

**Summary of Consolidated Financial Statements for FY2003 (US GAAP basis)**Company name : Marubeni Corporation (URL <http://www.marubeni.com>)

Code Number : 8002

Listed : Tokyo, Osaka, Nagoya, Fukuoka, Sapporo

Head Office: Tokyo

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

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Title General Manager, Media Relations Sec.

Corporate Communications Dept.

Date of Director meeting for FY2003 Financial Results : May 10, 2004

Adoption of US GAAP : YES

**1. Consolidated financial results for FY2003 (April 1, 2003 - March 31, 2004)**

## (1) Consolidated statements of income

	Total volume of trading transactions		Net operating profit		Income before taxes & equity in earnings	
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
FY2003	7,905,640	-10.1	78,624	7.2	58,900	62.1
FY2002	8,793,303	-2.0	73,371	-	36,346	-

	Net income		Basic earnings per share	Diluted EPS	Net income/ shareholders' equity	Income before taxes & equity in earnings/ total assets	Income before taxes & equity in earnings/total volume of trading transactions
	(millions of yen)	(%)	(yen)	(yen)	(%)	(%)	(%)
FY2003	34,565	14.0	22.85	20.16	10.6	1.4	0.7
FY2002	30,312	-	20.30	18.96	11.6	0.8	0.4

(Note) [1] Equity in earnings-net FY2003 14,271 million yen FY2002 13,420 million yen

[2] Average number of outstanding shares for the term (Consolidated basis) FY2003 (Common stock) 1,493,219,051 Class I preferred shares 22,072,404  
FY2002 (Common stock) 1,493,495,279

[3] Any changes of accounting method? No

[4] The ratio of total volume of trading transactions, net operating profit, income before taxes and equity in earnings, and net income represents the changes from the previous fiscal year.

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

[6] From this period, Minority interests in income of consolidated subsidiaries, formerly included in Income before income taxes and equity in earnings of affiliated companies, is shown individually. Accordingly, the figures for Income before income taxes and equity in earnings of affiliated companies of FY2002 is rearranged in the same way.

## (2) Consolidated balance sheet

	Total assets	Shareholders' equity	Shareholders' equity/ total assets	Shareholders' equity per share
	(millions of yen)	(millions of yen)	(%)	(yen)
March 31, 2004	4,254,194	392,982	9.2	212.36
March 31, 2003	4,321,482	260,051	6.0	174.15

(Note) Number of outstanding shares at March 31, 2004 (Common stock) 1,493,306,648 Class I preferred shares 75,500,000  
(Consolidated basis) at March 31, 2003 (Common stock) 1,493,264,305

## (3) Consolidated cash flow

(millions of yen)

	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
	FY2003	201,560	57,983	-233,938
FY2002	194,788	113,241	-294,001	466,511

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

Subsidiaries 348 Affiliated companies 154

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

Subsidiaries (Newly included) 49 (Excluded) 28 Affiliated companies (Newly included) 10 (Excluded) 13

**2. Forecast of consolidated financial results for FY2004 (April 1, 2004 - March 31, 2005)**

(millions of yen)

	Total volume of trading transactions	Net income
	For the 1st Half of FY2004	3,500,000
For the year ending March 31, 2005	7,600,000	37,000

(Reference) Forecasted EPS for the year ending March 31, 2005 23.77 (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.

Assumptions of the above forecast are mentioned in page 22.

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*For reference:*

## **Formulas for FY2003 consolidated earnings indicators**

- Basic Earning Per Share  
$$\frac{\text{Net income} - \text{FY2003 corresponding amount of dividends for preferred shares resulting from appropriation of profits}}{\text{Average number of shares of common stock for the term *1}}$$
- Diluted EPS  
$$\frac{\text{Net income} - \text{FY2003 corresponding amount of dividends for preferred shares resulting from appropriation of profits} + \text{adjusted net income *2}}{\text{Average number of shares of common stock for the term *1} + \text{Number of latent shares}}$$
- Shareholders' Equity per share  
$$\frac{\text{Term-end shareholders' equity} - \text{sum of capital and additional paid-in capital relating to preferred shares} - \text{FY2003 corresponding amount of dividends for preferred shares resulting from appropriation of profits}}{\text{Number of shares of common stock outstanding at term-end *1}}$$

## **Formulas for FY2004 earnings forecast indicators**

- Forecasted EPS  
$$\frac{\text{Forecasted net income} - \text{forecasted total preferred share dividends}}{\text{Number of shares of common stock outstanding at term-end *1}}$$
- \*1) Excluding treasury stock and shares held by the subsidiaries and the affiliated companies
- \*2) Amount of interest paid during the term in relation to convertible bonds less assumed amount of equivalent tax imposed on that amount + FY2003 corresponding amount of dividends for preferred shares resulting from appropriation of profits

# Marubeni Corporation

## Business Group

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

The Company breaks its operating segments into 12 segments identified by product and service, in addition to its domestic branches and offices, and overseas corporate subsidiaries and branches. From this fiscal year, *IT Business* has been renamed to *Telecom & Information*, transferring a part of its business to *Transportation & Industrial Machinery* and *Utility & Infrastructure*.

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

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

**Subsidiaries:** Marubeni Nisshin Feed Co., Ltd. (\*1) Nacx Nakamura Corporation  
Pacific Grain Terminal Ltd.,  
Ten Corporation (\*2), Cia. Iguacu de Café Solúvel

**Affiliated companies:** Yamaboshiya Co., Ltd., The Maruetsu, Inc.,  
Katakura Chikkarin Co., Ltd., The Nisshin OilIO, LTD.,  
Toyo Sugar Refining Co., Ltd.

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

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

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

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

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

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

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

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

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

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

**Subsidiaries:** Marubeni Energy Corporation, MIECO Inc.

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

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

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

Marubeni Aluminium Australia Pty. Ltd.

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

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

**Subsidiaries:** Computer Wave Inc. (\*2), Marubeni Aerospace Corporation,

Marubeni Auto & Construction Machinery America, Inc.

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

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

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

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

Sithe Asia Holdings, San Roque Power

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

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**Plant and ship:** This group builds and delivers a wide variety of plants and participates in investments in plant businesses both domestically and internationally. In addition, the group deals cargo ships and tankers, and owns, leases and operates a fleet.

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

**Affiliated companies:** Pt. Chandra Asri, Royal Maritime 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.

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

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

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

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

**Affiliated companies:** MG Leasing Corporation (\*1),  
Eastern Sea Leam Chabang Terminal Co., Ltd.

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

**Subsidiaries:** Marubeni Telecom Co., Ltd. (\*2), Marubeni Solutions Corporation,  
Marubeni Information Systems Co., Ltd., Global Access Ltd.

**Affiliated companies:** Japan Cablenet Holdings Ltd.

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

**Subsidiaries:** IMT Corporation

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

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

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

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

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

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

(\*1) Company name change:

Marubeni Nisshin Feed Co., Ltd. (Renamed from Marubeni Shiryo Co., Ltd.

as of October 1, 2003)

MG Leasing Corporation (Renamed from Marubeni General Leasing Co. as of June 16, 2003)

(\*2) Domestic listed subsidiaries:

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

Ten Corporation (JASDAQ)

Computer Wave Inc. (JASDAQ)

# Marubeni Corporation

## Management Policy

### Management Policy

#### 1. Fundamental management policy

Marubeni is now implementing the "V" PLAN, the three year medium term management plan starting from FY2003, expediting our process of reinforcing the earning power and the corporate resilience.

The "V" PLAN states that Marubeni's management policy is to "aim to be a robust corporate group, consisting of No. 1 portfolio units in each industry". Based on this plan, we are endeavoring to "improve our financial structure" and "reinforce our earnings base" by putting solid management into practice. We are implementing management strategies tailored to the respective business models of each unit and attempting to focus thoroughly on risk-return and cash flow.

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

Based on the fundamental management policy mentioned above, we pursued the following measures in FY2003.

As part of measures to strengthen the company's capital through the "V" PLAN, we issued 75.5 billion yen of preferred shares through a third-party allocation in December 2003. In addition to aiming to improve the company's financial structure, we actively allocated funds to priority business areas.

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

In FY2003, consolidated net income reached our highest record of 34.6 billion yen (compared with consolidated net income of 30.3 billion yen in FY2002), exceeding the company's annual estimate.

At the end of the year under review, as the company replaced assets in priority areas, promoted the collection of long-term loans and sold marketable securities, consolidated net interest-bearing debt was 1,969.3 billion yen (compared with a level of 2,264.1 billion yen at the end of FY2002), thereby reaching the FY2005 numerical target of 2,000 billion yen or less 2 years ahead of plan.

