

November 1, 2004

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## ***Financial Results for 1<sup>st</sup> Half of FY2004***

**(April 1, 2004 - September 30, 2004)**

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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 FY2004 (US GAAP basis)**Company name : Marubeni Corporation (URL <http://www.marubeni.com>)

Code Number : 8002

Listed : Tokyo, Osaka, Nagoya, Fukuoka, Sapporo

Head Office: Tokyo

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

Enquiries : (Tokyo) Name HASHIMOTO, Takashi TEL(03)3282-4803

Title General Manager, Media Relations Sec.

Corporate Communications Dept.

Date of Director meeting for 1st Half FY2004 Financial Results : November 1, 2004

Adoption of US GAAP : YES

**1. Consolidated financial results for 1st Half FY2004 (April 1, 2004 - September 30, 2004)**

## (1) Consolidated statements of income

	Total volume of trading transactions		Operating profit		Income before taxes & equity in earnings	
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
1st Half FY2004	3,742,718	-2.2	39,526	1.5	31,503	6.9
1st Half FY2003	3,825,357	-11.3	38,959	-0.9	29,459	7.3
FY2003	7,905,640		78,624		58,900	

	Net income		Earnings per Share	Diluted EPS
	(millions of yen)	(%)	(yen)	(yen)
1st Half FY2004	24,159	22.6	16.18	13.06
1st Half FY2003	19,703	10.7	13.19	12.32
FY2003	34,565		22.85	20.16

(Note) [1] Equity in earnings-net  
 1st Half FY2004 12,487 million yen  
 1st Half FY2003 6,890 million yen  
 FY 2003 14,271 million yen

[2] Average number of outstanding shares for the term  
 (Consolidated basis)  
 1st Half FY2004 (Common Stock) 1,493,239,443 Class I preferred shares 75,500,000  
 1st Half FY2003 (Common Stock) 1,493,255,846  
 FY2003 (Common Stock) 1,493,219,051 Class I preferred shares 22,072,404

[3] Any changes of accounting method? No

[4] The ratio of total volume of trading transactions, operating profit, income before taxes and 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 & its consolidated subsidiaries ("the Companies") act as principal and those in which the Companies act as agent.

[6] The results for the 1st Half FY2003 is partly restated in order to be matched with the results for the 1st Half FY2004.

## (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, 2004	4,073,032	407,409	10.0	222.32
September 30, 2003	4,263,518	304,177	7.1	203.70
March 31, 2004	4,254,194	392,982	9.2	212.36

(Note) Number of outstanding shares  
 (Consolidated basis)  
 at September 30, 2004 (Common Stock) 1,493,297,203 Class I preferred shares 75,500,000  
 at September 30, 2003 (Common Stock) 1,493,229,821  
 at March 31, 2004 (Common Stock) 1,493,306,648 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 FY2004	34,829	-73	-222,616	292,153
1st Half FY2003	72,374	10,555	-30,115	520,282
FY2003	201,560	57,983	-233,938	478,731

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

Subsidiaries 360 Affiliated companies 163

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

Subsidiaries (Newly included) 20 (Excluded) 8 Affiliated companies (Newly included) 13 (Excluded) 4

**2. Consolidated financial prospects for FY2004 (April 1, 2004 - March 31, 2005)**

(millions of yen)

	Total volume of trading transactions	Net income
For the year ending March 31, 2005	7,600,000	37,000

(Reference) EPS prospect of the year ending March 31, 2005 23.77 (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 20.

# 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  
Pacific Grain Terminal Ltd.,  
Ten Corporation (\*1), Cia. Iguacu de Café Solúvel

**Affiliated companies:** Yamaboshiya Co., Ltd., The Maruetsu, Inc.,  
Katakura Chikkarin Co., Ltd., 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.

## Marubeni Corporation

**Chemicals:** This group handles a wide variety of goods ranging from basic chemicals 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, retail, resource development and environmental area.

**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, gas, nuclear energy, 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.

**Affiliated companies:** Toyo-Memory Technology Sdn. Bhd.

**Transportation and industrial machinery:** This group imports and exports airplanes, defense-related equipment, aerospace-related equipment, automobiles, construction machinery, agro-industrial machines, production machinery, environmental and industrial machines, PC's and PC-related products, medical-related equipment both domestically and internationally, and also markets them in Japan.

**Subsidiaries:** Marubeni Aerospace Corporation,

Marubeni Auto & Construction Machinery America, Inc.,

Marubeni Techno-Systems Corp.

**Affiliated companies:** Sofmap Co., Ltd., Marubeni Infotec Corporation,

Kubota Europe S.A., Unipres U.S.A. Inc.

**Utility and infrastructure:** This group develops and promotes the privatization of electricity, water supply and sewerage, and solid waste businesses both domestically and internationally. In addition, the group promotes construction, installment and supply businesses related to railroads, airports, harbors, bridges and others.

**Subsidiaries:** Marubeni Power Systems Corporation, Marubeni Power Ventures, Inc.

Sithe Asia Holdings, San Roque Power

**Affiliated companies:** Uni-Mar Enerji Yatirimlari A.S.

## Marubeni Corporation

**Plant and ship:** This group deals with various projects and equipments related to iron and cement manufacturing, petrochemicals, fertilizer, petroleum refining, gas related business, etc. Also, the group trades new and second-hand vessels or shipping materials, in addition to shipping operation and chartering.

**Subsidiaries:** Marubeni Tekmatex Corporation, Marubeni Protechs Corporation,  
Koyo Line Ltd.

**Affiliated companies:** PT. Chandra Asri

**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.

**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.

**Telecom & Information:** This group is engaged in information technology-related businesses : such as IP network infrastructures, overseas communication facilities, national identification system related business, cellular phones, BS/CS broadcasting, RFID related business, ASP/ISP, etc., both domestically and internationally.

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

**Affiliated companies:** Japan Cablenet Holdings 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

## Marubeni 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.

**Affiliated companies:** Marubeni-Itochu Steel Inc.  
Marubeni Construction Material Lease Co., Ltd.

(\*1) Domestic listed subsidiaries:

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

# Marubeni Corporation

## Management Policy

### Management Policy

#### 1. Fundamental management policy

Marubeni is now implementing the “V” PLAN, the three-year medium-term management plan starting from FY2003, expediting our process of strengthening our earnings base and improving our financial position. During FY2003, the first year of the plan got off to a smooth start, with consolidated net income attaining its highest level ever and net interest-bearing debt falling to the FY2005 numerical targets two years ahead of schedule.

In FY2004, management has endeavored to continue and advance the “V” PLAN at an accelerated pace.

The "V" PLAN states that Marubeni's management policy is to “aim to be a robust corporate group possessing the top portfolio units in each industry”. Based on this plan, we are endeavoring to “improve our financial position” and “reinforce our earnings base” by putting solid management into practice. We are implementing management strategies tailored to the respective business models and attempting to focus thoroughly on risk-return and cash flow.

#### 2. Progress status of the "V" PLAN, the new medium-term management plan

The "V" PLAN calls for consolidated net income of 50 billion yen, consolidated net interest-bearing debt of 2,000 billion yen or less, and a net D/E ratio of 4 to 5 times as numerical targets for FY2005. The company's progress achieved toward those targets is outlined below.

FY2004, the second year of the “V” PLAN, also progressed smoothly, with a consolidated net income of 24.2 billion yen for the 1<sup>st</sup> Half FY2004, or 22.6% higher compared to that of the previous year. The consolidated net interest-bearing debt for the 1<sup>st</sup> Half FY2004 was 1,978 billion yen (1,969.3 billion yen for the end of FY2003), being able to achieve a gain in earnings while maintaining a consolidated net interest-bearing debt within 2,000 billion yen. Furthermore, in the second half of FY2004, the company continued to accumulate new loans and investments in core business fields, and we intend to pursue further expansion through asset replacement into priority areas.

