

October 27, 2006

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**Summary of Consolidated Financial Results**  
**for the 1<sup>st</sup> Half FY2006**  
(April 1, 2006 – September 30, 2006)

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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 FY2006 (US GAAP basis)**

Company name : Marubeni Corporation (URL <http://www.marubeni.com>) Code Number : 8002  
 Listed : Tokyo, Osaka, Nagoya  
 Head Office: Tokyo  
 Representative: KATSUMATA, Nobuo President and CEO, Member of the Board  
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 Title General Manager, Media Relations Sec.  
 Corporate Communications Dept.  
 Adoption of US GAAP : YES

**1. Consolidated financial results for 1st Half FY2006 (April 1, 2006 - September 30, 2006)****(1) Consolidated business results**

	Total volume of trading transactions		Operating profit		Income from Continuing Operations before income taxes & equity in earnings	
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
1st Half FY2006	4,686,738	16.7	90,850	39.0	107,036	40.5
1st Half FY2005	4,014,371	7.3	65,377	60.8	76,207	50.3
FY2005	8,686,532		143,248		133,055	

	Net income		Basic Earnings per Share	Diluted EPS
	(millions of yen)	(%)	(yen)	(yen)
1st Half FY2006	65,645	72.2	40.40	37.87
1st Half FY2005	38,123	57.8	25.03	20.94
FY2005	73,801		48.34	40.46

(Note) [1] Equity in earnings-net 1st Half FY2006 23,652million yen 1st Half FY2005 22,159million yen FY2005 31,602million yen

[2] Average number of outstanding shares for the term (Consolidated basis) 1st Half FY2006 (Common Stock) 1,609,712,521 Class I preferred shares 73,980,874  
 1st Half FY2005 (Common Stock) 1,493,107,028 Class I preferred shares 75,500,000  
 FY2005 (Common Stock) 1,495,360,142 Class I preferred shares 75,500,000

[3] Any changes of accounting method? No

[4] The ratio of Total volume of trading transactions, operating profit, Income before income taxes and equity in earnings, and Net income represents the changes from the previous same period.

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

[6] 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 and FY2005 have been reclassified accordingly.

**(2) Consolidated financial conditions**

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' equity per share
	(millions of yen)	(millions of yen)	(%)	(yen)
1st Half FY2006	4,694,493	686,200	14.6	383.02
1st Half FY2005	4,313,988	513,723	11.9	293.07
FY2005	4,587,072	663,787	14.5	365.14

(Note) [1] Number of outstanding shares as of end of the term (consolidated) 1st Half FY2006 (Common Stock) 1,632,224,694 Class I preferred shares 60,500,000  
 1st Half FY2005 (Common Stock) 1,492,982,926 Class I preferred shares 75,500,000  
 FY2005 (Common Stock) 1,607,218,514 Class I preferred shares 75,500,000

[2] In accordance with US GAAP, Shareholders' Equity, Shareholders' Equity Ratio, and Shareholders' Equity per share are shown as was conventionally done.

**(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)	(millions of yen)	(millions of yen)	(millions of yen)
1st Half FY2006	-19,687	-67,392	46,463	326,649
1st Half FY2005	3,683	-41,789	-59,097	367,327
FY2005	133,408	-193,781	-46,037	368,936

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

Subsidiaries 385 Affiliated Companies 170

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

Subsidiaries (Newly included) 17 (Excluded) 20 Affiliated Company (Newly included) 7 (Excluded) 4

**2. Forecast of consolidated financial results for FY2006(April 1,2006-March 31,2007)**

(millions of yen)

	Total volume of trading transactions	Net income
For the year ending March 31,2007	9,500,000	115,000

(Reference) Forecasted EPS for the year ending March 31,2007 69.71 (yen)

(Note) The above forecast is based upon available information and assumptions, as of the announcement date, about uncertain factors which would influence upon future businesses. Actual results might be influenced by various factors in the future.

Assumption of the above forecast are mentioned in page 23 .

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*For reference:*

## **Formulas for 1<sup>st</sup> Half FY2006 consolidated earnings indicators**

- Basic Earning Per Share  
$$\frac{\text{Net income} - \text{corresponding amount of dividends for preferred shares resulting from appropriation of profits for 1}^{\text{st}} \text{ Half FY2006}}{\text{Average number of shares of common stock for the term} *1}$$
- Diluted EPS  
$$\frac{\text{Net income} - \text{corresponding amount of dividends for preferred shares resulting from appropriation of profits for 1}^{\text{st}} \text{ Half FY2006} + \text{adjusted net income} *2}{\text{Average number of shares of common stock for the term} *1 + \text{Number of latent shares}}$$
- Shareholders' Equity per share  
$$\frac{\text{Term-end shareholders' equity} - \text{sum of capital and additional paid-in capital relating to preferred shares} - \text{corresponding amount of dividends for preferred shares resulting from appropriation of profits for 1}^{\text{st}} \text{ Half FY2006}}{\text{Number of shares of common stock outstanding at term-end} *1}$$

## **Formulas for FY2006 earnings forecast indicators**

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

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

\*2) corresponding amount of dividends for preferred shares resulting from appropriation of profits for 1<sup>st</sup> Half FY2006

# 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 13 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.

Effective April 1, 2006, the segments of Transportation machinery, Industrial machinery & Information business, and Plant, Power & Infrastructure have been reorganized as Transportation & Industrial Machinery, Power Projects, Plant, Ship & Infrastructure Projects, and Information & Communication.

**Agri-marine products:** This group produces and distributes all sorts of foods such as agricultural and marine products, processed food and beverages, raw materials, foodstuffs for commercial use, fodder, soy beans, grain, and sugar.

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

**Affiliated companies:** Toyo Sugar Refining Co., Ltd., The Nisshin OilliO Group, Ltd.,  
Yamaboshiya Co., Ltd., The Daiei, Inc., The Maruetsu, Inc.,  
Tobu Store 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, designs and sells apparel and living products, and at the same time offers distribution services, both domestically and internationally.

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

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

**Forest products and general merchandise:** The group sells rubber products, footwear and housing materials, manufactures and distributes paper, cardboard, and raw materials for paper production, 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.  
Tanjungenim Lestari Pulp & Paper

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

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**Chemicals:** This group handles a wide variety of goods ranging from upstream, such as basic petrochemicals, to downstream, such as electronic materials and agrochemicals. Focusing on East Asia including China as a priority market, this group is conducting business with a balance between investment and trade. In the petrochemical area, this group is also focusing on Middle East and South Asia.

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

**Affiliated companies:** Dampier Salt Limited, CMK Electronics (WUXI)

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

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

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

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

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

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

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

**Transportation & Industrial Machinery:** This group focuses on domestic and international trade (export import, wholesale, and retail) in aerospace and defense systems, automotive, construction and agricultural machinery, and other transportation related machinery, as well as automobile and paper & pulp manufacturing machinery, alternative energy facilities, and other production machinery; and related services such as loans and investments, trade finance, leasing and overseas business support services.

**Subsidiaries:** Marubeni Aerospace Corporation,

Marubeni Construction Machinery Sales, Inc.,

Marubeni Techno-Systems Corp., Marubeni Aviation Services Ltd.,

Marubeni Auto & Construction Machinery America, Inc.

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

**Power Projects:** This group develops, invests in, and operates power projects, especially power generation (including desalinization and co-generation projects), while undertaking the procurement and installation of generators, power distribution grids, and electrical substations. The group also markets and makes loans and investments to domestic power retailing projects, wind power projects, sales of

## Marubeni Corporation

fuel-cell batteries, and other new technologies and business models in the alternate energy field, as well as the export, offshore trade, and investment in communications, broadcasting and information systems in the telecommunications field.

**Subsidiaries:** Marubeni Power Systems Corporation,  
Marubeni Power Development Corporation,  
Axia Power Holdings Australia B.V., San Roque Power Corporation

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

**Plant, Ship & Infrastructure Projects:** This group deals with equipment procurement and construction of oil, gas, chemical environmental, steel, and other industrial plants, and infrastructure development such as railway/airport, potable water treatment and wastewater treatment; origination and management of projects related to various plants, transportation projects, and water and wastewater projects in domestic and overseas markets. Also included in the division are trading, leasing, and charter of various types of cargo vessels and tankers.

**Subsidiaries:** Marubeni Tekmatex Corporation, Marubeni Protechs Corporation,  
Royal Maritime Corporation

**Affiliated companies:** Kaji Technology Corporation

**Information & Communication:** This group focuses on export/import and domestic sales of personal computers and related products, IT related businesses including IP network infrastructure businesses, ASP/ISP businesses, cell phone related businesses, computer systems development, IT solution businesses, cable TV, CS and other broadcasting businesses, and IC tag/Rfid business.

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

**Affiliated companies:** Marubeni Infotec Corporation

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

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

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

**Finance, Logistics & New Business:** Both domestically and internationally, this group is involved in various financial businesses such as investment finance - fund management and fund investment - and

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financial product trading, while in the logistics area, it operates forwarding business and logistics related consultation, among others. In the insurance area, it operates an insurance intermediary business, while in the life care business area, it is engaged in the sales of medical equipment to medical facilities.

**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.

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

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

**Overseas corporate subsidiaries and branches:** Overseas corporate subsidiaries and branches are located throughout the world, and handle various merchandises 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,

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

**Subsidiaries:** Marubeni Financial Service Corporation,  
Marubeni Personnel Management Corporation

(\*1) Domestic listed subsidiaries:

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

# Marubeni Corporation Management Policy

## Management Policy

### 1. Fundamental Management Policy

The Marubeni Group is pursuing its two-year medium term management plan called the “G”PLAN from fiscal 2006. Under “G”PLAN, the Group is seeking to build a rock-solid “defense” by further strengthening its management systems, while variety of human resources will at the same time proactively and boldly be challenging business domain expansion and seek to establish an aggressive management style of providing more sophisticated and diversified trading company functions to customers, and effecting aggressive investments in priority fields. Thus the Group will realize continuous growth and further progress.