As the company increased consolidated net income, reduced consolidated net interest-bearing debt, and strengthened capital by issuing preferred shares, the net D/E ratio at the end of the term stood at 5.01 times (compared with 8.71 times at the end of FY2002), which marked a substantial improvement.

In April 2003, we introduced the Portfolio Unit System. In addition to business management focused on Marubeni's previous divisions, this system enables us to implement business management based on finely divided units that correspond to the

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company's products, business areas, and customers. By measuring profitability and earnings potential on a consolidated basis for each portfolio unit with risk and return indicators, we are replacing assets with high-quality ones that will achieve an increase in PATRAC (Profit After Tax less Risk Asset Cost), which leads to the more effective deployment of management resources.

Following is a discussion of operating environments during FY2003, by operating sector.

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

This division endeavored to enhance the reliability by bolstering its supply chain management system, which clarifies the record and safety of processes ranging from manufacturing to sales, and to expand the volume of transactions. For example, we formed a strategic alliance in the areas of production, importation, and sales of feed grains and oilseeds with Archer Daniel Midland Company, a major US grain trading company, in January 2004.

In addition, to reinforce sales of Australian beef, the division formed a tie-up with S Foods Inc. Marubeni Nisshin Feed Co., Ltd., which was inaugurated in October 2003, has also turned in a good performance, and it aims to expand earnings for the group as a whole.

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

We invested in the downstream area of the industry by taking an equity stake in Fabricant Co., Ltd., a company licensed to manufacture and market "Lacoste" brand products, and establishing Pacific Clothing Inc., a company that manufactures and sells casual clothing. In China, the division established Marubeni Textile (Shanghai) Co., Ltd. to reinforce the integrated trade functions ranging from raw materials to finished products in China, and to strengthen materials sales and transactions both within and outside China. In addition, the importation and sale of casual wear, as well as the rental uniform business of Marubeni Mates Ltd. and sales of knitting materials at Marubeni Tex Co., Ltd. also showed a favorable performance.

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

Market conditions for paper were weak due to excessive production and an offensive by imported paper, even though freight movements were robust. In contrast, market conditions for pulp remained strong on the back of high demand in Asia, centered on China, and Daishowa-Marubeni International Ltd., an affiliated company, posted a share increase in profits. In Australia, WA Plantation Resources Pty. Ltd., a subsidiary engaged in afforestation and the manufacture and sale of woodchips for paper production was announced as the national winner of the "Prime Minister's Award for Excellence in Community Business Partnership 2003", which is awarded to companies that work closely with regional communities and make excellent social contributions.

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

Owing to burgeoning demand in Asia and the continued trend of high product prices, synthetic fiber material and polyvinyl chloride resin transactions in the petrochemicals sector were robust. In particular, demand for chemicals in China increased strikingly, and we attempted to expand business further by participating in a local manufacturing

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business jointly with a leading manufacturer and establishing a sales and distribution company that will respond to a future increase in demand.

In the domestic market as well, business at Marubeni Plax Corporation, which handles plastic products and resins, and Marubeni Chemix Corporation, which handles speciality and organic chemicals, grew steadily.

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

Production conditions in the overseas energy development business, including the United States and Qatar, continued to be favorable. Trading of petroleum products showed a good performance mainly in the handling of petrochemical products such as naphtha for the Japanese market. Supported by the fuel market in China, which has continued to grow steadily, LPG sales of our affiliated company Shenzhen Sino-Benny LPG. Co., Ltd. were also firm. In addition, to bolster the competitiveness and earning power of Marubeni Energy Corporation, a subsidiary that markets petroleum and LPG in Japan, we implemented a capital tie-up through the sale of some shares of that company, which became a petroleum company after the LPG business was spun off.

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

In metal and mineral resources development, the Los Pelambres copper mine in Chile continued its operation at full capacity (annual production of 800 thousand tons of copper concentrate), and in combination with a rise in the market price of copper, made a higher earnings contribution. Furthermore, operations at the Hail Creek Coal Project in Australia, which began shipping coal in August 2003, also progressed favorably toward the goal of full production in 2006 (annual production of 6 million tons).

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

In the area of aircraft, investment in aircraft engine development generated favorable earnings, supported by solid sales of aircraft and aircraft repair parts. In the automobile and construction machinery area, overseas sales operations were robust and exports centered on construction machinery for the markets of Russia and the Middle and Near East also expanded. In the area of production and industrial machinery, Marubeni supplied an engine production line to Holden Ltd. (General Motor-Australia) and paper-making equipment to a state-owned paper factory in Baoi Baeng, Vietnam.

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

In the areas of overseas electric power business, Marubeni advanced in its efforts to expand and strengthen the IPP business in Asia, which Marubeni regards as a priority region, by completing the sale of shares in US-based Sithe Energies, Inc. and the acquisition of overseas assets held by that company. In addition, Marubeni won an order for the expansion of facilities at a transformer station on the island of Java for the Indonesian state-run power company and for the Phu My 2.1 Extension Add-on Combined Cycle Power Project funded by Electricity of Viet Nam (EVN). In the domestic electric power industry, the wind power plants at Yuya, Yamaguchi Prefecture, and Sata, Kagoshima Prefecture, began commercial operation. In the area of environmental infrastructure, Marubeni became involved in a sewage treatment business in Mexico.

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

In the plant sector, Marubeni won petroleum refining and oil development-related projects for oil and gas producing countries in the Middle and Near East and CIS, as well as an order for a large-scale cement plant with daily production of 4,500 tons in Saudi Arabia. In the textile machinery sector as well, orders for projects in China continued to show a favorable performance. In the ship sector, orders grew strongly in response to buoyant market conditions in the marine transport industry, and Marubeni received orders during the term for 60 new vessels.

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

In the mainstay domestic condominium sales segment, conveniently located property development projects in the center of cities such as Famille Higashi Ginza Grand Suite Tower were successfully sold out. Moreover, in the Kinki region, sales of properties such as Famille Takarazuka Grand Suite Tower sold well. In the non-residential segment, Marubeni took an equity stake in Japan REIT Advisors Co., Ltd., which manages real estate investment trusts, and United Urban Investment Corp., which was formed by the company, became listed on the Tokyo Stock Exchange in December 2003.

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

In the financial area, Marubeni pushed forward with fund operations, including MBI/MBO funds, enterprise turnaround funds, and a fund focused on enhancing Japanese small-medium sized companies' growth strategy in China. In the logistics area, utilizing its own warehouses, Marubeni continued to actively develop 3PL (third party logistics) through consulting and actively finding solutions enabling clients to reduce logistics costs, etc. In the insurance sector, in addition to nationally developing life insurance and fire & marine insurance brokerage operations in Japan, Marubeni endeavored to reinforce the earning potential of the insurance brokerage business in the case of overseas reinsurance brokerage projects through alliances with leading overseas brokers.

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

Marubeni won orders for an educational broadcasting system in Ethiopia, a telephone exchange system in Vietnam, and telecommunications equipment in Malaysia. In addition, Global Access Ltd., a company engaged in the optical cable networking business, steadily boosted sales to ISP and CATV providers. Marubeni Telecom Co., Ltd. and Marubeni Information Systems Co., Ltd. also posted solid earnings.

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

Earnings at domestic branches and offices, led by the Nagoya Branch, were favorable. Marubeni endeavored to strengthen and expand business with companies that are well established in the condominium, industrial machinery, chemicals, general merchandise, pulp and paper, and foodstuff markets in order to contribute to the invigoration of regional economies and generate an increase in earnings.

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

Among the overseas corporate subsidiaries and branches, Marubeni America Corporation's major businesses, such as Helena Chemical Company, which sells agricultural chemicals, and Carlisle Leasing International, which leases containers, are doing well. Overseas subsidiaries and branches generally posted favorable earnings.

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For example, Marubeni Europe p.l.c. enjoyed robust business within the region mainly in the area of chemicals.

### 3. Corporate governance

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

#### Basic viewpoint regarding corporate governance

We, the directors and employees of the Marubeni group, shall observe the letter of the laws, regulations and internal corporate rules, by observing the values of "Fairness, Innovation, and Harmony" expressed in our Company Creed and with the spirit expressed in the Marubeni Corporate Principles, and shall conduct our business activities in compliance with a high corporate ethical code and moral-minded management philosophies.

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

#### Company Creed

Fairness: To be fair and decent.

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

Innovation: To be active and innovative.