The accumulation of consolidated net income resulted in a net interest-bearing D/E ratio of 4.86 times at the end of the 1<sup>st</sup> Half FY2004 (a net interest-bearing D/E ratio of 5.01 times for the end of FY2003), achieving the “V” PLAN numerical target 18 months early.

Following is a discussion of operating environments during the 1<sup>st</sup> Half FY2004, by operating sector.

#### **A) Agri-marine Products Division**

With regard to beverage ingredients, this division showed favorable performance in supporting an increased demand for beverage products as a result of this summer's high temperatures. Marubeni also performed favorably in grain transactions. Additionally, we have replaced our supplier nations and products in response to the restrictions on beef imports from the U.S. resulting from BSE and on fresh poultry from Asia resulting from bird flu.

#### **B) Textile Division**

In anticipation of huge leaps expected in textile-related demand within China, and to promote transactions of finished products from Asia bound for the U.S. and Europe, we established a textile team dedicated to the Chinese market, and a team to boost trading abilities in the textile field between markets outside of Japan. Furthermore, in the realm of high-tech textiles, we began the manufacture and sale of carbon multi-cross textiles in expectation of their demand in a wide range of fields, including vehicles, aircrafts, and construction.

#### **C) Forest Products & General Merchandise Division**

Both foreign and domestic demands for paper products were favorable, and continued to process transactions in the midst of strong market conditions. In contrast, pulp price which continued to rise since the beginning of this year, came down in a correction phase of the drop-off months in summer, and then bottomed out after Chinese dealers turned into net buyer at the beginning of the high-demand autumn season. Waste paper has been showing active movement against the backdrop of growth in demand in China and Asia, and in response to the increase of demand for waste paper in China, we plan to set up a waste paper processing and sales company within the year.

#### **D) Chemicals Division**

In the petrochemicals and plastics field, on top of a flourishing demand in Asia, particularly in China, we continue to achieve high results in petrochemical commodities resulting from decreases in production due to high costs of raw materials, and shipping restrictions due to factory troubles. The company concluded firm upstream transactions focusing on synthetic fiber materials, resin materials, and vinyl chloride monomers and synthetic resins. In China, Marubeni Chemicals (Shanghai) Co., Ltd. was newly established as a general sales company aimed at strengthening and expanding the sales of chemical products excluding electronic materials.

#### **E) Energy Division**

Petroleum gas production enterprises and LNG projects in such countries as Britain, the U.S., India, and Qatar improved favorably. In addition to these, the Company reinforced its profit bases through additional acquisition of the gas field rights and interests in the North Sea in British territory. Furthermore, petroleum product trading enterprises and LPG import sales enterprises in China also continued to perform well.

## **F) Metals & Mineral Resources Division**

In the resource development field, the rights and interest purchases in the Hail Creek Coal Project in Australia increased from 5.33% to 6.67%, and a decision was made to increase its annual production volume from 6 million tons to 8 million tons. Furthermore, we acquired exclusive sales rights to Japan for Grand Cache coal and Willow Creek coal from Canada. The Los Pelambres copper mine in Chile continued production at full capacity, and the operation continued to perform steadily.

In the field of electronic materials, we decided to establish a joint production company with Toyo Steel Corporation and Shenzhen Kaifa Technology Company in Shenzhen, China, to produce glass disk substrates for hard disk drives. Beginning in 2005, launch production is targeted at 400 thousand pieces per month.

## **G) Transportation & Industrial Machinery Division**

In addition to favorable earnings generated by investment in aircraft engine development, sales were successful in U.S.-manufactured business jets. Overseas sales of automobiles to Chile and other countries and sales of precision processors to the United States were favorable, and exports of construction machinery to Asia and the Middle East were expanded. We also supplied automotive parts manufacturing lines to Mexico.

## **H) Utility & Infrastructure Division**

In the field of overseas IPP operations, Marubeni participated in planning the first commercial base wind power generating operation in South Korea. In addition, we received orders for equipment for the Indonesian government-owned Electric Power Company's Tarahan Coal-Fired Steam Power Plant and the India Central Electricity Authority's Koldam Hydroelectric Power Project, and electrical transmission wire equipment for the Qatar General Electricity and Water Corporation. In the area of transportation projects, the potential exists for receipt of an order for medium speed railway cars of a local Chinese rail line as one member of the Japanese consortium.

## **I) Plant & Ship Division**

Marubeni received orders for gas and petroleum field development projects for oil and gas producing countries in the Middle and Near East and CIS, and for an iron manufacturing plant in Brazil. In the ship sector, continuous and dynamic conditions in the shipping market generated receipts of new ship orders, and independent ship operations continued to show favorable performance.

## **J) Development & Construction Division**

In the mainstay domestic condominium sales segment, the conveniently located Famille Ginza East property development project in central Tokyo and family-targeted properties such as Famille Grand Rokko Akamatsucho in the Kinki region, were successfully sold out. Furthermore, in the overseas market, sales in the Phoenix City Condominium Project in Shanghai, China, sold well.

## **K) Finance & Logistics Business Division**

In the financial sector, 46.5 billion yen was reached in the final drive for the third MBI

corporate acquisition fund, and other fund operations proceeded favorably by the execution of new investments from existing funds and the execution of exits. In the logistics area, by working through consulting sales and promotion, Marubeni is intensely engaged in 3PL (third party logistics) by making practical use of its logistics infrastructure and affiliation with partnership enterprises. Furthermore, we are making new strides into the temporary staffing and advertising businesses.

#### **L) Telecom & Information Division**

Overseas, Marubeni received orders for wireless UHF-band IC tags for use with luggage management by the Airport Authority in Hong Kong. In addition, negotiations regarding public security issues have been progressing in Spain, South Africa, and Costa Rica etc. Domestically, Global Access Ltd., a company engaged in the optical cable networking business, steadily boosted sales for telecom industry due to acceleration of a switch to broadband, and its operating performances continued to be favorable.

#### **M) Domestic branches and offices**

Earnings at domestic branches and offices, led by the Nagoya Branch, were steady. Marubeni endeavored to strengthen and expand business with the company focused in Chemicals, Agri-marine products, Forest products & general merchandise, and Industrial machinery markets in order to contribute to the invigoration of regional economies and generate an increase in earnings.

#### **N) Overseas corporate subsidiaries and branches**

Marubeni America Corporation's major businesses of Helena Chemical Company (sales of agricultural chemicals and fertilizers) and Carlisle Leasing International (lease of maritime containers for refrigeration and freezing) have seen an increase in earnings, and Marubeni Europe p.l.c. recorded a robust business in the chemical sector. Furthermore, operations at the Asian and Chinese branches and offices have also done well.

### **3. Corporate governance**

Note: In this document, when the "Marubeni group" is mentioned, this refers to Marubeni Corporation and its consolidated subsidiaries.

#### **Basic viewpoint regarding corporate governance**

We, the directors and employees of 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.

## **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.

## **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.

## **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**

- 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.

## **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.

### **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.

#### **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.

#### **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.

#### **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.

#### **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.

#### **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.

### **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.

### **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**

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

The Board of Directors comprises 10 directors. It decides the execution of the company's important business operations, and supervises the performance of the duties of directors. In order to separate management and execution, the Chairman of the Company is appointed as the chairperson of the Board of Directors, as of April 1, 2004, instead of the President & CEO.

