ 174,326	¥ 394,579	¥ 317,552	¥ 813,395	¥ 300,712	¥ 310,015	¥ 232,692
Gross trading profit	¥ 36,282	¥ 12,265	¥ 22,499	¥ 14,508	¥ 19,879	¥ 7,358	¥ 24,599	¥ 18,422
Operating profit (loss)	¥ 5,207	¥ 2,347	¥ 6,583	¥ 3,747	¥ 10,479	¥ 3,301	¥ 5,947	¥ - 2,563
Segment net income (loss)	¥ 1,371	¥ 990	¥ 4,192	¥ 3,452	¥ 7,213	¥ 4,140	¥ 4,933	¥ - 6,836
Segment asset (March 31, 2005)	¥ 398,517	¥ 119,807	¥ 317,678	¥ 167,157	¥ 390,939	¥ 195,110	¥ 290,782	¥ 228,563

	<i>Millions of yen</i>							
	Plant, Power & Infrastructure projects	Development & construction	Finance & logistics business	Iron & Steel strategies and coordination	Domestic branches & offices	Overseas corporate subsidiaries & branches	Corporate and elimination	Consolidated
Total volume of trading transactions:								
Outside customers	¥ 240,082	¥ 58,199	¥ 8,836	¥ 630	¥ 60,088	¥ 418,080	¥ - 154	¥ 3,742,041
Inter-segment	178	189	1,720	18	7,648	161,551	-241,839	-
Total	¥ 240,260	¥ 58,388	¥ 10,556	¥ 648	¥ 67,736	¥ 579,631	¥ -241,993	¥ 3,742,041
Gross trading profit	¥ 12,533	¥ 10,820	¥ 3,007	¥ 648	¥ 1,990	¥ 38,700	¥ - 12,673	¥ 210,837
Operating profit (loss)	¥ 83	¥ 2,487	¥ -334	¥ 270	¥ 314	¥ 8,532	¥ - 5,752	¥ 40,648
Segment net income (loss)	¥ 3,001	¥ -2,738	¥ 1,597	¥ 5,814	¥ -295	¥ 4,697	¥ - 7,372	¥ 24,159
Segment asset (March 31, 2005)	¥ 643,435	¥ 317,692	¥ 128,760	¥ 64,368	¥ 52,844	¥ 435,506	¥ 456,879	¥ 4,208,037

(Note 1) *Corporate and elimination* includes differences in accounting principles generally accepted in Japan and those in the United States of America.

For Japanese investors' convenience, Total volume of trading transactions and Operating profit are shown according to Japanese accounting practices.

(Note 2) Inter-segment transactions are generally priced in accordance with the prevailing market prices.

(Note 3) Effective April 1, 2005, the segments of *Transportation & Industrial machinery*, *Utility & Infrastructure*, *Plant & Ship*, and *Telecom & Information* have been reorganized as *Transportation machinery*, *Industrial machinery & Information business*, and *Plant, Power & Infrastructure*. Furthermore, *Iron & Steel strategies and coordination department*, which was formerly included in *Corporate & Elimination*, has been indicated as an independent operating segment from FY2005 due to significance of its business. Accordingly, the above segment information has been restated.

(Note 4) In accordance with SFAS No.144, some of the total consolidated figures for the previous fiscal year have been reclassified. Reclassifications to "loss in relation to discontinued operations (after accounting for tax effect)" are included in "corporate and eliminations".



(Note 5) **Total volume of trading transactions, gross trading profit** and operating conditions for each operating segment were as follows.

**Agri-marine Products** transactions centering on fertilizer-related products declined ¥8.9 billion (1.8%) year-on-year during the period. Gross trading profit declined ¥2.4 billion (6.7%) mainly because a subsidiary company was converted into an affiliated company.

**Textile** transactions declined ¥7.3 billion (4.2%) owing to lower third-country transactions of raw materials. Gross trading profit declined ¥0.1 billion (0.9%) year-on-year as profitability on fabrics declined which was only partly offset by the increased profitability in textile products.