While maintaining a balance between “offense” and “defense” and executing CSR-focused management, the Group will be working to selectively apply management resources in priority fields (through new investment of ¥500~600 billion over two years), to continue thoroughly implementing portfolio management, to strengthen risk management, to promote human resource utilization and education, to enhance CSR and internal controls, and to leverage overall strengths through lateral collaboration (collaboration between divisions, etc.). The quantitative targets are to limit risk assets to within the size of shareholders’ equity, achieve two-year consolidated net income of ¥220 billion, a risk-return of over 10%, a ROA of over 2%, a net debt/equity ratio of 2.0~3.0x, and total assets of approximately ¥5 trillion. By implementing these measures, the Group will aim to become:

- ① a corporate group with “win-win” relationship with customers, providing high quality merchandise, service, and function from the customers’ standpoint ;
- ② a corporate group with social contribution and sustainable growth, taking change of business environment in advance, through-out persistent challenge and innovation;
- ③ a corporate group with a stable revenue base by expanding prime assets and pursuit of efficiency.

※ For details concerning the new “G” PLAN medium-term management plan, please visit the Marubeni home page.

### 2. Progress in the “G” PLAN Mid-Term Management Plan

The following is an outline of the progress made in the Plan in the first half of fiscal 2006.

In terms of profitability, consolidated net income for the first half was ¥65.6 billion (versus consolidated net income of ¥38.1 billion in the first half of the previous year) and recorded a new historical high for the third consecutive year. While the Group’s earnings performance benefited from the recent sharp appreciation in natural resource markets, the earnings base of non-resource related businesses has also been strengthened, and the Group’s profitability continues to steadily expand.

As the first year of the “G” PLAN, the Group has set the target for consolidated net income to ¥100 billion

# Marubeni Corporation Management Policy

for this year, but in light of the growth in profitability, has revised its original target upward to ¥115 billion.

Regarding financial position, the Group's consolidated shareholder's equity at the end of the first half was ¥686.2 billion (versus ¥663.8 billion at the end of previous fiscal year), and was ¥22.4 billion higher from the end of previous fiscal year. Net D/E ratio improved 0.04 points to 2.79X (versus 2.83X at the end of the previous year), keeping within the two times range target set in the "G" PLAN.

As regards the specific measures implemented based on the "G" PLAN, concentrated investments into strategic fields are under way, notably the acquirement of 66,489 thousand shares (ca.34% of voting rights) of Daiei, Inc. deferred shares with voting rights from Industrial Revitalization Corporation of Japan at ¥69.8 billion.

On the other hand, the Group will thoroughly implement portfolio management, and to screen projects and businesses at a higher level to further strengthen our earning base, will heighten the hurdle rate of risk-return from 8% to 10%, and at the same time strengthen risk management through means such as the revision of follow-up system for investments and loans to maintain our solid position of "defense".

Also, the Group has established the Cross-Divisional Function Committee as a company-wide organization to urge synergy between segments to reinforce marketing ability, and to pursue underlying business opportunities. Furthermore, to utilize and nurture our human resources fully, Marubeni has revised their human resources management system, and also strives to build a sound working environment through the standpoint of "work and life balance", such as the implementation of "Family Support Leave" system and "Leave for Accompanying Spouse during Overseas Transfer" system.

As described above, the "G" PLAN has shown brisk progress.

### **3. Business Performance by Operating Segment**

Specific activities by operating segment for the fiscal year under review are given below.

#### **●Agri-Marine Products**

In the first half of the fiscal year under review, the division's operations in general, and particularly grains and beverages, continued to produce firm results, despite negative factors in the form of continuing restrictions on imports of U.S. beef. In upstream business, trading of South American soybeans expanded favorably, mainly through offshore businesses based on a comprehensive alliance concluded in the previous fiscal year with European grain trader Agreco Group. In the downstream operations, the Company increased its stake in leading Japanese retailer Daiei Inc. in August 2006, as part of its initiatives to improve its distribution capability. Given the Company's existing equity, Marubeni has become the largest shareholder of Daiei with a combined stake of approximately 45%.

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## ●Textiles

The Company merged Passport Fashion Co., Ltd. with Marubeni Textile Asia Ltd to form Marubeni Textile Asia Pacific Ltd. With this merger, the Company has created a more streamlined division that covers a broad array of operations, from raw materials to finished products. Marubeni is proposing its customers in Japan and overseas a new business model based on this consistent system, by leveraging the synergy between the material procurement power of Marubeni Textile Asia Ltd. across India, South East Asia and the Hong Kong/South China region and the clothing factory information and management function of Passport Fashion Co., Ltd. in Vietnam and the Hong Kong/South China region.

## ●Forest Products & General Merchandise

In the first half of this fiscal year, higher raw material and fuel costs were finally reflected in product prices, as paper and paperboard prices began to climb. As a consequence, pulp prices remained firm, and provided positive impetus for the two pulp manufactures of the Marubeni Group. With demand for tires and natural rubber also robust on the back of active demand around the globe, the domestic market for plywood has strengthened since the end of last year. Aided by the division's solid performance, Marubeni is strengthening ties with chip and linerboard suppliers, in some cases taking equity positions.

## ●Chemicals

In petrochemical operations, the division decided to start synthetic rubber production and sales operations in China and has been making good progress in preparing for the manufacture of raw materials for acrylic products. In the plastics business, demand from the automobile industry exhibited particularly solid growth. In inorganic chemicals, the Company began taking steps to increase the production capacity of industrial salt manufacturer Dampier Salt Limited in Australia, for example by expanding salt farms and production facilities. In electronic materials, trading in semiconductor-related products showed steady growth.

## ●Energy

The division's crude oil and gas production operations in the United Kingdom, the United States, India and Qatar remained brisk, as did the energy development business, such as LNG projects. The trading and marketing/retailing areas also produced healthy results, including shipments of petrochemical feedstocks such as naphtha into Japan, domestic sales of petroleum products using Marubeni's distribution network, including petroleum terminals in Japan, and sales of imported LPG in China, where Marubeni is the market leader.

## ●Metals & Mineral Resources

Earnings in the division improved in the first half of the current fiscal year, thanks to a continuing surge in copper prices. In particular, the start of full production at the Los Pelambres copper mine in Chile (supplying 900,000 metric tons of copper concentrate every year) made a significant contribution to the division's performance. The Alouette aluminum smelter in Canada, where capacity additions are now complete, also

# Marubeni Corporation Management Policy

performed well. In addition, Marubeni concluded a long-term sales contract for iron ore on Koolan Island (one million tons over 15 years) with Aztec Resources Limited in Australia, acquiring exclusive sales rights for Japan.

## ●Transportation & Industrial Machinery

In aerospace and defense systems, investment in aero engine development continued to generate steady growth. In automobiles, constructions and agricultural machinery, the automobile wholesaling and retailing business and the sale of agricultural machinery remained favorable overseas. In construction machinery, the Company not only achieved robust exports to Middle East and Asia, it also started a sales agency operation in Russia. The production and industrial machinery business received orders for paper machines and one of Japan's largest biomass-boiler and electric-power co-generators from Japanese paper companies. In addition, the Company established a local machine tools service company in Brazil and stepped up sales of bio-ethanol plants.

## ●Power Projects

In the United States, Marubeni acquired six wood biomass electric-power generators (with a generation capacity of approximately 50,000kW) and diversified energy supply systems that directly provide final users of energy with service. This makes the Company the first Japanese company to start an energy service business using a diversified energy supply system. In Japan, the Company built a third power plant (with capacity of 260kW), authorized under the Renewables Portfolio Standard (RPS) Law, at Mibugawa Power Company and commenced operations. With these initiatives, Marubeni is adding more value to its operations with clean energy.

## ●Plant, Ship & Infrastructure Projects

In the plant business, the Company received orders for the construction of import terminals for LPG in Shanghai, China, electric furnaces for Taiyuan Iron & Steel (Group) Co., Ltd., and large cement plants in Vietnam. The division also concluded development agreements, including those for nitrous oxide decomposition and coal mine methane recovery operations in China. Among infrastructure projects, the division received orders for sewage plant construction projects in Qatar. In the ship business, Marubeni maintained robust performance with the delivery of 12 new ships and an order for more than 30 new vessels.

## ●Information & Communication

The Vectant Group subsidiary reported higher sales and profits, reflecting strong sales of IP network services to corporate clients associated with the spread of broadband and impressive sales growth in the data center services business. In radio frequency identification (RFID), Marubeni acquired exclusive sales rights in Japan from Vue Technology, Inc., a U.S. RFID solution provider with unique technologies in item management software.

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## ●Development & Construction

In domestic sales of condominium units, Grand-Suite Minami-Osawa sold to families in Tama Newtown, and Grand-Suite Otsuka, located in central Tokyo, was popular with buyers throughout the greater metropolitan Tokyo region. Meanwhile, Grand-Suite Hineno in south Osaka performed well in the Osaka metropolitan area. With the recovery in land prices, active trading of commercial land and income-producing properties for REITs and other funds contributed to higher earnings. Overseas, Kirin Garden, the third housing development project for Chinese residents in Shanghai, continued to prove extremely popular with local homebuyers.