- We shall constantly strive to improve ourselves.

Harmony: To respect each other and cooperate

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

#### Company Doctrine

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

#### Marubeni Corporate Principles

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

##### 1. Conduct fair and open business activities

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

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### **2. Develop a globally connected company**

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

### **3. Create New Value through Business Vision**

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

### **4. Respect and Encourage Individuality and Originality**

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

### **5. Promote Good Corporate Governance**

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

### **6. Safeguard Ecological and Cultural Diversity**

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

### **Stakeholders**

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

### **Customers**

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

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## **Business Partners**

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

## **Shareholders**

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

## **Employees**

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

## **Regional communities**

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

## **The Environment**

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

## **Action relating to corporate governance**

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

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

The Board of Directors comprises 11 directors. It decides the execution of the company's important business operations, and supervises the performance of the duties of directors. In order to separate management and execution, the Chairman of the Company is appointed as the chairperson of the Board of Directors, as of April 1, 2004, instead of the President & CEO.

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

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

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### **C Corporate Management Committee**

Corporate Management Committee is comprised of the President & CEO and 9 directors under the jurisdiction of the President & CEO, and deliberate on general, important matters relating to management.

### **D Committee of Corporate Vice President**

The Committee of Corporate Vice President comprises 11 directors and 22 Corporate Vice Presidents. Marubeni has adopted the executive officer systems in order to separate the supervisory functions and the business execution functions of management, and also to clarify authority and responsibility. The committee reports on matters relating to the policy directions of the President & CEO, the communication of information, and the execution of business.

In addition, we have set up 9 committees that are advisory bodies for the president and an Advisory Committee that consists of knowledgeable people from outside the company.

(a) Investment and Credit Committee (meets once a week in principle)

Discusses investment-related issues. The chair of the Investment and Credit Committee decides matters that should be discussed at the Corporate Management Committee after being evaluated by the Investment and Credit Committee.

(b) "V" Plan Committee (meets as required)

Executes, promotes, and follows up on matters decided at the Corporate Management Committee and policy relating to the medium-term management plan.

(c) Compliance Committee (meets twice a year, otherwise meets as required)

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

(d) Management Remuneration Committee (meets as required)

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

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

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

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

Discusses the basic action policy associated with environmental-related matters in general in the Marubeni group and reports on relevant activities.

(g) Customs Clearance Control Committee (meets as required)

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

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

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

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(i) CSR Committee (meets as required)

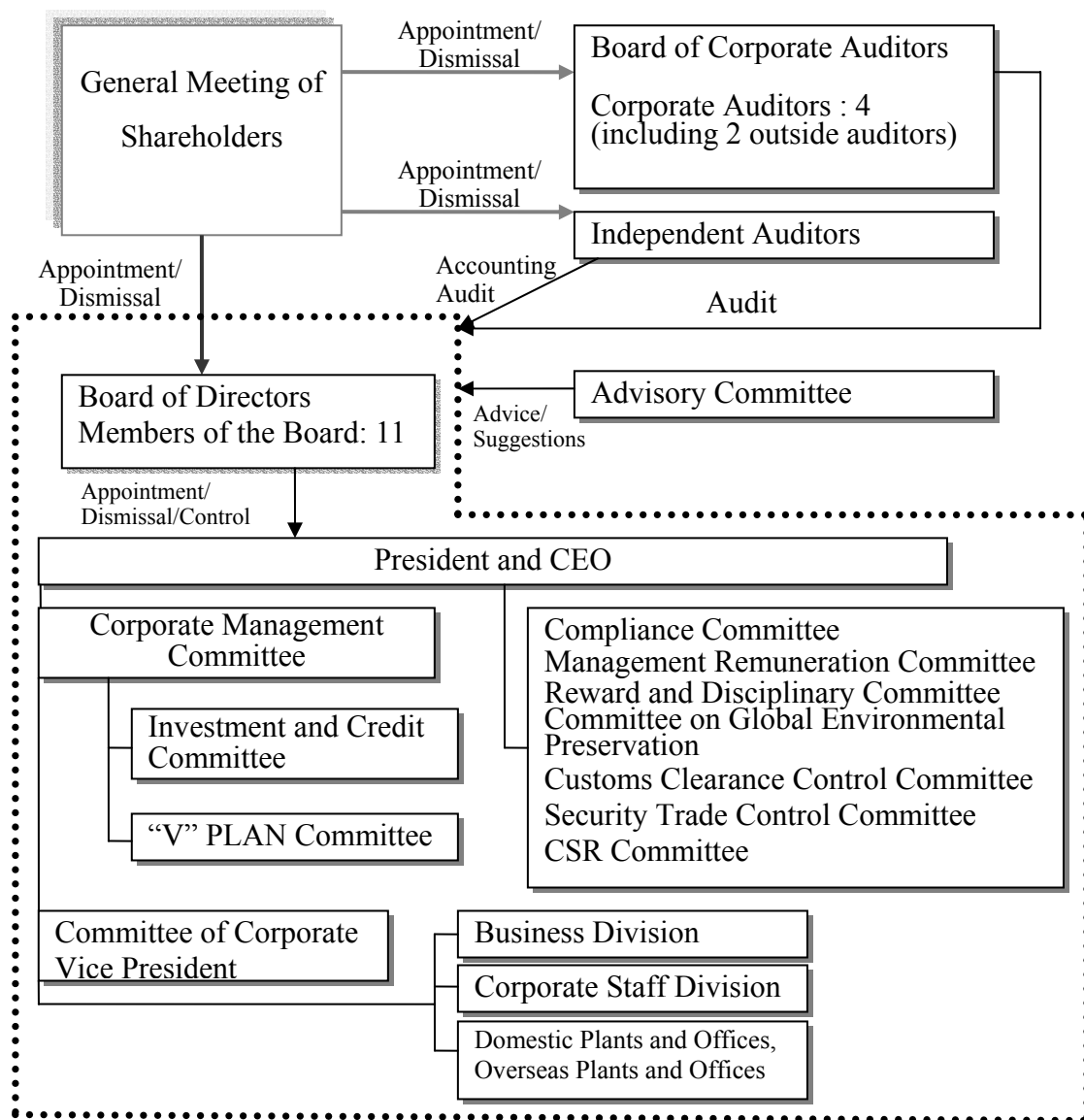
Formulates policy to handle the Marubeni group's corporate social responsibility (CSR) and reviews progress status.

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

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

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

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



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

## Marubeni Corporation

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

There are no external directors.

Hiroaki Shinoda, an external auditor, does not have any particular interests in the Marubeni group. In addition, Tatechika Umeda, an external auditor, is the representative director and president of Heisei Sogo Services Co., Ltd., and Marubeni has a capital relationship with that company.

### **(3) Status of implementation of measures aimed at strengthening of Marubeni's corporate governance during the most recent past year (one year dating back from the end of the most recent fiscal year)**

In FY2003, Marubeni held meetings of the Board of Directors 21 times, and in order to decide on the execution of the company's business and supervise the status of business implementation by the directors, the board received reports regularly from the directors.

In addition, the Corporate Management Committee held meetings 27 times, and resolved management-related policy and important matters for the company as a whole.

The Board of Corporate Auditors met 7 times, established the auditing policy and the auditing plans, and reported on the outcome of audits. Each auditor audits the performance of the duties of the directors through attending important meetings, including those of the Board of Directors, and investigating the status of business operations and assets.

Investment and Credit Committee held 34 meetings and the "V" Plan Committee held 19 meetings. The two committees reported on their resolution to the Corporate Management Committee.

The Committee of Executive Officers held meetings 11 times and issued reports regarding the execution of business.

The Committee on Global Environmental Preservation met 3 times, the Customs Clearance Control Committee met 1 time, the Security Trade Control Committee met 1 time, and the Compliance Committee met 2 times. They reported on the status of activities to the President & CEO.

The Advisory Committee met 3 times and provided advice and proposals to the directors regarding management in general.

Furthermore, in order to develop an open management for society and our shareholders, we are attempting to bolster corporate governance through the following measures.

- With the aim of further invigorating company management, we amended the term of appointment for directors from two years to one year at the ordinary general meeting of shareholders in June 2003.

## Marubeni Corporation

- In April 2003, we established the Corporate Auditor Department with the aim of strengthening the functions of auditors.

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

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

In addition, we have appointed external consultants to assist in the development of this internal control system.

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

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

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

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

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

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

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

## Marubeni Corporation

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

In FY2003, the Compliance Committee held 2 meetings, and we held operating subcommittee meetings and informal training sessions as required. In such ways, we endeavored to strengthen the compliance system for the overall group.

