

FINANCIAL SECTION

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SIX-YEAR SUMMARY

Marubeni Corporation
Years ended March 31, 2000, 1999, 1998, 1997, 1996 and 1995

| | Millions of yen | | | | | | Thousands of U.S. dollars |
|---|-------------------|-------------|-------------|-------------|-------------|-------------|------------------------------|
| | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 2000 |
| For the year: | | | | | | | |
| Trading transactions: | | | | | | | |
| Domestic | ¥ 4,571,183 | ¥ 5,183,131 | ¥ 5,931,831 | ¥ 6,604,469 | ¥ 6,967,511 | ¥ 6,741,379 | \$43,124,368 |
| Export | 1,250,165 | 2,163,734 | 2,535,228 | 2,190,089 | 1,976,749 | 2,058,938 | 11,794,009 |
| Import | 1,425,294 | 1,452,026 | 1,710,749 | 1,727,032 | 1,531,517 | 1,619,055 | 13,446,170 |
| Offshore | 2,975,800 | 3,161,266 | 3,462,709 | 3,448,387 | 3,064,783 | 2,449,590 | 28,073,585 |
| Total volume of trading transactions | 10,222,442 | 11,960,157 | 13,640,517 | 13,969,977 | 13,540,560 | 12,868,962 | 96,438,132 |
| Gross trading profit | 453,496 | 522,356 | 534,485 | 496,550 | 475,221 | 460,167 | 4,278,264 |
| Income (loss) before income taxes and equity in earnings (losses) | 5,419 | (149,904) | 54,922 | 57,504 | 33,900 | 14,572 | 51,123 |
| Net income (loss) | 2,060 | (117,729) | 17,230 | 20,113 | 15,117 | 10,368 | 19,434 |
| At year-end: | | | | | | | |
| Total assets | 5,584,353 | 6,511,841 | 7,388,101 | 7,550,347 | 7,644,002 | 6,844,022 | 52,682,575 |
| Total shareholders' equity | 324,301 | 354,017 | 475,253 | 512,929 | 560,589 | 480,451 | 3,059,444 |
| Interest-bearing debt | 3,736,136 | 4,546,681 | 4,915,046 | 4,935,317 | 4,916,219 | 4,469,342 | 35,246,566 |
| | Yen | | | | | | U.S. dollars |
| Amounts per 100 shares: | | | | | | | |
| Basic earnings (loss) | ¥138 | ¥(7,880) | ¥1,153 | ¥1,346 | ¥1,012 | ¥694 | \$1.30 |
| Diluted earnings (loss) | 138 | (7,880) | 1,054 | 1,289 | 1,010 | 694 | 1.30 |
| Cash dividends | — | 300 | 600 | 600 | 600 | 600 | — |

Note: U.S. dollar amounts above and elsewhere in this report are converted from yen, for convenience only, at the prevailing exchange rate of ¥106 to US\$1 as of March 31, 2000.

FINANCIAL REVIEW

Outlook

In fiscal 2000, ended March 31, 2000, the Japanese economy began to show signs of recovery despite high unemployment rates and excessive production facilities as the government maintained its zero interest-rate policy and pursued aggressive fiscal spending. Exports recovered, primarily to Asia, while information technology (IT) investment and consumption boomed. As a result, the economy bottomed out from mid-term. The balance of Japan's current account declined amid higher oil prices and improved conditions elsewhere in primary products markets, while imports of electronic components and personal computers from Asia soared.

Overseas, the United States recorded its longest period of growth since World War II. Personal spending climbed swiftly in line with rising stock prices and increasing employment, and capital investment rocketed, particularly in the information and communications sectors. European economies expanded slightly as personal consumption recovered in line with lower unemployment, while depreciation of the Euro contributed to steady export expansion. Exports from Asia soared, particularly from Korea, Taiwan, Singapore and Malaysia, in response to higher demand for IT-related equipment. This factor and aggressive fiscal stimulus packages helped put Asian economies on firm footings. Most countries in the region gradually recovered from the currencies crisis; financial markets have become stable. In China, personal consumption weakened amid employment concerns stemming from reforms to state-run enterprises. Sharply higher exports and economic stimulus programs helped the nation avoid an economic downturn. Economies in Latin America and Russia suffered from the aftermath of currency devaluations, but headed toward recovery in line with a turnaround in world trade and international capital flows.

Total Volume of Trading Transactions

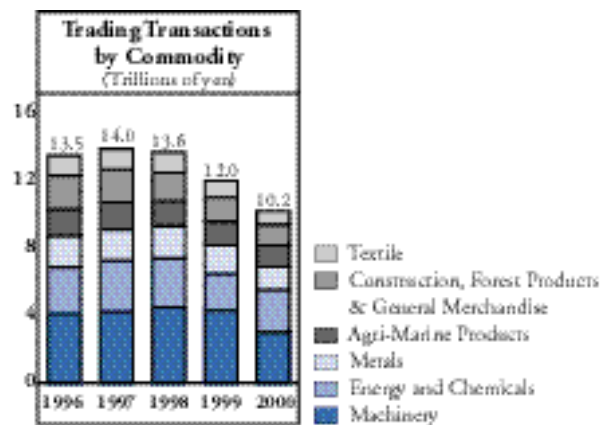
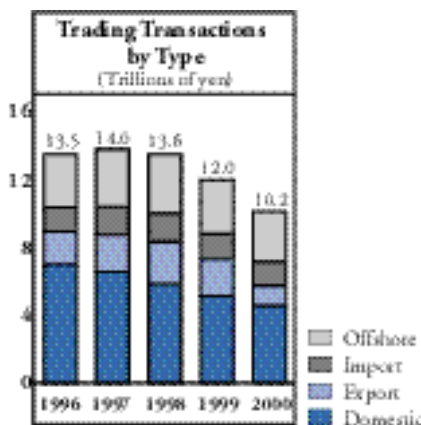
Marubeni's total volume of trading transactions on a consolidated basis dropped 14.5%, to ¥10,222.4 billion (US\$96,438 million).

By Transaction Type

Domestic transactions fell ¥611.9 billion, or 11.8%, to ¥4,571.2 billion (US\$43,124 million). This reflected declines in Textile and Metals, which overshadowed the increase in Energy and Chemicals. Exports plunged ¥913.6 billion, or 42.2%, to ¥1,250.2 billion (US\$11,794 million), primarily because of reductions in Machinery, particularly automobiles, and Metals, mainly steel products. Imports slipped ¥26.7 billion, or 1.8%, to ¥1,425.3 billion (US\$13,446 million). This drop was because the increases in Textile, Energy and Chemicals were offset by declines in the other products. Offshore transactions decreased ¥185.5 billion, or 5.9%, to ¥2,975.8 billion (US\$28,074 million), owing to reductions in Machinery, particularly plants, Metals and Agri-Marine Products, which overshadowed the increase in Energy and Chemicals, Construction, Forest Products & General Merchandise and Textile.

By Region

Transactions with external customers in Japan fell ¥819.1 billion, or 10.0%, to ¥7,338.4 billion (US\$69,230 million). Transactions in North America plummeted ¥819.1 billion, or 43.4%, to ¥1,067.2 billion (US\$10,068 million). European transactions dropped ¥87.7 billion, or 20.3%, to ¥344.6 billion (US\$3,251 million). In Asia and Oceania, transactions rose ¥82.2 billion, or 11.1%, to ¥819.7 billion (US\$7,733 million). Transactions in other regions were off ¥94.1 billion, or 12.6%, to ¥652.6 billion (US\$6,157 million).



Trading Transactions and Gross Trading Profit by Operating Segment

Textile transactions dropped ¥142.6 billion, or 17.5%, to ¥672.4 billion (US\$6,343 million), owing to a decline in domestic transactions of textile materials and apparel. Gross trading profit in this segment rose 4.6%, or ¥1.4 billion, to ¥30.6 billion (US\$289 million), mainly because of increased apparel imports.

Metals transactions were down ¥264.8 billion, or 19.8%, to ¥1,070.7 billion (US\$10,101 million), reflecting a decrease in domestic transactions of steel products and light metals. Gross trading profit fell ¥4.6 billion, or 9.9%, to ¥41.4 billion (US\$390 million), in line with lower earnings on offshore and domestic transactions of steel products.

Machinery transactions plummeted ¥1,433.2 billion, or 34.9%, to ¥2,669.3 billion (US\$25,182 million), as a result of falls in vehicle exports and in offshore transactions of plants. Gross trading profit in this segment decreased ¥47.1 billion, or 28.1%, to ¥120.2 billion (US\$1,134 million), primarily because of drops in power projects, plant exports and offshore vehicle transactions.

Energy and Chemicals transactions increased ¥172.0 billion, or 9.3%, to ¥2,027.2 billion (US\$19,124 million). This rise was due to higher oil and petroleum products prices. Gross trading profit gained ¥1.8 billion, or 3.3%, to ¥56.3 billion (US\$531 million), mainly as a result of increases in oil prices.

Agri-Marine Products transactions fell ¥44.0 billion, or 3.9%, to ¥1,073.8 billion (US\$10,130 million), as a result of lower grain prices. Gross trading profit declined ¥1.4 billion, or 2.0%, to ¥66.4 billion (US\$627 million).

Construction, Forest Products & General Merchandise transactions were down ¥135.0 billion, or 11.1%, to ¥1,076.3 billion (US\$10,154 million), mainly as a result of reduced domestic transactions in construction materials. Gross trading profit fell ¥14.0 billion, or 19.9%, to ¥56.3

billion (US\$531 million), as losses on real estate for sale were recognized.

Transactions of domestic branches and offices dropped ¥123.8 billion, or 18.7%, to ¥539.8 billion (US\$5,092 million), primarily because of a downturn in domestic transactions. Gross trading profit fell ¥3.1 billion, or 25.3%, to ¥9.1 billion (US\$86 million), as losses on real estate for sale were recognized.

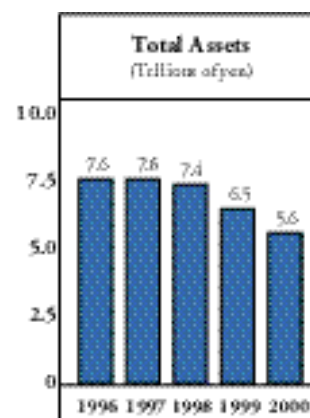
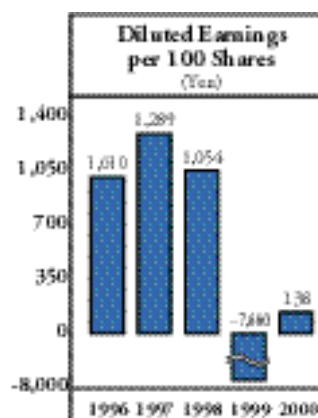
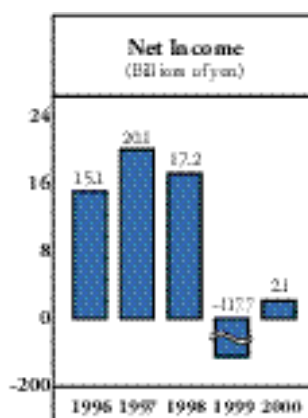
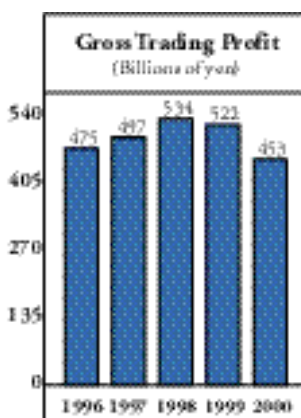
Transactions of overseas corporate subsidiaries and branches decreased ¥124.0 billion, or 6.3%, to ¥1,837.4 billion (US\$17,334 million), owing to a decrease in steel product transactions in Marubeni America Corp. Gross trading profit declined ¥6.0 billion, or 8.1%, to ¥68.9 billion (US\$650 million).

Costs, Expenses and Earnings

As a result of the above factors, gross trading profit was down ¥68.9 billion, or 13.2%, to ¥453.5 billion (US\$4,278 million). Gross trading profit accounted for 4.44% of total volume of trading transactions, up 0.07 percentage point.

Total expenses decreased ¥72.3 billion, or 14.2%, to ¥437.2 billion (US\$4,124 million). Of this total, selling, general and administrative expenses were down ¥46.7 billion, or 10.2%, to ¥411.5 billion (US\$3,882 million), reflecting the pursuit of cost-cutting policies. Provision for doubtful accounts plunged ¥25.6 billion, or 50.0%, to ¥25.7 billion (US\$242 million). As a result, operating profit jumped ¥3.5 billion, or 27.1%, to ¥16.3 billion (US\$154 million).

Interest expense, net of interest income, improved ¥3.6 billion, or 9.9%, to ¥32.6 billion (US\$307 million). Dividends dropped ¥775 million, or 12.9%, to ¥5.2 billion (US\$49 million). The balance of income and expense of these two line items improved ¥2.8 billion, or 9.3%, to ¥27.4 billion (US\$258 million). The gain on investment securities was ¥49.3 billion (US\$465 million).



Consequently, income before income taxes and equity in earnings was ¥5.4 billion (US\$51 million), compared with a loss of ¥149.9 billion in fiscal 1999, notwithstanding losses associated with divestments of unprofitable operations under Marubeni's restructuring plan and temporary losses recognized on fixed assets in accordance with the accounting for impairment and currency translation losses stemming from the yen's appreciation.