**Forest Products & General Merchandise** transactions declined ¥2 billion (0.5%) year-on-year on a decrease of printing paper-related transactions and a weak plywood market. Gross trading profit was flat with the same period a year earlier.

**Chemicals** transactions increased ¥64.5 billion (20.3%) over the same period a year earlier on growth in basic chemicals, electronic materials and synthetic resins. Gross trading profit rose ¥1.8 billion (12.7%) reflecting the increase of sales in these area and the profit growth in vinyl chloride alkali.

**Energy** transactions grew ¥187.1 billion (23%) year-on-year supported by oil-related trade, while gross trading profit grew ¥10.2 billion (51.1%) supported by oil-related trade and higher earnings from new concessions.

**Metals & Mineral Resources** transactions increased ¥41.7 billion (13.9%) year-on-year supported mainly by rising coal and iron ore prices. Gross trading profit also rose ¥3.7 billion (49.7%) reflecting the profit growth in these areas.

**Transportation Machinery** transactions expanded ¥48.7 billion (15.7%) supported mainly by ship-related trade. Gross trading profit increased ¥0.2 billion (0.7%) as lower earnings in private aircraft and defense system-related businesses were more than offset by sales from construction and agricultural machinery as well as ship-related trade.

**Industrial machinery & information business** transactions declined ¥62.6 billion (26.9%) year-on-year due the merger of a computer-related company which was converted into an affiliated company. The resulting decrease in sales also translated into a ¥0.6 billion (3.3%) decline in gross trading profit.

**Plant, Power & Infrastructure** transactions increased ¥14.2 billion (5.9%) year-on-year supported mainly by the electric power operating company. Gross trading profit grew ¥0.7 billion (5.4%) reflecting the increase in sales.

**Development & Construction** transactions were ¥12.4 billion (21.2%) higher than the same period a year earlier. Gross trading profit increased ¥0.1 billion (1.2%).

**Finance & Logistics Business** transactions grew ¥1.8 billion (16.8%) year-on-year supported by growth in funds and logistics-related businesses. Gross trading profit grew ¥0.5 billion (18.3%) reflecting the sales growth in these areas.

**Iron & Steel strategies and coordination department** transactions declined ¥0.1 billion (22.5%) over the same period a year earlier. Gross trading profit also fell ¥0.1 billion (22.5%). However, Marubeni-Itochu Steel Inc. (MISI) recorded favorable financial performance supported by strong demand for steel products mainly in Japan, China, Southeast Asia and the U.S.

**Domestic Branches & Offices** While transactions for cement and raw concrete saw growth, the transfer of steel material commercial rights to an affiliated company resulted in total sales for the segment declining by ¥1.7 billion (2.5%) year-on-year. Gross trading profit grew ¥0.3 billion (17%) supported by favorable condominium sales.

**Overseas Corporate Subsidiaries & Branches** transactions grew ¥16.2 billion (2.8%) year-on-year supported mainly by the automobile, construction machinery and agrichemicals businesses in the U.S. Gross trading profit also increased ¥2.2 billion (5.7%) supported by the profit growth in the U.S. agrichemicals business.

Marubeni Corporation

Notes to Consolidated Financial Statements (continued)

Segment Information (continued)

2. Geographical Segments

The Company's geographical segment information for the 1<sup>st</sup> Half FY2005 and 1<sup>st</sup> Half FY2004, were as follows:

		<i>Millions of yen</i>						
<b>1<sup>st</sup> Half FY2005</b> <b>(April 1, 2005 – September 30, 2005)</b>		Japan	North America	Europe	Asia/Oceania	Other	Eliminations	Consolidated
Total volume of trading transactions:								
Outside customers		¥ 3,051,481	¥ 445,231	¥ 191,168	¥ 217,685	¥ 108,806	¥ -	¥ 4,014,371
Inter-segment		941,316	130,522	11,524	84,570	4,440	-1,172,372	-
Total		¥ 3,992,797	¥ 575,753	¥202,692	¥ 302,255	¥ 113,246	¥ -1,172,372	¥ 4,014,371
Segment operating profit (loss)		¥ 27,091	¥ 14,270	¥ 6,856	¥ 13,930	¥ 4,334	¥ -1,104	¥ 65,377
Segment assets (September 30, 2005)		¥ 2,005,792	¥ 407,767	¥ 209,917	¥ 318,245	¥ 86,654	¥ -149,926	¥ 2,878,449
Other assets								¥ 1,435,539
Total assets								¥ 4,313,988

		<i>Millions of yen</i>						
<b>1<sup>st</sup> Half FY2004</b> <b>(April 1, 2004 – September 30, 2004)</b>		Japan	North America	Europe	Asia/Oceania	Other	Eliminations	Consolidated
Total volume of trading transactions:								
Outside customers		¥ 2,798,592	¥ 438,747	¥ 172,953	¥ 246,165	¥ 85,584	¥ -	¥ 3,742,041
Inter-segment		812,099	117,821	15,297	85,635	3,217	-1,034,069	-
Total		¥ 3,610,691	¥ 556,568	¥ 188,250	¥ 331,800	¥ 88,801	¥ -1,034,069	¥ 3,742,041
Segment operating profit (loss)		¥ 14,250	¥ 7,540	¥ 4,599	¥ 10,096	¥ 4,541	¥ -378	¥ 40,648
Segment assets (March 31, 2005)		¥ 1,972,332	¥ 332,063	¥ 207,351	¥ 302,498	¥ 70,021	¥ -126,738	¥ 2,757,527
Other assets								¥ 1,450,510
Total assets								¥ 4,208,037

(Note 1) Countries and regions are categorized by geographical classification.

(Note 2) Major countries or areas that belong to each category:

1. North America ----- USA, Canada
2. Europe ----- UK, Belgium
3. Asia/Oceania ----- Singapore, China
4. Others ----- Central and South America, Africa

(Note 3) Other assets which are not included in the segments are mainly cash and deposits, marketable securities, and investment securities.

Inter-segment transactions are generally priced in accordance with the prevailing market prices.

(Note 4) For Japanese investors' convenience, Total volume of trading transactions and Segment operating profit (loss) are shown according to Japanese accounting practice.

(Note 5) In accordance with SFAS144, some of the figures for the 1<sup>st</sup> Half FY2004 have been reclassified, in relation to operations discontinued during the 1<sup>st</sup> Half FY2005.

(Note6) Subsidiary companies of Bermuda registry, formerly included in *Other*, have been indicated in a category of *Japan* from 1<sup>st</sup> Half FY2005 due to significance of its bushiness. Accordingly, the above segment information has been reclassified.

# Marubeni Corporation

## Notes to Consolidated Financial Statements

### Marketable Securities and Debt Securities

#### Available-for-sale securities (millions of yen)

	September 30, 2005				March 31, 2005			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Current:								
Debt securities	185	-	-	185	701	183	-2	882
Total	185	-	-	185	701	183	-2	882
Non-current:								
Debt securities	23,250	242	-5	23,487	22,720	501	-9	23,212
Marketable equity securities	134,839	120,851	-5,306	250,384	140,249	74,516	-7,155	207,610
Total	158,089	121,093	-5,311	273,871	162,969	75,017	-7,164	230,822

\*The fair value of available-for-sale securities reflected in the balance sheets are based on quoted market prices.  
The unrealized gains and losses, net of taxes are added to Accumulated other comprehensive income (loss) in shareholders' equity.

\*Debt securities consist mostly of corporate bonds.