##### **B Board of Corporate Auditors**

The Board of Corporate Auditors consists of 4 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 comprises 10 directors and 22 Corporate Vice Presidents. Marubeni has adopted the executive officer systems in order to separate the supervisory functions and the business execution functions of management, and also to clarify authority and responsibility. 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 that are advisory bodies for the president and an Advisory Committee that consists of knowledgeable people from outside the company.

##### **(a) Investment and Credit Committee (meets 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 (meets 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 (meets twice a year, otherwise meets as required)

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

(d) Management Remuneration Committee (meets as required)

Carries out discussion relating to the treatment of directors such as the remuneration of company directors.

(e) Reward and Disciplinary Committee (meets when appropriate)

Investigates and implements procedures relating to the reward and punishment of company employees.

(f) Committee on Global Environmental Preservation (meets regularly once a year, otherwise meets 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 (meets as required)

Investigates and controls the entry of imports in general for the Marubeni group.

(h) Security Trade Control Committee (meets as required)

Promotes, plans, drafts, and implements legal compliance relating to security trade control in the Marubeni group.

(i) CSR Committee (meets as required)

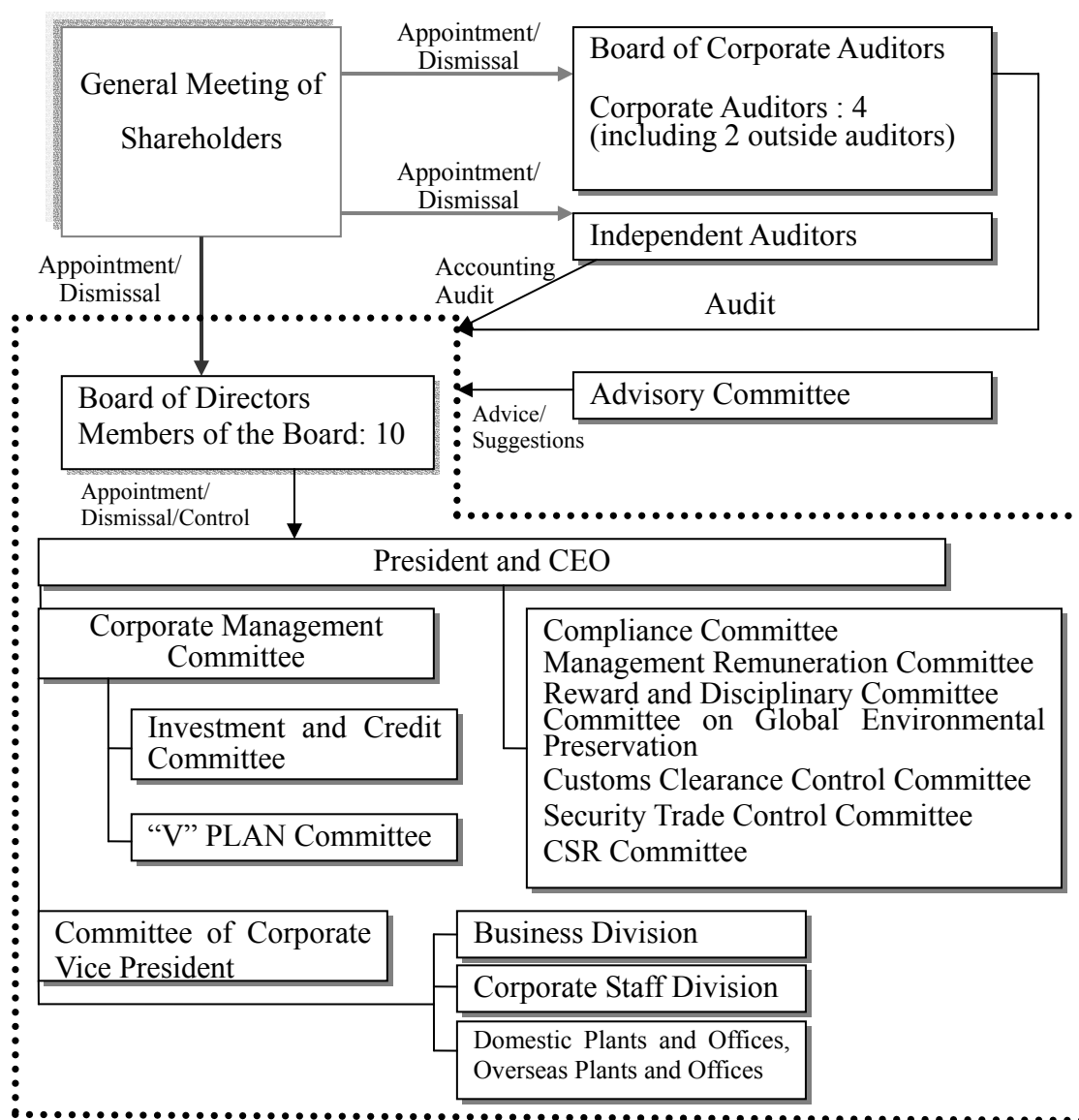
Formulates policy to handle the Marubeni group's corporate social responsibility (CSR) and reviews progress status.

(j) Advisory Committee (meets three times a year)

Improves the company's transparency and soundness by reflecting the advice and proposals of knowledgeable people outside the company in future management.

**Marubeni's system of business execution and supervision, system of internal control**

Marubeni's business management organization is as shown in the chart below.



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

**(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**

There are no external directors.

Hiroaki Shinoda, an external auditor, and Tatechika Umeda, also an external auditor, does not have any particular interests in the Marubeni group.

### **(3) Status of development of internal control system**

With the aim of enhancing the effectiveness and efficiency of business management, ensuring the reliability of financial reporting, and promoting compliance with laws and regulations and internal company rules relating to business operation, in April 2004, the Marubeni group established an internal control system task force as an organization under the direct jurisdiction of the President & CEO and thereby embarked on the systematization of an internal control system.

### **(4) Status of development of risk management system**

The Marubeni group is promoting the management of risk that have an important impact on management through the following system.

In the case of individual matters such as important issues regarding investment and credit, decision-making is carried out at the Corporate Management Committee after an investigation is conducted by the Investment and Credit Committee based on our internal approval procedure. The business department in charge follows up the matter after execution, and in the case of important issues, a current status report is regularly submitted to the Investment and Credit Committee and the Board of Directors.

We introduced the “portfolio” approach for our risk management, i.e. capturing the risk of our overall assets, which are diversified and therefore, have the certain level of correlation.

This is an integrated risk management centered on risk assets that are quantified (through the calculation of Value at Risk (VaR), which takes into account the effect of diversification and correlational factors) using numerical methods to determine the risk of the maximum potential loss in the value of the various assets held by the Marubeni group.

Risk assets are also based on the calculation of PATRAC, an earnings valuation indicator, and we use this not only for risk management, but also in managing the earnings of the Marubeni group.

In order for the company to meet the various demands of its stakeholders, we must ensure that the company continues to exist for a long time. To this end, it is of course important to pursue profits, but if these are not earned through sound corporate activities, they will have no value at all. Marubeni regards compliance as the most important obligation of management to society, and we have established the Compliance Committee under the direct jurisdiction of the President & CEO as an organization that supports and directs every one of the Marubeni group's directors and employees to reliably implement compliance. Besides drafting the Compliance Manual, Marubeni has also established a reporting and consultation access point dubbed the "Door of Courage"\*.

The persons in charge of compliance in the Marubeni group are the compliance officers that have been commissioned by the President & CEO. In addition, we have appointed 16 compliance officers at departments, offices, and branches as personnel that are in charge of compliance at their respective divisions and group companies.