Total income taxes recognized for fiscal 2000 were ¥7.0 billion (US\$66 million), compared with a credit balance of ¥38.9 billion in fiscal 1999. The loss before equity in earnings was ¥1.6 billion (US\$15 million), compared with a loss of ¥111.0 billion a year earlier.

The equity in earnings of affiliated companies—net was ¥3.7 billion (US\$35 million), compared with equity in losses—net of ¥6.7 billion in fiscal 1999.

Marubeni thus registered a net income of ¥2.1 billion (US\$19 million), from a net loss of ¥117.7 billion in fiscal 1999. Basic earnings per 100 shares were ¥138 (US\$1.30), from a loss of ¥7,880 a year earlier. Marubeni did not issue cash dividends at year-end in line with its priority of strengthening shareholders' equity to assist our restructuring plan.

Financial Position

Total assets at the end of fiscal 2000 amounted to ¥5,584.4 billion (US\$52,683 million), down ¥927.5 billion, or 14.2%, primarily because of reductions in notes and accounts receivable—trade, in investment securities and long-term receivables as part of a review of unprofitable transactions, operational adjustments, and divestments.

Total current assets at year-end were down ¥761.8 billion, or 19.2%, to ¥3,213.9 billion (US\$30,320 million). This decline was primarily because of decreases in investment securities of ¥224.4 billion, or 34.6%, to ¥423.3 billion (US\$3,994 million), in accounts receivable of ¥220.0

billion, or 14.9%, to ¥1,255.9 billion (US\$11,848 million), and in inventories of ¥98.4 billion, or 16.7%, to ¥489.9 billion (US\$4,621 million).

Total investments and long-term receivables dropped ¥126.6 billion, or 7.0%, to ¥1,679.6 billion (US\$15,845 million). This decline stemmed from a decrease in notes, loans and accounts receivable—trade, net of unearned interest of ¥148.4 billion, or 17.2%, to ¥714.2 billion (US\$6,738 million).

Total current liabilities fell ¥730.8 billion, or 20.5%, to ¥2,826.9 billion (US\$26,669 million). This drop reflected a decrease in short-term loans of ¥606.6 billion, or 39.0%, to ¥950.8 billion (US\$8,970 million).

Interest-bearing debt fell ¥810.6 billion, or 17.8%, to ¥3,736.1 billion (US\$35,246 million), in line with the decline in total assets. Net interest-bearing debt after deducting cash and cash equivalents and time deposits was down ¥638.1 billion, or 16.1%, to ¥3,328.4 billion (US\$31,400 million).

Shareholders' equity declined ¥29.7 billion, or 8.4%, to ¥324.3 billion (US\$3,059 million), following a ¥34.3 billion reduction in the currency translation adjustments account within accumulated other comprehensive losses. Therefore, the net debt-to-equity ratio improved 0.9 percentage point, to 10.3.

Cash Flows

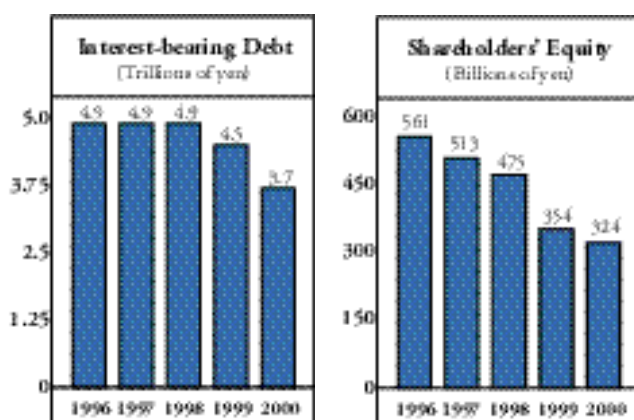
Net cash provided by operating activities dropped ¥47.7 billion, or 20.5%, to ¥184.7 billion (US\$1,742 million). This reflected a ¥36.5 billion reduction in gains from changes in operating assets and liabilities, to ¥138.7 billion (US\$1,309 million).

Net cash provided by investing activities soared ¥157.9 billion, or 159.3%, to ¥257.0 billion (US\$2,425 million). This reflected a ¥60.3 billion fall in purchases of property and equipment and property leased to others, to ¥71.4 billion (US\$674 million), and a ¥155.9 billion decrease in loans made to customers, to ¥124.4 billion (US\$1,173 million), which offset a ¥170.2 billion decrease in proceeds from sales and redemptions of securities and other investments, to ¥383.8 billion (US\$3,621 million).

As a result, free cash flow improved ¥110.2 billion, or 33.2%, to ¥441.7 billion (US\$4,167 million).

Net cash used in financing activities rocketed ¥381.6 billion, or 178.9%, to ¥594.9 billion (US\$5,612 million), owing to a ¥359.5 billion higher net decrease in short-term loans, to ¥531.1 billion (US\$5,010 million).

As a result of these changes, cash and cash equivalents at year-end fell ¥174.1 billion, or 30.0%, to ¥405.3 billion (US\$3,824 million).



CONSOLIDATED BALANCE SHEETS

Marubeni Corporation
At March 31, 2000 and 1999

| Assets | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|------------|--|
| | 2000 | 1999 | 2000 |
| Current assets: | | | |
| Cash and cash equivalents (Notes 2 and 14) | ¥ 405,308 | ¥ 579,366 | \$ 3,823,660 |
| Time deposits (Notes 6 and 14) | 2,391 | 844 | 22,557 |
| Investment securities (Notes 2, 3, 6 and 14): | | | |
| Marketable equity securities | 233,401 | 322,192 | 2,201,896 |
| Other | 189,918 | 325,494 | 1,791,679 |
| Notes and accounts receivable - trade (Notes 5 and 6): | | | |
| Notes receivable | 289,573 | 319,261 | 2,731,821 |
| Accounts receivable | 1,255,919 | 1,475,873 | 11,848,292 |
| Due from affiliated companies | 123,327 | 143,992 | 1,163,462 |
| Allowance for doubtful accounts | (16,693) | (20,033) | (157,481) |
| Inventories (Notes 2 and 6) | 489,860 | 588,226 | 4,621,321 |
| Advance payments to suppliers | 85,710 | 101,026 | 808,585 |
| Prepaid expenses and other current assets | 155,161 | 139,422 | 1,463,783 |
| Total current assets | 3,213,875 | 3,975,663 | 30,319,575 |
| Investments and long-term receivables: | | | |
| Affiliated companies (Notes 2 and 4) | 289,490 | 261,027 | 2,731,038 |
| Securities and other investments (Notes 2, 3, 6 and 14): | | | |
| Marketable equity securities | 34,172 | 11,234 | 322,377 |
| Other | 459,276 | 465,829 | 4,332,792 |
| Notes, loans and accounts receivable - trade, net of unearned interest, less allowance for doubtful accounts of ¥125,319 million (\$1,182,255 thousand) in 2000 and ¥109,429 million in 1999 (Notes 2, 5, 6 and 14) | 588,916 | 753,176 | 5,555,812 |
| Property leased to others, at cost, less accumulated depreciation of ¥85,778 million (\$809,226 thousand) in 2000 and ¥88,372 million in 1999 (Notes 2 and 6) | 307,725 | 314,951 | 2,903,066 |
| Total investments and long-term receivables | 1,679,579 | 1,806,217 | 15,845,085 |
| Property and equipment, at cost (Notes 2 and 6): | | | |
| Land and land improvements | 190,163 | 221,253 | 1,793,991 |
| Buildings | 316,331 | 348,263 | 2,984,255 |
| Equipment | 263,190 | 255,452 | 2,482,924 |
| | 769,684 | 824,968 | 7,261,170 |
| Accumulated depreciation | (260,114) | (258,963) | (2,453,906) |
| Net property and equipment | 509,570 | 566,005 | 4,807,264 |
| Deferred income taxes (Note 9) | 99,802 | 82,175 | 941,528 |
| Other assets | 81,527 | 81,781 | 769,123 |
| Total assets | ¥5,584,353 | ¥6,511,841 | \$52,682,575 |

See accompanying notes.

Liabilities and shareholders' equity

Current liabilities:

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|-----------------|------------|--|
| | 2000 | 1999 | 2000 |
| Short-term loans (Notes 6, 7 and 14) | ¥ 950,767 | ¥1,557,414 | \$ 8,969,500 |
| Current portion of long-term debt (Notes 6, 7 and 14) | 526,258 | 519,096 | 4,964,698 |
| Notes and accounts payable - trade: | | | |
| Notes and acceptances payable (Note 6) | 248,291 | 335,485 | 2,342,368 |
| Accounts payable | 755,144 | 746,839 | 7,124,000 |
| Due to affiliated companies | 44,596 | 43,635 | 420,717 |
| Advance payments received from customers | 44,263 | 81,640 | 417,575 |
| Income taxes (Note 9) | 25,172 | 6,499 | 237,472 |
| Deferred income taxes (Note 9) | 9,355 | 25,875 | 88,255 |
| Accrued and other current liabilities | 223,024 | 241,186 | 2,104,000 |
| Total current liabilities | 2,826,870 | 3,557,669 | 26,668,585 |

Long-term debt, less current portion (Notes 6, 7 and 14) 2,299,965 2,470,171 21,697,783

Employees' retirement benefits (Notes 2 and 8) 90,105 90,847 850,047

Deferred income taxes (Note 9) 14,674 10,521 138,434

Minority interests in consolidated subsidiaries 28,438 28,616 268,282

Commitments and contingent liabilities (Note 16)

Shareholders' equity (Note 10):

| | | | |
|--|-------------------|-------------------|---------------------|
| Common stock, ¥50 par value: | | | |
| Authorized shares - 3,000,000,000 | | | |
| Issued and outstanding shares - 1,494,021,081 in 2000 and 1999 | 194,039 | 194,039 | 1,830,557 |
| Additional paid-in capital | 216,993 | 216,993 | 2,047,104 |
| Retained earnings | 6,628 | 9,050 | 62,528 |
| Accumulated other comprehensive losses (Notes 3, 8, 9 and 11) | (93,357) | (66,065) | (880,726) |
| Common stock in treasury, at cost - 4,238 shares in 2000 | (2) | - | (19) |
| Total shareholders' equity | 324,301 | 354,017 | 3,059,444 |
| Total liabilities and shareholders' equity | ¥5,584,353 | ¥6,511,841 | \$52,682,575 |

CONSOLIDATED STATEMENTS OF OPERATIONS

Marubeni Corporation
Years ended March 31, 2000, 1999 and 1998

| | Millions of yen | | | Thousands of U.S. dollars (Note 1) |
|--|--------------------|-------------|-------------|--|
| | 2000 | 1999 | 1998 | 2000 |
| Total volume of trading transactions <i>(Notes 2, 4 and 12)</i> | ¥10,222,442 | ¥11,960,157 | ¥13,640,517 | \$96,438,132 |
| Gross trading profit | ¥ 453,496 | ¥ 522,356 | ¥ 534,485 | \$ 4,278,264 |
| Expenses: | | | | |
| Selling, general and administrative expenses | 411,511 | 458,217 | 439,974 | 3,882,179 |
| Provision for doubtful accounts <i>(Notes 5 and 12)</i> | 25,655 | 51,294 | 9,108 | 242,028 |
| Total | 437,166 | 509,511 | 449,082 | 4,124,207 |
| Operating profit | 16,330 | 12,845 | 85,403 | 154,057 |
| Other income (expenses): | | | | |
| Interest expense, net of interest income: 2000, ¥88,174 million (\$831,830 million); 1999, ¥127,839 million; 1998, ¥136,207 million | (32,584) | (36,160) | (27,448) | (307,396) |
| Dividends | 5,221 | 5,996 | 6,502 | 49,255 |
| Gain (loss) on investment securities <i>(Note 3)</i> | 49,326 | (100,905) | (741) | 465,340 |
| (Loss) gain on property and equipment | (4,782) | 517 | 804 | (45,113) |
| Other - net <i>(Note 13)</i> | (28,092) | (32,197) | (9,598) | (265,020) |
| Total | (10,911) | (162,749) | (30,481) | (102,934) |
| Income (loss) before income taxes and equity in earnings (losses) | 5,419 | (149,904) | 54,922 | 51,123 |
| Provision for income taxes <i>(Note 9)</i> : | | | | |
| Current | 39,949 | 30,155 | 18,355 | 376,877 |
| Deferred | (32,932) | (69,012) | 12,316 | (310,679) |
| | 7,017 | (38,857) | 30,671 | 66,198 |
| (Loss) income before equity in earnings (losses) | (1,598) | (111,047) | 24,251 | (15,075) |
| Equity in earnings (losses) of affiliated companies - net (after income tax effects) <i>(Notes 4 and 9)</i> | 3,658 | (6,682) | (7,021) | 34,509 |
| Net income (loss) | ¥ 2,060 | ¥ (117,729) | ¥ 17,230 | \$ 19,434 |
| | | | | |
| | | | | |
| Basic earnings (loss) per 100 shares <i>(Note 2)</i> | ¥ 138 | ¥ (7,880) | ¥ 1,153 | \$ 1.30 |
| Diluted earnings (loss) per 100 shares <i>(Note 2)</i> | ¥ 138 | ¥ (7,880) | ¥ 1,054 | \$ 1.30 |