## ●Finance, Logistics & New Business

In the finance operations, the Company made investments through management buy-in funds, the CITIC Japan Partners Fund (which supports Japanese companies advancing into China) and other vehicles while completing the exit from a number of companies in which the Company had previously invested. Marubeni also engaged in principal investment at Head Office. The Company established a logistics company in Guangzhou City, China as a joint venture with Isewan Terminal Service Co., Ltd. and commenced operations on August 1, 2006. In healthcare, the Company reached a basic agreement with Saiseikai Nambu Hospital in Yokohama on medical materials block sales and orders for goods management businesses.

## ●Iron & Steel Strategies and Coordination

While domestic market conditions of steel products remained firm, primarily backed by higher demand from the manufacturing sector, overseas markets began to experience a correction of the high prices, given concerns about a U.S. economic slowdown mounted and excess steel product output in China. Still, demand for energy-related steel products remains strong. Marubeni-Itochu Steel Inc. sustained an impressive performance during the first half, with targeted sales activities in which they accurately identified and responded to areas with higher demand, such as the energy and automotive sectors.

## ●Business Incubation †Note

Marubeni is pursuing new businesses and opportunities across many areas, including bio and other new technologies through investments and alliances involving an array of domestic and foreign companies, including start-up ventures. In the emissions rights business, Marubeni has established, in collaboration with the respective marketing divisions, a leading position in the volume of emission rights handled among trading companies, with a total volume of more than 10 million tons.

## ●Domestic Regional Offices and Branches †Note

The Nagoya regional office has enjoyed robust sales of machinery and condominiums, while the Kyushu regional office has registered growth in sales of food products. The Hokkaido regional office continues to enjoy firm demand for housing, while the Shizuoka branch is experiencing steady growth in sales of machinery and chemicals. To further bolster profitability, each domestic branch is exploring new business opportunities and pursuing tie-ups with Group and client companies in their region.

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## Management Policy

### ●Overseas Subsidiaries and Branches

Among the U.S. subsidiaries, Helena Chemical Company, which sells agrichemicals and fertilizers, continued to post strong results. In addition, key local subsidiaries in Taiwan, Singapore, Thailand, China and other countries in Asia as well as in Australia registered growth in sales of chemical products, metal resources and food. These results ensured a healthy overall performance.

†Note: Included in “corporate and other” for the purpose of operating segment classification.

### 4. Philosophy and Policy Regarding the Lowering of the Minimum Stock Trading Unit

While Marubeni is aware that a lowering of the minimum stock trading unit will promote further investor participation in the market, raise liquidity for the stock and is an effective means of achieving more appropriate stock price formation, the Company currently believes that its stock is sufficiently liquid. It will however continue to comprehensively study the issue from the perspective of market demands, stock price level and the cost of lowering the minimum stock trading unit.

### 5. Basic Policy Regarding Earnings Appropriation

Marubeni recognizes that its important corporate responsibilities lie in paying stable dividends to shareholders in a consistent manner as well as maximizing corporate value and competitiveness by building up and effectively utilizing internal reserves. With regard to dividends, the Company’s basic policy is to determine dividend payments by comprehensively taking account of business performance, dividend payout and internal reserve requirements while ensuring a solid and sustainable management base.

Regarding interim dividends of the common stock, the Company intends to pay a dividend of ¥3.5 per share, as previously announced at the beginning of the period.

With regard to the dividend on the First Series Class I Preferred Shares, the Company intends to pay an interim dividend of ¥10.

Regarding yearly dividends of the common stock, the Company announced to pay ¥7 per share. Yet taking into account the prospect that the Company will renew its historical high for yearly net profit for the fourth consecutive year, the Company intends to pay ¥9 yen per share, an upward revision of ¥2.

With regard to the dividend on the First Series Class I Preferred Shares, the Company intends to pay an yearly dividend of ¥20, as announced at the beginning of the fiscal year.

# Marubeni Corporation

## Financial Results and Conditions

### 1. Financial Results

#### **Business Environment**

In terms of overseas economies for the period under review, the global economy continued its moderate growth path, even though the economy in the U.S. decelerated, as the pace of economic recovery bolstered in Europe, and China continued to show robust growth. Global demand for energy and basic resources consistently expanded, and sharp rises in prices of primary goods such as crude oil, iron ore and non-ferrous metals continued.

In the U.S., the economy decelerated as rate hikes aimed at preventing inflation continued, and the housing market became increasingly weak. Yet, an economic slowdown was prevented through brisk consumer spending and capital investment supported by buoyant corporate earnings and wages.

In Europe, the economy secured its stability, with the recovery of export spreading into capital expenditures. With limited pressure on inflation, rate hikes were moderate.

In Asia, economic expansion continued centering on China and India. China continued to record high growth supported by investment in fixed assets and strong growth in exports. Anxious of overinvestment, the national government reinforced its investment suppression measures in vain to rein in persistent investment will of the local governments. Accelerated export resulted in current account and trade surplus, and also in significant growth in foreign currency reserves. In response, the Chinese government moved to slightly accelerating the appreciation in the Yuan's exchange rate. India also recorded high growth driven by strong expansion in the manufacturing and service sectors. Continued mild economic growth was also seen in other non-Chinese East Asian nations.

Russia and other basic material exporting countries saw sharp rises in exports, which benefited from expanding global demand for primary commodities and sharply rising prices, which fed over into domestic demand and supported strong economic expansion. In Brazil, however, economic activity faltered due to the slowdown in exports from an appreciation in the Real.

Looking at Japan's economy for the period, an expansion continued supported by balanced growth in personal consumption, capital expenditures and exports. Personal consumption was supported by a mild increase in wages, while capital expenditures were supported by a growth in renewal demand and a recovery in corporate willingness to invest, while exports were supported by the continued stable expansion in the global economy and a weak yen. Reflecting the strong economic recovery, the Nikkei 225 index showed firm movement.

## Marubeni Corporation Financial Results and Conditions

As the excess supply problem for Japan's economy almost alleviated and the emergence from deflation being within close range, the Bank of Japan abandoned its quantitative easing policy March 2006 and its policy of zero interest rates in July, and began to raise its rates. Yet through low interest rates and the weakening of the yen, an eased financial environment persisted, underpinning stable growth in the economy.

# Marubeni Corporation

## Financial Results and Conditions

### Consolidated Financial Results

The summary of consolidated financial results for 1<sup>st</sup> Half FY2006 is as follows:

(billions of yen)

	1 <sup>st</sup> Half FY2006	1 <sup>st</sup> Half FY2005	Variance	
			Amount	%
Total volume of trading transactions	4,686.7	4,014.4	672.4	16.7%
Gross trading profit	265.0	236.2	28.8	12.2%
Operating profit	90.9	65.4	25.5	39.0%
Income before income taxes	107.0	76.2	30.8	40.5%
Net income	65.6	38.1	27.5	72.2%
Revenue	1,807.6	1,527.7	279.9	18.3%

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

Consolidated total volume of trading transactions increased 16.7% year-on-year to ¥ 4,686.7 billion. Gross trading profit grew ¥28.8 billion (+12.2% year-on-year) to ¥265.0 billion. Operating profit grew ¥25.5 billion (+39.0% year-on-year) to ¥90.9 billion, supported by the increase in gross trading profit, even though SGA expenses grew by ¥7.2 billion, mainly in personnel expenses. Income from continuing operations before income taxes increased ¥30.8 billion (+40.5% year-on-year) to ¥107.0 billion due to increase of operating profit, gain (loss) on investment securities, and improvement of other-net, mainly in withdrawal losses, in spite of deterioration of interest expense (net of interest income), and dividends. As a result, net income for the period grew ¥27.5 billion (+72.2%) to ¥65.6 billion.

In addition, "Revenue" as defined under U.S. GAAP was ¥1,807.6 billion, or ¥279.9 billion (18.3%) higher than the same period a year previous.

# Marubeni Corporation

## Financial Results and Conditions

### 2. Financial Condition

#### Consolidated Financial Conditions

A summary of the consolidated balance sheets for 1<sup>st</sup> Half FY2006 is as follows:

(billions of yen)

	September 30, 2006	March 31, 2006	Variance
Total assets	4,694.5	4,587.1	107.4
Shareholders' equity	686.2	663.8	22.4
Interest-bearing debt	2,267.5	2,267.0	0.5
Net interest-bearing debt (Net D/E ratio)	1,915.1 2.79 times	1,876.4 2.83 times	38.8 -0.04 points

Net interest-bearing debt after factoring out impact of FAS No. 133 (Net D/E ratio)	1,911.9 2.79 times	1,880.4 2.83 times	31.5 -0.04 points
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Net interest-bearing debt is calculated as cash and cash equivalents subtracted from interest-bearing debt (sum of long-term and short-term debts (including commercial papers) and bonds).

Total consolidated assets increased ¥ 107.4 billion from the end of the previous fiscal year to ¥ 4,694.5 billion, largely due to an increase in notes and accounts receivable-trade and investments in affiliated companies. Gross consolidated interest-bearing debt increased by ¥0.5 billion from the end of the previous fiscal year to ¥2,267.5 billion. In addition, net interest-bearing debt after deduction of cash and cash equivalent increased ¥38.8 billion from the end of the previous fiscal year to ¥1,915.1 billion. Consolidated shareholders' equity was ¥22.4 billion higher than the end of the previous fiscal year at ¥686.2 billion, reflecting the sure-footed buildup of net income continued into this term. As a result, the net debt/equity ratio improved 0.04 points to 2.79x, compared to 2.83x at the end of the previous fiscal year.

Regarding the Cash Flow, net cash provided by operating activities declined by ¥ 23.4 billion from the previous fiscal year to ¥19.7 billion negative, from an increase in notes and accounts receivable, even though income from trade transactions increased especially in overseas subsidiaries. Net cash used for investing activities was ¥ 67.4 billion negative, reflecting the purchase of securities. Therefore free cash flow for the period was negative ¥ 87.1 billion.

