

Financial Results for 1st Half FY2006 and Prospects for FY2006 (US GAAP Basis)

(Unit: billions of yen)

Operating Results	1st Half FY2006 Results	1st Half FY2005 Results (*2)	FY05/06 1H Variance		Prospects for FY2006	
			Variance in Percentage		Variance from initial prospect	
Total volume of trading transactions (*1)	¥ 4,686.7	¥ 4,014.4	¥ 672.4	17%	¥ 9,500.0	¥ 200.0
Gross trading profit	265.0	236.2	28.8	12%	535.0	-
Selling, general and administrative expenses	-174.9	-167.7	-7.2	-	-370.0	-
Provision for doubtful accounts	0.7	-3.2	3.9	-	-3.0	2.0
Operating profit (*1)	90.9	65.4	25.5	39%	162.0	2.0
Interest expense, net of interest income	-15.2	-12.2	-3.0	-	-36.0	2.0
Dividends	4.2	5.6	-1.4	-	16.0	2.0
Gain (loss) on investment securities	6.4	1.9	4.5	-	-5.0	5.0
Gain (loss) on property and equipment	-2.8	-3.2	0.4	-		
Other-net	-0.0	-3.5	3.4	-		
Equity in earnings (losses) of affiliated companies (*2)	23.7	22.2	1.5	-	50.0	10.0
Income (loss) from continuing operations before income taxes	107.0	76.2	30.8	40%	187.0	21.0
Provision (benefit) for income taxes	-37.9	-30.0	-8.0	-	-66.0	-6.0
Minority interests in consolidated subsidiaries	-3.5	-1.7	-1.7	-	-6.0	-
Net income (loss) from continuing operations	65.6	44.5	21.1	47%	115.0	15.0
Loss from Discontinued Operations (after income tax)	-	-6.4	6.4	-	-	-
Net income (loss)	65.6	38.1	27.5	72%	115.0	15.0

(*1) For Japanese investors' convenience, Total volume of trading transactions and Operating profit are shown according to Japanese accounting practice.
(*2) As of FY 2006, Equity in earnings (losses) of affiliated companies are included within income before income taxes. Some of the figures for 1st Half FY2005 have been reclassified accordingly.

Revenue (*3)	1,807.6	1,527.7	279.9	18%
--------------	---------	---------	-------	-----

(*3) Revenue is presented in accordance with FASB Emerging Issue Task Force (EITF) 99-19.

Adjusted operating profit (*4)	90.1	68.6	21.6	31%	165.0	-
Core earnings (*5)	121.3	96.3	25.0	26%	234.3	15.3

(*4) Adjusted operating profit = Gross trading profit - SGA expenses (excluding restructuring costs)
(*5) Core earnings = Adjusted operating profit + Dividend income ± Equity in earnings of affiliated companies (excluding restructuring costs)

Financial Condition	September 30, 2006	March 31, 2006	Variance from March 31
Total assets	4,694.5	4,587.1	107.4
(Current assets)	(2,377.2)	(2,168.6)	(208.6)
(Fixed assets)	(2,317.3)	(2,418.5)	(-101.2)
Shareholders' equity	686.2	663.8	22.4
Interest-bearing debt	2,267.5	2,267.0	0.5
Net interest bearing debt	1,915.1	1,876.4	38.8
D/E ratio (*6)	2.79 x	2.83 x	-0.04 points

(*6) D/E ratio is calculated based on net interest-bearing debt

Cash Flow	1st Half FY2006	1st Half FY2005	Increase/Decrease in the Surplus/Deficit of Consolidated Companies	1st Half FY2006	1st Half FY2005	Variance
Cash flow from operating activities	-19.7	3.7	No. of profit making companies	414	414	-
Cash flow from investing activities	-67.4	-41.8	Surplus amount	72.9	57.4	15.5
Free Cash Flows	-87.1	-38.1	No. of loss making companies	141	148	-7
Cash flow from financing activities	46.5	-59.1	Deficit amount	-10.2	-13.7	3.5
Effect of exchange rate changes	-1.7	5.3	No. of companies, total	555	562	-7
Changes in cash and cash equivalents	-42.3	-91.9	Net Income (loss)	62.7	43.7	18.9
			Ratio of profit making companies	74.6%	73.7%	+0.9%