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Marubeni Corporation
Years ended March 31, 2000, 1999 and 1998

| | Millions of yen | | | Thousands of U.S. dollars (Note 1) |
|---|-----------------|-------------------|-------------------|---------------------------------------|
| | 2000 | 1999 | 1998 | 2000 |
| Common stock: | | | | |
| Balance at beginning of year .. | ¥ 194,039 | ¥ 194,039 | ¥194,039 | \$1,830,557 |
| Balance at end of year | ¥ 194,039 | ¥ 194,039 | ¥194,039 | \$1,830,557 |
| Additional paid-in capital: | | | | |
| Balance at beginning of year .. | ¥ 216,993 | ¥ 216,993 | ¥216,993 | \$2,047,104 |
| Balance at end of year | ¥ 216,993 | ¥ 216,993 | ¥216,993 | \$2,047,104 |
| Retained earnings: | | | | |
| Balance at beginning of year .. | ¥ 9,050 | ¥ 131,261 | ¥122,995 | \$ 85,377 |
| Net income (loss) | 2,060 | ¥ 2,060 (117,729) | ¥(117,729) 17,230 | ¥17,230 19,434 |
| Cash dividends | (4,482) | (4,482) | (8,964) | (42,283) |
| Balance at end of year | ¥ 6,628 | ¥ 9,050 | ¥131,261 | \$ 62,528 |
| Accumulated other comprehensive losses (Note 11): | | | | |
| Balance at beginning of year .. | ¥ (66,065) | ¥ (67,040) | ¥ (21,098) | \$(623,254) |
| Unrealized gains (losses) on investment securities, net of reclassification (Note 3) .. | 7,772 | 22,331 | (47,191) | 73,321 |
| Currency translation adjustments, net of reclassification .. | (34,347) | (17,820) | 7,847 | (324,028) |
| Minimum pension liability adjustment (Note 8) | (717) | (3,536) | (6,598) | (6,765) |
| Other comprehensive (losses) income, net of tax | (27,292) | (27,292) 975 | 975 (45,942) | (45,942) (257,472) |
| Comprehensive losses | ¥ (25,232) | ¥(116,754) | ¥(28,712) | \$ (238,038) |
| Balance at end of year | ¥ (93,357) | ¥ (66,065) | ¥ (67,040) | \$(880,726) |
| Common stock in treasury: | | | | |
| Balance at beginning of year .. | ¥ - | ¥ - | ¥ - | \$ - |
| Treasury stock repurchased ... | (2) | - | - | (19) |
| Balance at end of year | ¥ (2) | ¥ - | ¥ - | \$ (19) |

| | Millions of yen | | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|------------|------------|---------------------------------------|
| | 2000 | 1999 | 1998 | 2000 |
| Disclosure of reclassification amount for the year ended: | | | | |
| Unrealized gains (losses) on investment securities arising during the period | ¥ 34,839 | ¥ (30,144) | ¥ (47,468) | \$ 328,670 |
| Less: reclassification adjustment for (gains) losses included in net income (loss) | (27,067) | 52,475 | 277 | (255,349) |
| Net unrealized gains (losses) ... | ¥ 7,772 | ¥ 22,331 | ¥ (47,191) | \$73,321 |
| Currency translation adjustments arising during period - (losses) gains | ¥ (34,820) | ¥ (19,155) | ¥ 7,159 | \$(328,491) |
| Less: reclassification adjustment for losses included in net income (loss) | 473 | 1,335 | 688 | 4,463 |
| Net currency translation adjustment - (losses) gains ... | ¥ (34,347) | ¥ (17,820) | ¥ 7,847 | \$(324,028) |

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Marubeni Corporation
Years ended March 31, 2000, 1999 and 1998

Thousands of
U.S. dollars
(Note 1)

| | Millions of yen | | | Thousands of U.S. dollars (Note 1) |
|--|------------------|------------------|------------------|--|
| | 2000 | 1999 | 1998 | 2000 |
| Operating activities | | | | |
| Net income (loss) | ¥ 2,060 | ¥(117,729) | ¥ 17,230 | \$ 19,434 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 59,807 | 57,712 | 42,991 | 564,217 |
| Provision for doubtful accounts | 25,655 | 51,294 | 9,108 | 242,028 |
| Equity in (earnings) losses of affiliated companies - net | (3,658) | 6,682 | 7,021 | (34,509) |
| (Gain) loss on investment securities | (49,326) | 100,905 | 741 | (465,340) |
| Loss (gain) on property and equipment | 4,782 | (517) | (804) | 45,113 |
| Evaluation losses on real estate inventories | 21,447 | 14,904 | - | 202,330 |
| Deferred income taxes | (32,932) | (69,012) | 12,316 | (310,679) |
| Changes in operating assets and liabilities: | | | | |
| Notes and accounts receivable | 174,861 | 341,107 | 346,467 | 1,649,632 |
| Inventories | 45,359 | 64,830 | (68,004) | 427,915 |
| Advance payments to suppliers and prepaid expenses and other current assets | 132 | 76,639 | (120) | 1,245 |
| Notes, acceptances and accounts payable | (58,418) | (240,164) | (103,157) | (551,113) |
| Advance payments received from customers and accrued and other current liabilities | (42,304) | (65,051) | (8,635) | (399,094) |
| Income taxes | 19,086 | (2,109) | (1,240) | 180,057 |
| Other | 18,150 | 12,923 | 307 | 171,226 |
| Net cash provided by operating activities | 184,701 | 232,414 | 254,221 | 1,742,462 |
| Investing activities | | | | |
| Proceeds from sales and redemptions of securities and other investments | 383,829 | 554,037 | 588,871 | 3,621,028 |
| Purchases of securities and other investments | (201,968) | (242,386) | (568,562) | (1,905,358) |
| Proceeds from sales of property and equipment and property leased to others | 47,132 | 20,499 | 5,080 | 444,642 |
| Purchases of property and equipment and property leased to others | (71,410) | (131,742) | (78,386) | (673,679) |
| Collection of loans receivable | 231,471 | 199,056 | 305,952 | 2,183,688 |
| Loans made to customers | (124,384) | (280,273) | (302,611) | (1,173,434) |
| Other | (7,664) | (20,090) | (9,113) | (72,302) |
| Net cash provided by (used in) investing activities | 257,006 | 99,101 | (58,769) | 2,424,585 |
| Financing activities | | | | |
| Net decrease in short-term loans | (531,110) | (171,625) | (105,583) | (5,010,472) |
| Proceeds from long-term debt | 743,908 | 733,146 | 799,988 | 7,018,000 |
| Payments of long-term debt | (803,192) | (770,337) | (777,306) | (7,577,283) |
| Cash dividends paid | (4,482) | (4,505) | (8,978) | (42,283) |
| Purchase of treasury stock | (2) | - | - | (19) |
| Net cash used in financing activities | (594,878) | (213,321) | (91,879) | (5,612,057) |
| Effect of exchange rate changes on cash and cash equivalents | | | | |
| | (20,887) | (19,653) | 4,237 | (197,047) |
| Net (decrease) increase in cash and cash equivalents | (174,058) | 98,541 | 107,810 | (1,642,057) |
| Cash and cash equivalents at beginning of year | 579,366 | 480,825 | 373,015 | 5,465,717 |
| Cash and cash equivalents at end of year | ¥ 405,308 | ¥ 579,366 | ¥ 480,825 | \$3,823,660 |
| Supplemental cash flow information: | | | | |
| Cash paid during the year for: | | | | |
| Interest | ¥ 124,521 | ¥ 168,972 | ¥ 170,397 | \$1,174,726 |
| Income taxes | 20,863 | 32,287 | 19,609 | 196,821 |

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Marubeni Corporation
Years ended March 31, 2000, 1999 and 1998

1. Basis of Financial Statements

Marubeni Corporation (the "Company"), a Japanese corporation, maintains its books records and prepares its financial statements in Japanese yen. The accompanying consolidated financial statements differ from the non-consolidated financial statements issued for domestic purposes in Japan. In addition to consolidation, they reflect certain adjustments not recorded on the Company's books, which in the opinion of management are appropriate to present the Company's financial position, results of operations, and cash flows in accordance with accounting principles generally accepted in the United States of America. The principal adjustments are: (1) recognition of installment sales on the accrual basis, (2) foreign currency translation, (3) recognition of the value ascribed to warrants, (4) accounting for pension costs,

(5) accounting for certain investments in debt and marketable equity securities, (6) accounting for the impairment of loans receivable, (7) deferred gain on sales of property for tax purposes, and (8) accounting for impairment of long-lived assets.

Certain reclassifications have been made in the 1999 and 1998 financial statements to conform to the presentation for 2000.

The translation of Japanese yen amounts into U.S. dollar amounts for the year ended March 31, 2000 is included solely for the convenience of readers outside Japan and has been made at ¥106 to \$1, the exchange rate prevailing on March 31, 2000. The translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at this or any other rate.

2. Significant Accounting Policies

Consolidation The consolidated financial statements of the Company include the accounts of domestic and foreign subsidiaries (together, the "Companies"). Significant intercompany transactions and accounts have been eliminated.

Use of estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although the actual results could differ from those estimates, management does not believe that any differences would materially affect the consolidated financial statements of the Company.

Cash equivalents The Company considers deposits in banks and securities purchased under resale agreements with an original maturity of three months or less to be cash equivalents.

Investment securities Management determines the appropriate classification of investment securities as either trading, held-to-maturity or available-for-sale securities at the date of purchase in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

Trading securities Trading securities are held for resale in anticipation of short-term market movements. Trading securities, consisting primarily of marketable equity securities, are stated at fair value. Gains and losses are included in gain (loss) on investment securities.

Held-to-maturity securities Debt securities are classified as held-to-maturity when the Companies have the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost, adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization and accretion are included in interest income. Interest on securities classified as held-to-maturity is included in interest income. Declines in fair value judged to be other than temporary on held-to-maturity securities are included in gain (loss) on investment securities.

Available-for-sale securities Marketable equity securities not classified as trading and debt securities not classified as trading or held-to-maturity are classified as available-for-sale securities and are carried at fair value, with the unrealized gains and losses, net of taxes, reported in accumulated other comprehensive income (loss) in shareholders' equity. The amortized cost of debt securities in this category is adjusted for the amortization of premiums and accretion of discounts to maturity. Such amortization and accretion are included in interest income. Realized gains and losses and declines in fair

value judged to be other than temporary on available-for-sale securities are included in gain (loss) on investment securities. The average cost of securities sold is used in the determination of realized gains or losses. Interest and dividends on investment securities classified as available-for-sale are included in interest income and dividend income, respectively.

Inventories Inventories, which primarily consist of commodities, merchandise and real estate held for sale, are stated at the lower of cost (primarily specific or moving average cost) or market (generally replacement cost). During the year ended March 31, 2000, for inventories whose cost was formerly determined by the average cost method, the Company has changed its method of determining the cost to the moving average cost method in order to facilitate the timely monitoring of income. The impact of this change was immaterial on the Company's financial condition and operating results for the year ended March 31, 2000.

Investments The Companies' investments in affiliated companies are stated at cost, adjusted for equity in their undistributed earnings and accumulated losses since acquisition. Other investments are stated at cost, adjusted for any declines in value judged to be other than temporary.

Loans The Companies apply the provisions of Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan" (SFAS 114), which was amended by Statement of Financial Accounting Standards No. 118, "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosure" (SFAS 118) for impaired loans. The allowance for credit losses related to the loans that are identified for evaluation is based on discounted cash flows using the loans' initial effective interest rate or the fair value of the collateral for certain collateral dependent loans.

Cash received on impaired loans is either applied against the principal of such loans or reported as interest income, based on management's judgment with regard to the collectibility of the principal.

Leases The Companies lease vessels, buildings and equipment to customers and other third parties. Finance leases are included in current and non-current accounts receivable in the balance sheet. Operating leases are presented separately as property leased to others in the balance sheet.

Depreciation Depreciation of property and equipment (including property leased to others) is determined by the declining-balance or the straight-line method at rates based on the estimated useful lives of the respective assets.

Long-lived assets Long-lived assets held and used are written down to the fair value of the assets if the sum of the expected future cash flows is less than the carrying amount of

the assets. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

Goodwill Goodwill is included in other assets, and is amortized by the straight-line method over 5 to 40 years.

Employees' retirement benefits The Company and certain of its subsidiaries apply Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions" (SFAS 87), for their unfunded lump-sum retirement plans and contributory funded pension plans. Pension costs for the unfunded lump-sum retirement plans of the other subsidiaries are accrued to provide for the amounts that would be required to be paid if all employees retired or resigned from those subsidiaries at the balance sheet date since the effect on the consolidated financial statements of applying SFAS 87 to these plans would be immaterial.

Trading transactions The trading transactions undertaken by the Companies take many forms and consist of those in which the Companies act as principal and those in which the Companies act as agent. In agency transactions, payment for goods is made directly by the purchaser to the supplier. The total volume of trading transactions includes the sales value of all transactions in which the Companies participate, regardless of the form of such transactions. Gross trading profit principally consists of gross profit on sales transactions and commissions on agency transactions.