#### Held-to-maturity securities (millions of yen)

	September 30, 2005				March 31, 2005			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Current:								
Debt securities	30,572	109	-	30,681	28,067	191	-120	28,138
Total	30,572	109	-	30,681	28,067	191	-120	28,138
Non-current:								
Debt securities	8,850	1,036	-	9,886	14,300	816	-	15,116
Total	8,850	1,036	-	9,886	14,300	816	-	15,116

\*The held-to-maturity securities are stated in the balance sheets at amortized cost, adjusted by method of depreciation.

\*Debt securities consist mostly of corporate bonds.

\*In addition to the above stated securities, 3,856 million yen and 3,997 million yen of marketable securities for sale are held at September 30, 2005 and at March 31, 2005, respectively.

The net unrealized gain of 89 million yen for FY2005 and loss of -8 million yen for FY2004 have respectively been included in the income statements.

# Marubeni Corporation Consolidated Companies

## 1. Number of consolidated companies

		September 30 2005	Established Bought	Liquidated Divestiture	March 31 2005	Variance
Subsidiaries	Domestic	148	21	-4	131	+17
	Overseas	244	10	-4	238	+6
	Total	392	31	-8	369	+23
Affiliated companies	Domestic	57	12	-2	47	+10
	Overseas	113	4	0	109	+4
	Total	170	16	-2	156	+14
	Domestic	205	33	-6	178	+27
	Overseas	357	14	-4	347	+10
	Total	562	47	-10	525	+37

## 2. Major companies that have been newly included during this term:

<u>Company name</u>	<u>Capital</u>	<u>Marubeni Group's equity portion</u>	<u>Type of business</u>
Marubeni Retail Investment Corporation	JPY 200 mil	100.00%	control over stock
Marubeni Power Development Co.	JPY 10 mil	100.00%	M&A and Development alongside with Operation & Maintenance of Power Plants
Tobu Store Co., Ltd.	JPY 9,022 mil	29.76%	Retailer
GCI Capital Co., Ltd.	JPY 331 mil	19.42%	Investment adviser and FOREX margin business.
Shanghai Marubeni Paper Sales Co., Ltd.	RMB 40 mil	70.00%	Trading of Paper and Paperboard
Gangwon Wind Power Co., Ltd.	KRW 37,862 mil	30.00%	Wind-power generation industry
KEY PLASTICS (DALIAN) Co., LTD.	JPY 700 mil	20.00%	Production and sales of molded plastic.

## 3. Major companies that have been excluded during this term:

<u>Company name</u>	<u>Reasons of exclusion</u>	<u>Marubeni Group's equity portion</u>	<u>Type of business</u>
Nexion Corporation	Sold (*)	96.43%	Video transmission service, broadband media service
GCI Asset Management Inc.	Equity conversion	49.77%	advice regarding asset management and investment
OM2 Network Co., Ltd.	Sold	19.09%	Meat retailer
NEXION MEDIA	Sold (*)	96.43%	introduce a service to the picture transmission

Note: (\*) Decrease in equity portion due to allocation of new shares to third party.

## Profit-making/loss-making consolidated companies

(Unit: billions of yen)

		September 30, 2005			September 30, 2004			Variance		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Profit-making companies	No. of companies	141	273	414	122	258	380	19	15	34
	Surplus amount	17.5	39.9	57.4	13.4	34.4	47.8	4.1	5.5	9.6
Loss-making companies	No. of companies	64	84	148	56	87	143	8	-3	5
	Deficit amount	-5.5	-8.2	-13.7	-11.5	-11.1	-22.6	6.0	3.0	8.9
Total	No. of companies	205	357	562	178	345	523	27	12	39
	Net Profit/Loss	11.9	31.8	43.7	1.9	23.3	25.2	10.1	8.5	18.6
Surplus company ratio		68.8%	76.5%	73.7%	68.5%	74.8%	72.7%	+0.3 points	+1.7 points	+1.0 points

(Note) Surplus/Deficit amount is based on equity method.