\*Door of Courage: When employees or directors are aware of any conduct that is inappropriate for the compliance system, in principle those directors or employees are expected to report such conduct in accordance with the established lines of the staff organization. In addition, we have established the following compliance consultation access points in case the usual lines of reporting do not function properly.

- Compliance Committee channel
- External legal counsel channel

#### **4. Basic policy regarding profit distribution**

At Marubeni, we recognize that it is an important corporate responsibility to maximize corporate value and competitiveness, by increasing and making effective use of internal reserves, and at the same time to continue to distribute dividends to shareholders in a stable manner.

Therefore, we decided to forgo the payment of the interim dividends for this period.

For FY2004, in order to provide shareholders with steady dividend payments, we intend to pay a year-end cash dividend of 3 yen per share, as in the previous fiscal year. We intend to pay “pre-defined” fiscal year-end dividend of 20 yen per share for the preferred shares.

# Financial Results and Conditions

## 1. Financial Results

### Business Environment

Looking broadly at overseas economies during the 1<sup>st</sup> half of FY2004, a continuing recovery centered on the U.S. economy and China's economy, and with low interest rates and price stability during the second half of 2003, favorable economic conditions spread simultaneously throughout the rest of the world.

In the U.S. economy, consumer spending and capital investment expanded, and the economy trended firmly. Prices stabilized as the economy continued to expand, assisted by the narrow pace of rising interest rates.

In the European economy, although its economy was still suffering from weak domestic demand resulting from employment stagnation, it continued to quietly pursue an initiative of expanding foreign demand in response to global prosperity. The European Central Bank maintained its policy of quantitative easing against a backdrop of price stability and economic downturn risks, which led to support the economy.

The Asian economy benefited from the global prosperity and an increase in demand for IT, and economic growth exceeding that of the previous year was seen in many countries. Favorable business conditions existed in the Chinese economy, although regulation of fixed-asset investments to preclude some sectors from overheating was seen. Additionally, the growing pressure of the Renminbi remained limited due to the tendency toward trade surplus reduction owing to import expansion. The four NIES nations, Korea, Taiwan, Hong Kong and Singapore enjoyed balanced domestic and foreign demand which resulted in overall growth. The four ASEAN nations, Indonesia, Thailand, Malaysia, and the Philippines, had economic growth led by domestic demand. Only in South Korea did uncertainty linger as a major concern from delays in employment recovery and the weakness in domestic demand resulting from increases in individual debt.

Brazil's economy displayed an overall expansion of foreign demand initiatives through increased demand and price hikes for primary commodities, in line with the global prosperity. In Russia, the economy grew steadily stemming from domestic and foreign demand resulting from increases in oil prices. And in India, economic conditions improved steadily due to favorable performance in the transportation, commerce, and agriculture sectors.

In Japan, export initiatives for economic recovery continued through the 1<sup>st</sup> half of FY2004. Exports gradually improved against the background of Asian economic expansion centered in China. In financial markets, the Bank of Japan maintained its policy of quantitative easing, and stock prices generally stabilized. In response, business confidence stabilized and capital investments increased against a background of favorable corporate earnings, a boom in digital appliances, etc. However, the effects on consumption through increases in compensation of employees were limited, and did not result in a curb on deflation.

## Consolidated Financial Results

The summary of consolidated financial results for the 1<sup>st</sup> Half of FY2004 is as follows:

(billions of yen)

	1st Half FY2004	1st Half FY2003	Variance	
			Amount	%
Total volume of trading transactions	3,742.7	3,825.4	-82.6	-2.2%
Gross trading profit	211.4	198.6	12.8	6.5%
Operating profit	39.5	39.0	0.6	1.5%
Income before income taxes and equity in earnings	31.5	29.5	2.0	6.9%
Net income	24.2	19.7	4.5	22.6%
Revenue	1,535.8	1,357.9	177.8	13.1%

(Note) For Japanese investors' convenience, Total volume of trading transactions and Operating profit are shown according to accounting principles generally accepted in Japan.

On a consolidated basis, Marubeni's **total volume of trading transactions** during the 1<sup>st</sup> half FY004 decreased 2.2% to 3,742.7 billion yen.

**Gross trading profit** increased 6.5%, or 12.8 billion yen, to 211.4 billion yen.

**Operating profit** increased 1.5 %, or 0.6 billion yen, to 39.5 billion yen, in line with an increase in gross trading profit, a rise in selling, general and administrative expenses and provision for doubtful accounts notwithstanding.

Although there was a decline in (gains) losses on property and equipment and other (gains) losses, owing to the increase in operating profit and improvement in earnings from investment securities, **income before income taxes and equity in earnings** rose 6.9 %, or 2.0 billion yen, to 31.5 billion yen.

Owing to improvements in equity in earnings by 81.2%, or 5.6 billion yen, **net income** resulted in an increase by 22.6%, or 4.5 billion yen, to 24.2 billion yen.

Furthermore, "**Revenue**" presented in accordance with US GAAP (Emerging Issue Task Force (EITF) 99-19) for the 1<sup>st</sup> Half FY2004, increased by 13.1% or 177.8 billion yen, to 1,535.8 billion yen.

## 2. Financial Condition

### Consolidated Financial Conditions

A summary of the consolidated balance sheets for the 1<sup>st</sup> Half of FY2004 is as follows:  
(billions of yen)

	September 30, 2004	March 31, 2004	Variance
Total assets	4,073.0	4,254.2	-181.2
Shareholders' equity	407.4	393.0	14.4
Interest-bearing debt	2,276.3	2,454.8	-178.5
Net interest-bearing debt (Net D/E ratio)	1,978.0 4.86 times	1,969.3 5.01 times	8.7 -0.15 points
Net interest-bearing debt after factoring out impact of FAS No. 133 (Net D/E ratio)	1,959.3 4.81 times	1,948.0 4.96 times	11.3 -0.15 points

**Consolidated total assets** fell 181.2 billion yen to 4,073.0 billion yen over the end of the previous fiscal year, as increases in investments and long-term receivables due to equity in earnings of affiliates were more than offset by a decrease in cash and cash equivalents. **Consolidated interest-bearing debt** fell by 178.5 billion yen to 2,276.3 billion yen due to cutting of total assets. Net interest-bearing debt excluding cash and cash equivalents was down 8.7 billion yen to 1,978.0 billion yen. **Shareholders' equity** grew by 14.4 billion yen to 407.4 billion yen, as the Company posted a net income, a deterioration in accumulated other comprehensive loss notwithstanding. As a result, the **net D/E ratio** improved 0.15 points over the previous fiscal year-end of 5.01 times to 4.86 times.

**Net cash provided by operating activities** fell 37.5 billion yen to 34.8 billion yen as a result of increase in trade receivables. **Net cash used by investing activities** amounted to -0.1 billion yen due to the purchase of property, plant, and equipment, the collection of loans notwithstanding.

As a result, 34.8 billion yen in free cash flow was generated during the term under review.

As the company appropriated the income from this free cash flow and cash and cash equivalents to reduce interest-bearing debt, **net cash used in financing activities** was 222.6 billion yen, and the balance of **cash and cash equivalents** at the end of the fiscal year decreased by 186.6 billion yen from the end of the previous year to 292.2 billion yen.