Futures contracts The Company and certain of its subsidiaries enter into commodity futures contracts principally as a means of hedging the risks associated with certain inventories and commitments. Market value changes are recognized in income when the associated transactions have been consummated. Gain and losses on futures contracts held for trading purposes are included in gross trading profit.

Foreign exchange contracts and foreign currency swap agreements The Company and certain of its subsidiaries conduct business in various foreign currencies and enter into

foreign exchange contracts and foreign currency swap agreements principally to hedge their assets or liabilities denominated in foreign currencies to minimize the effect of foreign currency fluctuations. Market value differences are recognized in income and are offset against the foreign exchange differences in the underlying assets and liabilities.

The discounts and premiums on foreign exchange contracts are amortized over the lives of the respective contracts and included in determining net income. The Company and certain of its subsidiaries also enter into foreign currency option contracts to hedge against unfavorable foreign currency fluctuations.

Interest rate swap agreements The Company and certain of its subsidiaries enter into interest rate swap agreements primarily to change the fixed interest rates on the principal of certain debt securities, loans receivable, short-term loans and long-term debt, to floating interest rates. Net interest income/expense under the agreements is accrued as earned/incurred and is included in determining net income. Interest rate swaps which are entered into in order to reduce the impact of changes in interest rates on available-for-sale securities are included in other current assets or liabilities, with the unrealized gains and losses, net of taxes, reported in accumulated other comprehensive income (loss) in shareholders' equity. Gains and losses on interest rate swap agreements held for trading purposes are included in other income (expenses) - net.

Earnings/loss per 100 shares of common stock The Company applies Statement of Financial Accounting Standards No. 128, "Earnings per Share." The computation of basic earnings/loss per 100 shares of common stock is based on the weighted average number of shares of common stock outstanding during the year. The computation of diluted earnings/loss per share is based on the weighted average number of shares of common stock outstanding plus any potentially dilutive securities. For additional disclosures regarding convertible debentures, refer to Note 7.

The following table sets forth the computation of basic and diluted earnings/loss per 100 shares:

| | Millions of yen | | | Thousands of U.S. dollars |
|---|-----------------|---------------|---------------|------------------------------|
| | 2000 | 1999 | 1998 | 2000 |
| Numerator: | | | | |
| Net income (loss) (numerator for basic earnings (loss) per 100 shares) | ¥ 2,060 | ¥ (117,729) | ¥ 17,230 | \$ 19,434 |
| Effect of dilutive securities: | | | | |
| Convertible debentures | - | - | 471 | - |
| Numerator for diluted earnings (loss) per 100 shares | ¥ 2,060 | ¥ (117,729) | ¥ 17,701 | \$ 19,434 |
| Denominator: | | | | |
| Denominator for basic earnings (loss) per 100 shares - weighted average shares | 1,494,018,962 | 1,494,021,081 | 1,494,021,081 | |
| Effect of dilutive securities: | | | | |
| Convertible debentures | - | - | 185,991,652 | |
| Denominator for diluted earnings (loss) per 100 shares - adjusted weighted average shares and assumed conversions | 1,494,018,962 | 1,494,021,081 | 1,680,012,733 | |
| | Yen | | | U.S. dollars |
| Basic earnings (loss) per 100 shares | ¥ 138 | ¥ (7,880) | ¥ 1,153 | \$ 1.30 |
| Diluted earnings (loss) per 100 shares | ¥ 138 | ¥ (7,880) | ¥ 1,054 | \$ 1.30 |

The convertible debentures issued in 1986 with a rate of 2.1%, in 1988 with a rate of 2.0% and in 1996 with a rate of 0.85% were dilutive for the year ended March 31, 1998. The convertible debentures issued in 1988 and redeemed in 1998 with a rate of 1.9% were dilutive for the year ended March 31, 1998.

The convertible debentures issued in 1986 with a rate of 2.1%, in 1988 with a rate of 2.0% and in 1996 with a rate of 0.85% were not included in the computation of diluted net

income or loss per share as would be antidilutive for the years ended March 31, 2000 and 1999.

Recently issued accounting standards In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133) amended by Statement No. 137 "Accounting for Derivatives and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133," which is

required to be adopted in years beginning after June 15, 2000. The Companies expect to adopt SFAS 133 effective April 1, 2001. SFAS 133 will require the Companies to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through earnings. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets,

liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The Companies have not yet determined what the effect of SFAS 133 will be on the earnings and financial position of the Companies.

3. Marketable Equity Securities and Debt Securities

The following is a summary of available-for-sale securities and held-to-maturity securities at March 31, 2000 and 1999:

| | Available-for-sale securities | | | | | | | |
|----------------------------------|-------------------------------|-------------------------|----------------------|-------------|------------------------|-------------------------|----------------------|-----------|
| | Millions of yen | | | | | | | |
| | 2000 | | | | 1999 | | | |
| Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value | |
| Current: | | | | | | | | |
| Corporate bonds | ¥ 163,647 | ¥ 7,713 | ¥ (534) | ¥ 170,826 | ¥ 283,633 | ¥ 10,096 | ¥ (3,083) | ¥ 290,646 |
| Other debt securities | 1,879 | 224 | (151) | 1,952 | 2,629 | - | - | 2,629 |
| Total debt securities | 165,526 | 7,937 | (685) | 172,778 | 286,262 | 10,096 | (3,083) | 293,275 |
| Marketable equity securities ... | 198,230 | 57,697 | (34,005) | 221,922 | 289,323 | 81,782 | (48,913) | 322,192 |
| Total | ¥ 363,756 | ¥ 65,634 | ¥ (34,690) | ¥ 394,700 | ¥ 575,585 | ¥ 91,878 | ¥ (51,996) | ¥ 615,467 |
| Non-current: | | | | | | | | |
| Corporate bonds | ¥ 42,513 | ¥ - | ¥ - | ¥ 42,513 | ¥ - | ¥ - | ¥ - | ¥ - |
| Marketable equity securities ... | 17,887 | 19,821 | (3,536) | 34,172 | 12,039 | 2,561 | (3,366) | 11,234 |
| Total | ¥ 60,400 | ¥ 19,821 | ¥ (3,536) | ¥ 76,685 | ¥ 12,039 | ¥ 2,561 | ¥ (3,366) | ¥ 11,234 |
| | Thousands of U.S. dollars | | | | | | | |
| Current: | | | | | | | | |
| Corporate bonds | \$1,543,840 | \$ 72,764 | \$ (5,038) | \$1,611,566 | | | | |
| Other debt securities | 17,726 | 2,113 | (1,424) | 18,415 | | | | |
| Total debt securities | 1,561,566 | 74,877 | (6,462) | 1,629,981 | | | | |
| Marketable equity securities ... | 1,870,094 | 544,312 | (320,802) | 2,093,604 | | | | |
| Total | \$3,431,660 | \$ 619,189 | \$ (327,264) | \$3,723,585 | | | | |
| Non-current: | | | | | | | | |
| Corporate bonds | \$ 401,066 | \$ - | \$ - | \$ 401,066 | | | | |
| Marketable equity securities ... | 168,745 | 186,990 | (33,358) | 322,377 | | | | |
| Total | \$ 569,811 | \$ 186,990 | \$ (33,358) | \$ 723,443 | | | | |
| | Held-to-maturity securities | | | | | | | |
| | Millions of yen | | | | | | | |
| | 2000 | | | | 1999 | | | |
| Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value | |
| Current: | | | | | | | | |
| Corporate bonds | ¥ 16,783 | ¥ 332 | ¥ (35) | ¥ 17,080 | ¥ 32,213 | ¥ 474 | ¥ - | ¥ 32,687 |
| Other debt securities | 357 | 8 | - | 365 | 6 | - | - | 6 |
| Total | ¥ 17,140 | ¥ 340 | ¥ (35) | ¥ 17,445 | ¥ 32,219 | ¥ 474 | ¥ - | ¥ 32,693 |
| Non-current: | | | | | | | | |
| Corporate bonds | ¥ 208,681 | ¥ 1,073 | ¥ (2,437) | ¥ 207,317 | ¥ 245,585 | ¥ 709 | ¥ (60) | ¥ 246,234 |
| Other debt securities | 1,012 | 20 | - | 1,032 | 4,020 | 60 | - | 4,080 |
| Total | ¥ 209,693 | ¥ 1,093 | ¥ (2,437) | ¥ 208,349 | ¥ 249,605 | ¥ 769 | ¥ (60) | ¥ 250,314 |
| | Thousands of U.S. dollars | | | | | | | |
| Current: | | | | | | | | |
| Corporate bonds | \$ 158,330 | \$ 3,132 | \$ (330) | \$ 161,132 | | | | |
| Other debt securities | 3,368 | 75 | - | 3,443 | | | | |
| Total | \$ 161,698 | \$ 3,207 | \$ (330) | \$ 164,575 | | | | |
| Non-current: | | | | | | | | |
| Corporate bonds | \$1,968,689 | \$ 10,123 | \$ (22,991) | \$1,955,821 | | | | |
| Other debt securities | 9,547 | 189 | - | 9,736 | | | | |
| Total | \$1,978,236 | \$ 10,312 | \$ (22,991) | \$1,965,557 | | | | |

In addition to the securities listed above, the Company held trading securities of ¥11,479 million (\$108,292 thousand), which is equal to their fair value, as of March 31, 2000. The net unrealized holding gain on trading securities included in earnings for the year ended March 31, 2000 amounted to ¥1,804 million (\$17,019 thousand).

The proceeds from sales of available-for-sale securities amounted to ¥170,931 million (\$1,612,557 thousand), ¥88,109 million and ¥22,138 million for the years ended March 31, 2000, 1999 and 1998, respectively. Gross realized gains on sales of available-for-sale securities totaled ¥54,531 million (\$514,443 thousand), ¥33,691 million and ¥3,925 million, and gross realized losses totaled ¥8,927 million (\$84,217 thou-

sand), ¥34,434 million and ¥1,365 million for the years ended March 31, 2000, 1999 and 1998, respectively.

At March 31, 1999, the Company wrote down certain investment securities whose decline in value was considered to be other than temporary to their fair value. These write-downs amounted to ¥99,592 million.

The amortized cost and estimated fair value of debt and marketable equity securities at March 31, 2000 are summarized by contractual maturity below. Expected maturities may differ from contractual maturities because the issuers of certain securities have the right to prepay obligations without prepayment penalties.

| | Available-for-sale securities | | | |
|---|-------------------------------|----------------------|---------------------------|----------------------|
| | Millions of yen | | Thousands of U.S. dollars | |
| | Cost | Estimated Fair Value | Cost | Estimated Fair Value |
| Due in one year or less | ¥ 53,000 | ¥ 54,647 | \$ 500,000 | \$ 515,538 |
| Due after one year through five years | 144,017 | 148,132 | 1,358,651 | 1,397,472 |
| Due after five years | 11,022 | 12,512 | 103,981 | 118,037 |
| Total debt securities | 208,039 | 215,291 | 1,962,632 | 2,031,047 |
| Marketable equity securities | 216,117 | 256,094 | 2,038,839 | 2,415,981 |
| Total | ¥424,156 | ¥471,385 | \$4,001,471 | \$4,447,028 |

| | Held-to-maturity securities | | | |
|---|-----------------------------|----------------------|---------------------------|----------------------|
| | Millions of yen | | Thousands of U.S. dollars | |
| | Cost | Estimated Fair Value | Cost | Estimated Fair Value |
| Due in one year or less | ¥ 17,140 | ¥ 17,445 | \$ 161,698 | \$ 164,575 |
| Due after one year through five years | 55,241 | 55,165 | 521,142 | 520,425 |
| Due after five years | 154,452 | 153,184 | 1,457,094 | 1,445,132 |
| Total | ¥226,833 | ¥225,794 | \$2,139,934 | \$2,130,132 |

4. Affiliated Companies

Investments in affiliated companies at March 31, 2000 and 1999 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------------|---------------------------|-----------|---------------------------|
| | 2000 | 1999 | 2000 |
| | Capital investments | ¥ 199,799 | ¥ 172,704 |
| Long-term receivables | 89,691 | 88,323 | 846,142 |
| | ¥ 289,490 | ¥ 261,027 | \$ 2,731,038 |

The financial information of affiliated companies, a portion of which is based on unaudited data at March 31, 2000 and 1999 and for the years ended March 31, 2000, 1999 and 1998, is summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-------------------------|--------------------|------------|---------------------------|
| | 2000 | 1999 | 2000 |
| | Total assets | ¥3,128,742 | ¥2,957,552 |
| Total liabilities | 2,683,338 | 2,613,538 | 25,314,509 |
| Net assets | ¥ 445,404 | ¥ 344,014 | \$ 4,201,925 |

| | Millions of yen | | | Thousands of U.S. dollars |
|---------------------------|-----------------|------------|------------|---------------------------|
| | 2000 | 1999 | 1998 | 2000 |
| | Net sales | ¥2,188,986 | ¥2,021,973 | ¥2,016,432 |
| Net income (losses) | 9,112 | 2,186 | (21,969) | 85,962 |

The Companies' sales to and purchases from affiliated companies for the years ended March 31, 2000, 1999 and 1998 were as follows:

| | Millions of yen | | | Thousands of U.S. dollars |
|-----------------|-----------------|----------|----------|---------------------------|
| | 2000 | 1999 | 1998 | 2000 |
| Sales | ¥388,030 | ¥417,529 | ¥409,003 | \$3,660,660 |
| Purchases | 624,282 | 515,283 | 584,291 | 5,889,453 |

The unamortized balances of the excess of the cost of the investments in affiliated companies over the Companies' equity in the net assets at the dates of acquisition amounted to ¥22,700 million (\$214,151 thousand) and ¥19,866 million at March 31, 2000 and 1999, respectively.