Net cash earned in financing activities came out to ¥46.5 billion. Cash and cash equivalents at the end of the period were ¥326.6 billion, ¥42.3 billion lower than at the end of the previous fiscal year.

# Marubeni Corporation

## Financial Results and Conditions

### 3. Risk Information

#### (1) Risks regarding overall Marubeni operations

##### ① Impact of the Japanese and global economies on the Marubeni Group

Marubeni (the “Company”) and its consolidated subsidiaries (together, the “Group”) are a general trading company engaged in a wide range of business activities in Japan and over 70 countries. Since the business activities of the Group encompass a variety of commercial and investment activities throughout a broad spectrum of industries in both in Japan and overseas that include the production and procurement of primary commodities such as resources as well as the manufacture and sale of finished goods, the Group feels the effects from the economies in Japan and the countries in which it does business as well as the global economy as a whole. Any worsening or slowdown in these economies carries the possibility of a negative impact on the operating activities, performance and financial position of the Group.

##### ② Credit risks regarding business partners

The Group extends credit to business partners in various forms such as notes and accounts receivable-trade, advance payments to suppliers, loans, guarantees and other means. The incurrence of credit risk due to the inability of business partners to fulfill their credit obligations could negatively impact business results and financial position of the Group.

To protect against such credit risks, the Group carries out thorough risk management when granting any credit. However, there is no assurance that such measures will completely prevent the occurrence of credit risk. Moreover, in preparation of any possible loss incurred by the exteriorization of such credit risks, the Group maintains an allowance for doubtful account based on a prior assessment and estimate of the creditworthiness of business partners, collateral value and other set factors. Nevertheless, this, in and of itself, does not provide any guarantee that actual losses will not exceed these established allowances.

##### ③ Risk of breach of contract by business partners

As part of sales activities, the Group concludes merchandise supply, subcontracting, operational outsourcing, and other types of contracts with business partners. A breach of contract by these business partners may adversely affect the business results and financial condition of the Group.

# Marubeni Corporation

## Financial Results and Conditions

### ④ Investment risk

The Group, both independently and in collaboration with other companies, establishes new companies and purchase existing enterprises in the course of their business operations. Most of these business investments are of minimal liquidity and require sizeable amounts of capital. The Group may be unable to withdraw from such businesses in an optimal manner or timeframe, which could inevitably require the commitment of an additional expenditure of capital. A decline in the value of these investments or the necessity of additional expenditures of capital may adversely affect the business results and financial condition of the Group.

To address the risk associated with investment activity and other means, when making any new investments, the Group conducts thorough risk management that also includes an a review as to whether such investments are generating good return enough to compensate for their risk. However, there is no assurance that such examinations will be able to prevent the presence of risk.

### ⑤ Concentration of risk exposure

As part of commercial and investment activities, the Group is concentrated in specific investment areas, markets and regions, such as plant-related business, real-estate business in Japan, and sales activities in Indonesia and the Philippines. As a result, lackluster performance by these investment targets, or a deteriorating operating environment in these markets or regions, may adversely affect the business results and financial condition of the Group.

### ⑥ Ability of fund-raising and funding cost

The Group engages in fund-raising with an emphasis on maintaining an optimal mix of funding in line with the requirements of their respective asset portfolios and ensuring liquidity. However, significant disruptions in major domestic and overseas financial markets, shortages of cash flow from operating activities, declining profitability, failure in asset-liability management, or significant downward revisions in the Group's credit ratings by the rating agencies could constrain fund-raising or lead to an increase in funding cost, which may adversely affect the business results and financial condition of the Group.

### ⑦ Fluctuations in the price of goods and merchandise

Since the Group handles a variety of merchandise, changes in their respective market

# Marubeni Corporation

## Financial Results and Conditions

conditions may adversely affect the business results and financial condition of the Group. To mitigate the risk of fluctuations in market conditions for certain merchandise, contracts and anticipated transactions, the Group enters into commodity futures and forward contracts. However, it cannot be guaranteed that these hedge transactions will completely cover its exposure in these areas.

### ⑧ Losses on fixed assets such as real estate and machinery

The Group owns fixed assets such as real estate and machinery which is sold or leased to third parties or used for the Group's own purposes. Such fixed assets have the potential to cause losses if they experience a decline in value, and although the Group depreciates these fixed assets in conformity with U.S. accounting standards, if they experience a severe drop in value, this may adversely affect the business results and financial condition of the Group.

### ⑨ Fluctuations in foreign currency exchange rates

The Group conducts transactions under a variety of currencies and terms, which exposes Marubeni's operating results to fluctuations in currency exchange rates. To mitigate the risk of exchange rate fluctuations associated with transactions, receivables and liabilities denominated in foreign currencies, the Group enters into forward-exchange contracts and other derivative transactions. However, the Group cannot guarantee that these hedge transactions will completely cover its exposure in these areas.

### ⑩ Fluctuations in interest rates

The Group raises necessary funds from financial institutions, the issuance of bonds and other means from capital markets. Further, the Group has interest-bearing debt at fixed interest rates or at variable interest rates. While the interest risk of the majority of the operating assets held by the Group offsets the interest rate risk associated with debt, changes in market interest rates may adversely affect the business results and financial condition of the Group. Through Asset-Liability Management, the Group utilizes interest rate swaps and other means to mitigate the risk of interest rate fluctuations. However, the Group cannot guarantee that these hedge transactions will completely cover its exposure in this area.

### ⑪ Gains and losses on marketable debt and equity securities

To strengthen business relationships and for other purposes, the Group invests in

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## Financial Results and Conditions

marketable debt securities, marketable equity securities and other types of securities. At the time of purchase, these securities are classified as trading, held-to-maturity, or available-for-sale securities, in accordance with SFAS 115, Accounting for Certain Investments in Debt and Equity Securities, published by the Financial Accounting Standards Board (FASB) of the United States.

Trading and available-for-sale securities held by the Group carry the risk of fluctuations in original value due to changes in the fair value. The posting of impairment losses on these securities at low points in fair value may adversely affect the business results and financial condition of the Group.

### ⑫ Laws and regulations

In the course of operations, the Group is subject to a broad range of laws and regulations both in Japan and other applicable countries. Changes in or unanticipated interpretations of these laws and regulations could increase the obligations pertaining to legal and regulatory compliance placed on the Group. Accordingly, changes or altered interpretations of laws and regulations may result in punitive measures, including the interruption of Marubeni's operating activities, lower the Group's credibility or cause the occurrence of other circumstances that may adversely affect the business results and financial condition of the Group.

### ⑬ Significant litigation

In the course of business activities in Japan and overseas, the Group may be party to litigation, disputes and other legal proceedings. When party to such litigation, predicting the outcome is impossible given the inherent uncertainty of these matters. Such litigation may adversely affect the business results and financial condition of the Group.

### ⑭ Environmental Risk

The Group conducts business activities globally across a broad range of industries, and environmental pollution as a result of these activities could result in a business stoppage, significant expenses to install pollution control facilities, pollution remediation expenses and legal fees in response to litigation by local residents. In addition, the Group's social reputation could be damaged. An environmental management system was introduced in fiscal 1999 to cope with such environmental risks, under which environmental impact evaluations are made for each new financing and development project as a means of assessing the potential environmental burden and reducing environmental risk. This notwithstanding, there is no

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guarantee that potential environmental burdens can be completely avoided and may adversely affect the business results and financial condition of the Group.

### ⑮ Natural Disaster Risk

Earthquakes and other natural disasters could cause damage and loss to the Group's offices and facilities and inhibit the normal business activities of the Group. While every effort has been made to implement appropriate countermeasures such as the preparation of disaster preparedness manuals, earthquake countermeasures and fire prevention drills, as the potential for damages from natural disasters cannot be completely mitigated, Such disasters may adversely affect the business results and financial condition of the Group.

### ⑯ Other risks inherent and related to overall Marubeni operations

Negligence on the part of employees charged with executing business operations, and malfunctions pertaining to computer systems supporting business activities are among the other risks that may adversely affect the business results and financial condition of the Group.

## **(2) Risk Management**

The Group has adopted a circular method for decision-making on individual transactions involving significant extensions of credit or amounts of investment. Once done, decision-making over large new projects is handled by the submission of periodic reports to the Corporate Management Committee in an effort to further strengthen individual risk management.

From the perspective of diversifying overall risk, integrated risk management is carried out by gaining a clear understanding of possible risk (measurable risk) through quantitative analysis of factors such as market risk, credit risk and investment risk as they relate to a particular country, industry or trading partner. A basic risk management policy and internal rules have been established for comprehensive risk management to enable decision-making and monitoring to be carried out appropriately, and the organization, reporting lines, methodology and system infrastructure to implement this policy and system of rules and regulations has been put in place.

On the other hand, for risk that is not readily amenable to quantitative analysis such as compliance risk (i.e., risk that cannot be measured), corporate governance has been strengthened and a system of internal controls have been put in place to prevent the occurrence

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## Financial Results and Conditions

of problems by means of shoring up the system of compliance oversight.

Nevertheless, there is no assurance that all risks can be managed because of the existence of the possibility that the Group's system of risk management may not function adequately to address a diverse number of risks that either presently exist or may arise in the future in relation to the broad range of business activities conducted by the Group.

### **(3) The Medium-term Management Plan**

The Group inaugurated its new two-year medium-term management plan, the "G" PLAN in April 2006. The numerical targets of the Plan are to achieve two-year consolidated net income of ¥220 billion, a risk-return of over 10%, a ROA of over 2%, a net debt/equity ratio of 2.0~3.0x, and total assets of approximately ¥5 trillion. However, these objectives were prepared based on certain assumptions, hypotheses and projections regarding the persistence of certain economic conditions, industry trends, and other concerns. A number of unknown and uncontrollable factors could prevent the completion of these objectives.