### (3) Financial Prospects for the Fiscal Year Ending March 31, 2005

Financial prospects for the year ending March 31, 2005, is as follows:

(billions of yen)

	Forecast FY2004	Result FY2003
Total volume of trading transactions	7,600.0	7,905.6
Net income	37.0	34.6

Major assumptions:

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

Short-term prime rate (Japan): 1.375%

Long-term prime rate (Japan): 1.7%

Marubeni Corporation  
Consolidated Statements of Income

*Millions of yen*

	<i>Six months ended</i>			
	<b>September 30</b>			
	<b>2004</b>	2003	Variance	Ratio
<b>Revenues:</b>				
Revenues from trading and other activities	¥ 1,459,747	¥ 1,285,487	¥ 174,260	13.6 %
Commissions on services and trading margins	<b>76,011</b>	72,437	3,574	4.9 %
Total	<b>1,535,758</b>	1,357,924	177,834	13.1 %
Cost of revenues from trading and other activities	<b>- 1,324,399</b>	- 1,159,374	- 165,025	14.2 %
Gross trading profit	<b>211,359</b>	198,550	12,809	6.5 %
<b>Expenses and other:</b>				
Selling, general and administrative expenses	<b>- 167,909</b>	- 161,041	- 6,868	4.3 %
Loss from transfer of the substitutional portion of Japanese Welfare Pension Fund	<b>- 1,453</b>	-	- 1,453	-
Provision for doubtful accounts	<b>- 2,471</b>	1,450	- 3,921	-
Interest income	<b>9,187</b>	11,003	- 1,816	- 16.5 %
Interest expense	<b>- 21,751</b>	- 21,843	92	- 0.4 %
Dividends received	<b>4,917</b>	4,379	538	12.3 %
Impairment loss on investment securities	<b>- 2,645</b>	- 7,908	5,263	- 66.6 %
Gain (loss) on sales of investment securities	<b>11,465</b>	9,725	1,740	17.9 %
Gain (loss) on property and equipment	<b>- 2,667</b>	- 530	- 2,137	403.2 %
Other – net	<b>- 6,529</b>	- 4,326	- 2,203	50.9 %
Total	<b>- 179,856</b>	- 169,091	- 10,765	6.4 %
Income (loss) before income taxes and equity in earnings (losses) of affiliated companies	<b>31,503</b>	29,459	2,044	6.9 %
Provision for income taxes	<b>- 18,293</b>	- 15,564	- 2,729	17.5 %
Income (loss) before equity in earnings (losses) of affiliated companies	<b>13,210</b>	13,895	- 685	- 4.9 %
Minority interests in consolidated subsidiaries	<b>- 1,538</b>	- 1,082	- 456	42.1 %
Equity in earnings (losses) of affiliated companies-net (after income tax effects)	<b>12,487</b>	6,890	5,597	81.2 %
Net income (loss)	¥ <b>24,159</b>	¥ 19,703	¥ 4,456	22.6 %
Basic earnings per share (yen)	¥ <b>16.18</b>	¥ 13.19	¥ 2.99	22.7 %
Diluted earnings per share (yen)	<b>13.06</b>	12.32	0.74	6.0 %
Total volume of trading transactions (Based on Japanese accounting practice)	<b>¥ 3,742,718</b>	¥ 3,825,357	¥ - 82,639	- 2.2 %
Operating profit (Based on Japanese accounting practice)	<b>39,526</b>	38,959	567	1.5 %

(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) From this term, items in the financial statements are presented in accordance with US accounting customs and practice. Minority interests in consolidated subsidiaries, which was contained in Other-net, has been independently presented below Equity in earnings of affiliated companies-net (after income tax effects) since FY2003. Certain reclassifications have been made in the financial statements for the 1<sup>st</sup> Half FY2003 in order to conform to the presentation for the 1<sup>st</sup> Half FY2004 financial statements.

(Note 3) 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.

Marubeni Corporation  
Consolidated Balance Sheets

	<i>Millions of yen</i>		
	<b>September 30 2004</b>	March 31 2004	<b>Variance</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents, and time deposits	¥ 298,238	¥ 485,484	-187,246
Investment securities	8,165	9,445	- 1,280
Notes and accounts receivable - trade:			
Notes receivable	101,627	98,227	3,400
Accounts receivable	786,003	764,545	21,458
Due from affiliated companies	86,940	106,391	- 19,451
Allowance for doubtful accounts	- 30,057	- 26,949	- 3,108
Inventories	396,918	398,617	- 1,699
Advance payments to suppliers	78,772	85,490	- 6,718
Deferred income taxes	38,169	32,862	5,307
Prepaid expenses and other current assets	151,129	125,852	25,277
Total current assets	<b>1,915,904</b>	2,079,964	<b>- 164,060</b>
Investments and long-term receivables:			
Affiliated companies	352,373	337,451	14,922
Securities and other investments	487,778	485,865	1,913
Notes, loans and accounts receivable - trade	311,987	300,049	11,938
Allowance for doubtful accounts	- 93,560	- 93,865	305
Property leased to others, at cost, less accumulated depreciation	257,761	256,370	1,391
Total investments and long-term receivables	<b>1,316,339</b>	1,285,870	<b>30,469</b>
Net property and equipment	490,399	499,514	- 9,115
Prepaid pension cost	86,801	105,797	- 18,996
Deferred income taxes	101,284	118,274	- 16,990
Intangible fixed assets	37,567	35,477	2,090
Goodwill	27,935	28,793	- 858
Other assets	96,803	100,505	- 3,702
Total assets	<b>¥4,073,032</b>	¥4,254,194	<b>¥ - 181,162</b>

\*These financial statements are based on US GAAP.

Marubeni Corporation  
Consolidated Balance Sheets (continued)

	<i>Millions of yen</i>		
	September 30 2004	March 31 2004	Variance
<b>Liabilities and shareholders' equity</b>			
Current liabilities:			
Short-term loans	¥ 403,902	¥ 474,735	¥ - 70,833
Current portion of long-term debt	223,526	328,816	- 105,290
Notes and accounts payable-trade			
Notes and acceptances payable	187,622	204,574	- 16,952
Accounts payable	650,299	629,279	21,020
Due to affiliated companies	48,851	44,228	4,623
Advance payments received from customers	75,003	76,684	- 1,681
Income taxes	12,872	13,262	- 390
Deferred income taxes	4,021	2,535	1,486
Accrued expenses and other current liabilities	175,277	190,705	- 15,428
Total current liabilities	1,781,373	1,964,818	- 183,445
Long-term debt, less current portion	1,817,435	1,822,473	- 5,038
Employees' retirement benefits	8,729	8,786	- 57
Deferred income taxes	17,785	23,536	- 5,751
Minority interests in consolidated subsidiaries	40,301	41,599	- 1,298
Shareholders' equity:			
Paid-in capital	231,789	231,789	-
Additional paid-in capital	125,433	125,430	3
Retained earnings (losses)	114,107	94,870	19,237
Accumulated other comprehensive loss	- 63,820	- 59,025	- 4,795
Cost of common stock in treasury	- 100	- 82	- 18
Total shareholders' equity	407,409	392,982	14,427
Total liabilities and shareholders' equity	4,073,032	4,254,194	¥ - 181,162

	<i>(millions of yen)</i>		
<b>*Cash and cash equivalents:</b>	¥ 292,153	¥ 478,731	¥ - 186,578
<b>*Accumulated other comprehensive loss:</b>			
Net unrealized gains (losses) on investment securities, net of reclassification	¥ 27,550	¥ 34,927	¥ - 7,377
Currency translation adjustments, net of reclassification	- 85,860	- 87,927	2,067
Minimum pension liability adjustment	- 612	- 612	-
Net unrealized losses on derivatives	- 4,898	- 5,413	515

\* As a result of the adoption of EITF04-2, mining rights excluding petroleum and gas, have been reclassified from Intangible fixed assets to Net property and equipment from this term. Accordingly, the figures for March 31, 2004 have been rearranged. The effects are 14,864 million yen and 14,529 million yen for September 30 and March 31, 2004, respectively.

