

Financial Results for 1st Quarter FY2006 (US GAAP Basis)

(Unit: billions of yen)

Operating Results	1st Quarter FY2006 Results	1st Quarter FY2005 Results (*5)	FY05/06 1Q Variance		Prospects for FY2006	
			Variance in Percentage		Progress Ratio	
Total volume of trading transactions (*1)	¥ 2,209.2	¥ 1,968.9	¥ 240.3	12%	¥ 9,300.0	24%
Gross trading profit	127.1	109.8	17.3	16%	535.0	24%
Selling, general and administrative expenses	-84.5	-81.5	-3.1	-	-370.0	-
Provision for doubtful accounts	1.3	-2.2	3.5	-	-5.0	-
Operating profit (*1)	43.8	26.1	17.7	68%	160.0	27%
Interest expense, net of interest income	-6.1	-5.9	-0.2	-	-38.0	-
Dividends	3.1	2.9	0.2	-	14.0	-
Gain (loss) on investment securities	1.9	0.9	1.1	-	-	-
Gain (loss) on property and equipment	-0.2	0.0	-0.2	-	-10.0	-
Other-net	2.5	-0.7	3.2	-	-	-
Equity in earnings (losses) of affiliated companies (*6)	14.1	11.9	2.2	-	40.0	-
Income (loss) from continuing operations before income taxes	59.2	35.2	24.0	68%	166.0	36%
Provision (benefit) for income taxes	-22.4	-11.6	-10.7	-	-60.0	-
Minority interests in consolidated subsidiaries	-2.0	-1.2	-0.8	-	-6.0	-
Net income (loss) from continuing operations	34.8	22.4	12.4	56%	100.0	35%
Loss from Discontinued Operations (after income tax)	-	-0.4	0.4	-	-	-
Net income (loss)	34.8	22.0	12.8	58%	100.0	35%

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

Revenue (*2)	812.4	703.4	109.1	16%
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(*2) Revenue is presented in accordance with FASB Emerging Issue Task Force (EITF) 99-19.

Adjusted operating profit (*3)	42.5	28.3	14.2	50%	165.0	26%
Core earnings (*4)	59.7	43.1	16.5	38%	219.0	27%

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

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

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

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

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

Financial Condition	June 30, 2006	March 31, 2006	Variance from March 31
Total assets	4,416.1	4,587.1	-171.0
(Current assets)	(2,153.2)	(2,168.6)	(-15.4)
(Fixed assets)	(2,262.9)	(2,418.5)	(-155.6)
Shareholders' equity	667.3	663.8	3.5
Interest-bearing debt	2,122.0	2,267.0	-145.0
Net interest bearing debt	1,838.6	1,876.4	-37.7
D/E ratio (*7)	2.76 x	2.83 x	-0.07 points

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

Increase/Decrease in the Surplus/Deficit of Consolidated Companies	1st Quarter FY2006	1st Quarter FY2005	Variance	Major Financial Indicators	1st Quarter FY2006	1st Quarter FY2005	Variance
No. of profit making companies	406	406	0	Foreign Exchange Rate (YEN/USD)	114.50	107.69	Yen down by 6.81 yen
Surplus amount	33.4	27.2	6.3	JPY TIBOR(%)	0.2148	0.0804	+0.1344
No. of loss making companies	148	143	5	USD LIBOR(%)	5.2236	3.2869	+1.9367
Deficit amount	-3.7	-5.7	2.0	Oil(USD/BBL) *North Sea Brent	62	48	+14
No. of companies, total	554	549	5	Copper (USD/MT) *LME	4,944	3,270	+1,674
Net Income (loss)	29.8	21.5	8.3				
Ratio of profit making companies	73.3%	74.0%	-0.7 points				

Outline of Financial Results for 1st Quarter FY2006

Highlights of 1st Quarter FY2006 Financial Results

- Net income was 34.8 billion yen, which was 12.8 billion yen (58%) higher than the 22.0 billion yen reported for the 1st Quarter in the previous fiscal year, marking a fine start for the first year of "G" Plan.
- Adjusted operating profit increased 14.2 billion yen (50%) to 42.5 billion yen, and core earnings increased 16.5 billion yen (38%) to 59.7 billion yen, respectively, from the same period in the previous fiscal year.
- Shareholder's equity increased 3.5 billion yen from the end of the previous fiscal year to 667.3 billion yen from the buildup of net income for the period compensating for a decrease in unrealized gains (losses) on investment securities.
- Net interest-bearing debt decreased 37.7 billion yen from the end of the previous fiscal year to 1,838.6 billion yen. That with the increase of shareholder's equity, the D/E ratio improved 0.07 points from the end of the previous fiscal year to 2.76x.

Main Items

- 1) Total volume of trading transactions ... 2,209.2 billion yen**
Total trading transactions increased 240.3 billion yen over the same period in the previous fiscal year. By major segment, growth was recorded in Energy (+84.7), Metals & Mineral Resources (+59.1), Overseas Branches & Offices (+26.2), Agri-Marine Products (+24.6), Development & Construction (+20.4), while transactions in Plant, Ship & Infrastructure Projects (-16.8) and Transportation & Industrial Machinery (-6.8) decreased.
In addition, reported transactions improved about 70 billion yen due to the impact of the weaker yen. (Note: the amounts in parentheses are in billions of yen)
- 2) Gross trading profit ... 127.1 billion yen**
Year-on-year growth was 17.3 billion yen. See below for the figures for each segment.
- 3) Selling, general and administrative expenses ... -84.5 billion yen**
Increase of 3.1 billion yen over the previous year was due mainly to rising personnel expenses.