### **(4) Uncertainty Regarding Financial Condition and Changes in Operating Results**

In the past, the following were among the factors that have caused the performance and financial condition of the Group to fluctuate: gains and losses on the sale of real estate and devaluation losses pertaining to real estate; realized gains and losses and devaluation losses associated with marketable and investment securities; allowances for doubtful account; and losses stemming from the realignment of Marubeni Group companies. To improve its financial position, the Group has taken steps to shrink total assets and net interest-bearing debt, reduce or establish allowances for underperforming and unprofitable assets, pare down expenses, shift management resources to high growth fields, and minimize exposure from high-risk assets. While the Company is confident that substantial progress has been made in enhancing the Group's financial position, the Company cannot guarantee that greater losses will not be posted in the future.

### **(5) Significant Accounting Policies and Estimates**

The Company prepares its consolidated financial statements in accordance with accounting principles generally accepted and recognized in the United States. In preparing important accounting policies and these statements, certain accounting estimates and assumptions are

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## Financial Results and Conditions

utilized as needed when calculating assets and liabilities as of the fiscal year-ended, the disclosure of contingent assets and liabilities, and earnings and expenses incurred during the year. In determining accounting estimates and assumptions, management makes what it believes to be a reasonable inference of these amounts based on past experience and on a case-by-case basis. Estimates and assumptions made in this way have an inherent degree of uncertainty, and actual results could differ from those estimates.

Management considers those estimates and assumptions are reasonable, however, in case there are unexpected changes, they will have a material impact on the Company's consolidated financial statements.

#### 4. Financial Prospects for the Fiscal Year Ending March 31, 2007

Financial prospects for the year ending March 31, 2007, are as follows:

(billions of yen)

	Forecast FY2006	Result FY2005
Total volume of trading transactions	9,500.0	8,686.5
Net income	115.0	73.8

Major assumptions:

Foreign exchange rate: US\$1 = 117yen

JPY TIBOR: 0.500%      USD LIBOR: 5.400%

Marubeni Corporation  
Consolidated Statements of Income

	<i>Millions of yen</i>			
	Six months ended September 30			
	2006	2005	Variance	Ratio
<b>Revenues:</b>				
Revenues from trading and other activities	¥1,718,982	¥1,437,931	¥ 281,051	19.5%
Commissions on services and trading margins	<b>88,583</b>	89,747	-1,164	-1.3%
Total	<b>1,807,565</b>	1,527,678	279,887	18.3%
Cost of revenues from trading and other activities	<b>-1,542,549</b>	-1,291,452	-251,097	19.4%
Gross trading profit	<b>265,016</b>	236,226	28,790	12.2%
<b>Expenses and other:</b>				
Selling, general and administrative expenses	<b>-174,898</b>	-167,673	-7,225	4.3%
Provision for doubtful accounts	<b>732</b>	-3,176	3,908	-
Interest income	<b>11,630</b>	10,118	1,512	14.9%
Interest expense	<b>-26,853</b>	-22,307	-4,546	20.4%
Dividends received	<b>4,218</b>	5,597	-1,379	-24.6%
Impairment loss on investment securities	<b>-4,167</b>	-638	-3,529	553.1%
Gain (loss) on sales of investment securities	<b>10,532</b>	2,512	8,020	319.3%
Gain (loss) on property and equipment	<b>-2,797</b>	-3,151	354	-11.2%
Equity in earnings (losses) of affiliated companies-net	<b>23,652</b>	22,159	1,493	6.7%
Other – net	<b>-29</b>	-3,460	3,431	-99.2%
Total	<b>-157,980</b>	-160,019	2,039	-1.3%
Income (loss) from continuing operations before income taxes	<b>107,036</b>	76,207	30,829	40.5%
Provision for income taxes	<b>-37,930</b>	-29,960	-7,970	26.6%
Income (loss) from continuing operations	<b>69,106</b>	46,247	22,859	49.4%
Minority interests in consolidated subsidiaries	<b>-3,461</b>	-1,724	-1,737	100.8%
Net income (loss) from continuing operations	<b>65,645</b>	44,523	21,122	47.4%
Loss from Discontinued Operations (after income tax)	-	-6,400	6,400	-
<b>Net Income</b>	<b>¥ 65,645</b>	¥ 38,123	¥ 27,522	72.2%
Dividend for preferred shares	¥ 605	¥ 755	¥ -150	-19.9%
Net income available for shareholders	<b>65,040</b>	37,368	27,672	74.1%
Basic earnings per share (yen)	<b>40.40</b>	25.03	15.37	61.4%
Diluted earnings per share (yen)	<b>37.87</b>	20.94	16.93	80.9%
Total volume of trading transactions (Based on Japanese accounting practice)	<b>4,686,738</b>	4,014,371	672,367	16.7%
Operating profit (Based on Japanese accounting practice)	<b>90,850</b>	65,377	25,473	39.0%

(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) Equity in earnings (losses) of affiliated companies is included within income from continuing operations before taxes, starting FY2006.

Some of the figures for 1st Half FY2005 have been reclassified accordingly.

Marubeni Corporation  
Consolidated Balance Sheets

	<i>Millions of yen</i>		
	September 30 2006	March 31 2006	Variance
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	¥ 326,649	¥ 368,936	¥ -42,287
Time deposits	25,734	21,674	4,060
Investment securities	21,803	20,989	814
Notes and accounts receivable - trade:			
Notes receivable	124,264	90,973	33,291
Accounts receivable	1,015,144	896,781	118,363
Due from affiliated companies	85,684	79,553	6,131
Allowance for doubtful accounts	-17,651	-17,910	259
Inventories	417,746	395,599	22,147
Advance payments to suppliers	148,117	109,330	38,787
Deferred income taxes	38,601	32,048	6,553
Prepaid expenses and other current assets	191,145	170,644	20,501
Total current assets	<u>2,377,236</u>	<u>2,168,617</u>	<u>208,619</u>
Investments and long-term receivables:			
Affiliated companies	438,416	314,261	124,155
Securities and other investments	542,681	615,361	-72,680
Notes, loans and accounts receivable - trade	177,650	214,763	-37,113
Allowance for doubtful accounts	-70,437	-81,964	11,527
Property leased to others, at cost, less accumulated	159,001	231,747	-72,746
Total investments and long-term receivables	<u>1,247,311</u>	<u>1,294,168</u>	<u>-46,857</u>
Net property and equipment	747,758	780,809	-33,051
Prepaid pension cost	61,872	83,746	-21,874
Deferred income taxes	54,925	52,364	2,561
Intangible fixed assets	90,138	89,325	813
Goodwill	26,630	27,936	-1,306
Other assets	88,623	90,107	-1,484
Total assets	<u>¥ 4,694,493</u>	<u>¥ 4,587,072</u>	<u>¥ 107,421</u>

\*These financial statements are based on US GAAP.

Marubeni Corporation  
Consolidated Balance Sheets (continued)

	<i>Millions of yen</i>		
	September 30 2006	March 31 2006	Variance
<b>Liabilities and shareholders' equity</b>			
Current liabilities:			
Short-term loans	¥ 273,648	¥ 368,491	¥ -94,843
Current portion of long-term debt	176,680	219,650	-42,970
Notes and accounts payable-trade			
Notes and acceptances payable	209,958	186,741	23,217
Accounts payable	768,098	715,370	52,728
Due to affiliated companies	44,854	46,432	-1,578
Advance payments received from customers	126,646	97,673	28,973
Income taxes	21,016	16,220	4,796
Deferred income taxes	3,101	3,310	-209
Accrued expenses and other current liabilities	294,690	307,342	-12,652
Total current liabilities	<u>1,918,691</u>	<u>1,961,229</u>	<u>-42,538</u>
Long-term debt, less current portion	2,006,702	1,879,739	126,963
Employees' retirement benefits	9,844	9,129	715
Deferred income taxes	26,036	26,189	-153
Minority interests in consolidated subsidiaries	47,020	46,999	21
Shareholders' equity:			
Paid-in capital	262,686	262,686	-
Additional paid-in capital	155,904	155,903	1
Retained earnings (losses)	250,625	193,772	56,853
Accumulated other comprehensive loss			
Net unrealized gains (losses) on investment securities, net of reclassification	84,131	109,035	-24,904
Currency translation adjustments, net of reclassification	-58,637	-53,450	-5,187
Net unrealized losses on derivatives	-6,391	-2,116	-4,275
Minimum pension liability adjustment	-1,717	-1,717	-
Cost of common stock in treasury	-401	-326	-75
Total shareholders' equity	<u>686,200</u>	<u>663,787</u>	<u>22,413</u>
Total liabilities and shareholders' equity	<u>¥ 4,694,493</u>	<u>¥ 4,587,072</u>	<u>¥ 107,421</u>

Marubeni Corporation  
Consolidated Statements of Changes in Shareholders' Equity