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

- Compliance Committee channel
- External legal counsel channel

### **(6) Remuneration of directors**

In FY2003, the amount of remuneration that Marubeni paid to directors was 302 million yen. In addition, remuneration paid to auditors amounted to 65 million yen. Marubeni did not pay any non-monetary form of remuneration to company officers.

The above mentioned amounts paid during the term under review do not include the followings.

- Any amount paid as salary for being an employee and director  
(including bonus) 5 million yen
- Retirement benefits for directors 114 million yen
- Retirement benefits for auditors 14 million yen

We will disclose information regarding "details of auditing remuneration" for corporate governance at a later date.

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

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

For FY2003, in order to provide shareholders with steady dividend payments, we intend to pay a year-end cash dividend of 3 yen per share, as in the previous fiscal year. We intend to pay "pre-defined" fiscal year-end dividend of 5.85 yen per share for the preferred shares.

# Marubeni Corporation

## Financial Results and Conditions

### 1. Financial Results

#### *Business Environment*

Looking broadly at overseas economies during FY2003, the negative effects of both the Iraq war and SARS were limited and a strong recovery centered on the U.S. economy and China's economy became apparent through the second half of 2003.

In the U.S., the sentiment of both enterprises and consumers lifted with the de facto conclusion of the Iraq war, and this combined with aggressive monetary easing and large-scale tax cuts to put stock prices back on an upward trend. Led by consumer spending and capital investment, the pace of the recovery picked up. The outlook for the U.S. economy, however, remains uncertain, as the recovery in employment has remained sluggish due to progress achieved by companies in labor saving, and there is also concern over the expanding national budget deficit and current account deficit.

In Europe, exports were sluggish in the first half of 2003 due in part to an appreciating euro, but once the European central bank embarked on aggressive monetary easing, the results became apparent in the second half and the economy showed signs of recovery.

In Asia, the SARS epidemic spread in spring 2003 especially in China, but it became contained in June and a large impact on the economy was avoided. China achieved high economic growth of 9.1% thanks to sharp increase in fixed-asset investment and robust exports. The economies of Thailand, Malaysia, the Philippines, and Indonesia expanded at a stable rate on the back of strong internal demand. In South Korea, Taiwan, Hong Kong, and Singapore, internal demand was sluggish in the first half of 2003, but economic conditions picked up especially in the case of exports in the second half in response to the recovery of the global economy.

The persistently high price of crude oil helped the Russian economy to show a solid performance. In Central and South America, the turbulence in Brazil's and Argentina's financial and currency markets subsided, and economic conditions revived.

The Japanese economy continued to show an export-led recovery. Exports trended firmly against a backdrop of economic growth in China and the rest of Asia and stable currency rates courtesy of the government's and the Bank of Japan's large-scale market interventions. In financial markets, the Bank of Japan expanded its policy of quantitative easing and foreign investors aggressively purchased Japanese stocks. Consequently, at the end of the fiscal year, the Nikkei Stock Average had risen 46.9% over the end of the previous fiscal year, and uncertainty regarding the financial system receded. In response, corporate confidence in the economy improved and the number of companies that embarked on facility renewal increased, which supported the continuing recovery in capital investment. In contrast, however, as the employment and income environments remained severe and consumer spending posted only a moderate recovery, Japan failed to overcome deflation.

## Marubeni Corporation

### Consolidated Financial Results

The summary of consolidated financial results for this term is as follows:

	FY2003	FY2002	(billions of yen)	
			Variance	
			Amount	Ratio
Total volume of trading transactions	7,905.6	8,793.3	-887.7	-10.1 %
Gross trading profit	409.5	424.6	-15.2	-3.6 %
Operating profit	78.6	73.4	5.3	7.2 %
Income before taxes and equity in earnings	58.9	36.3	22.6	62.1 %
Net income	34.6	30.3	4.3	14.0 %

On a consolidated basis, Marubeni's **total volume of trading transactions** decreased 10.1% to 7,905.6 billion yen.

**Gross trading profit** declined 3.6% or 15.2 billion yen, to 409.5 billion yen

As SG&A expenses and provision for doubtful accounts decreased by 20.4 billion yen, **operating profit** increased 7.2 % or 5.3 billion yen to 78.6 billion yen.

Owing to the increase in operating profit as well as an improvement in earnings from investment securities, **income before income taxes and equity in earnings** rose 62.1% or 22.6 billion yen to 58.9 billion yen.

**Income before equity in earnings of affiliated companies with the application of tax effect accounting** grew 16.0% or 3.2 billion yen to 23.3 billion yen.

As equity in earnings improved 6.3% or 0.9 billion yen, **net income** increased by 4.3 billion yen or 14.0% to 34.6 billion yen.

# Marubeni Corporation

## 2. Financial Condition

### Consolidated Financial Conditions

A summary of consolidated balance sheets at year-end is as follows:

(billions of yen)

	March 31, 2004	March 31, 2003	Change
Total assets	4,254.2	4,321.5	-67.3
Shareholders' equity	393.0	260.1	132.9
Interest-bearing debt	2,454.8	2,745.0	-290.2
Net interest-bearing debt (Net D/E ratio)	1,969.3 5.01 times	2,264.1 8.71 times	-294.8 -3.7 points

	March 31, 2004	March 31, 2003	Change
Net interest-bearing debt after factoring out impact of FAS No.133 (Net D/E ratio)	1,948.0 4.96 times	2,223.1 8.55 times	-275.1 -3.59 points

**Consolidated total assets** fell 67.3 billion yen to 4,254.2 billion yen over the end of the previous fiscal year. Although fixed assets increased due to the acquisition of IPP assets, operating receivables and long-term receivables decreased due to a reduction of low-margin transactions. **Consolidated interest-bearing debt** fell by 290.2 billion yen, to 2,454.8 billion yen mainly due to the issuance of the preferred shares. Net interest-bearing debt after deducting cash and cash equivalents was down 294.8 billion yen to 1,969.3 billion yen. Owing to an increase in capital and capital reserves resulting from the issuance of preferred shares, as well as an improvement in net unrealized gains (losses) on investment securities, net of reclassification, **shareholders' equity** grew by 132.9 billion yen, to 393.0 billion yen. As a result, the **net debt-to-equity ratio** improved 3.7 points over the previous year-end of 8.71 times to 5.01 times.

**Net cash provided by operating activities** rose 6.8 billion yen to 201.6 billion yen, as a result of efforts to improve operational efficiency, such as a reduction in trade receivables. **Net cash provided by investing activities** amounted to 58.0 billion yen due to the sale and redemption of marketable securities and investment securities, and the collection of loans.

As a result, 259.5 billion yen in free cash flow was generated during the term under review.

As the company appropriated the income from this free cash flow and the proceeds from the issuance of the preferred shares, to the reduction of interest-bearing debt, **net cash used in financing activities** was 233.9 billion yen, and the balance of **cash and cash equivalents** at the end of the fiscal year increased by 12.2 billion yen from the end of the previous year to 478.7 billion yen.

# Marubeni Corporation

## 3. Financial Prospects for Fiscal Year Ending March 31, 2005

Financial prospects for the fiscal year ending March 31, 2005 are as follows.