Certain investments in the common stock of affiliated

companies are marketable equity securities, which have carrying values of ¥8,293 million (\$78,236 thousand) and ¥8,901 million at March 31, 2000 and 1999, respectively, with corresponding quoted market values of ¥9,193 million (\$86,726 thousand) and ¥9,912 million in the aggregate.

5. Allowance for Doubtful Accounts

The changes in the allowance for doubtful accounts are summarized as follows:

| | Millions of yen | | | Thousands of U.S. dollars |
|------------------------------------|------------------|-----------|----------|---------------------------|
| | 2000 | 1999 | 1998 | 2000 |
| Balance at beginning of year | ¥ 129,462 | ¥ 85,792 | ¥ 89,410 | \$1,221,340 |
| Provision | 25,655 | 51,294 | 9,108 | 242,028 |
| Charge-offs | (10,844) | (6,067) | (13,610) | (102,302) |
| Other | (2,261) | (1,557) | 884 | (21,330) |
| Balance at end of year | ¥ 142,012 | ¥ 129,462 | ¥ 85,792 | \$1,339,736 |

At March 31, 2000 and 1999, the recorded investments in loans that are considered to be impaired under SFAS 114 were ¥176,492 million (\$1,665,019 thousand) and ¥119,737 million, respectively, and the allowance for credit losses related to those loans were ¥107,323 million (\$1,012,481 thousand) and ¥85,674 million, respectively. The recorded investment in the impaired loans, net of the valuation allowance, is either

secured by collateral or believed to be collectible. The average recorded investments in impaired loans were ¥148,432 million (\$1,400,302 thousand), ¥120,882 million and ¥115,575 million for the years ended March 31, 2000, 1999 and 1998, respectively. The Companies generally recognize interest income on impaired loans on a cash basis, which was not significant for the years ended March 31, 2000, 1999 and 1998.

6. Pledged Assets

The following assets were pledged as collateral for the Companies' obligations at March 31, 2000 and 1999:

| | Millions of yen | | Thousands of U.S. dollars |
|--|------------------|-----------|---------------------------|
| | 2000 | 1999 | 2000 |
| Time deposits | ¥ 1,370 | ¥ 3,496 | \$ 12,924 |
| Investment securities, securities and other investments | 98,121 | 148,066 | 925,670 |
| Notes, loans and accounts receivable - trade (current and non-current) | 76,147 | 94,547 | 718,368 |
| Inventories | 23,194 | 17,260 | 218,811 |
| Property leased to others, net of accumulated depreciation | 20,319 | 19,211 | 191,689 |
| Property and equipment, net of accumulated depreciation | 61,588 | 61,847 | 581,019 |
| | ¥ 280,739 | ¥ 344,427 | \$2,648,481 |

The obligations secured by such collateral were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------------------|------------------|-----------|---------------------------|
| | 2000 | 1999 | 2000 |
| Short-term loans | ¥ 30,833 | ¥ 65,487 | \$ 290,878 |
| Long-term debt | 99,477 | 126,972 | 938,462 |
| Guarantees of contracts, etc. | 22,002 | 22,685 | 207,566 |
| | ¥ 152,312 | ¥ 215,144 | \$1,436,906 |

In addition, acceptances payable at March 31, 2000 and 1999 were secured by trust receipts on inventories, the standard terms of which provide that the proceeds from the sales of any such collateral be delivered to the respective bank to be applied against outstanding acceptances. However, the Companies have, in general, followed the practice of paying acceptances on their maturity dates. Given the substantial volume of the Companies' transactions, it would not be practicable to determine the total amount of inventories and/or

proceeds from the sales of such inventories covered by outstanding trust receipts.

As is customary in Japan, security, if requested by a lending bank, must be given and the bank has the right to offset cash deposited with it against any debt or obligations that become due and, in the case of default or certain other specified events, against all debt payable to the bank. To date, no such request has been made to the Companies and no such rights have been exercised.

7. Short-Term Loans and Long-Term Debt

Short-term loans at March 31, 2000 and 1999 consisted of:

| | Millions of yen | | Thousands of U.S. dollars |
|--|------------------|-------------------|------------------------------|
| | 2000 | 1999 | 2000 |
| Short-term loans from banks and others | ¥ 913,711 | ¥1,227,049 | \$ 8,619,915 |
| Commercial paper | 37,056 | 329,423 | 349,585 |
| Trade notes receivable discounted with banks | - | 942 | - |
| | ¥ 950,767 | ¥1,557,414 | \$ 8,969,500 |

The weighted average interest rates on the primary short-term loans outstanding at March 31, 2000 and 1999 were 0.64% and 0.83%, respectively.

Long-term debt at March 31, 2000 and 1999 consisted of:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-------------------|-------------------|------------------------------|
| | 2000 | 1999 | 2000 |
| 4.6% - 7.5% Japanese yen bonds due 1999 | ¥ - | ¥ 5,200 | \$ - |
| 4.0% reverse dual currency notes due 2005 | 18,800 | 18,800 | 177,358 |
| 4.3% notes due 1999 | - | 85,600 | - |
| 2.95% notes due 2000 | 20,000 | 20,000 | 188,679 |
| 2.8% notes due 2002 | 38,100 | 38,100 | 359,434 |
| 2.5% notes due 2001 | 18,500 | 18,500 | 174,528 |
| 1.85% notes due 1999 | - | 10,000 | - |
| 2.10% notes due 1999 | - | 10,000 | - |
| 2.5% notes due 2002 | - | 20,000 | - |
| 1.8% notes due 2003 | - | 9,000 | - |
| 1.3% notes due 2002 | 10,000 | 10,000 | 94,340 |
| 1.22% notes due 2000 | 5,000 | 5,000 | 47,170 |
| 1.40% notes due 2001 | 5,000 | 5,000 | 47,170 |
| 1.50% notes due 2000 | 5,000 | 5,000 | 47,170 |
| 1.70% notes due 2001 | 5,000 | 5,000 | 47,170 |
| 1.50% notes due 2000 | 5,000 | 5,000 | 47,170 |
| 1.50% notes due 2000 | 5,000 | 5,000 | 47,170 |
| 1.70% notes due 2001 | 6,000 | 6,000 | 56,604 |
| 1.85% notes due 2001 | 7,000 | 7,000 | 66,038 |
| Floating rate notes due 2000 with options of prepayment and extension | 10,000 | 10,000 | 94,340 |
| 2.00% notes due 2002 | 30,000 | - | 283,019 |
| 2.00% notes due 2003 | 15,000 | - | 141,509 |
| 2.00% notes due 2003 | 45,000 | - | 424,528 |
| 2.12% notes due 2004 | 5,000 | - | 47,170 |
| 1.60% notes due 2002 | 35,000 | - | 330,189 |
| 2.00% notes due 2003 | 12,500 | - | 117,925 |
| 2.00% notes due 2003 | 22,000 | - | 207,547 |
| 2.50% notes due 2004 | 10,000 | - | 94,340 |
| 2.30% notes due 2004 | 8,000 | - | 75,472 |
| 1.50% notes due 2002 | 15,000 | - | 141,509 |
| 2.00% notes due 2003 | 30,000 | - | 283,019 |
| 2.00% notes due 2003 | 25,000 | - | 235,849 |
| 2.00% notes due 2003 | 5,000 | - | 47,170 |
| 2.37% notes due 2004 | 7,000 | - | 66,038 |
| 2.1% convertible debentures due 2001 | 588 | 588 | 5,547 |
| 2.0% convertible debentures due 2000 | 2,140 | 2,140 | 20,189 |
| 0.85% convertible debentures due 2006 | 78,765 | 78,765 | 743,066 |
| 4.7% U.S. dollar FOREX-linked coupon bonds due 2000 | - | 2,989 | - |
| Japanese yen floating rate JGB futures-linked Series A/B bonds due 2000 | 16,000 | 16,000 | 150,943 |
| Medium-term notes due from 1999 to 2008 principally at rates from 0.3% to 10.0% or at floating rates | 308,146 | 276,993 | 2,907,038 |
| Loans from government-owned banks and government agencies: | | | |
| Secured, due serially through 2016 principally at rates from 1.8% to 7.4% | 48,783 | 73,209 | 460,217 |
| Unsecured, due serially through 2014 principally at rates from 1.1% to 7.8% | 171,757 | 212,456 | 1,620,349 |
| Loans principally from banks and insurance companies: | | | |
| Secured, due serially through 2024 principally at rates from 1.9% to 8.8% | 50,694 | 53,763 | 478,245 |
| Unsecured, due serially through 2014 principally at rates from 0.1% to 8.4% | 1,669,339 | 1,922,421 | 15,748,481 |
| Other | 57,111 | 51,743 | 538,781 |
| | 2,826,223 | 2,989,267 | 26,662,481 |
| Less current portion | 526,258 | 519,096 | 4,964,698 |
| | ¥2,299,965 | ¥2,470,171 | \$21,697,783 |

To hedge against exposure related to the payment of interest and the repayment of the principal of certain short-term loans and long-term debt denominated in foreign currencies, the Company and certain of its subsidiaries enter into foreign exchange contracts.

To hedge against exposure to changes in interest rates and foreign currency exchange rates, the Company and certain of its subsidiaries enter into several interest rate swap agreements, including interest rate and currency swap agreements. The interest rate swap agreements primarily change the fixed interest rates on the principal of certain short-term loans and long-term debt into floating interest rates. The floating interest rates are, in general, based upon the six-month or three-month LIBOR (London Interbank Offered Rate). The interest rate swap agreements are to remain in effect through the maturity dates of the short-term loans and long-term debt.

The indentures covering the 2.1% convertible debentures due 2001 issued in September 1986 provide that (1) the holders may convert the debentures into shares of common stock at the conversion price of ¥537.3 (\$5.07), adjusted as a result of the free share distribution in May 1988, the issuance of common stock in July 1989 and the issuance of the 0.85 convertible debentures due 2006, and (2) the debentures due

2001 are redeemable at the option of the Company at prices ranging from 101% to 100% of the principal amounts. The indentures also set a limit on the payment of cash dividends based on the earnings of the Company which is determined in accordance with accounting principles generally accepted in Japan.

The indentures covering the 2.0% convertible debentures due 2000 issued in September 1988 provide that (1) the holders may convert the debentures into shares of common stock at the conversion price of ¥645.8 (\$6.09), adjusted as a result of the issuance of common stock in July 1989 and the issuance of the 0.85 convertible debentures due 2006, and (2) the debentures due 2000 are redeemable at the option of the Company at 100% of the principal amounts.

The indentures covering the 0.85% convertible debentures due 2006 issued in November 1996 provide that (1) the holders may convert the debentures into shares of common stock at the conversion price of ¥539 (\$5.08), and (2) the debentures due 2006 are redeemable at the option of the Company at prices ranging from 103% to 100% of the principal amounts after March 31, 2002.

Long-term debt subsequent to March 31, 2000 matures as follows:

| Year ending March 31 | Millions of yen | Thousands of U.S. dollars |
|----------------------|-----------------|---------------------------|
| 2001 | ¥ 526,258 | \$4,964,698 |
| 2002 | 383,613 | 3,618,991 |
| 2003 | 469,893 | 4,432,953 |
| 2004 | 407,940 | 3,848,491 |
| 2005 | 218,005 | 2,056,651 |
| Thereafter | 820,514 | 7,740,697 |

Certain agreements provide that earlier repayment may be required if the lenders consider that the Company has derived excess earnings or received sufficient proceeds from the issuance of common stock or debentures to repay its loans. To date, none of the lenders has made such a request.

Certain of the long-term debt agreements stipulate, among

other things, that the Companies, upon request, submit for the lenders' approval the proposed appropriations of income, including dividends, before such appropriations can be submitted to the shareholders. The Companies have never received such a request.

8. Employees' Retirement Benefits

The Company and certain of its subsidiaries have unfunded lump-sum retirement plans which, in general, cover all employees other than directors. In addition, the Company and certain of its subsidiaries have contributory and non-contributory funded pension plans with independent trustees for covering eligible employees. Under the terms of the lump-sum retirement plans, eligible employees are entitled under most circumstances, upon mandatory retirement or earlier voluntary severance, to indemnities based on their compensation as of the date of severance and years of service.

Effective April 1, 1991, the Company amended its contributory funded pension plan to combine the plan with the pension benefits normally provided under the Welfare Pension Insur-

ance Law of Japan. The combined welfare pension plan, in general, covers all employees and provides for pension payments for life commencing at age 60 or lump-sum payments upon severance.

At retirement, the Company's employees are entitled to benefits from both the lump-sum retirement plan and the combined welfare pension plan. A larger portion of the total benefits is paid from the combined welfare pension plan than from the lump-sum retirement plan.

The Company contributes to the combined welfare plan amounts which are actuarially determined by independent actuaries. The plan assets primarily consist of Japanese government bonds, corporate bonds and marketable equity securities.