	<i>Millions of yen</i>					
	<u>September 30</u> <u>2006</u>		<u>March 31</u> <u>2006</u>		<u>September 30</u> <u>2005</u>	
<b>Common stock:</b>						
Balance at beginning of year	262,686		231,789		231,789	
Issuance of common stock caused by conversion from CB	-		30,897		-	
Balance at end of year	<u>262,686</u>		<u>262,686</u>		<u>231,789</u>	
<b>Capital surplus:</b>						
Balance at beginning of year	155,903		125,436		125,436	
Gains from disposition of treasury stock	1		22		2	
Issuance of common stock caused by conversion from CB	-		30,445		-	
Balance at end of year	<u>155,904</u>		<u>155,903</u>		<u>125,438</u>	
<b>Retained earnings (losses):</b>						
Balance at beginning of year	193,772		131,195		131,195	
Net income (loss)	65,645	65,645	73,801	73,801	38,123	38,123
Cash dividend	- 8,792		-11,224		- 7,483	
Balance at end of year	<u>250,625</u>		<u>193,772</u>		<u>161,835</u>	
<b>Accumulated other comprehensive Income(loss):</b>						
Balance at beginning of year	51,752		- 45,126		- 45,126	
Net Unrealized (losses) gains on investment securities		- 24,904		62,374		28,838
Foreign Currency translation adjustments		- 5,187		36,136		14,716
Net unrealized (losses) gains on derivatives		- 4,275		- 562		- 3,575
Minimum pension liability adjustment		-		- 1,070		-
Other comprehensive income (loss), net of tax	- 34,366	- 34,366	96,878	96,878	39,979	39,979
Comprehensive income (loss)		<u>31,279</u>		<u>170,679</u>		<u>78,102</u>
Balance at end of year	<u>17,386</u>		<u>51,752</u>		<u>- 5,147</u>	
<b>Cost of common stock in treasury:</b>						
Balance at beginning of year	- 326		- 142		- 142	
Treasury stock sold (repurchased)	- 75		- 184		- 50	
Balance at end of year	<u>- 401</u>		<u>- 326</u>		<u>- 192</u>	

\*These financial statements are based on US GAAP.

Marubeni Corporation  
Consolidated Statements of Cash Flows

	<i>Millions of yen</i>		
	2006	September 30 2005	Variance
<b>Operating activities</b>			
Net income (loss)	¥ 65,645	¥ 38,123	¥ 27,522
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	46,569	31,706	14,863
Provision for doubtful accounts	- 732	3,176	-3,908
Equity in (earnings) losses of affiliated companies- net	- 9,312	- 18,106	8,794
(Gain) loss on investment securities	- 6,365	- 1,874	- 4,491
(Gain) loss on property and equipment	2,797	3,151	- 354
Deferred income taxes	7,732	10,353	- 2,621
Loss from Discontinued Operations (after income tax)	-	6,400	- 6,400
Changes in operating assets and liabilities:			
Notes and accounts receivable	- 171,126	- 66,140	- 104,986
Inventories	- 25,034	- 18,929	- 6,105
Notes, acceptances and accounts payable	68,848	23,764	45,084
Other	1,291	- 7,941	9,232
<b>Net cash provided by operating activities</b>	<b>- 19,687</b>	<b>3,683</b>	<b>- 23,370</b>
<b>Investing activities</b>			
Proceeds from sales and redemptions/expenditure for purchase of securities and other investments	- 64,773	-23,559	- 41,214
Proceeds from sales /expenditure for purchases of property and equipment	- 19,728	-35,831	16,103
Collection of loans receivable and loans made to customers	17,109	17,601	- 492
<b>Net cash provided (used) by investing activities</b>	<b>- 67,392</b>	<b>- 41,789</b>	<b>- 25,603</b>
<b>Free Cash Flows</b>	<b>- 87,079</b>	<b>- 38,106</b>	<b>- 48,973</b>
<b>Financing activities</b>			
Net decrease (increase) in short-term loans	- 65,211	-34,145	- 31,066
Proceeds from/payment of long-term debt	122,109	- 16,819	138,928
Cash dividend	- 8,792	- 7,483	- 1,309
(Purchase) sale of treasury stock	- 74	- 48	- 26
Other	- 1,569	- 602	- 967
<b>Net cash used (provided) in financing activities</b>	<b>46,463</b>	<b>- 59,097</b>	<b>105,560</b>
Effect of exchange rate changes on cash and cash equivalents	- 1,671	5,336	- 7,007
Net increase (decrease) in cash and cash equivalents	- 42,287	- 91,867	49,580
Cash and cash equivalents at beginning of period	368,936	459,194	- 90,258
Cash and cash equivalents at end of period	326,649	367,327	- 40,678

(Note 1) These financial statements are based on US GAAP.

(Note 2) As of FY2006, Equity in earnings (losses) of affiliated companies is included within income before income taxes. Some of the figures for 1<sup>st</sup> Half FY 2005 have been reclassified accordingly.

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, 2006	March 31, 2006	Variance
Subsidiaries	385	388	-3
Affiliated companies	170	167	3
Total	555	555	0

(2) Major Group Firms

Subsidiaries

Overseas  239	Marubeni America Corporation Marubeni Europe p.l.c. Axia Power Holdings, B.V. Marubeni International Finance p.l.c. PT Tanjungenim Lestari Pulp & Paper
Domestic  146	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  120	Daishowa-Marubeni International Ltd. Nippon LP Resources Uni-Mar Enerji Yatirimlari A.S.
Domestic  50	Marubeni-Itochu Steel Inc. The Daiei, Inc. Marubeni Construction Material Lease Co., Ltd The Maruetsu, Inc.

(3) Changes

Subsidiaries

Newly included 17	Higashi Ginza Printing and Publishing Co., Ltd. Marubeni Energy Alternatives, Inc. Others--- 15companies
Excluded	20 companies

Affiliated companies

Newly included 7	The Daiei, Inc. Guangzhou Yishihong International Logistics Co., Ltd. Others--- 5 companies
Excluded	4 companies

**Marubeni Corporation**  
**Notes to Consolidated Financial Statements**

2. Matters Concerning Accounting Standards

(1) Standards for the preparation of consolidated financial statements

The consolidated financial statements of the Company are prepared in compliance with accounting standards generally acknowledged as fair and appropriate in the United States.

(2) Cash and cash equivalents

Cash and cash equivalents include time deposits, the original date of maturity of which will fall within three months, as well as securities with a repurchase agreement.

(3) Valuation method and standards of inventory

Inventory is valued based on the moving average method or at either the lower of cost or market value based on the individual method.

(4) Valuation method and standards of securities:

The No. 115 SFAS of the Financial Accounting Standards Board of the United States which is titled the “Accounting for Certain Investments in Debt and Equity Securities” are applied.

Securities to be held to maturity: Amortized cost method

Salable securities:

The market price method based on a market price on a closing date (the total amount of valuation gains or losses is processed through direct entry in capital, and the cost of sales is calculated based on the moving average method.)

(5) Depreciation/amortization method for fixed assets

Depreciation method for tangible fixed assets:

The declining balance method or the straight line method (mainly for buildings) is applied. The depreciable life is generally set at 2 to 50 years.

Amortization method for intangible fixed assets:

The straight line method (however, intangible fixed assets for which a useful life cannot be

decided are not amortized, and an asset impairment test is conducted for them at least once a year in compliance with the No. 142 SFAS “Goodwill and Other Intangible Assets.”)

Asset impairment of long-term assets:

With respect to long-term assets such as tangible fixed assets and intangible fixed assets to be amortized, when book value cannot be collected, or there is a change in the situation, we investigated asset impairment in compliance with the No. 144 SFAS “Accounting for the Impairment or Disposal of Long-Lived Assets.” If a book value is larger than the estimated amount of future cash flows, we recognized asset impairment for an amount by which the book value exceeds a fair market value.

(6) Standards for setting up reserves

Bad debt reserve:

To prepare for bad debt losses arising from trade account receivables and loans, we booked the expected uncollectible amount for general receivables based on an actual bad debt ratio, and for specified receivables such as receivables and loans likely to become bad debt by examining the possibility of collection individually.

Retirement benefit reserve:

To prepare for retirement benefits for employees, a retirement benefit reserve is booked based on the fair value of the retirement benefit liability and pension assets at the end of this term that is assumed to have emerged by the first half of this term, in compliance with the No. 87 SFAS “Employer’s Accounting for Pensions.” The amount by which retirement benefit reserve is lower than the difference between cumulative benefit liability (the liability obtained by deducting the amount of future salary increase from the retirement benefit liability) and the fair market value of pension assets is additionally booked as the minimum pension liability adjustment.

Unrecognized past service liability is amortized using the straight line method based on the average remaining number of years of service of employees. A portion of unrecognized net actuarial loss that exceeds a corridor (10% of the retirement benefit liability or the fair market value of pension assets, whichever is larger) is amortized using the straight line method based on the average remaining number of years of service of employees as of the time the loss is incurred.

(7) Consumption tax, etc, is processed on a tax-exclusive basis.

(8) Goodwill

Goodwill is not amortized, and an asset impairment test is conducted for goodwill at least once a year in compliance with the No. 142 SFAS “Goodwill and Other Intangible Assets.”

(9) Discontinued business

Based on the No. 144 SFAS “Accounting for the Impairment or Disposal of Long-Lived Assets.”, the amount of losses incurred by businesses to be discontinued such as businesses to be disposed of or sold is separately indicated, after taking the tax effect into account, as a “Loss on Discontinued Business (after corporation tax, etc.)” in the consolidated income statement.

(10) Equity in earnings (losses) of affiliated companies is included within income from continuing operations before taxes, starting FY2006. Accordingly, some of the figures for FY2005 are reclassified in the consolidated income statement.