### Consolidated Financial Prospects

	(billions of yen)	
	FY2004	FY2003
Total volume of trading transactions	7,600.0	7,905.6
Net income	37.0	34.6

### Main indicators used in preparing financial prospects for fiscal year ending March 31, 2005

USD 1 = JPY 105 (approximately)

Short-term prime rate (Japan): 1.375%

Long-term prime rate (Japan): 1.7%

Marubeni Corporation  
Consolidated Statements of Operations

*Millions of yen*

	Year ended March 31		Variance	Ratio
	2004	2003		
Total volume of trading transactions	¥ 7,905,640	¥ 8,793,303	¥ - 887,663	- 10.1%
Gross trading profit (ratio)	¥ 409,461 (5.18%)	¥ 424,643 (4.83%)	¥ - 15,182	- 3.6%
Expenses:				
Selling, general and administrative expenses	- 330,032	- 345,612	15,580	- 4.5%
Provision for doubtful accounts	- 805	- 5,660	4,855	- 85.8%
Total	- 330,837	- 351,272	20,435	- 5.8%
Operating profit (loss)	78,624	73,371	5,253	7.2%
Other income (expenses):				
Interest expense, net of interest income	- 23,474	- 23,513	39	- 0.2%
Dividends	7,198	6,797	401	5.9%
Gain (loss) on investment securities	16,077	- 12,732	28,809	-
Gain (loss) on property and equipment	- 1,555	8,530	- 10,085	-
Other - net	- 17,970	- 16,107	- 1,863	-
Total	- 19,724	- 37,025	17,301	-
Income (loss) before income taxes and equity in earnings (losses) of affiliated companies	58,900	36,346	22,554	62.1%
Provision for income taxes	- 35,618	- 16,274	- 19,344	118.9%
Income (loss) before equity in earnings (losses) of affiliated companies	23,282	20,072	3,210	16.0%
Minority interests in income (loss) of consolidated subsidiaries	- 2,988	- 3,180	192	- 6.0%
Equity in earnings (losses) of affiliated companies-net (after income tax effects)	14,271	13,420	851	6.3%
Net income (loss)	¥ 34,565	¥ 30,312	¥ 4,253	14.0%
Dividend for preferred shares	442	-	442	-
Net income available for shareholders	34,123	30,312	3,811	12.6%
	<i>Yen</i>			
Basic earnings per share-weighted average shares	22.85	20.30	2.55	12.6%
Diluted earnings per share- adjusted weighted average shares and assumed conversions	20.16	18.96	1.20	6.3%

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

(Note 2) For Japanese investors' convenience, Total volume of trading transactions and Operating profit are shown according to Japanese accounting practices. Total volume of trading transactions is the sum of those in which the Companies act as principal and those in which the Companies act as agent.

(Note 3) From this period, Minority interests in income of consolidated subsidiaries, formerly included in Income before income taxes and equity in earnings of affiliated companies, is shown individually. Accordingly, the figures for Income before income taxes and equity in earnings of affiliated companies, of the previous period is rearranged in the same way.

Marubeni Corporation  
Consolidated Balance Sheets

	<i>Millions of yen</i>		
	<b>March 31</b>		<b>Variance</b>
	<b>2004</b>	<b>2003</b>	
<b>Assets</b>			
Current assets:			
Cash and cash equivalents, and time deposits	¥ 485,484	¥ 480,842	¥ 4,642
Investment securities	9,445	13,290	- 3,845
Notes and accounts receivable - trade:			
Notes receivable	98,227	108,048	- 9,821
Accounts receivable	764,545	824,784	- 60,239
Due from affiliated companies	106,391	131,655	- 25,264
Allowance for doubtful accounts	- 26,949	- 32,068	5,119
Inventories	398,617	397,714	903
Advance payments to suppliers	85,490	67,741	17,749
Deferred income taxes	32,862	34,594	- 1,732
Prepaid expenses and other current assets	125,852	175,474	- 49,622
Total current assets	<b>2,079,964</b>	<b>2,202,074</b>	<b>- 122,110</b>
Investments and long-term receivables:			
Affiliated companies	337,451	364,648	- 27,197
Securities and other investments	485,865	450,544	35,321
Notes, loans and accounts receivable - trade	300,049	356,349	-56,300
Allowance for doubtful accounts	- 93,865	- 110,462	16,597
Property leased to others, at cost, less accumulated depreciation	256,370	201,871	54,499
Total investments and long-term receivables	<b>1,285,870</b>	<b>1,262,950</b>	<b>22,920</b>
Net property and equipment	484,985	460,331	24,654
Prepaid pension cost	105,797	113,005	- 7,208
Deferred income taxes	118,274	157,335	- 39,061
Intangible fixed assets	50,006	42,236	7,770
Goodwill	28,793	23,553	5,240
Other assets	100,505	59,998	40,507
Total assets	<b>¥4,254,194</b>	<b>¥4,321,482</b>	<b>¥ - 67,288</b>

\*These financial statements are based on US GAAP.

Marubeni Corporation  
Consolidated Balance Sheets (continued)

	<i>Millions of yen</i>		
	<b>March 31</b>		
	<b>2004</b>	<b>2003</b>	<b>Variance</b>
<b>Liabilities and shareholders' equity</b>			
Current liabilities:			
Short-term loans	¥ 474,735	¥ 561,139	¥ - 86,404
Current portion of long-term debt	328,816	402,186	- 73,370
Notes and accounts payable-trade			
Notes and acceptances payable	204,574	196,282	8,292
Accounts payable	629,279	608,386	20,893
Due to affiliated companies	44,228	44,717	- 489
Advance payments received from customers	76,684	60,553	16,131
Income taxes	13,262	13,773	- 511
Deferred income taxes	2,535	1,984	551
Accrued expenses and other current liabilities	190,705	216,880	- 26,175
Total current liabilities	1,964,818	2,105,900	- 141,082
Long-term debt, less current portion	1,822,473	1,902,327	- 79,854
Employees' retirement benefits	8,786	9,571	- 785
Deferred income taxes	23,536	10,972	12,564
Minority interests in consolidated subsidiaries	41,599	32,661	8,938
Shareholders' equity:			
Paid-in capital	231,789	194,039	37,750
Additional paid-in capital	125,430	87,765	37,665
Retained earnings (losses)	94,870	64,786	30,084
Accumulated other comprehensive loss	- 59,025	- 86,441	27,416
Cost of common stock in treasury	- 82	- 98	16
Total shareholders' equity	392,982	260,051	132,931
Total liabilities and shareholders' equity	¥4,254,194	¥4,321,482	¥ - 67,288
<hr/>			
<i>(millions of yen)</i>			
<b>Cash and cash equivalents:</b>	¥ 478,731	¥ 466,511	¥ 12,220
<b>Accumulated other comprehensive loss:</b>			
Net unrealized gains (losses) on investment securities, net of reclassification	¥ 34,927	¥ - 8,363	¥ 43,290
Currency translation adjustments, net of reclassification	- 87,927	- 72,680	- 15,247
Minimum pension liability adjustment	- 612	- 582	- 30
Net unrealized losses on derivatives	- 5,413	- 4,816	- 597

Marubeni Corporation  
Consolidated Statements of Changes in Shareholders' Equity

*Millions of yen*

	March 31					
	2004		2003		Variance	
<b>Paid-in Capital:</b>						
Balance at beginning of year	194,039		194,039		-	
Issuance of preferred shares	37,750		-		37,750	
Balance at end of year	<u>231,789</u>		<u>194,039</u>		<u>37,750</u>	
<b>Additional paid-in capital:</b>						
Balance at beginning of year	87,765		216,993		-129,228	
Transfer to retained earnings (losses)	-		- 129,228		129,228	
Issuance of preferred shares	37,665		-		37,665	
Balance at end of year	<u>125,430</u>		<u>87,765</u>		<u>37,665</u>	
<b>Retained earnings (losses):</b>						
Balance at beginning of year	64,786		- 94,754		159,540	
Net income (loss)	34,565	34,565	30,312	30,312	4,253	4,253
Cash dividend	- 4,481		-		- 4,481	
Transfer from additional paid-in capital	-		129,228		- 129,228	
Balance at end of year	<u>94,870</u>		<u>64,786</u>		<u>30,084</u>	
<b>Accumulated other comprehensive income (loss):</b>						
Balance at beginning of year	- 86,441		- 52,375		- 34,066	
Unrealized (losses) gains on investment securities, net of reclassification	43,290			- 8,749		52,039
Currency translation adjustments, net of reclassification	- 15,247			- 20,854		5,607
Minimum pension liability adjustment	- 30			-362		332
Net unrealized losses on derivatives	- 597			- 4,101		3,504
Other comprehensive income (loss), net of tax	27,416	27,416	- 34,066	- 34,066	61,482	61,482
Comprehensive income (loss)	<u>61,981</u>		<u>- 3,754</u>		<u>65,735</u>	
Balance at end of year	<u>- 59,025</u>		<u>- 86,441</u>		<u>27,416</u>	
<b>Cost of common stock in treasury:</b>						
Balance at beginning of year	- 98		- 8		- 90	
Treasury stock sold (repurchased)	16		- 90		106	
Balance at end of year	<u>- 82</u>		<u>- 98</u>		<u>16</u>	

\*These financial statements are based on US GAAP.

