

Financial Results for the 1st Half FY2005 and Prospects for FY2005 (US GAAP Basis)

(Unit: billions of yen)

Operating Results	1st Half FY2004 Results(*5)	1st Half FY2005 Results		Prospects for FY2005	
			Variance		Variance from initial prospect
Total volume of trading transactions (*1)	3,742.0	4,014.4	272.3	8,700.0	700.0
Gross trading profit	210.8	236.2	25.4	490.0	5.0
Selling, general and administrative expenses	-167.7	-167.7	0.0	-350.0	-
Provision for doubtful accounts	-2.5	-3.2	-0.7	-5.0	-
Operating profit (*1)	40.6	65.4	24.7	135.0	5.0
Interest expense, net of interest income	-12.4	-12.2	0.2	-30.0	-
Dividends	4.9	5.6	0.7	10.0	3.0
Gain (loss) on investment securities	8.8	1.9	-6.9	-15.0	5.0
Gain (loss) on property and equipment	-2.7	-3.2	-0.5		
Other-net	-6.5	-3.5	3.1		
Income (loss) from continuing operations before income taxes and equity in earnings (losses)	32.8	54.0	21.2	100.0	13.0
Provision (benefit) for income taxes	-18.5	-24.5	-6.0	-50.0	-3.0
Minority interests in consolidated subsidiaries	-1.5	-1.7	-0.2	-3.5	0.5
Equity in earnings (losses) of affiliated companies	12.5	16.7	4.2	30.0	6.0
Net income (loss) from continuing operations	25.2	44.5	19.3	76.5	16.5
Loss from Discontinued Operations(after income tax)	-1.1	-6.4	-5.3	-6.5	-6.5
Net income (loss)	24.2	38.1	14.0	70.0	10.0

(*1) For Japanese investors' convenience, Total volume of trading transactions and Operating profit are shown according to Japanese accounting practice.

Revenue (*2)	1,535.1	1,527.7	-7.4
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(*2) Revenue is presented in accordance with FASB Emerging Issue Task Force (EITF) 99-19.

Adjusted operating profit (*3)	44.6	68.6	24.0	140.0	5.0
Core earnings (*4)	62.0	90.9	28.9	180.0	14.0

(*3) Adjusted operating profit = Gross trading profit - SGA expenses (excluding restructuring costs)

(*4) Core earnings = Adjusted operating profit + Dividend income ± Equity in earnings of affiliated companies (excluding restructuring costs)

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

Financial Condition	March 31 2005	September 30, 2005	
			Variance
Total assets	4,208.0	4,314.0	106.0
(Current assets)	(2,093.4)	(2,144.7)	51.4
(Fixed assets)	(2,114.7)	(2,169.3)	54.6
Shareholders' equity	443.2	513.7	70.6
Interest-bearing debt	2,286.4	2,253.1	-33.2
Net interest bearing debt	1,823.9	1,874.1	50.2
D/E ratio (*6)	4.12 times	3.65 times	-0.47 points

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

Cash Flow	1st Half FY2004	1st Half FY2005	Increase/Decrease of Consolidated Companies Surplus/Deficit	Sept. 30, 2004		Sept. 30, 2005	
				Results	Results	Variance	Variance
Cash flow by operating activities	34.8	3.7	No. of profit making companies	380	414	34	
Cash flow by investing activities	-0.1	-41.8	Surplus amount	47.8	57.4	9.6	
Free cash flows	34.8	-38.1	No. of loss making companies	143	148	5	
Cash flow by financing activities	-222.6	-59.1	Deficit amount	-22.6	-13.7	8.9	
Effect of exchange rate changes	1.3	5.3	No. of profit making companies ratio	72.7%	73.7%	1.0 points	
Changes of cash and cash equivalents	-186.6	-91.9					