The reconciliation of beginning and ending balances of the projected benefit obligation and plan assets, and fund status of the Company's and certain subsidiaries' plans are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|------------|---------------------------|
| | 2000 | 1999 | 2000 |
| Change in projected benefit obligation | | | |
| Projected benefit obligation at beginning of year | ¥ 210,888 | ¥ 198,190 | \$ 1,989,509 |
| Service cost | 8,295 | 8,701 | 78,255 |
| Interest cost | 7,193 | 7,601 | 67,858 |
| Actuarial gains and losses | 21,595 | 6,005 | 203,726 |
| Foreign currency exchange rate changes | (1,231) | (1,077) | (11,613) |
| Benefits paid | (15,000) | (8,781) | (141,509) |
| Plan amendment | - | 249 | - |
| Projected benefit obligation at end of year | 231,740 | 210,888 | 2,186,226 |
| Change in plan assets | | | |
| Fair value of plan assets at beginning of year | 116,931 | 113,749 | 1,103,123 |
| Actual return on plan assets | 17,925 | 1,694 | 169,104 |
| Foreign currency exchange rate changes | (1,261) | (1,070) | (11,896) |
| Employees' contributions | 952 | 1,008 | 8,981 |
| Employer's contribution | 10,779 | 7,997 | 101,689 |
| Benefits paid | (8,793) | (6,447) | (82,954) |
| Fair value of plan assets at end of year | 136,533 | 116,931 | 1,288,047 |
| Funded status | (95,207) | (93,957) | (898,179) |
| Unrecognized net obligation at date of initial application of SFAS 87 being recognized over 15 years | 2,486 | 3,246 | 23,453 |
| Unrecognized prior service cost | 7,869 | 7,758 | 74,236 |
| Unrecognized net loss since initial application of SFAS 87 | 74,300 | 69,998 | 700,943 |
| Net amount recognized | ¥ (10,552) | ¥ (12,955) | \$ (99,547) |
| Amounts recognized in the consolidated balance sheet consist of: | | | |
| Prepaid benefit cost | ¥ 644 | ¥ 664 | \$ 6,075 |
| Accrued benefit liability | (79,307) | (80,961) | (748,179) |
| Intangible assets | 10,199 | 10,667 | 96,217 |
| Accumulated other comprehensive income, gross of tax | 57,912 | 56,675 | 546,340 |
| Net amount recognized | ¥ (10,552) | ¥ (12,955) | \$ (99,547) |

The components of net pension expense of the Company's and certain subsidiaries' plans for the years ended March 31, 2000, 1999 and 1998 were as follows:

| | Millions of yen | | | Thousands of U.S. dollars |
|--|-----------------|----------|----------|---------------------------|
| | 2000 | 1999 | 1998 | 2000 |
| Service cost - benefits earned during the year | ¥ 8,295 | ¥ 8,701 | ¥ 7,275 | \$ 78,255 |
| Interest cost on projected benefit obligation | 7,193 | 7,601 | 7,328 | 67,858 |
| Expected return on plan assets | (4,430) | (4,684) | (4,865) | (41,792) |
| Net amortization and deferrals | 4,816 | 4,375 | 3,036 | 45,434 |
| Employees' contributions | (952) | (1,008) | (1,034) | (8,981) |
| Net pension expense | ¥ 14,922 | ¥ 14,985 | ¥ 11,740 | \$ (140,774) |

The aggregate projected benefit obligation and aggregate fair value of plan assets for pension plans with projected benefit obligations in excess of plan assets are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
| | 2000 | 1999 | 2000 |
| Aggregate projected benefit obligation | ¥223,657 | ¥205,661 | \$ 2,109,972 |
| Aggregate fair value of plan assets | 128,096 | 111,448 | 1,208,453 |

The aggregate accumulated benefit obligation and aggregate fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|------------------|-----------|------------------------------|
| | 2000 | 1999 | 2000 |
| Aggregate accumulated benefit obligation | ¥ 207,209 | ¥ 189,030 | \$ 1,954,802 |
| Aggregate fair value of plan assets | 127,848 | 107,960 | 1,206,113 |

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, 2000, 1999 and 1998 were as follows:

| | 2000 | 1999 | 1998 |
|---|-------------|------|------|
| Discount rates | 3.0% | 3.5% | 4.0% |
| Weighted average rates of increases in future salary levels | 3.2% | 3.2% | 3.2% |
| Expected long-term rates of return on plan assets | 3.5% | 4.0% | 4.5% |

In addition to the plans outlined above, certain subsidiaries have unfunded lump-sum retirement plans. Under the terms of the plans, eligible employees are entitled, in general, to lump-sum severance or retirement benefits based on the level of compensation at the time of severance, length of service and other factors, upon mandatory retirement or early voluntary severance. Liabilities for such unfunded lump-sum retirement plans of certain subsidiaries are stated at the vested

benefit obligation, which is the amount that would be required to be paid if all employees terminated their services at the balance sheet date, and amounted to ¥10,798 million (\$101,868 thousand) and ¥9,886 million at March 31, 2000 and 1999, respectively. The amounts charged to income for the years ended March 31, 2000, 1999 and 1998 with respect to those subsidiaries' plans were ¥3,540 million (\$33,396 thousand), ¥3,401 million and ¥2,738 million, respectively.

9. Income Taxes

The significant components of deferred tax assets and deferred tax liabilities at March 31, 2000 and 1999 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------|------------------------------|
| | 2000 | 1999 | 2000 |
| Deferred tax assets: | | | |
| Allowance for doubtful accounts | ¥ 37,976 | ¥ 27,801 | \$ 358,264 |
| Inventories | 9,877 | 1,015 | 93,179 |
| Employees' retirement benefits | 31,827 | 34,350 | 300,255 |
| Unrealized profit | 17,001 | 8,847 | 160,387 |
| Undistributed earnings and investments in affiliated companies | 14,168 | 9,741 | 133,660 |
| Foreign currency | 3,841 | 420 | 36,236 |
| Net operating loss carryforwards | 35,781 | 24,839 | 337,557 |
| Other | 16,920 | 17,376 | 159,622 |
| Total deferred tax assets | 167,391 | 124,389 | 1,579,160 |
| Valuation allowance | (29,824) | (22,870) | (281,358) |
| Net deferred tax assets | 137,567 | 101,519 | 1,297,802 |
| Deferred tax liabilities: | | | |
| Investment securities | 36,858 | 22,833 | 347,717 |
| Property and equipment | 14,769 | 17,888 | 139,330 |
| Installment sales | 817 | 1,336 | 7,708 |
| Other | 3,621 | 7,139 | 34,160 |
| Total deferred tax liabilities | 56,065 | 49,196 | 528,915 |
| Net deferred tax assets | ¥ 81,502 | ¥ 52,323 | \$ 768,887 |

The net increases in the valuation allowance for deferred tax assets were ¥6,954 million (\$65,604 thousand) and ¥10,825 million for the years ended March 31, 2000 and 1999, respectively.

At March 31, 2000, certain of the Company's subsidiaries, for income tax purposes, have net operating loss carryforwards of ¥92,017 million (\$868,085 thousand), of which ¥74,214 million (\$700,132 thousand) will expire through 2019, and ¥17,803 million (\$167,953 thousand) has no expiration date.

Effective March 31, 1999, separate new tax legislation was enacted in Japan reducing the Company's and its domestic

subsidiaries' statutory income tax rate from 47% to 42% for fiscal years ending after March 31, 1999. Deferred income tax balances have been adjusted to reflect the revised rates, which increased 1999 income taxes by ¥5,546 million.

Taxes on income applicable to the Company would normally result in a statutory tax rate of approximately 42%, 47% and 51% for the years ended March 31, 2000, 1999 and 1998, respectively. A reconciliation of the statutory income tax rate to the effective income tax rates expressed as a percentage of income before income taxes and equity in earnings is as follows:

| | 2000 | 1999 | 1998 |
|---|---------------|---------|-------|
| Statutory income tax rate | 42.0% | (47.0)% | 51.0% |
| Tax effect of subsidiaries' operations | 145.6 | 10.8 | 9.4 |
| Tax effect of permanent differences | (42.6) | 6.9 | 7.9 |
| Difference in tax rates of foreign subsidiaries | (28.2) | 0.0 | (8.0) |
| Tax effect on retained earnings of subsidiaries | 19.4 | 1.3 | 0.8 |
| Effect of tax rate change | - | 3.7 | (7.5) |
| Other | (6.7) | (1.6) | 2.2 |
| Effective income tax rates | 129.5% | (25.9)% | 55.8% |

Total income taxes recognized for the years ended March 31, 2000, 1999 and 1998 are applicable to the following:

| | Millions of yen | | | Thousands of U.S. dollars |
|---|-----------------|-----------|-----------|---------------------------|
| | 2000 | 1999 | 1998 | 2000 |
| Income (loss) before income taxes and equity in earnings (losses) | ¥7,017 | ¥(38,857) | ¥ 30,671 | \$66,198 |
| Equity in earnings (losses) of affiliated companies | (298) | (5,516) | (4,603) | (2,811) |
| Other comprehensive income (losses) | 299 | 14,617 | (54,169) | 2,821 |
| Total income taxes | ¥7,018 | ¥(29,756) | ¥(28,101) | \$66,208 |

No provision has been made for Japanese income taxes on the undistributed earnings of the Company's domestic subsidiaries earned prior to March 31, 1993 or on the undistributed earnings of the Company's foreign subsidiaries, which amounted to approximately ¥82,900 million (\$782,075

thousand) and ¥86,700 million at March 31, 2000 and 1999, respectively. The Company considers such earnings to be permanently invested. Determination of the amount of the related unrecognized deferred income tax liability is not practicable.

10. Shareholders' Equity

Under the Commercial Code, certain capital transactions result in amounts being recorded in the common stock account at greater than par value although the nominal par value of such shares remains at ¥50.

At the adjusted conversion price, 1,094,360 shares of common stock were reserved at March 31, 2000 for conversion of the 2.1% convertible debentures issued in 1986. At the adjusted conversion price, 3,313,719 shares of common stock were reserved at March 31, 2000 for conversion of the 2.0% convertible debentures issued in 1988. At the conversion price, 146,131,725 shares of common stock were reserved at March 31, 2000 for conversion of the 0.85% convertible debentures issued in 1996.

The amount of retained earnings available for dividends under the Commercial Code is based on the amount recorded on the Company's books maintained in accordance with Japanese accounting practices. The adjustments included in the accompanying consolidated financial statements but not

recorded on the books, as explained in Note 1, have no effect on the determination of retained earnings available for dividends under the Commercial Code.

¥18,843 million (\$ 177,764 thousand) and ¥18,394 million of retained earnings of the Company was designated as a legal reserve at March 31, 2000 and 1999, respectively, which are not available for dividends. Under the Commercial Code, amounts equal to at least 10% of cash dividends and other cash appropriations of retained earnings must be set aside as a legal reserve until the reserve equals 25% of common stock.

After giving effect to the restrictions in the indentures described in Note 7 and the legal reserve requirements described above, retained earnings of the Company available for the payment of cash dividends amounted to ¥15,862 million (\$149,642 thousand) at March 31, 2000.

11. Other Comprehensive Income (Losses)

The amount of income tax expenses and benefit allocated to each component of other comprehensive income (losses) for the years ended March 31, 2000, 1999 and 1998 is as follows:

| | Millions of yen | | |
|---|-------------------|--------------------------|---------------------------|
| | Before-tax amount | Tax (expense) or benefit | Net-of-tax amount |
| 2000 | | | |
| Unrealized gains on investment securities arising during period | ¥ 57,935 | ¥ (23,096) | ¥ 34,839 |
| Less: reclassification adjustment for gains included in net income | (45,604) | 18,537 | (27,067) |
| Net unrealized gains | 12,331 | (4,559) | 7,772 |
| Currency translation adjustments arising during period-losses | (38,827) | 4,007 | (34,820) |
| Less: reclassification adjustment for losses included in net income | 740 | (267) | 473 |
| Net currency translation adjustment-losses | (38,087) | 3,740 | (34,347) |
| Minimum pension liability adjustment | (1,237) | 520 | (717) |
| Other comprehensive loss | ¥ (26,993) | ¥ (299) | ¥ (27,292) |
| 2000 | | | |
| | | | Thousands of U.S. dollars |
| Unrealized gains on investment securities arising during period | \$ 546,557 | \$ (217,887) | \$ 328,670 |
| Less: reclassification adjustment for gains included in net income | (430,227) | 174,878 | (255,349) |
| Net unrealized gains | 116,330 | (43,009) | 73,321 |
| Currency translation adjustments arising during period-losses | (366,292) | 37,801 | (328,491) |
| Less: reclassification adjustment for losses included in net income | 6,981 | (2,518) | 4,463 |
| Net currency translation adjustment-losses | (359,311) | 35,283 | (324,028) |
| Minimum pension liability adjustment | (11,670) | 4,905 | (6,765) |
| Other comprehensive loss | \$ (254,651) | \$ (2,821) | \$ (257,472) |
| 1999 | | | |
| | | | Millions of yen |
| Unrealized losses on investment securities arising during period | ¥ (57,015) | ¥ 26,871 | ¥ (30,144) |
| Less: reclassification adjustment for losses included in net loss | 100,335 | (47,860) | 52,475 |
| Net unrealized gains | 43,320 | (20,989) | 22,331 |
| Currency translation adjustments arising during period-losses | (22,479) | 3,324 | (19,155) |
| Less: reclassification adjustment for losses included in net loss | 1,797 | (462) | 1,335 |
| Net currency translation adjustment-losses | (20,682) | 2,862 | (17,820) |
| Minimum pension liability adjustment | (7,046) | 3,510 | (3,536) |
| Other comprehensive income | ¥ 15,592 | ¥ (14,617) | ¥ 975 |
| 1998 | | | |
| | | | Millions of yen |
| Unrealized losses on investment securities arising during period | ¥ (96,156) | ¥ 48,688 | ¥ (47,468) |
| Less: reclassification adjustment for losses included in net income | 570 | (293) | 277 |
| Net unrealized losses | (95,586) | 48,395 | (47,191) |
| Currency translation adjustments arising during period-gains | 4,294 | 3,226 | 7,520 |
| Less: reclassification adjustment for losses included in net income | 672 | (345) | 327 |
| Net currency translation adjustment-gains | 4,966 | 2,881 | 7,847 |
| Minimum pension liability adjustment | (9,491) | 2,893 | (6,598) |
| Other comprehensive loss | ¥ (100,111) | ¥ 54,169 | ¥ (45,942) |