4) Provision for doubtful accounts ... 1.3 billion yen

The improvement of 3.5 billion yen over the same period the previous fiscal year was due mainly to a reexamination of allowances, based on improved performance in business partners.

5) Interest expense, net of interest income ... -6.1 billion yen

Increase of 0.2 billion yen over the same period the previous fiscal year was due mainly to an increase in interest expense from rising US dollar interest rates, in spite of an improved interest income.

6) Dividends ... 3.1 billion yen

Over the same period the previous fiscal year, there was an increase of 0.2 billion yen.

7) Gain (Loss) on investment securities ... 1.9 billion yen

Gain (Loss) on sales of investment securities 2.1 billion yen (+1.2 billion yen year-on-year)
Valuation loss on investment securities -0.1 billion yen (-0.1 billion yen year-on-year)
The net gain increased by 1.1 billion yen over the same period the previous fiscal year.

8) Gain (Loss) on property and equipment ... -0.2 billion yen

Gain on sale of property and equipment 0.5 billion yen (+0.2 billion yen year-on-year)
Loss on sale /valuation loss of property and equipment -0.6 billion yen (-0.4 billion yen year-on-year)
The net loss expanded by 0.2 billion yen from the previous year.

9) Equity in earnings (losses) of affiliated companies ... 14.1 billion yen

This item increased by 2.2 billion yen year-on-year. Main items are provided below.

Marubeni-Itochu Steel Inc. 4.2 billion yen (-0.1 billion yen year-on-year)
Nippon LP Resources 3.2 billion yen (+0.9 billion yen year-on-year)

(Unit: billions of yen)

Operating Segments	Gross trading profit			Net income (loss)			Main reasons for increase/decrease
	1Q FY06	1Q FY05	Variance	1Q FY06	1Q FY05	Variance	
Agri-Marine Products	17.0	18.1	-1.1	2.7	1.8	0.9	While gross trading profit declined due to the conversion of a subsidiary into an affiliated company, net income for the period increased owing to an increased equity earnings of affiliated companies.
Textile	5.5	5.1	0.5	-0.0	-0.3	0.3	Gross trading profit grew due to increased revenue in apparel products. Net loss for the period also decreased.
Forest Products & General Merchandise	13.2	11.1	2.1	2.3	2.2	0.1	While gross trading profit increased due to the consolidation of the Musi Pulp Project and others, net income for the period was stagnant mainly due to worsened interest expenses.
Chemicals	8.2	7.7	0.5	1.2	2.0	-0.7	While gross trading profit increased from robust sales of electronic materials and synthetic resin, net income for the period decreased mainly due to a drop of equity in earnings of affiliates.
Energy	20.5	14.9	5.6	7.1	4.7	2.4	Robust growth in gross trading profit from concessions in natural resources fields supported a significant increase in net income for the period.
Metals & Mineral Resources	4.7	4.3	0.4	7.2	3.6	3.5	Gross trading profit increased mainly due to soaring prices in non-ferrous metals. In addition, increased equity in earnings from the copper mining and smelter business resulted in sharp growth in net income for the period.
Transportation & Industrial Machinery	13.1	12.8	0.3	2.3	1.3	1.0	Gross trading profit increased centering on defense systems and industrial machinery. Added to that, a progress in withdrawal from non-performing businesses over the last fiscal year both lead to an increase in net income for the period.
Power Projects	5.6	4.6	1.0	3.0	1.7	1.3	Gross trading profit increased mainly in an overseas power subsidiary. The net income for the period improved due to an increase in equity earnings of affiliated companies.
Plant, Ship & Infrastructure Projects	3.7	3.3	0.4	0.9	0.7	0.2	Gross trading profit increased due to growth in the plant related business, which also lead to an increase in net income for the period.
Information & Communication	6.1	6.0	0.1	-0.3	-0.4	0.0	Although gross trading profit increased in the information-related subsidiary, net income was stagnant due to a decrease in equity in earnings of affiliated companies by the divestiture of an affiliate.
Development & Construction	12.1	5.6	6.5	4.5	0.6	3.9	Gross trading profit significantly increased through buoyant sales of domestic condominiums. Likewise, net income for the period showed significant increase.
Finance, Logistics & New Business	2.4	1.6	0.8	2.0	1.6	0.4	Gross trading profit increased from a consolidation of a subsidiary and increased sales in a logistics related subsidiary. In addition, net income increased through increased profit in investment funds.
Iron & Steel Strategies and Coordination	0.2	0.3	-0.1	3.9	5.0	-1.1	Net income for the period dropped due to decreased equity earnings of affiliated companies.
Overseas corporate subsidiaries & branches	16.6	15.1	1.5	1.3	0.8	0.6	Gross trading profit and net income both increased supported by Marubeni America Corporation.
Corporate & elimination	-2.0	-0.8	-1.2	-3.2	-3.3	0.2	
Consolidated	127.1	109.8	17.3	34.8	22.0	12.8	

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

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

(Note3) In accordance with SFAS144, the figures of consolidated gross trading profit for **Consolidated** and **Corporate & Elimination** for the first quarter of FY2005 have been reclassified in relation to operations discontinued during FY2005.