Major Financial Indicators and Financial Yearly Prospects

Major Financial Indicators	1st Half FY2004			1st Half FY2005			Prospects for FY2005		
	1st Half FY2004	1st Half FY2005	Variance	1st Half FY2004	1st Half FY2005	Variance	1st Half FY2004	1st Half FY2005	Variance
1) Foreign Exchange Rate (YEN/USD)	109.86	109.48	(Yen up by 0.38 yen)	109.86	109.48	(Yen up by 0.38 yen)	109.86	109.48	(Yen up by 0.38 yen)
2) Short-term Prime Rate (Japan) (%)	1.375	1.375		1.375	1.375		1.375	1.375	
Long-term Prime Rate (Japan) (%)	1.757	1.520		1.757	1.520		1.600	1.600	

Outline of Financial Results for the 1st Half FY2005

Highlights of the 1st Half FY2005 Financial Results

- Net income reached the highest record of 38.1 billion yen, 14 billion yen (58%) above the level of 24.2 billion yen marked in the 1st half of last fiscal year.
- Adjusted operating profit was 68.6 billion yen, an increase by 24 billion yen, or 54% year-on-year, and core earnings reached the 1st half record of 90.9 billion yen, an increase by 28.9 billion yen or 47% year on year, all of which clearly indicated that Marubeni's earnings power is steadily growing.
- Shareholders' equity increased by 70.6 billion yen compared to the FY2004 year-end to 513.7 billion yen, due to an increase in net income and improvement in unrealized gains (losses) on investment securities.
- Net interest-bearing debt was 1,874.1 billion yen, and maintain the "V" Plan target of "under 2 trillion yen at March 2006". D/E ratio was 3.65 times, a significant improvement of 0.47 points compared to the FY2004 year-end.

Main Items

- 1) **Total volume of trading transactions ... 4,014.4 billion yen**
This item increased by 272.3 billion yen year-on-year. By segments, primary increases were seen in Energy(+187.1), Chemicals(+64.5), Transportation Machinery(+48.7), and Metal & mineral resources(+41.7), while Industrial Machinery & Information Business(-62.6) resulted in a decrease.
- 2) **Gross trading profit ... 236.2 billion yen**
Gross trading profit increase by 25.4 billion yen year-on-year. By segment, Energy showed a significant increase.
- 3) **Provision for doubtful accounts ... -3.2 billion yen**
Provision for doubtful accounts increased by 0.7 billion yen year-on-year due to an increase in allowance for overseas bad debt.

- 4) **Interest expense, net of interest income ... -12.2 billion yen**
Interest expense, net of interest income improved by 0.2 billion yen year-on-year.
- 5) **Gain (Loss) on investment securities ... 1.9 billion yen**
• Gain (Loss) on sales of investment securities 2.5 billion yen (-9 billion yen year-on-year)
• Valuation loss on investment securities -0.6 billion yen (+2 billion yen year-on-year)
This item worsened by 6.9 billion yen year on year since capital gain from sales of stock (IPP, Vodafone, etc.) was booked in the previous year.
- 6) **Gain (Loss) on property and equipment ... -3.2 billion yen**
• Gain on sale of property and equipment 0.6 billion yen (-1 billion yen year-on-year)
• Loss on sale/Valuation loss of property and equipment -3.7 billion yen (+0.5 billion yen year-on-year)
This item deteriorated by 0.5 billion yen year-on-year, due to a decrease of Gain on sale of property and equipment
- 7) **Other-net ... -3.5 billion yen**
This item improved by 3.1 billion yen year on year, mainly due to an improvement of foreign exchange gain (loss).
- 8) **Equity in earnings (losses) of affiliated companies ... 16.7 billion yen**
This item increased by 4.2 billion yen year-on-year. Main items are provided below.
Marubeni-Itochu Steel Inc. 9.5 billion yen (+4.4 billion yen year-on-year)
Nippon LP Resources 3.9 billion yen (+1.9 billion yen year-on-year)
Thai Cold Rolled Steel 1.8 billion yen (+0.9 billion yen year-on-year)
Yamaboshiya Co., Ltd. 0.4 billion yen (+0.4 billion yen year-on-year)
Daishowa-Marubeni -0.5 billion yen (-0.5 billion yen year-on-year)
- 9) **Loss from Discontinued Operations(after income tax) ... -6.4 billion yen**
• Losses associated with withdrawal from leisure-related business.