# Marubeni Corporation

## Consolidated Statements of Cash Flows

*Millions of yen*

	Year ended March 31		Variance
	2004	2003	
<b>Operating activities</b>			
Net income (loss)	¥ 34,565	¥ 30,312	¥ 4,253
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	54,261	63,665	- 9,404
Provision for doubtful accounts	805	5,660	- 4,855
Equity in losses (earnings) of affiliated companies- net	- 598	- 5,555	4,957
(Gain) loss on investment securities	-16,077	12,732	- 28,809
(Gain) loss on property and equipment	1,555	- 8,530	10,085
Deferred income taxes	14,913	- 657	15,570
Changes in operating assets and liabilities:			
Notes and accounts receivable	57,711	76,603	- 18,892
Inventories	- 1,102	15,637	- 16,739
Advance payments to suppliers and prepaid expenses and other current assets	15,138	- 1,062	16,200
Prepaid pension cost	7,208	- 8,819	16,027
Notes, acceptances and accounts payable	18,839	- 13,898	32,737
Advance payments received from customers and accrued and other current liabilities	- 2,704	19,155	-21,859
Income taxes	- 637	3,996	-4,633
Other	17,683	5,549	12,134
Net cash provided (used) by operating activities	201,560	194,788	6,772
<b>Investing activities</b>			
Proceeds from sales and redemptions of securities and other investments	106,326	108,092	- 1,766
Purchases of securities and other investments	- 52,346	- 82,796	30,450
Proceeds from sales of property and equipment and property leased to others	15,195	47,783	- 32,588
Purchases of property and equipment and property leased to others	- 66,478	- 59,663	- 6,815
Collection of loans receivable	131,470	165,363	- 33,893
Loans made to customers	- 59,127	- 61,523	2,396
Other	- 17,057	-4,015	- 13,042
Net cash provided by investing activities	57,983	113,241	- 55,258
Free cash flow	259,543	308,029	- 48,486
<b>Financing activities</b>			
Net decrease (increase) in short-term loans	- 173,240	- 53,423	- 119,817
Proceeds from long-term debt	458,836	368,218	90,618
Payments of long-term debt	- 589,521	- 609,920	20,399
Cash dividend	- 4,481	-	- 4,481
(Purchase) sale of treasury stock	16	- 90	106
Income amount due to issuance of preferred shares	75,415	-	75,415
Other	-963	1,214	- 2,177
Net cash used (provided) in financing activities	- 233,938	- 294,001	60,063
Effect of exchange rate changes on cash and cash equivalents	- 13,385	- 14,159	774
Net increase (decrease) in cash and cash equivalents	12,220	- 131	12,351
Cash and cash equivalents at beginning of year	466,511	466,642	-131
Cash and cash equivalents at end of year	478,731	466,511	12,220

\*These financial statements are based on US GAAP.

Marubeni Corporation  
Notes to Consolidated Financial Statements

**Basis of Consolidated Financial Statements**

1. Subsidiaries and affiliated companies accounted for by equity method

(1) Number of subsidiaries and affiliated companies

	March 31, 2004	March 31, 2003	Variance
Subsidiaries	348	327	21
Affiliated companies	154	157	-3
Total	502	484	18

(2) Major Group Firms

Subsidiaries

Overseas 224	Marubeni America Corporation Marubeni Europe p.l.c. Sithe Asia Holdings Limited Marubeni International Finance p.l.c. Cia. Iguaçu de Café Solúvel
Domestic 124	Marubeni Real Estate Co., Ltd. Marubeni Pulp & Paper Sales Co., Ltd. Marubeni Telecom Co., Ltd. Marubeni Energy Corporation Marubeni Nisshin Feed Co., Ltd. (*)

(\*) Company name changed from "Marubeni Shiryō Co., Ltd." as of Oct. 1, 2003.

Affiliated companies

Overseas 102	Shanghai Asahi Electronic Glass Co., Ltd. Uni-Mar Energi Yatirimlari A.S. Daishowa-Marubeni International Ltd.
Domestic 52	Marubeni-Itochu Steel Inc. The Maruetsu, Inc. Sofmap Co., Ltd. Marubeni Construction Material Lease Co., Ltd Marubeni Infotec Corporation

(3) Changes

Subsidiaries

Newly included 49	Marubeni Liquefied Gas Corporation Fuji Coated Paper Co., Ltd. Sithe Asia Holdings Limited Others--- 46 companies
Excluded	28 companies

Affiliated companies

Newly included 10	Fabricant Co., Ltd. Japan Reit Advisors Shandong Dinghong Electronic Glass Co., Ltd Others--- 7 companies
Excluded	13 companies

2. Change of Accounting Standards

From this term, the Company has adopted Statement of Financial Accounting Standards Statement No. 143 "Accounting for Asset Retirement Obligations" and Statement No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity".

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>			
	Year ended March 31			
	2004		2003	
<b>Numerator:</b>				
<b>Net income (loss)</b>	¥	34,565	¥	30,312
Amount which does not belong to ordinary shares – dividend for preferred shares		-442		-
Net income available for common shareholders – Numerator for basic earnings (loss) per share		34,123		30,312
Effect of dilutive securities:				
Convertible debentures		323		333
Dividend for preferred shares		442		-
Numerator for diluted earnings (loss) per share	¥	34,888	¥	30,645
<b>Denominator:</b>				
		<i>Number of shares</i>		
Denominator for basic earnings (loss) per share - weighted average shares		1,493,219,051		1,493,495,279
Effect of dilutive securities:				
Convertible debentures		119,666,048		123,151,564
Preferred shares		117,406,406		-
Denominator for diluted earnings per share - adjusted weighted average shares and assumed conversions		1,730,291,505		1,616,646,843
<i>Yen</i>				
Basic earnings (loss) per share	¥	22.85	¥	20.30
Diluted earnings (loss) per share	¥	20.16	¥	18.96

Dividend for Class I Preferred Shares issued in December 2003 is excluded from Net income for the term.

The convertible debenture #8 issued in November 1996 was dilutive for FY2002 and FY2003, and Class I Preferred Stock was dilutive for FY2003.

Marubeni Corporation  
Notes to Consolidated Financial Statements (continued)

**Segment Information**

**1. Operating Segments**

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

Marubeni Corporation  
Notes to Consolidated Financial Statements (continued)

**Segment Information (continued)**

The Company's operating segment information for FY2003 and FY2002, were as follows:

<b>FY2003</b> <b>(April 1, 2003 - March 31, 2004)</b>	<i>Millions of yen</i>							
	Agri-marine products	Textile	Forest products and general merchandise	Chemicals	Energy	Metals and mineral resources	Transportation and industrial machinery	Utility and infrastructure
Total volume of trading transactions:								
Outside customers	¥ 848,868	¥ 349,413	¥ 733,909	¥ 538,363	¥ 1,994,307	¥ 471,211	¥ 758,976	¥ 360,977
Inter-segment	7,942	3,451	37,599	26,163	707	21,995	23,627	41
Total	¥ 856,810	¥ 352,864	¥ 771,508	¥ 564,526	¥ 1,995,014	¥ 493,206	¥ 782,603	¥ 361,018
Gross trading profit	¥ 61,436	¥ 23,914	¥ 42,009	¥ 24,945	¥ 30,817	¥ 12,163	¥ 55,769	¥ 20,567
Segment net income (loss)	¥ 6,957	¥ 1,753	¥ 6,253	¥ 3,326	¥ 10,113	¥ 4,258	¥ -448	¥ 5,068
Segment asset (March 31, 2004)	¥ 417,735	¥ 127,045	¥ 315,720	¥ 147,118	¥ 319,584	¥ 180,257	¥ 306,718	¥ 409,193

	<i>Millions of yen</i>							Consolidated
	Plant and ship	Development and construction	Finance and logistics business	Telecom & Information	Domestic branches and offices	Overseas corporate subsidiaries and branches	Corporate and elimination	
Total volume of trading transactions:								
Outside customers	¥ 610,067	¥ 178,247	¥ 15,872	¥ 164,605	¥ 145,796	¥ 729,620	¥ 5,409	¥ 7,905,640
Inter-segment	3,030	501	2,019	3,157	13,450	305,994	-449,676	-
Total	¥ 613,097	¥ 178,748	¥ 17,891	¥ 167,762	¥ 159,246	¥ 1,035,614	¥ -444,267	¥ 7,905,640
Gross trading profit	¥ 8,836	¥ 27,909	¥ 4,900	¥ 19,952	¥ 5,427	¥ 73,458	¥ -2,641	¥ 409,461
Segment net income (loss)	¥ -4,451	¥ -154	¥ 2,502	¥ -7,880	¥ 718	¥ 4,809	¥ 1,741	¥ 34,565
Segment asset (March 31, 2004)	¥ 343,070	¥ 330,506	¥ 144,432	¥ 144,195	¥ 60,625	¥ 439,013	¥ 568,983	¥ 4,254,194

Marubeni Corporation  
Notes to Consolidated Financial Statements (continued)