Major Financial Indicators and Financial Yearly Prospects

Major Financial Indicators	1st Half FY06	1st Half FY05	Variance	Assumptions for the current yearly prospects	2nd Half FY06
1) Foreign Exchange Rate (YEN/USD)	115.38	109.48	(Yen down by 5.90 yen)		¥117
2) JPY TIBOR(%)	0.324	0.085	(up by 0.239%)		0.500
USD LIBOR(%)	5.331	3.535	(up by 1.796%)		5.400
3) Oil (USD/Barrel) *North Sea Brent	66	50	(up by USD16/Barrel)		60
Copper (USD/MT) *LME	6,070	3,333	(up by USD2,737/MT)		7,000

Outline of Financial Results for 1st Half FY2006

Highlights of FY2006 Financial Results	Outline of Financial Results for 1st Half FY2006
<p>○ Net income renewed our record half-year high to 65.6 billion yen, which was 27.5 billion yen (72%) higher than the 38.1 billion yen reported for the same period in the previous fiscal year. Gross trading profit was 265.0 billion yen, and income before taxes was 107.0 billion yen, and for the first time as a half-year result exceeded 100 billion yen. Prospects for the yearly net income as the first year of "G" PLAN is revised upward to 115.0 billion yen from the initial 100.0 billion yen.</p> <p>○ Adjusted operating profit increased 21.6 billion yen (31%) to 90.1 billion yen, and core earnings rose 25.0 billion yen (26%) to 121.3 billion yen, both renewing our record for half-year results, and posted gain in six consecutive half-year terms on a year-to-year basis.</p> <p>○ Shareholder's equity increased 22.4 billion yen from the end of the previous fiscal year to 686.2 billion yen from the buildup of net income for the period, in spite of a decrease in unrealized gains (losses) on investment securities from a weak stock market.</p> <p>○ Net interest-bearing debt was 1,915.1 billion yen. The D/E ratio was 2.79x, with an improvement of 0.04 points from the end of the previous fiscal year.</p>	<p>4) Provision for doubtful accounts ... 0.7 billion yen The improvement of 3.9 billion yen over the same period the previous fiscal year was mainly due to provisions for overseas bad debt in the previous year.</p> <p>5) Interest expense, net of interest income ... -15.2 billion yen Increase of 3.0 billion yen over the previous year was due mainly to rising US dollar interest rates.</p> <p>5) Dividends ... 4.2 billion yen Decrease from Energy-related dividends carried over into the 2nd half resulted in a 1.4 billion yen decrease.</p> <p>7) Gain (Loss) on investment securities ... 6.4 billion yen • Gain (Loss) on sales of investment securities 10.5 billion yen (+8.0 billion yen year-on-year) • Valuation loss on investment securities -4.2 billion yen (-3.5 billion yen year-on-year) The net gain increased 4.5 billion yen due largely to the gain on sales of broadcasting-related investment, despite a valuation loss on electronic materials-related investment.</p> <p>8) Gain (Loss) on property and equipment ... -2.8 billion yen • Gain on sale of property and equipment 1.6 billion yen (+1.0 billion yen year-on-year) • Loss on sale /valuation loss of property and equipment -4.4 billion yen (-0.6 billion yen year-on-year) The net loss improved by 0.4 billion yen from the same period in the previous year.</p> <p>9) Other-net ... -0.0 billion yen (This item improved by 3.4 billion yen year-on-year, mainly due to an extraordinary loss from a project withdrawal posted during the previous year.)</p> <p>10) Equity in earnings (losses) of affiliated companies ... 23.7 billion yen This item increased by 1.5 billion yen year-on-year. Main items are provided below.</p> <p>Marubeni-Itochu Steel Inc. 9.2 billion yen (-0.3 billion yen year-on-year) Nippon LP Resources 6.8 billion yen (+2.9 billion yen year-on-year)</p>
Main Items	
<p>1) Total volume of trading transactions ... 4,686.7 billion yen Total trading transactions increased 672.4 billion yen over the same period in the previous fiscal year. By major segment, growth was recorded in Energy (+221.2), Metals & Mineral Resources (+148.1), and Overseas corporate subsidiaries & branches (+112.5). In addition, reported transactions improved 130 billion yen due to the impact of the weaker yen. (Note) Amounts in parentheses represent the amount of change over the same period in the previous fiscal year (unit: billions of yen).</p> <p>2) Gross trading profit ... 265.0 billion yen Year-on-year growth was 28.8 billion yen. See below chart for segmental change.</p> <p>3) Selling, general, and administrative expenses ... -174.9 billion yen Year-on-year increase was 7.2 billion yen, owing mainly to personnel expenses.</p>	

(Unit: billions of yen)