(Unit: billions of yen)

Operating Segments	Gross trading profit			Net income (loss)			Main reasons for increase/decrease
	1st Half FY04	1st Half FY05	Variance	1st Half FY04	1st Half FY05	Variance	
Agri-marine products	36.3	33.9	-2.4	1.4	3.4	2.0	Gross trading profit decreased due to the reclassification of some subsidiaries. However, Net income showed an increase because there was an extraordinary losses poseted in FY2004 for the seafood related subsidiary.
Textile	12.3	12.2	-0.1	1.0	0.5	-0.5	Net income decreased due to a deterioration of operating profit.
Forest products & general merchandise	22.5	22.5	0.0	4.2	-2.9	-7.1	Significant decrease in net income followed losses on leisure-related business.
Chemicals	14.5	16.4	1.8	3.5	4.4	1.0	Net income grew with an increase in gross trading profit mainly on synthetic resins, vinyl chloride alkali, and electronic materials.
Energy	19.9	30.0	10.2	7.2	9.5	2.3	Net income increased owing to a rise in gross trading profit from increased concessions in natural resources fields and trading of oil and gas.
Metals & mineral resources	7.4	11.0	3.7	4.1	7.9	3.7	Gross trading profit rose, due mainly to an increase in sales bolstering by soaring prices of coal and iron ore. In addition, net income remarkably increased due to rising equity in earnings from copper concentrate business.
Transportation Machinery	24.6	24.8	0.2	4.9	3.0	-1.9	In spite of a rise in gross trading profit, primarily due to increased profits from shipping-related transactions, net income decreased due to loss provision for withdrawal from automotive-related subsidiaries.
Industrial Machinery & Information Business	18.4	17.8	-0.6	-6.8	-1.2	5.6	Net income significantly improved, since there were extraordinary losses posted in the 1st half of FY04 for subsidiaries.
Plant, Power & Infrastructure Projects	12.5	13.2	0.7	3.0	3.8	0.8	Net income increased stemming from growing gross trading profit in IPP business.
Development & construction	10.8	11.0	0.1	-2.7	0.9	3.7	Net income marked a remarkable improvement, since there were extraordinary losses posted in the 1st half of FY04 for parent and subsidiaries.
Finance & logistics business	3.0	3.6	0.5	1.6	2.3	0.7	Net income increased following the realization of capital gains from investment fund.
Iron & Steel Strategies and Cordination	0.6	0.5	-0.1	5.8	10.8	5.0	Net income grew significantly due to a rise in equity earnings in Marubeni-Itochu Steel Inc.
Domestic branches & offices	2.0	2.3	0.3	-0.3	-0.0	0.3	Net income increasd, since there were extraordinary losses posted in the 1st half of FY04.
Overseas corporate subsidiaries & branches	38.7	40.9	2.2	4.7	5.7	1.1	Net income Increased mainly in Marubeni America Corporation
Corporate & elimination	-12.7	-3.8	8.9	-7.4	-10.1	-2.7	
Consolidated	210.8	236.2	25.4	24.2	38.1	14.0	

(Note) 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 Projects. Furthermore, Iron & Steel Strategies and Cordination, 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) In accordance with SFAS144, some of the figures for the 1st Half FY2004 have been reclassified, in relation to operations discontinued during the 1st Half FY2005.

Outline of FY2005 Prospects

- The original forecast for consolidated net income announced at the beginning of this fiscal year has been revised upward to 70 billion yen, since consolidated net income for this 1st half exceeded the initial forecast (32 billion yen) by 6.1 billion yen, driven by good performance primarily in Energy and Metals and Mineral Resources, in spite of losses(- 6.4 billion yen) associated with withdrawal from leisure-related business.
- We intend to pay a year-end cash dividend of 6 yen (including interim dividend of 2 yen) per share as initially planned.
- D/E ratio at March 2006 is expected to be between 3 and 4 times.