Marubeni Corporation  
Consolidated Statements of Changes in Shareholders' Equity

	<i>Millions of yen</i>					
	September 30 2004		March 31 2004		Variance	
<b>Common stock:</b>						
Balance at beginning of year	231,789		194,039		194,039	
Issuance of preferred shares	-		37,750		-	
Balance at end of year	<u>231,789</u>		<u>231,789</u>		<u>194,039</u>	
<b>Capital surplus:</b>						
Balance at beginning of year	125,430		87,765		87,765	
Issuance of preferred shares	-		37,665		-	
Gains from disposition of treasury stock	<u>3</u>		<u>-</u>		<u>-</u>	
Balance at end of year	<u>125,433</u>		<u>125,430</u>		<u>87,765</u>	
<b>Retained earnings (losses):</b>						
Balance at beginning of year	94,870		64,786		64,786	
Net income (loss)	24,159	24,159	34,565	34,565	19,703	19,703
Cash dividend	- 4,922		- 4,481		- 4,481	
Balance at end of year	<u>114,107</u>		<u>94,870</u>		<u>80,008</u>	
<b>Accumulated other comprehensive loss:</b>						
Balance at beginning of year	- 59,025		- 86,441		- 86,441	
Unrealized (losses) gains on investment securities	- 7,377		43,290		22,484	
Currency translation adjustments	2,067		- 15,247		5,497	
Minimum pension liability adjustment	-		- 30		-	
Net unrealized losses on derivatives	<u>515</u>		<u>- 597</u>		<u>930</u>	
Other comprehensive income (loss), net of tax	- 4,795	- 4,795	27,416	27,416	28,911	28,911
Comprehensive income (loss)	<u>19,364</u>		<u>61,981</u>		<u>48,614</u>	
Balance at end of year	<u>- 63,820</u>		<u>- 59,025</u>		<u>- 57,530</u>	
<b>Cost of common stock in treasury:</b>						
Balance at beginning of year	- 82		- 98		- 98	
Treasury stock sold (repurchased)	<u>- 18</u>		<u>16</u>		<u>- 7</u>	
Balance at end of year	<u>- 100</u>		<u>- 82</u>		<u>- 105</u>	

\*These financial statements are based on US GAAP.

Marubeni Corporation  
Consolidated Statements of Cash Flows

*Millions of yen*

	<u>Six Months ended</u> <u>2004</u>	<u>Sept. 30</u> <u>2003</u>	<u>Variance</u>
<b>Operating activities</b>			
Net income (loss)	¥ 24,159	¥ 19,703	¥ 4,456
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	31,674	25,262	6,412
Provision for doubtful accounts	2,471	-1,450	3,921
Equity in (earnings) losses of affiliated companies- net	- 9,624	- 3,731	- 5,893
(Gain) loss on investment securities	- 8,820	- 1,817	- 7,003
(Gain) loss on property and equipment	2,667	530	2,137
Deferred income taxes	5,256	10,221	- 4,965
Changes in operating assets and liabilities:			
Notes and accounts receivable	- 4,861	40,733	- 45,594
Inventories	778	7,369	- 6,591
Advance payments to suppliers and prepaid expenses and other current assets	- 9,143	30,698	- 39,841
Prepaid pension cost	18,996	791	18,205
Notes, acceptances and accounts payable	7,903	- 54,518	62,421
Advance payments received from customers and accrued and other current liabilities	- 19,637	- 6,125	- 13,512
Income taxes	- 400	- 4,817	4,417
Other	-6,590	9,525	- 16,115
Net cash provided by operating activities	<u>34,829</u>	<u>72,374</u>	<u>- 37,545</u>
<b>Investing activities</b>			
Proceeds from sales and redemptions of securities and other investments	31,234	31,268	-34
Purchases of securities and other investments	- 37,853	- 26,668	- 11,185
Proceeds from sales of property and equipment and property leased to others	8,344	4,195	4,149
Purchases of property and equipment and property leased to others	- 26,375	- 23,492	- 2,883
Collection of loans receivable	33,703	47,495	- 13,792
Loans made to customers	- 21,186	- 16,226	- 4,960
Other	12,060	- 6,017	18,077
Net cash provided (used) by investing activities	<u>- 73</u>	<u>10,555</u>	<u>- 10,628</u>
Free Cash Flows	34,756	82,929	- 48,173
<b>Financing activities</b>			
Net decrease (increase) in short-term loans	- 80,330	12,058	- 92,388
Proceeds from long-term debt	135,769	244,609	- 108,840
Payments of long-term debt	- 271,825	- 281,845	10,020
Cash dividend	- 4,922	- 4,481	- 441
(Purchase) sale of treasury stock	- 15	-7	- 8
Other	- 1,293	- 449	- 844
Net cash used (provided) in financing activities	<u>- 222,616</u>	<u>- 30,115</u>	<u>- 192,501</u>
Effect of exchange rate changes on cash and cash equivalents	1,282	957	325
Net increase (decrease) in cash and cash equivalents	- 186,578	53,771	- 240,349
Cash and cash equivalents at beginning of period	478,731	466,511	12,220
Cash and cash equivalents at end of period	<u>292,153</u>	<u>520,282</u>	<u>- 228,129</u>

\*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, 2004	March 31, 2004	Variance
Subsidiaries	360	348	12
Affiliated companies	163	154	9
Total	523	502	21

(2) Major Group Firms

Subsidiaries

Overseas  233	Marubeni America Corporation Marubeni Europe p.l.c. Sithe Asia Holdings Limited Marubeni International Finance p.l.c. Cia. Iguazu de Café Solúvel
Domestic  127	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  112	Shanghai Asahi Electronic Glass Co., Ltd. Uni-Mar Energi Yatirimlari A.S. Daishowa-Marubeni International Ltd.
Domestic  51	Marubeni-Itochu Steel Inc. The Maruetsu, Inc. Sofmap Co., Ltd. Marubeni Construction Material Lease Co., Ltd Marubeni Infotec Corporation

(3) Changes

Subsidiaries

Newly included  20	Fuel Cell Japan, Co., Ltd. Sithe Energies Australia Pty. Ltd. Marubeni Chemicals (Shanghai) Co., Ltd. Others--- 17 companies
Excluded	8 companies

Affiliated companies

Newly included  13	Tratamiento de Agua de Puebla S.A.de C.V. MGC Advanced Polymers, INC. Others--- 11 companies
Excluded	4 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 FY2004		FY2003	
<b>Numerator:</b>				
<b>Net income (loss)</b>	¥	24,159	¥	19,703
Net income available for common shareholders – Numerator for basic earnings (loss) per share		24,159		19,703
Effect of dilutive securities:				
Convertible debentures		162		162
Numerator for diluted earnings (loss) per share	¥	24,321	¥	19,865
<b>Denominator:</b>				
	<i>Number of shares</i>			
Denominator for basic earnings (loss) per share		1,493,239,443		1,493,255,846
Effect of dilutive securities:				
Convertible debentures		119,666,048		119,666,048
Preferred shares		250,000,000		-
Denominator for diluted earnings per share		1,862,905,491		1,612,921,894
<i>Yen</i>				
Basic earnings per share	¥	16.18	¥	13.19
Diluted earnings per share	¥	13.06	¥	12.32

The convertible debenture #8 issued in November 1996 has dilution effect for the 1<sup>st</sup> half of FY2003 and 1<sup>st</sup> half of FY2004, and Class I Preferred Stock issued in December, 2003 has dilution effect for the 1<sup>st</sup> half of FY2004.