The accumulated balance of each component of accumulated other comprehensive income (losses) at March 31, 2000, 1999 and 1998 is as follows:

| | Unrealized gains (losses) on investment securities | Currency translation adjustment | Minimum pension liability adjustment | Accumulated other comprehensive income (losses) |
|--|--|---------------------------------|--------------------------------------|---|
| | Millions of yen | | | |
| Balance at March 31, 1997 | ¥ 40,414 | ¥ (42,005) | ¥ (19,507) | ¥ (21,098) |
| Change in the period | (47,191) | 7,847 | (6,598) | (45,942) |
| Balance at March 31, 1998 | (6,777) | (34,158) | (26,105) | (67,040) |
| Change in the period | 22,331 | (17,820) | (3,536) | 975 |
| Balance at March 31, 1999 | 15,554 | (51,978) | (29,641) | (66,065) |
| Change in the period | 7,772 | (34,347) | (717) | (27,292) |
| Balance at March 31, 2000 | ¥ 23,326 | ¥ (86,325) | ¥ (30,358) | ¥ (93,357) |
| | | | | Thousands of U.S. dollars |
| Balance at March 31, 1999 | \$146,736 | \$(490,359) | \$(279,631) | \$(623,254) |
| Change in the period | 73,321 | (324,028) | (6,765) | (257,472) |
| Balance at March 31, 2000 | \$220,057 | \$(814,387) | \$(286,396) | \$(880,726) |

12. Segment Information

While management of the Company has utilized geographic segments for the operating segment information to evaluate performance and to allocate resources, it has changed its operating segments in the year ended March 31, 2000. The Company's revised operating segments are now classified in terms of the nature of the products and services or areas. The segments, by product and service, 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.

For disclosure purposes, the Company has aggregated its operating segments into six segments, identified by product and service, in addition to its domestic branches and offices and overseas corporate subsidiaries and branches. These segments are outlined as follows:

Textile: With one consistent organization handling various textile-related goods from raw material through products, the group purchases and produces raw materials for apparel, and designs and sells apparel and living products, in addition to rendering distribution services on a worldwide basis.

Metals: In addition to processing and selling raw materials of steel and light metals overseas, the group produces, processes, sells and trades iron and light metals both domestically and overseas.

Machinery: This group develops IT, utilities, plants and vessels and various related projects, and handles machinery related to transportation and production systems both domestically and overseas.

Energy and chemicals: This sector is composed of products related to energy of oil, gas, nuclear energy and coal. The

group enters into various sorts of businesses from the development of resources through such retail operations as gas stations. This group handles various chemical products from raw materials to hi-tech products in response to the various needs of its domestic and overseas consumers.

Agri-marine products: This group produces and handles all sorts of food such as agricultural and marine products, processed food and beverages, raw materials, fodder and manure in addition to distributing these products on a worldwide basis.

Construction, forest products and general merchandise: Besides selling rubber products, foot-ware and housing materials, the group operates leisure facilities, manufactures and sells raw materials for paper production, paper and wallpaper, and takes part in afforestation projects in Japan and overseas. In addition, this group develops condominiums, houses and apartments, and develops and rents sports facilities and commercial buildings in Japan while operating overseas as a general area developer.

Domestic branches and offices: Domestic branches and offices are located at many places in Japan, including the Hokkaido, Tohoku, Chubu, Chugoku-Shikoku, Kyushu areas, and handle various merchandise and carry out related activities.

Overseas corporate subsidiaries and branches: Overseas corporate subsidiaries and branches are located all over the world, primarily in North America and Europe, and they handle various merchandise and carry out the related activities.

The Company evaluates performance and allocates resources in accordance with the new reportable segments. The accounting policies of the reportable segments are the accounting principles generally accepted in Japan. With respect to the presentation of gross trading profits, certain reclassifications were made to conform to accounting principles generally accepted in the United States of America.

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

The Companies' operating segment information for the year ended March 31, 2000 and the segment information restated to conform to the new segments for the year ended March 31, 1999 are as follows:

| | | Millions of yen | | | | | |
|---------------------------------------|---|-----------------|-------------|-------------|----------------------|----------------------|---|
| Year ended March 31, 2000 | | Textile | Metals | Machinery | Energy and chemicals | Agri-marine products | Construction, forest products and general merchandise |
| Total volume of trading transactions: | | | | | | | |
| Outside customers | ¥ | 665,193 | ¥ 962,763 | ¥ 2,627,168 | ¥ 1,993,895 | ¥ 1,059,016 | ¥ 1,044,488 |
| Inter-segment | | 7,173 | 107,905 | 42,163 | 33,280 | 14,753 | 31,847 |
| Total | ¥ | 672,366 | ¥ 1,070,668 | ¥ 2,669,331 | ¥ 2,027,175 | ¥ 1,073,769 | ¥ 1,076,335 |
| Gross trading profit | ¥ | 30,613 | ¥ 41,374 | ¥ 120,211 | ¥ 56,297 | ¥ 66,421 | ¥ 56,283 |
| Segment net income (loss) | ¥ | (2,431) | ¥ 2,003 | ¥ (7,996) | ¥ 7,807 | ¥ 7,644 | ¥ 514 |
| Segment assets | ¥ | 198,355 | ¥ 467,127 | ¥ 1,607,074 | ¥ 432,414 | ¥ 338,986 | ¥ 824,191 |
| Depreciation and amortization | ¥ | 601 | ¥ 2,544 | ¥ 25,105 | ¥ 3,982 | ¥ 5,951 | ¥ 7,768 |
| Expenditures for segment assets | ¥ | 236 | ¥ 1,000 | ¥ 30,684 | ¥ 3,515 | ¥ 5,470 | ¥ 18,024 |

| | | Domestic branches and offices | Overseas corporate subsidiaries and branches | Corporate | Elimination and other | Consolidated |
|---------------------------------------|---|-------------------------------|--|-------------|-----------------------|--------------|
| Total volume of trading transactions: | | | | | | |
| Outside customers | ¥ | 512,136 | ¥ 1,311,476 | ¥ 45,770 | ¥ 537 | ¥10,222,442 |
| Inter-segment | | 27,654 | 525,877 | 4,948 | (795,600) | - |
| Total | ¥ | 539,790 | ¥ 1,837,353 | ¥ 50,718 | ¥ (795,063) | ¥10,222,442 |
| Gross trading profit | ¥ | 9,093 | ¥ 68,936 | ¥ 14,011 | ¥ (9,743) | ¥ 453,496 |
| Segment net income (loss) | ¥ | 83 | ¥ (1,386) | ¥ 10,091 | ¥ (14,269) | ¥ 2,060 |
| Segment assets | ¥ | 163,837 | ¥ 583,518 | ¥ 1,463,684 | ¥ (494,833) | ¥ 5,584,353 |
| Depreciation and amortization | ¥ | 282 | ¥ 6,340 | ¥ 7,967 | ¥ (733) | ¥ 59,807 |
| Expenditures for segment assets | ¥ | 53 | ¥ 8,813 | ¥ 4,201 | ¥ (586) | ¥ 71,410 |

| | | Thousands of U.S. dollars | | | | | |
|---------------------------------------|----|---------------------------|--------------|--------------|----------------------|----------------------|---|
| Year ended March 31, 2000 | | Textile | Metals | Machinery | Energy and chemicals | Agri-marine products | Construction, forest products and general merchandise |
| Total volume of trading transactions: | | | | | | | |
| Outside customers | \$ | 6,275,406 | \$ 9,082,670 | \$24,784,604 | \$18,810,330 | \$ 9,990,717 | \$ 9,853,660 |
| Inter-segment | | 67,670 | 1,017,972 | 397,764 | 313,962 | 139,179 | 300,443 |
| Total | \$ | 6,343,076 | \$10,100,642 | \$25,182,368 | \$19,124,292 | \$10,129,896 | \$10,154,103 |
| Gross trading profit | \$ | 288,802 | \$ 390,321 | \$ 1,134,066 | \$ 531,104 | \$ 626,613 | \$ 530,972 |
| Segment net income (loss) | \$ | (22,934) | \$ 18,896 | \$ (75,434) | \$ 73,651 | \$ 72,113 | \$ 4,849 |
| Segment assets | \$ | 1,871,274 | \$ 4,406,858 | \$15,161,075 | \$ 4,079,377 | \$ 3,197,981 | \$ 7,775,387 |
| Depreciation and amortization | \$ | 5,670 | \$ 24,000 | \$ 236,840 | \$ 37,566 | \$ 56,142 | \$ 73,283 |
| Expenditures for segment assets | \$ | 2,226 | \$ 9,434 | \$ 289,472 | \$ 33,160 | \$ 51,604 | \$ 170,038 |

| | | Domestic branches and offices | Overseas corporate subsidiaries and branches | Corporate | Elimination and other | Consolidated |
|---------------------------------------|----|-------------------------------|--|--------------|-----------------------|--------------|
| Total volume of trading transactions: | | | | | | |
| Outside customers | \$ | 4,831,472 | \$12,372,415 | \$ 431,792 | \$ 5,066 | \$96,438,132 |
| Inter-segment | | 260,887 | 4,961,104 | 46,679 | (7,505,660) | - |
| Total | \$ | 5,092,359 | \$17,333,519 | \$ 478,471 | \$ (7,500,594) | \$96,438,132 |
| Gross trading profit | \$ | 85,783 | \$ 650,339 | \$ 132,179 | \$ (91,915) | \$ 4,278,264 |
| Segment net income (loss) | \$ | 783 | \$ (13,075) | \$ 95,198 | \$ (134,613) | \$ 19,434 |
| Segment assets | \$ | 1,545,632 | \$ 5,504,887 | \$13,808,340 | \$ (4,668,236) | \$52,682,575 |
| Depreciation and amortization | \$ | 2,660 | \$ 59,811 | \$ 75,160 | \$ (6,915) | \$ 564,217 |
| Expenditures for segment assets | \$ | 500 | \$ 83,141 | \$ 39,632 | \$ (5,528) | \$ 673,679 |

Millions of yen

| Year ended March 31, 1999 | Textile | Metals | Machinery | Energy and chemicals | Agri-marine products | Construction, forest products and general merchandise |
|---------------------------------------|-------------------------------|--|-------------|-----------------------|----------------------|---|
| Total volume of trading transactions: | | | | | | |
| Outside customers | ¥ 801,497 | ¥ 1,164,000 | ¥ 4,033,389 | ¥ 1,819,117 | ¥ 1,088,443 | ¥ 1,177,516 |
| Inter-segment | 13,432 | 171,440 | 69,114 | 36,049 | 29,344 | 33,852 |
| Total | ¥ 814,929 | ¥ 1,335,440 | ¥ 4,102,503 | ¥ 1,855,166 | ¥ 1,117,787 | ¥ 1,211,368 |
| Gross trading profit | ¥ 29,263 | ¥ 45,924 | ¥ 167,292 | ¥ 54,518 | ¥ 67,787 | ¥ 70,293 |
| Segment net income (loss) | ¥ (7,876) | ¥ (6,124) | ¥ (3,516) | ¥ (4,453) | ¥ 767 | ¥ (16,923) |
| Segment assets | ¥ 223,134 | ¥ 512,223 | ¥ 1,915,879 | ¥ 421,238 | ¥ 319,275 | ¥ 893,297 |
| Depreciation and amortization | ¥ 831 | ¥ 2,778 | ¥ 22,906 | ¥ 7,979 | ¥ 6,475 | ¥ 7,984 |
| Expenditures for segment assets | ¥ 1,525 | ¥ 15,363 | ¥ 62,980 | ¥ 5,429 | ¥ 5,126 | ¥ 24,032 |
| | Domestic branches and offices | Overseas corporate subsidiaries and branches | Corporate | Elimination and other | Consolidated | |
| Total volume of trading transactions: | | | | | | |
| Outside customers | ¥ 624,074 | ¥ 1,208,062 | ¥ 44,698 | ¥ (639) | ¥11,960,157 | |
| Inter-segment | 39,477 | 753,323 | 2,080 | (1,148,111) | | – |
| Total | ¥ 663,551 | ¥ 1,961,385 | ¥ 46,778 | ¥ (1,148,750) | ¥11,960,157 | |
| Gross trading profit | ¥ 12,170 | ¥ 74,980 | ¥ 8,499 | ¥ (8,370) | ¥ 522,356 | |
| Segment net income (loss) | ¥ 11,480 | ¥ (2,826) | ¥ (33,073) | ¥ (55,185) | ¥ (117,729) | |
| Segment assets | ¥ 197,125 | ¥ 773,525 | ¥ 1,506,888 | ¥ (250,743) | ¥ 6,511,841 | |
| Depreciation and amortization | ¥ 339 | ¥ 3,469 | ¥ 6,143 | ¥ (1,192) | ¥ 57,712 | |
| Expenditures for segment assets | ¥ 939 | ¥ 12,476 | ¥ 3,872 | ¥ – | ¥ 131,742 | |

Elimination and other includes differences in accounting principles generally accepted in Japan and those in the United States of America. The principal differences are described in Note 1.