Operating Segments	Gross trading profit			Net income (loss)			Main reasons for increase/decrease
	1st Half FY06	1st Half FY05	Variance	1st Half FY06	1st Half FY05	Variance	
Agri-Marine Products	34.4	33.9	0.6	4.7	3.4	1.2	Despite a conversion of a subsidiary into an affiliate, gross trading profit increased from higher profit in other subsidiaries, and with an increase in equity in earnings, net income also increased.
Textile	12.0	12.2	-0.2	0.3	0.5	-0.2	Gross trading profit decreased due to lower profit ratio in apparel products. Net income for the period also decreased.
Forest Products & General Merchandise	27.3	22.5	4.7	4.5	-2.9	7.4	Added to the growth in gross trading profit with the effect of the consolidation of the Musui Pulp Project, the absence of loss from discontinued operations posted last year resulted in a sharp increase in net income.
Chemicals	15.9	16.4	-0.5	1.0	4.4	-3.4	With the decrease in gross trading profit in basic chemicals and others, alongside a valuation loss posted in electronic materials-related investment, net income suffered a sharp decline.
Energy	43.9	30.0	13.9	14.3	9.5	4.8	Sharp increase in gross trading profit mainly from concessions in natural resources fields supported a significant increase in net income for the period.
Metals & Mineral Resources	8.7	11.0	-2.3	12.0	7.9	4.2	Despite a decrease in gross trading profit from an absence of a transitory profit posted last year, increased equity in earnings from the copper mining and smelter business resulted in a sharp increase in net profit.
Transportation & Industrial Machinery	26.2	25.8	0.4	4.3	1.8	2.6	Gross trading profit increased centering on aerospace businesses. In addition, an absence of a withdrawal loss from an automotive-related business led to an increase in net income for the period.
Power Projects	12.2	11.0	1.2	5.1	3.2	1.9	Gross trading profit increased mainly in overseas power subsidiaries. The net income for the period greatly improved due to an increase in equity earnings of affiliated companies.
Plant, Ship & Infrastructure Projects	8.5	6.4	2.1	0.7	1.9	-1.2	Gross trading profit increased with contribution from projects such as the South American railway project, yet decrease in equity in earnings from Central and South American projects led to a decline in net income for the period.
Information & Communication	13.2	12.6	0.7	1.5	-1.2	2.7	Gross trading profit increased in the information-related subsidiary, and in addition, profit from sales of broadcasting-related investment contributed to a significant rise in net profit.
Development & Construction	18.6	11.0	7.7	5.3	0.9	4.3	Gross trading profit significantly increased through buoyant sales of domestic condominiums. Likewise, net income for the period showed significant increase.
Finance, Logistics & New Business	4.7	3.6	1.2	2.9	2.3	0.6	Gross trading profit increased from a consolidation of a subsidiary. In addition, net income increased through higher profit in investment funds.
Iron & Steel Strategies and Coordination	0.4	0.5	-0.1	8.1	10.8	-2.7	Net income for the period dropped due to decreased equity earnings of affiliated companies.
Overseas corporate subsidiaries & branches	43.2	40.9	2.3	5.6	5.7	-0.1	Gross trading profit increased due to effects of currency translation and others, while net income showed little change because of lower outcome from Marubeni Europe, and others.
Corporate & elimination	-4.2	-1.5	-2.8	-4.7	-10.1	5.4	
Consolidated	265.0	236.2	28.8	65.6	38.1	27.5	

(Note1) Effective April 1, 2006, the figures of each operating segment are shown based on US GAAP. Until then, the figures of each segment were shown according to Japanese accounting practice, and therefore the difference between the two standards for the 1st half of fiscal year 2005 is included in "corporate & elimination".

(Note2) Effective April 1, 2006, the segments of *Transportation Machinery*, *Industrial Machinery & Information Business*, and *Plant, Power & Infrastructure Projects* have been reorganized as *Transportation & Industrial Machinery*, *Power Projects*, *Plant, Ship & Infrastructure Projects*, and *Information & Communication*. Furthermore, *Domestic Branches & Offices* have been incorporated into *Corporate & elimination* due to its significance. Accordingly, the above segment information has been restated.

Outline of FY2006 Prospects

○ In spite of losses posted through the reexamination of our assets, net profit for the period marked 65.6 billion yen supported by robust core earning power. Therefore, we have revised our prospects for net profit for FY2006 upward to 115.0 billion yen.
○ Interim cash dividend for common stock will be 3.50 yen, as initially planned. Planned yearly cash dividend is revised upward to 9 yen.