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 FY2004 and 1<sup>st</sup> Half FY2003, were as follows:

<b>1<sup>st</sup> Half FY2004</b> <b>(April 1, 2004 - September 30, 2004)</b>	<i>Millions of yen</i>							
	Agri-marine products	Textile	Forest products and general merchandise	Chemicals	Energy	Metals and mineral resources	Transportation and industrial machinery	Utility and infrastructure
Total volume of trading transactions:								
Outside customers	¥ 479,762	¥ 172,924	¥ 375,513	¥ 305,093	¥ 812,861	¥ 289,085	¥ 348,668	¥ 127,731
Inter-segment	3,782	1,402	19,066	12,459	534	11,627	19,986	43
Total	¥ 483,544	¥ 174,326	¥ 394,579	¥ 317,552	¥ 813,395	¥ 300,712	¥ 368,654	¥ 127,774
Gross trading profit	¥ 36,282	¥ 12,265	¥ 22,499	¥ 14,508	¥ 19,879	¥ 7,358	¥ 27,916	¥ 10,083
Operating profit (loss)	¥ 5,207	¥ 2,347	¥ 6,583	¥ 3,747	¥ 10,479	¥ 3,301	¥ 3,987	¥ 2,427
Segment net income (loss)	¥ 1,371	¥ 990	¥ 4,192	¥ 3,452	¥ 7,213	¥ 4,140	¥ -1,085	¥ 4,469
Segment asset (September 30, 2004)	¥ 394,813	¥ 129,698	¥ 324,253	¥ 171,294	¥ 299,734	¥ 189,223	¥ 302,134	¥ 414,356

	<i>Millions of yen</i>							Consolidated
	Plant and ship	Development and construction	Finance and logistics business	Telecom & Information	Domestic branches and offices	Overseas corporate subsidiaries and branches	Corporate and elimination	
Total volume of trading transactions:								
Outside customers	¥ 201,649	¥ 58,199	¥ 8,836	¥ 83,072	¥ 60,088	¥ 418,080	¥ 1,157	¥ 3,742,718
Inter-segment	609	189	1,720	1,509	7,648	161,551	-242,125	-
Total	¥ 202,258	¥ 58,388	¥ 10,556	¥ 84,581	¥ 67,736	¥ 579,631	¥ -240,968	¥ 3,742,718
Gross trading profit	¥ 5,933	¥ 10,820	¥ 3,007	¥ 11,574	¥ 1,990	¥ 38,700	¥ -11,455	¥ 211,359
Operating profit (loss)	¥ -704	¥ 2,487	¥ -334	¥ -2,243	¥ 314	¥ 8,532	¥ -6,604	¥ 39,526
Segment net income (loss)	¥ 706	¥ -2,738	¥ 1,597	¥ -2,992	¥ -295	¥ 4,697	¥ -1,558	¥ 24,159
Segment asset (September 30, 2004)	¥ 378,995	¥ 332,649	¥ 126,577	¥ 143,165	¥ 58,406	¥ 443,762	¥ 363,973	¥ 4,073,032

Marubeni Corporation  
Notes to Consolidated Financial Statements (continued)

Segment Information (continued)

*Millions of yen*

1 <sup>st</sup> Half FY2003 (April 1, 2003 - September 30, 2003)	Agri-marine products	Textile	Forest products and general merchandise	Chemicals	Energy	Metals and mineral resources	Transportation and industrial machinery	Utility and infrastructure
Total volume of trading transactions:								
Outside customers	¥ 375,576	¥ 170,168	¥361,722	¥ 266,938	¥ 1,008,577	¥232,315	¥333,411	¥ 134,441
Inter-segment	5,645	1,882	19,870	11,781	330	10,674	10,543	15
Total	¥ 381,221	¥ 172,050	¥ 381,592	¥ 278,719	¥ 1,008,907	¥ 242,989	¥ 343,954	¥134,456
Gross trading profit	¥ 25,860	¥ 11,917	¥ 19,121	¥ 13,746	¥ 15,584	¥ 6,084	¥ 29,082	¥ 6,431
Operating profit (loss)	¥ 4,141	¥ 2,414	¥ 3,639	¥ 3,500	¥ 6,040	¥ 2,112	¥ 3,775	¥ -852
Segment net income (loss)	¥ 3,570	¥ 1,197	¥ 3,088	¥ 3,070	¥ 4,605	¥ 2,302	¥ 1,340	¥ 3,168
Segment asset (March 31, 2004)	¥ 417,735	¥ 127,045	¥ 315,720	¥ 147,118	¥ 319,584	¥ 180,257	¥ 306,718	¥ 409,193

*Millions of yen*

	Plant and ship	Development and construction	Finance and logistics business	Telecom & Information	Domestic branches and offices	Overseas corporate subsidiaries and branches	Corporate and elimination	Consolidated
Total volume of trading transactions:								
Outside customers	¥ 282,992	¥ 67,484	¥ 8,273	¥ 79,564	¥ 68,801	¥ 433,379	¥ 1,716	¥ 3,825,357
Inter-segment	836	175	1,000	1,681	6,547	142,508	-213,487	-
Total	¥ 283,828	¥ 67,659	¥ 9,273	¥ 81,245	¥ 75,348	¥ 575,887	¥ -211,771	¥ 3,825,357
Gross trading profit	¥ 5,291	¥ 10,960	¥ 2,478	¥ 10,703	¥ 2,106	¥ 41,141	¥ -1,954	¥ 198,550
Operating profit (loss)	¥ 1,630	¥ 1,655	¥ -687	¥ -3,287	¥ 125	¥ 8,837	¥ 5,917	¥ 38,959
Segment net income (loss)	¥ -3,045	¥ -2,128	¥ 1,339	¥ -4,668	¥ 166	¥ 5,920	¥ -221	¥ 19,703
Segment asset (March 31, 2004)	¥ 343,070	¥ 330,506	¥ 144,432	¥ 144,195	¥ 60,625	¥ 439,013	¥ 568,983	¥ 4,254,194

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

**Agri-marine Products** transactions rose 26.8%, or 102.3 billion yen over the same period of the previous year, mainly in the area of feed grain and distribution. Owing to this increase, gross trading profit rose 40.3% year-on-year, or 10.4 billion yen.

**Textile** transactions rose 1.3%, or 2.3 billion yen, primarily from increases in offshore transactions of raw materials and domestic transactions of finished goods. Owing to these increases, gross trading profit rose 2.9%, or 0.3 billion yen.

**Forest Products and General Merchandise** transactions rose 3.4%, or 13.0 billion yen, due to an increase in trading of plywood and wood chips. In addition to these increases, along with increased profits for paper related companies and improvements in woodchip profitability, gross trading profit rose by 17.7 %, or 3.4 billion yen.

**Chemicals** transactions rose 13.9%, or 38.8 billion yen, following increased transactions in basic chemicals. Owing to this, as well as an increase in profits from agricultural chemical related business, gross trading profit rose 5.5%, or 0.8 billion yen.

**Energy** transactions declined 19.4%, or 195.5 billion yen, following a decline in petroleum transactions. However, due to an increase in profits from petroleum transactions and interests, gross trading profit rose 27.6%, or 4.3 billion yen.

**Metals and Mineral Resources** transactions rose by 23.8% or 57.7 billion yen due to rising prices in the coal and non-ferrous light metals market. Due to this increase, gross trading profit rose 20.9% or 1.3 billion yen.