Segment Information (continued)

*Millions of yen*

FY2002 (April 1, 2002 – March 31, 2003)	Agri-marine products	Textile	Forest products and general merchandise	Chemicals	Energy	Metals and mineral resources	Transportation and industrial machinery	Utility and infrastructure
Total volume of trading transactions:								
Outside customers	¥ 1,006,979	¥ 366,742	¥ 705,421	¥ 547,563	¥ 2,308,904	¥ 414,473	¥ 753,677	¥ 421,743
Inter-segment	16,534	3,535	40,355	22,365	849	27,871	22,901	107
Total	¥ 1,023,513	¥ 370,277	¥ 745,776	¥ 569,928	¥ 2,309,753	¥ 442,344	¥ 776,578	¥ 421,850
Gross trading profit	¥ 58,559	¥ 24,494	¥ 41,242	¥ 29,279	¥ 29,615	¥ 13,984	¥ 54,371	¥ 11,832
Segment net income (loss)	¥ 7,066	¥ 1,934	¥ 4,868	¥ 2,063	¥ 6,556	¥ 1,923	¥ 3,567	¥ 4,508
Segment assets (March 31, 2003)	¥ 347,483	¥ 123,868	¥ 299,009	¥ 147,420	¥ 348,338	¥ 157,820	¥ 292,581	¥ 232,197

*Millions of yen*

	Plant and ship	Development and construction	Finance and logistics business	IT business	Domestic branches and offices	Overseas corporate subsidiaries and branches	Corporate and elimination	Consolidated
Total volume of trading transactions:								
Outside customers	¥ 732,978	¥ 185,346	¥ 32,479	¥ 381,758	¥ 158,639	¥ 771,859	¥ 4,742	¥ 8,793,303
Inter-segment	3,498	494	5,355	4,404	14,296	293,508	-456,072	-
Total	¥ 736,476	¥ 185,840	¥ 37,834	¥ 386,162	¥ 172,935	¥ 1,065,367	¥ -451,330	¥ 8,793,303
Gross trading profit	¥ 13,866	¥ 34,027	¥ 6,523	¥ 32,559	¥ 6,081	¥ 72,827	¥ -4,616	¥ 424,643
Segment net income (loss)	¥ 1,277	¥ -205	¥ 3,344	¥ -7,990	¥ 836	¥ 4,943	¥ -4,378	¥ 30,312
Segment assets (March 31, 2003)	¥ 392,244	¥ 376,963	¥ 169,504	¥ 245,103	¥ 60,764	¥ 491,371	¥ 636,817	¥ 4,321,482

(Note 1) From this fiscal year, *IT Business* has been renamed to *Telecom & Information*, transferring a part of its business to *Transportation & Industrial Machinery* and *Utility & Infrastructure*. Restatement of the financial information for FY2002 regarding those operating segments according to this reorganization for FY2003, is not practical. Restated amounts of those segments in FY2003 according to the segments in FY2002 are as follows:

	Transportation & Industrial Machinery	Utility & Infrastructure	Telecom & Information
Total volume of trading transactions	686,579	361,018	263,786
Gross trading profit	53,679	20,567	22,042
Net income (loss) for the term	5,991	5,427	- 14,678
Total assets (as of March 31, 2003)	273,187	378,376	208,543

(Note 2) Inter-segment transactions are generally priced in accordance with the prevailing market prices. *Corporate and elimination* includes differences in accounting principles generally accepted in Japan and those in the United States of America.

(Note 3) Figures for segment assets are the amounts for each term-end.

Marubeni Corporation  
Notes to Consolidated Financial Statements (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 fell 16.3% over the previous year, or 166.7 billion yen, mainly in the area of agency transactions involving foodstuffs distribution. Owing to the inclusion in the scope of consolidation of a foodstuff distribution-related company and the impact of a merger with a feed-related subsidiary, gross trading profit rose 4.9% over the previous year, or 2.9 billion yen.

**Textile** transactions fell 4.7%, or 17.4 billion yen, due to stagnation in the domestic market and a drop in exports. These factors resulted in gross trading profit declining 2.4%, or 0.6 billion yen.

**Forest Products and General Merchandise** transactions rose 3.5%, or 25.7 billion yen, due to an increase in trading of plywood and wooden building materials and the inclusion in the scope of consolidation of paper-related subsidiary. Gross trading profit rose 1.9%, or 0.8 billion yen as a consequence of the increase in sales and an improvement in profit margins on woodchip-related transactions.

**Chemicals** transactions fell 0.9%, or 5.4 billion yen, in response to the removal from the scope of consolidation and sale of plastics-related subsidiaries. Owing to the decrease in sales, gross trading profit dropped 14.8%, or 4.3 billion yen.

**Energy** transactions declined 13.6%, or 314.7 billion yen, due to a decrease in import agency transactions. However, thanks to an increase in profits from oil-related transactions, gross trading profit rose 4.1%, or 1.2 billion yen.

**Metals and Mineral Resources** transactions benefited from rising prices in the non-ferrous light metals market, rising 11.5% or 50.9 billion yen over the previous year. Gross trading profit, however, fell 13.0%, or 1.8 billion yen mainly due to the impact of foreign exchange rates.

**Transportation and Industrial Machinery** transactions benefited from an increase in aircraft-related business and the transfer of commercial rights for a digital products-related business, rising 0.8%, or 6.0 billion yen, over the previous year. As a result of the increase in sales, gross trading profit rose 2.6%, or 1.4 billion yen.

**Utility and Infrastructure** sales decreased 14.4%, or 60.8 billion yen. Although sales were boosted by a water pipe project in Abu Dhabi, for example, they decreased due to the completion of power generation projects in Taiwan and Vietnam. However, gross trading profit increased 73.8%, or 8.7 billion yen due to increased profit from the Abu Dhabi water pipe project and a high-speed railway in Taiwan as well as the inclusion in the scope of consolidation of a power generation-related subsidiary.

**Plant & Ship** transactions fell 16.8%, or 123.4 billion yen, over the previous year mainly because of a decline in transactions involving energy and chemical plants in the Middle and Near East and Africa. Reflecting this decline in sales, gross trading profit was down 36.3%, or 5.0 billion yen.

## Marubeni Corporation

### Notes to Consolidated Financial Statements (continued)

**Development and Construction** transactions dropped 3.8%, or 7.1 billion yen, over the previous year, due to a decline in domestic housing-related sales. Owing to this decrease in sales as well as the sale of an overseas real estate-related subsidiary, gross trading profit fell 18.0%, or 6.1 billion yen.

**Finance and Logistics Business** transactions dropped 52.7%, or 19.9 billion yen, as a result of the removal from the scope of consolidation of a subsidiary operating in lease-related businesses. As a result of this decrease in sales, gross trading profit fell 24.9%, or 1.6 billion yen.

**Telecom & Information** transactions fell 56.6%, or 218.4 billion yen over the previous year as a result of a decrease in sales from overseas communications projects and the transfer of commercial rights to another segment. In response to the decline in sales, gross trading profit in this area was down 38.7%, or 12.6 billion yen.

**Domestic Branches and Offices** transactions sank 7.9%, or 13.7 billion yen, due to a fall in sales generated by foodstuff and machinery-related transactions. Owing to a decline in domestic development and construction-related profits, gross trading profit fell 10.8%, or 0.7 billion yen.

**Overseas Corporate Subsidiaries and Branches** transactions dropped 2.8%, or 29.8 billion yen mainly because of a decline in non-ferrous metal and foodstuff transactions at European subsidiaries. However, owing mainly to an increase in profit at a leasing subsidiary controlled by Marubeni America Corporation, gross trading profit climbed 0.9%, or 0.6 billion yen, over the previous year.