Marubeni Corporation  
Notes to Consolidated Financial Statements (continued)

**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>			
	<b>Six Months ended September 30</b>			
	<b>2006</b>		<b>2005</b>	
<b>Numerator:</b>				
<b>Net income (loss)</b>	¥	<b>65,645</b>	¥	<b>38,123</b>
Amount which does not belong to ordinary shares – dividend for preferred shares		<b>-605</b>		-755
<hr/>				
Net income available for common shareholders – Numerator for basic earnings (loss) per share		<b>65,040</b>		37,368
Effect of dilutive securities:				
Convertible debentures		-		162
Dividend for preferred shares		<b>605</b>		755
<hr/>				
Numerator for diluted earnings (loss) per share	¥	<b>65,645</b>	¥	38,285
<hr/>				
<b>Denominator:</b>				
<i>Number of shares</i>				
<hr/>				
Denominator for basic earnings (loss) per share		<b>1,609,712,521</b>		<b>1,493,107,028</b>
Effect of dilutive securities:				
Convertible debentures		-		119,666,048
Preferred shares		<b>123,921,062</b>		215,714,286
<hr/>				
Denominator for diluted earnings per share		<b>1,733,633,583</b>		1,828,487,362
<hr/> <hr/>				
<i>Yen</i>				
<hr/>				
Basic earnings per share	¥	<b>40.40</b>	¥	25.03
Diluted earnings per share	¥	<b>37.87</b>	¥	20.94
<hr/> <hr/>				

The convertible debenture #8 issued in November 1996 has dilution effect for FY2005, and Class I Preferred Stock issued in December 2003 for FY2006 and FY2005.

## 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. 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 overseas corporate subsidiaries and branches.

The segment information for the 1st half of FY2006, and the corresponding period the year before are as shown hereafter.

◆ 1<sup>st</sup> Half of FY2006 (April 1, 2006-September 30, 2006)

	<i>Millions of yen</i>					
	Agri-marine products	Textile	Forest Products & General merchandise	Chemicals	Energy	
<b>Total volume of trading transactions</b>						
outside customers	496,307	175,526	396,334	400,900	1,219,801	
internal transaction	10,501	1,537	21,504	18,971	1,919	
<b>total</b>	<b>506,808</b>	<b>177,063</b>	<b>417,838</b>	<b>419,871</b>	<b>1,221,720</b>	
<b>Gross trading profit</b>	<b>34,425</b>	<b>11,985</b>	<b>27,254</b>	<b>15,870</b>	<b>43,926</b>	
<b>Operating profit (loss)</b>	<b>6,850</b>	<b>512</b>	<b>11,270</b>	<b>4,782</b>	<b>29,196</b>	
<b>Equity in earnings (losses) of affiliated companies</b>	<b>3,205</b>	<b>-72</b>	<b>-144</b>	<b>-283</b>	<b>219</b>	
<b>Segment net income (loss)</b>	<b>4,655</b>	<b>305</b>	<b>4,547</b>	<b>989</b>	<b>14,334</b>	
<b>Segment assets (as of September 30,2006)</b>	<b>530,378</b>	<b>139,769</b>	<b>523,779</b>	<b>204,548</b>	<b>641,401</b>	
	Metals & Mineral Resources	Transportation & Industrial	Power Projects	Plant, Ship & Infrastructure Projects	Information & Communication	
<b>Total volume of trading transactions</b>						
outside customers	464,111	266,723	116,778	302,695	103,937	
internal transaction	26,374	35,862	136	314	1,536	
<b>total</b>	<b>490,485</b>	<b>302,585</b>	<b>116,914</b>	<b>303,009</b>	<b>105,473</b>	
<b>Gross trading profit</b>	<b>8,703</b>	<b>26,177</b>	<b>12,201</b>	<b>8,531</b>	<b>13,232</b>	
<b>Operating profit (loss)</b>	<b>6,050</b>	<b>5,923</b>	<b>6,574</b>	<b>1,281</b>	<b>114</b>	
<b>Equity in earnings (losses) of affiliated companies</b>	<b>7,550</b>	<b>1,813</b>	<b>2,507</b>	<b>-179</b>	<b>-457</b>	
<b>Segment net income (loss)</b>	<b>12,032</b>	<b>4,321</b>	<b>5,064</b>	<b>727</b>	<b>1,487</b>	
<b>Segment assets (as of September 30,2006)</b>	<b>279,975</b>	<b>263,329</b>	<b>402,397</b>	<b>291,507</b>	<b>104,725</b>	
	Development & Construction	Finance Logistics & New Business	Iron & Steel Products	overseas corporate subsidiaries & branches	corporate & elimination etc.	consolidated
<b>Total volume of trading transactions</b>						
outside customers	92,435	16,002	352	548,977	85,860	4,686,738
internal transaction	241	3,351	14	159,280	-281,540	-
<b>total</b>	<b>92,676</b>	<b>19,353</b>	<b>366</b>	<b>708,257</b>	<b>-195,680</b>	<b>4,686,738</b>
<b>Gross trading profit</b>	<b>18,625</b>	<b>4,735</b>	<b>366</b>	<b>43,233</b>	<b>-4,247</b>	<b>265,016</b>
<b>Operating profit (loss)</b>	<b>10,561</b>	<b>864</b>	<b>-440</b>	<b>9,934</b>	<b>-2,621</b>	<b>90,850</b>
<b>Equity in earnings (losses) of affiliated companies</b>	<b>335</b>	<b>425</b>	<b>9,671</b>	<b>-166</b>	<b>-772</b>	<b>23,652</b>
<b>Segment net income (loss)</b>	<b>5,284</b>	<b>2,916</b>	<b>8,068</b>	<b>5,611</b>	<b>-4,695</b>	<b>65,645</b>
<b>Segment assets (as of September 30,2006)</b>	<b>288,932</b>	<b>96,867</b>	<b>86,504</b>	<b>418,882</b>	<b>421,500</b>	<b>4,694,493</b>

◆ 1<sup>st</sup> Half of FY2005 (April 1, 2005-September 30, 2005)

	<i>Millions of yen</i>					
	Agri-marine products	Textile	Forest Products & General merchandise	Chemicals	Energy	
<b>Total volume of trading transactions</b>						
outside customers	464,579	165,803	371,182	364,139	999,049	
internal transaction	10,105	1,257	21,377	17,946	1,454	
<b>total</b>	<b>474,684</b>	<b>167,060</b>	<b>392,559</b>	<b>382,085</b>	<b>1,000,503</b>	
<b>Gross trading profit</b>	<b>33,859</b>	<b>12,160</b>	<b>22,546</b>	<b>16,350</b>	<b>30,040</b>	
<b>Operating profit (loss)</b>	<b>5,904</b>	<b>1,675</b>	<b>7,439</b>	<b>5,940</b>	<b>16,156</b>	
<b>Equity in earnings (losses) of affiliated companies</b>	<b>1,219</b>	<b>-44</b>	<b>22</b>	<b>548</b>	<b>218</b>	
<b>Segment net income (loss)</b>	<b>3,411</b>	<b>459</b>	<b>-2,869</b>	<b>4,417</b>	<b>9,546</b>	
<b>Segment assets (as of March 31, 2005)</b>	<b>433,782</b>	<b>130,461</b>	<b>519,785</b>	<b>181,919</b>	<b>603,758</b>	
	Metals & Mineral Resources	Transportation & Industrial	Power Projects	Plant, Ship & Infrastructure Projects	Information & Communication	
<b>Total volume of trading transactions</b>						
outside customers	322,427	275,688	84,607	291,537	103,746	
internal transaction	19,979	25,733	170	663	1,203	
<b>total</b>	<b>342,406</b>	<b>301,421</b>	<b>84,777</b>	<b>292,200</b>	<b>104,949</b>	
<b>Gross trading profit</b>	<b>11,013</b>	<b>25,780</b>	<b>11,034</b>	<b>6,443</b>	<b>12,555</b>	
<b>Operating profit (loss)</b>	<b>6,427</b>	<b>3,798</b>	<b>3,204</b>	<b>404</b>	<b>-553</b>	
<b>Equity in earnings (losses) of affiliated companies</b>	<b>4,126</b>	<b>1,273</b>	<b>890</b>	<b>1,502</b>	<b>-27</b>	
<b>Segment net income (loss)</b>	<b>7,878</b>	<b>1,756</b>	<b>3,189</b>	<b>1,885</b>	<b>-1,244</b>	
<b>Segment assets (as of March 31, 2005)</b>	<b>265,141</b>	<b>289,936</b>	<b>405,386</b>	<b>274,510</b>	<b>115,575</b>	
	Development & Construction	Finance Logistics & New Business	Iron & Steel Products	overseas corporate subsidiaries & branches	corporate & elimination etc.	consolidated
<b>Total volume of trading transactions</b>						
outside customers	70,552	9,389	486	431,967	59,220	4,014,371
internal transaction	229	2,941	16	163,840	-266,913	-
<b>total</b>	<b>70,781</b>	<b>12,330</b>	<b>502</b>	<b>595,807</b>	<b>-207,693</b>	<b>4,014,371</b>
<b>Gross trading profit</b>	<b>10,953</b>	<b>3,556</b>	<b>502</b>	<b>40,920</b>	<b>-1,485</b>	<b>236,226</b>
<b>Operating profit (loss)</b>	<b>3,266</b>	<b>96</b>	<b>176</b>	<b>9,624</b>	<b>1,821</b>	<b>65,377</b>
<b>Equity in earnings (losses) of affiliated companies</b>	<b>263</b>	<b>440</b>	<b>11,479</b>	<b>407</b>	<b>-157</b>	<b>22,159</b>
<b>Segment net income (loss)</b>	<b>939</b>	<b>2,334</b>	<b>10,774</b>	<b>5,747</b>	<b>-10,099</b>	<b>38,123</b>
<b>Segment assets (as of March 31, 2005)</b>	<b>299,669</b>	<b>97,031</b>	<b>86,075</b>	<b>449,213</b>	<b>434,831</b>	<b>4,587,072</b>

(Note 1) Effective April 1, 2006, the figures of each operating segment are shown based on US GAAP. Until then, the figures of each segments were shown according to Japanese accounting practice, and therefore the difference between the two standards for the 1st quarter of FY2005 is included in *Corporate & elimination*.