**Transportation and Industrial Machinery** transactions rose 7.2%, or 24.7 billion yen, due to an increase in aircraft-related transactions. Gross trading profit fell 4.0%, or 1.2 billion yen, as a result of a decline in automotive and construction machinery field.

**Utility and Infrastructure** transactions decreased 5.0%, or 6.7 billion yen, due to decreases resulting from the completion of water pipe projects for the Middle East and electric power generation projects for Southeast Asia. Due to higher profits in such areas as electric power generating operations and Taiwan express railways, gross trading profit rose by 56.8%, or 3.7 billion yen.

**Plant & Ship** transactions fell 28.7%, or 81.6 billion yen, following a decline in business involving energy and chemical plants and ships. Although this decline led to lower profits, gross trading profit increased 12.1%, or 0.6 billion yen, attributable to newly included subsidiaries in the ship-related business.

**Development and Construction** transactions dropped 13.7%, or 9.3 billion yen due to business transfers of domestic construction operations and a drop in domestic transactions. Owing to these decreases, although there was an increase in income resulting from overseas housing enterprise projects, gross trading profit declined by 1.3 %, or 0.1 billion yen.

***Finance and Logistics Business*** transactions rose 13.8%, or 1.3 billion yen, due to increase in funds and logistics. As a result of this increase, gross trading profit rose 21.3%, or 0.5 billion yen.

***Telecom & Information*** transactions rose 4.1% or 3.3 billion yen due to an increase in information related business. As a result of an increase in content sales and communication operating business, gross trading profit rose 8.1%, or 0.9 billion yen.

***Domestic Branches and Offices*** transactions sank 10.1%, or 7.6 billion yen, due to a decline in machinery-related transactions. As a result, gross trading profit fell 5.5%, or 0.1 billion yen.

***Overseas Corporate Subsidiaries and Branches*** transactions rose 0.7%, or 3.7 billion yen, owing primarily to increase in food product, automotive, construction machinery, and agricultural chemical operations in the U.S. However, mainly due to the effects of fluctuations in exchange rates, gross trading profit decreased by 5.9%, or 2.4 billion yen.

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 FY2004 and 1<sup>st</sup> Half FY2003, were as follows:

		<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	¥ 2,489,957	¥ 438,747	¥ 172,953	¥ 246,165	¥ 394,896	¥ -	¥ 3,742,718
Inter-segment	770,501	117,821	15,297	85,635	44,815	-1,034,069	-
Total	¥ 3,260,458	¥ 556,568	¥ 188,250	¥ 331,800	¥ 439,711	¥ -1,034,069	¥ 3,742,718
Segment operating profit (loss)	¥ 13,040	¥ 7,540	¥ 4,599	¥ 10,096	¥ 4,629	¥ -378	¥ 39,526
Segment assets (September 30, 2004)	¥ 2,004,563	¥ 336,925	¥ 156,578	¥ 313,588	¥ 126,008	¥ -161,010	¥ 2,776,652
Other assets							¥ 1,296,380
Total assets							¥ 4,073,032

		<i>Millions of yen</i>					
<b>1<sup>st</sup> Half FY2003</b> <b>(April 1, 2003 – September 30, 2003)</b>	Japan	North America	Europe	Asia/Oceania	Other	Eliminations	Consolidated
Total volume of trading transactions:							
Outside customers	¥ 2,408,013	¥ 669,885	¥ 192,005	¥ 184,462	¥ 370,992	¥ -	¥ 3,825,357
Inter-segment	903,651	106,996	12,846	74,779	42,110	-1,140,382	-
Total	¥ 3,311,664	¥ 776,881	¥ 204,851	¥ 259,241	¥ 413,102	¥ -1,140,382	¥ 3,825,357
Segment operating profit (loss)	¥ 21,239	¥ 5,975	¥ 4,577	¥ 4,975	¥ 2,271	¥ -78	¥ 38,959
Segment assets (March 31, 2004)	¥ 2,032,295	¥ 327,287	¥ 157,501	¥ 314,717	¥ 107,492	¥ -144,943	¥ 2,794,349
Other assets							¥ 1,459,845
Total assets							¥ 4,254,194

(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 accounting principles generally accepted in Japan.

Marubeni Corporation  
Notes to Consolidated Financial Statements (continued)

**Segment Information (continued)**

**3. Volume of Overseas Trading Transactions**

The volumes of overseas trading transactions for 1<sup>st</sup> Half FY2004 and 1<sup>st</sup> Half FY2003, were as follows:

<b>1<sup>st</sup> Half FY2004</b> (April 1, 2004 - September 30, 2004)	<i>Millions of yen</i>		<i>Ratio of overseas transactions(%)</i>
	<b>Total volume of overseas transactions</b>	<b>Total volume of consolidated transactions</b>	
North America	¥391,421		10.5
Europe	272,310		7.3
Asia/Oceania	771,515		20.6
Others	249,120		6.6
<b>Total</b>	<b>¥1,684,366</b>	¥3,742,718	<b>45.0</b>

<b>1<sup>st</sup> Half FY2003</b> (April 1, 2003 - September 30, 2003)	<i>Millions of yen</i>		<i>Ratio of overseas transactions(%)</i>
	<b>Total volume of overseas transactions</b>	<b>Total volume of consolidated transactions</b>	
North America	¥683,558		17.9
Europe	252,641		6.6
Asia/Oceania	705,771		18.5
Others	342,019		8.9
<b>Total</b>	<b>¥1,983,989</b>	¥3,825,357	<b>51.9</b>

(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 ----- China, Singapore
4. Others ----- Africa, Middle East

(Note 3) For Japanese investors' convenience, Total volume of trading transactions is shown according to accounting principles generally accepted in Japan.

(Note 4) Overseas transactions sum up to the export transactions of the parent and the subsidiaries in Japan, the offshore transactions, and the transactions of the overseas subsidiaries, excluding transactions to Japan.

# Marubeni Corporation

## Notes to Consolidated Financial Statements

### Marketable Securities and Debt Securities

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

	September 30, 2004				March 31, 2004			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<b>Current:</b>								
Debt securities	728	-	-	728	5,509	80	-104	5,485
Total	728	-	-	728	5,509	80	-104	5,485
<b>Non-current:</b>								
Debt securities	19,139	468	-71	19,536	7,309	325	-	7,634
Marketable equity securities	130,963	55,448	-11,888	174,523	121,454	62,829	-5,993	178,290
Total	150,102	55,916	-11,959	194,059	128,763	63,154	-5,993	185,924

(Note 1) The fair value of available-for-sale securities reflected in the balance sheets are based on quoted market price. The unrealized gains and losses, net of taxes are added to Accumulated other comprehensive income (loss) in shareholders' equity.

(Note 2) Items of Debt securities are mainly corporate bonds.

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

	September 30, 2004				March 31, 2004			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<b>Current:</b>								
Debt securities	3,574	22	-	3,596	573	10	-	583
Total	3,574	22	-	3,596	573	10	-	583
<b>Non-current:</b>								
Debt securities	39,257	1,216	-	40,473	42,784	1,488	-150	44,122
Total	39,257	1,216	-	40,473	42,784	1,488	-150	44,122

(Note 1) The held-to-maturity securities are stated in the balance sheets at amortized cost, adjusted by method of depreciation.

(Note 2) Items of Debt securities are mainly corporate bonds.

In addition to the above stated securities, 3,863 million yen and 3,387 million yen of marketable securities for sale are held at September 30, 2004 and at March 31, 2004, respectively.

The net unrealized gain/loss of 85 million yen (gain) for 1st Half FY2004 and 0 million yen (loss) for FY2003 have been included in the income statements.