Marubeni Corporation  
Notes to Consolidated Financial Statements (continued)

**Segment Information (continued)**

**2. Geographical Segments**

The Company's geographical segment information for FY2003 and FY2002, were as follows:

		<i>Millions of yen</i>					
<b>Year ended March 31, 2004 (April 1, 2003 – March 31, 2004)</b>	Japan	North America	Europe	Asia/Oceania	Other	Eliminations	Consolidated
Total volume of trading transactions:							
Outside customers	¥ 5,209,443	¥ 1,206,246	¥ 340,849	¥ 412,021	¥ 737,081	¥ -	¥ 7,905,640
Inter-segment	1,715,998	224,556	27,409	152,767	88,335	-2,209,065	-
Total	¥ 6,925,441	¥ 1,430,802	¥ 368,258	¥ 564,788	¥ 825,416	¥ -2,209,065	¥ 7,905,640
Segment operating profit (loss)	¥ 49,596	¥ 5,582	¥ 6,869	¥ 12,447	¥ 4,943	¥ -813	¥ 78,624
Segment assets	¥ 2,032,295	¥ 327,287	¥ 157,501	¥ 314,717	¥ 107,492	¥ -144,943	¥ 2,794,349
Other assets							¥ 1,459,845
Total assets							¥ 4,254,194

		<i>Millions of yen</i>					
<b>Year ended March 31, 2003 (April 1, 2002 – March 31, 2003)</b>	Japan	North America	Europe	Asia/Oceania	Other	Eliminations	Consolidated
Total volume of trading transactions:							
Outside customers	¥ 5,864,552	¥ 1,377,302	¥ 419,611	¥ 407,269	¥ 724,569	¥ -	¥ 8,793,303
Inter-segment	2,030,780	229,484	32,009	153,204	91,279	-2,536,756	-
Total	¥ 7,895,332	¥ 1,606,786	¥ 451,620	¥ 560,473	¥ 815,848	¥ -2,536,756	¥ 8,793,303
Segment operating profit (loss)	¥ 42,927	¥ 7,307	¥ 6,722	¥ 10,492	¥ 5,728	¥ 195	¥ 73,371
Segment assets	¥ 2,156,364	¥ 374,340	¥ 163,266	¥ 170,492	¥ 80,894	¥ -118,424	¥ 2,826,932
Other assets							¥ 1,494,550
Total assets							¥ 4,321,482

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

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

1. North America ----- USA, Canada
2. Europe ----- UK, Belgium
3. Asia/Oceania ----- Singapore, China
4. Other ----- Latin America, Africa

(Note 3) The figures for *Segment assets* and *Other assets* present those for the end of FY2003 and FY2002, respectively.

(Note 4) Other assets which are not included in the segments are mainly cash and deposits, marketable securities, and investment securities. Inter-segment transactions are generally priced in accordance with the prevailing market prices.

Marubeni Corporation  
Notes to Consolidated Financial Statements (continued)

**Segment Information (continued)**

**3. Volume of Overseas Trading Transactions**

The volume of overseas trading transactions for FY2003 and FY2002, were as follows:

<b>FY2003</b> (April 1, 2003 - March 31, 2004)	<i>Millions of yen</i>		<i>Ratio of overseas transactions(%)</i>
	<b>Total volume of overseas transactions</b>	<b>Total volume of consolidated transactions</b>	
North America	¥1,243,857		15.7
Europe	495,710		6.3
Asia/Oceania	1,468,844		18.6
Other	788,274		10.0
<b>Total</b>	<b>¥3,996,685</b>	¥7,905,640	<b>50.6</b>

<b>FY2002</b> (April 1, 2002 - March 31, 2003)	<i>Millions of yen</i>		<i>Ratio of overseas transactions(%)</i>
	<b>Total volume of overseas transactions</b>	<b>Total volume of consolidated transactions</b>	
North America	¥1,539,864		17.5
Europe	565,243		6.4
Asia/Oceania	1,370,892		15.6
Other	910,406		10.4
<b>Total</b>	<b>¥4,386,405</b>	¥8,793,303	<b>49.9</b>

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

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

1. North America ----- USA, Canada
2. Europe ----- UK, Belgium
3. Asia/Oceania ----- China, Singapore
4. Other ----- Middle and Near East, Africa

(Note 3) Overseas transactions sum up to the export transactions and the offshore transactions of the parent and the subsidiaries in Japan, and the transactions of the overseas subsidiaries, excluding transactions to Japan.

# Marubeni Corporation

## Notes to Consolidated Financial Statements

### Marketable Securities and Debt Securities

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

	March 31, 2004				March 31, 2003			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<b>Current:</b>								
Corporate bonds	5,509	80	-104	5,485	7,947	19	-360	7,606
<b>Total</b>	<b>5,509</b>	<b>80</b>	<b>-104</b>	<b>5,485</b>	<b>7,947</b>	<b>19</b>	<b>-360</b>	<b>7,606</b>
<b>Non-current:</b>								
Corporate bonds	7,309	325	-	7,634	7,205	252	-	7,457
Other debt securities	-	-	-	-	2	-	-1	1
<b>Total debt securities</b>	<b>7,309</b>	<b>325</b>	<b>-</b>	<b>7,634</b>	<b>7,207</b>	<b>252</b>	<b>-1</b>	<b>7,458</b>
Marketable equity securities	121,454	62,829	-5,993	178,290	124,353	17,068	-28,832	112,589
<b>Total</b>	<b>128,763</b>	<b>63,154</b>	<b>-5,993</b>	<b>185,924</b>	<b>131,560</b>	<b>17,320</b>	<b>-28,833</b>	<b>120,047</b>

\*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.

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

	March 31, 2004				March 31, 2003			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<b>Current:</b>								
Corporate bonds	573	10	-	583	5,502	59	-	5,561
<b>Total</b>	<b>573</b>	<b>10</b>	<b>-</b>	<b>583</b>	<b>5,502</b>	<b>59</b>	<b>-</b>	<b>5,561</b>
<b>Non-current:</b>								
Corporate bonds	42,784	1,488	-150	44,122	46,120	173	-3,398	42,895
<b>Total</b>	<b>42,784</b>	<b>1,488</b>	<b>-150</b>	<b>44,122</b>	<b>46,120</b>	<b>173</b>	<b>-3,398</b>	<b>42,895</b>

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

\*In addition to the above stated securities, 3,387 million yen and 182 million yen of marketable securities for sale are held at March 31, 2004 and at March 31, 2003, respectively.

The net unrealized loss of 0 million yen for FY2003 and 5 million yen for FY2002 have been included in the income statements.

Marubeni Corporation  
Notes to Consolidated Financial Statements

**Employees' Retirement Benefits**

In FY 2003, the Company decided to submit a request for an approval to Japan's Ministry of Health, Labour and Welfare, for the return of the so-called "substitutional portion" (the portion that the Company operates on behalf of the Japanese Government) of the Marubeni Pension Fund, the introduction to the participants of a cash balance pension plan, and the reduction of pension payment to certain beneficiaries from April 2003.

The Company obtained the approval from Japan's Minister of Health, Labour and Welfare for the exemption from the future benefit obligation with respect to the substitutional portion of the Marubeni Pension Fund on April 15, 2003, and received the approval regarding the return of the past portion on May 1, 2004.

In addition, the Company obtained the approval from Japan's Minister of Health, Labour and Welfare for the introduction to the participants of a cash balance pension plan and the reduction of pension payment to certain beneficiaries on June 5, 2003.

The Company and certain of its subsidiaries apply Statement of Financial Accounting Standards No.87, "Employers' Accounting for Pensions", to their unfunded lump-sum retirement plans and contributory funded pension plans.

The net amounts recognized in the consolidated balance sheets of the Company and certain subsidiaries at March 31, 2004 and 2003 were as follows:

(millions of yen)

	<b>March 31, 2004</b>	<b>March 31, 2003</b>
Net amount recognized	101,831	109,183
Prepaid benefit cost (current)	1,784	1,642
Prepaid benefit cost (non-current)	105,797	113,005
Accrued benefit liability	-8,786	-9,571
Intangible assets	1,981	3,032
Accumulated other comprehensive income, gross of tax	1,055	1,075

The components of net pension expense of the Company and certain subsidiaries' plans for the years ended March 31, 2004 and 2003 were as follows:

(millions of yen)

	<b>FY2003</b>	<b>FY2002</b>
Net pension expense	9,628	11,880

The discount rates and weighted average rates of increases in future salary levels used in determining the actuarial present value of the projected benefit obligation and the expected long-term rates of return on plan assets for the years ended March 31, 2004 and 2003 were as follows:

	<b>FY2003</b>	<b>FY2002</b>
Discount rates	2.5 %	2.5%
Weighted average rates of increases in future salary levels	4.8 %	3.3%
Expected long-term rates of return on plan assets	3.0 %	3.0%

With regard to the substitutional portion of the employee pension fund, the Company intends to recognize the relevant one-time profit when the Company has completed payment of the past benefit obligation to the Government and the return of assets associated with the substitutional portion of the employee pension fund, according to Emerging Issues Task Force 03-2 "Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities". However, as the amount of the payment obligation and the related assets will vary, it is impossible at present to determine the amount of impact.

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\*The Company will disclose the notes regarding "Transactions with the affiliated persons" and "Tax effect accounting" in due course.