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

(Note 3) Effective April 1, 2006, the segments of *Transportation machinery, Industrial machinery & Information business, and Plant, Power & Infrastructure* 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.

Marubeni Corporation  
Notes to Consolidated Financial Statements (continued)

Segment Information (continued)

(Note 4) **Total volume of trading transactions, gross trading profit** and operating conditions for each operating segment were as follows.

**Agri-marine Products** transactions rose ¥32.1 billion (6.8%) year-on-year centering on foods merchandising related businesses. Gross trading profit rose ¥0.6 billion (1.7%) despite the conversion of a subsidiary into an affiliate, with higher profit in other subsidiaries.

**Textile** transactions increased ¥10.0 billion (6.0%) year-on-year owing to a rise in apparel product transactions and the inclusion of new subsidiaries in consolidation. Gross trading profit declined ¥0.2 billion (1.4%) reflecting a decrease in profits owing to transactions of apparel products.

**Forest Products and General Merchandise** transactions increased ¥25.3 billion (6.4%) year-on-year owing to the consolidation of Musi Pulp Project, and increase in rubber transactions. Gross trading profit also rose ¥4.7 billion (20.9%) due to the Musi Pulp Project.

**Chemicals** transactions rose ¥37.8 billion (9.9%) year-on-year reflecting a rise in transactions of basic chemical products. Gross trading profit decreased ¥0.5 billion (2.9%) reflecting the decrease in profits of basic chemical products.

**Energy** transactions rose ¥221.2 billion (22.1%) year-on-year due to an increase in petroleum-related transactions. Gross trading profit increased ¥13.9 billion (46.2%) reflecting to an increase in the profits from the petroleum-related concessions.

**Metals and Mineral Resources** transactions increased ¥148.1 billion (43.2%) year-on-year due mainly to an increase in the price of non-ferrous metals. Gross trading profit declined ¥2.3 billion (21.0%), with an absence of a transitory profit posted last year.

**Transportation & Industrial Machinery** transactions rose ¥1.2 billion (0.4%) year-on-year. Gross trading profit increased ¥0.4 billion (1.5%) reflecting an increase of transactions in civilian aircraft related businesses.

**Power Projects** transactions increased ¥32.1 billion (37.9%) year-on-year due mainly to a rise in transactions of coal power projects. Gross trading profit rose ¥1.2 billion (10.6%) reflecting the increased profit from overseas power subsidiaries.

Marubeni Corporation  
Notes to Consolidated Financial Statements (continued)

Segment Information (continued)

***Plant, Ship & Infrastructure Projects*** transactions increased ¥10.8 billion (3.7%) year-on-year reflecting the transactions concerning the cement plant project in the Middle East. Gross trading profit rose ¥2.1 billion (32.4%) with increased profits from a railway project in South America.

***Development and Construction*** transactions increased ¥21.9 billion (30.9%) year-on-year due to buoyant sales of domestic condominiums. Gross trading profit rose ¥7.7 billion (70.0%) reflecting the increase in transactions.

***Finance, Logistics & New Business*** transactions rose ¥7.0 billion (57.0%) from the previous year due to a consolidation of a subsidiary and an increase in logistics-related transactions. Gross trading profit rose ¥1.2 billion (33.2%) reflecting the increased volume of transactions.

***Iron & Steel Strategies and Coordination*** transactions declined ¥0.1 billion (27.1%) from the previous year. Gross trading profit decreased ¥0.1 billion (27.1%). Marubeni-Itochu Steel Inc. achieved favorable results owing to concentrated sales activities through pinpointing areas of growing demand, such as energy and automotive sectors.

***Overseas Corporate Subsidiaries and Branches*** transactions increased ¥112.5 billion (18.9%) from the previous year due mainly to a rise in the sales of metals and construction machineries in the United States. Gross trading profit rose ¥2.3 billion (5.7%) mainly from effects of currency translations.

## Segment Information (1st Half FY 2006)

◆ 1st Half FY2006 (April 1, 2006-September 30, 2006)

*Millions of yen*

	Japan	North America	Europe	Asia/Oceania	Other	Eliminations	Consolidated
<b>• Total volume of trading transactions</b>							
Outside customers	3,514,893	592,390	197,096	337,992	44,367	-	4,686,738
Internal transaction	890,851	133,313	11,417	96,000	46,642	-1,178,223	-
total	4,405,744	725,703	208,513	433,992	91,009	-1,178,223	4,686,738
<b>Segment operating profit(loss)</b>	33,821	24,920	11,389	17,257	4,982	-1,519	90,850
<b>Segment assets</b>	2,188,832	516,781	201,743	462,518	109,059	-205,498	3,273,435
<b>Other assets</b>							1,421,058
<b>Total assets</b>							4,694,493

◆ 1st Half FY2005 (April 1, 2005-September 30, 2005)

*Millions of yen*

	Japan	North America	Europe	Asia/Oceania	Other	Eliminations	Consolidated
<b>• Total volume of trading transactions</b>							
Outside customers	3,051,481	445,231	191,168	217,685	108,806	-	4,014,371
Internal transaction	941,316	130,522	11,524	84,570	4,440	-1,172,372	-
total	3,992,797	575,753	202,692	302,255	113,246	-1,172,372	4,014,371
<b>Segment operating profit(loss)</b>	27,091	14,270	6,856	13,930	4,334	-1,104	65,377
<b>Segment assets</b>	2,048,882	536,835	205,461	443,796	98,118	-171,676	3,161,416
<b>Other assets</b>							1,425,656
<b>Total assets</b>							4,587,072

(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. Other .....Central and South America, Africa

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

Internal transactions are generally priced in accordance with the prevailing market prices.

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

# Marubeni Corporation

## Notes to Consolidated Financial Statements

### Marketable Securities and Debt Securities

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

	September 30, 2006				March 31, 2006			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Current:								
Debt securities	5,570	23	-	5,593	579	-	-	579
Total	5,570	23	-	5,593	579	-	-	579
Non-current:								
Debt securities	24,082	125	-87	24,120	29,060	216	-37	29,239
Marketable equity securities	154,800	134,850	-6,092	283,558	153,508	167,980	-1,350	320,138
Total	178,882	134,975	-6,179	307,678	182,568	168,196	-1,387	349,377

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

\*Debt securities consist mostly of corporate bonds.

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

	September 30, 2006				March 31, 2006			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Current:								
Debt securities	-	-	-	0	6,000	4	-	6,004
Total	-	-	-	0	6,000	4	-	6,004
Non-current:								
Debt securities	9,327	644	-	9,971	9,236	797	-	10,033
Total	9,327	644	-	9,971	9,236	797	-	10,033

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

(Note 2) Debt securities consist mostly of corporate bonds.

In addition to the above stated securities, 16,210 million yen and 14,410 million yen of marketable securities for sale are held at September 30, 2006 and at March 31, 2006, respectively.

The net unrealized gain of 59 million yen for FY2006 and loss of -76 million yen for FY2005 have respectively been included in the income statements.

# Marubeni Corporation Consolidated Companies

## 1. Number of consolidated companies

		September 30 2006	Established Bought	Liquidated Divestiture	March 31 2006	Variance
Subsidiaries	Domestic	146	6	-7	147	-1
	Overseas	239	11	-13	241	-2
	Total	385	17	-20	388	-3
Affiliated companies	Domestic	50	2	-1	49	+1
	Overseas	120	5	-3	118	+2
	Total	170	7	-4	167	+3
	Domestic	196	8	-8	196	+0
	Overseas	359	16	-16	359	+0
	Total	555	24	-24	555	+0

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

Company name	Capital	Marubeni Group's equity portion	Type of business
The Daiei, Inc.	JPY 56,517 mil	44.52%	Retail
Hasegawa & Co., Ltd.	JPY 340 mil	35.00%	Confectionary wholesaler
Higashi Ginza Printing and Publishing Co., Ltd.	JPY 120 mil	71.63%	Planning, design, production and printing of advertisements catalogs and other printed media
Marubeni Energy Alternatives, Inc.	USD 30.67mil	100.00%	Development and investment for new technology and renewable energy business in the U.S.
Guangzhou Yishihong International Logistics Co., Ltd.	USD 1.5mil	50.00%	Warehousing, logistics management, forwarding, transport and delivery within China

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

Company name	Reasons of exclusion	Marubeni Group's equity portion	Type of business
Nasu resort Corporation	Sold	70.00%	Operation of leisure facilities
Liaison Planning Inc.	Partly sold	100.00%	Advertisement planning and production, production of published material
Berevno-Corporation	Liquidated	100.00%	Research in the biotechnological field
Carlisle Leasing International , LLC	Sold	100.00%	Lease of freezing and refrigerated Containers for sea transport

## Profit-making/loss-making consolidated companies

(Unit: billions of yen)

		September 30, 2006			September 30, 2005			Variance		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Profit-making companies	No. of companies	142	272	414	141	273	414	1	-1	0
	Surplus amount	23.2	49.7	72.9	17.5	39.9	57.4	5.7	9.8	15.5
Loss-making companies	No. of companies	54	87	141	64	84	148	-10	3	-7
	Deficit amount	-3.5	-6.8	-10.2	-5.5	-8.2	-13.7	2.1	1.4	3.5
Total	No. of companies	196	359	555	205	357	562	-9	2	-7
	Net profit/loss	19.7	42.9	62.7	11.9	31.8	43.7	7.8	11.2	18.9
Surplus company ratio		72.4%	75.8%	74.6%	68.8%	76.5%	73.7%	+3.6 points	-0.7 points	+0.9 points

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