The segment information to conform to the new segments for the year ended March 31, 1998 was not restated as it would be impracticable.

The segment information by geographic area, which had been previously utilized as management segment information, for the years ended March 31, 2000, 1999 and 1998 is as follows:

| Year ended March 31, 2000 | Millions of yen | | | | | | | Eliminations | Consolidated |
|---|-----------------|---------------|----------|----------------|----------|-------------|---------------|--------------|--------------|
| | Japan | North America | Europe | Asia - Oceania | Other | Total | | | |
| Total volume of trading transactions: | | | | | | | | | |
| Outside customers | ¥7,338,374 | ¥1,067,212 | ¥344,575 | ¥819,671 | ¥652,610 | ¥10,222,442 | ¥ - | ¥ 10,222,442 | |
| Inter-area | 1,875,194 | 221,838 | 59,691 | 107,832 | 81,172 | 2,345,727 | (2,345,727) | - | |
| Total | ¥9,213,568 | ¥1,289,050 | ¥404,266 | ¥927,503 | ¥733,782 | ¥12,568,169 | ¥ (2,345,727) | ¥ 10,222,442 | |
| Segment operating profit (loss) | ¥ (5,372) | ¥ 7,782 | ¥ 2,218 | ¥ 6,331 | ¥ 5,380 | ¥ 16,339 | ¥ (9) | ¥ 16,330 | |
| Other income and expenses | | | | | | | | (10,911) | |
| Income before income taxes and equity in earnings | | | | | | | | ¥ 5,419 | |
| Depreciation and amortization | ¥ 42,063 | ¥ 7,889 | ¥ 3,607 | ¥ 2,911 | ¥ 3,337 | ¥ 59,807 | ¥ - | ¥ 59,807 | |
| Provision for doubtful accounts | ¥ 23,584 | ¥ (747) | ¥ 1,493 | ¥ 1,353 | ¥ (28) | ¥ 25,655 | ¥ - | ¥ 25,655 | |
| Segment assets | ¥2,873,039 | ¥ 335,633 | ¥271,532 | ¥195,834 | ¥142,199 | ¥3,818,237 | ¥ (244,017) | ¥ 3,574,220 | |
| Other assets | | | | | | | | 2,010,133 | |
| Total assets | | | | | | | | ¥ 5,584,353 | |
| Expenditures for segment assets | ¥ 47,506 | ¥ 13,470 | ¥ 3,655 | ¥ 2,269 | ¥ 4,510 | ¥ 71,410 | ¥ - | ¥ 71,410 | |

| Year ended March 31, 2000 | Thousands of U.S. dollars | | | | | | | Eliminations | Consolidated |
|---|---------------------------|---------------|-------------|----------------|-------------|---------------|----------------|---------------|--------------|
| | Japan | North America | Europe | Asia - Oceania | Other | Total | | | |
| Total volume of trading transactions: | | | | | | | | | |
| Outside customers | \$69,229,943 | \$10,068,038 | \$3,250,708 | \$7,732,745 | \$6,156,698 | \$96,438,132 | \$ - | \$96,438,132 | |
| Inter-area | 17,690,510 | 2,092,811 | 563,122 | 1,017,283 | 765,774 | 22,129,500 | (22,129,500) | - | |
| Total | \$86,920,453 | \$12,160,849 | \$3,813,830 | \$8,750,028 | \$6,922,472 | \$118,567,632 | \$(22,129,500) | \$96,438,132 | |
| Segment operating profit (loss) | \$ (50,679) | \$ 73,415 | \$ 20,925 | \$ 59,726 | \$ 50,755 | \$ 154,142 | \$ (85) | \$ 154,057 | |
| Other income and expenses | | | | | | | | (102,934) | |
| Income before income taxes and equity in earnings | | | | | | | | \$ 51,123 | |
| Depreciation and amortization | \$ 396,821 | \$ 74,425 | \$ 34,028 | \$ 27,462 | \$ 31,481 | \$ 564,217 | \$ - | \$ 564,217 | |
| Provision for doubtful accounts | \$ 222,490 | \$ (7,047) | \$ 14,085 | \$ 12,764 | \$ (264) | \$ 242,028 | \$ - | \$ 242,028 | |
| Segment assets | \$27,104,141 | \$ 3,166,349 | \$2,561,623 | \$1,847,491 | \$1,341,500 | \$36,021,104 | \$(2,302,047) | \$ 33,719,057 | |
| Other assets | | | | | | | | 18,963,518 | |
| Total assets | | | | | | | | \$52,682,575 | |
| Expenditures for segment assets | \$ 448,170 | \$ 127,075 | \$ 34,481 | \$ 21,406 | \$ 42,547 | \$ 673,679 | \$ - | \$ 673,679 | |

| Year ended March 31, 1998 | Millions of yen | | | | | | | Consolidated |
|---|-----------------|---------------|-----------|----------------|-----------|-------------|--------------|--------------|
| | Japan | North America | Europe | Asia - Oceania | Other | Total | Eliminations | |
| Total volume of trading transactions: | | | | | | | | |
| Outside customers | ¥ 8,157,481 | ¥1,886,286 | ¥ 432,259 | ¥ 737,458 | ¥ 746,673 | ¥11,960,157 | ¥ - | ¥11,960,157 |
| Inter-area | 2,520,542 | 322,181 | 56,455 | 195,582 | 76,682 | 3,171,442 | (3,171,442) | - |
| Total | ¥10,678,023 | ¥2,208,467 | ¥ 488,714 | ¥ 933,040 | ¥ 823,355 | ¥15,131,599 | ¥(3,171,442) | ¥11,960,157 |
| Segment operating profit (loss) | ¥ (5,360) | ¥ 12,570 | ¥ 3,932 | ¥126 | ¥ 4,038 | ¥ 15,306 | ¥ (2,461) | ¥ 12,845 |
| Other income and expenses | | | | | | | | (162,749) |
| Loss before income taxes and equity in losses | | | | | | | | ¥ (149,904) |
| Depreciation and amortization | ¥ 38,816 | ¥ 5,207 | ¥ 5,723 | ¥ 3,629 | ¥ 4,337 | ¥ 57,712 | ¥ - | ¥ 57,712 |
| Provision for doubtful accounts | ¥ 43,793 | ¥ 1,156 | ¥ 1,117 | ¥ 4,084 | ¥ 1,144 | ¥ 51,294 | ¥ - | ¥ 51,294 |
| Segment assets | ¥ 3,722,708 | ¥ 481,106 | ¥ 391,953 | ¥ 244,255 | ¥ 163,132 | ¥ 5,003,154 | ¥ (865,296) | ¥ 4,137,858 |
| Other assets | | | | | | | | 2,373,983 |
| Total assets | | | | | | | | ¥ 6,511,841 |
| Expenditures for segment assets | ¥ 76,096 | ¥ 22,154 | ¥ 6,174 | ¥ 16,798 | ¥ 10,520 | ¥ 131,742 | ¥ - | ¥ 131,742 |

| Year ended March 31, 1998 | Millions of yen | | | | | | | Consolidated |
|---|-----------------|---------------|-----------|----------------|------------|-------------|--------------|--------------|
| | Japan | North America | Europe | Asia - Oceania | Other | Total | Eliminations | |
| Total volume of trading transactions: | | | | | | | | |
| Outside customers | ¥ 9,276,291 | ¥1,916,786 | ¥ 486,114 | ¥ 809,677 | ¥1,151,649 | ¥13,640,517 | ¥ - | ¥13,640,517 |
| Inter-area | 3,281,602 | 379,408 | 64,022 | 201,501 | 77,710 | 4,004,243 | (4,004,243) | - |
| Total | ¥12,557,893 | ¥2,296,194 | ¥ 550,136 | ¥1,011,178 | ¥1,229,359 | ¥17,644,760 | ¥(4,004,243) | ¥13,640,517 |
| Segment operating profit | ¥ 64,388 | ¥ 7,197 | ¥ 4,852 | ¥ 5,803 | ¥ 4,265 | ¥ 86,505 | ¥ (1,102) | ¥ 85,403 |
| Other income and expenses | | | | | | | | (30,481) |
| Income before income taxes and equity in losses | | | | | | | | ¥ 54,922 |
| Depreciation and amortization | ¥ 29,528 | ¥ 3,915 | ¥ 1,685 | ¥ 2,352 | ¥ 5,511 | ¥ 42,991 | ¥ - | ¥ 42,991 |
| Provision for doubtful accounts | ¥ 7,156 | ¥ 499 | ¥ 289 | ¥ 997 | ¥ 167 | ¥ 9,108 | ¥ - | ¥ 9,108 |
| Segment assets | ¥ 4,010,810 | ¥ 552,188 | ¥ 517,960 | ¥ 271,654 | ¥ 195,568 | ¥ 5,548,180 | ¥ (833,811) | ¥ 4,714,369 |
| Other assets | | | | | | | | 2,673,732 |
| Total assets | | | | | | | | ¥ 7,388,101 |
| Expenditures for segment assets | ¥ 54,249 | ¥ 12,360 | ¥ 2,911 | ¥ 2,875 | ¥ 5,991 | ¥ 78,386 | ¥ - | ¥ 78,386 |

Operating profit or loss is composed of gross trading profit less selling, general and administrative expenses and provision for doubtful accounts. Other assets consist primarily of cash and cash equivalents, time deposits, securities investments and investments in affiliated companies. Inter-area transactions are generally priced in accordance with the prevailing market prices.

Total volumes of trading transactions by country are as follows:

| Country | Millions of yen | | | Thousands of U.S. dollars |
|--------------------------------|-----------------|-------------|-------------|---------------------------|
| | 2000 | 1999 | 1998 | 2000 |
| Japan | ¥ 7,338,374 | ¥ 8,157,481 | ¥ 9,276,291 | \$69,229,943 |
| United States of America | 1,045,834 | 1,849,499 | 1,876,554 | 9,866,359 |
| Singapore | 220,840 | 251,881 | 512,354 | 2,083,396 |
| Other | 1,617,394 | 1,701,296 | 1,975,318 | 15,258,434 |
| Total | ¥10,222,442 | ¥11,960,157 | ¥13,640,517 | \$96,438,132 |

Total volumes of trading transactions are attributed to countries based on the location of operations.

Long-lived assets by country are as follows:

| Country | Millions of yen | | | Thousands of U.S. dollars |
|--------------------------------|-----------------|-----------|-----------|---------------------------|
| | 2000 | 1999 | 1998 | 2000 |
| Japan | ¥ 607,467 | ¥ 641,924 | ¥ 586,061 | \$ 5,730,821 |
| United States of America | 93,761 | 96,455 | 52,083 | 884,538 |
| Australia | 25,589 | 32,434 | 23,427 | 241,406 |
| Other | 90,478 | 110,143 | 116,977 | 853,565 |
| Total | ¥ 817,295 | ¥ 880,956 | ¥ 778,548 | \$ 7,710,330 |

Total volumes of trading transactions with external customers by product are as follows:

| Product | Millions of yen | | | Thousands of U.S. dollars |
|---|-----------------|-------------|-------------|---------------------------|
| | 2000 | 1999 | 1998 | 2000 |
| Machinery | ¥ 2,970,731 | ¥ 4,299,086 | ¥ 4,512,563 | \$28,025,764 |
| Energy and chemicals | 2,471,616 | 2,178,467 | 2,941,059 | 23,317,132 |
| Metals | 1,411,970 | 1,691,060 | 1,868,737 | 13,320,472 |
| Agri-marine products | 1,288,648 | 1,398,054 | 1,488,367 | 12,157,057 |
| Construction, forest products and general merchandise | 1,261,452 | 1,392,453 | 1,655,391 | 11,900,491 |
| Textile | 818,025 | 1,001,037 | 1,174,400 | 7,717,216 |
| Total | ¥10,222,442 | ¥11,960,157 | ¥13,640,517 | \$96,438,132 |

There is no concentration by customer.

13. Foreign Currency Transactions

Gains or losses resulting from the settlement of receivables and payables denominated in currencies other than the functional currencies and incurred in the course of normal trading activities of the Companies, are considered a portion of merchandise costs and are included in gross trading profit in the accompanying consolidated statements of operations. It is not feasible to segregate these cost elements from total merchandise costs.

Net foreign currency transaction losses included in other income (expenses) - net amounted to ¥13,794 million (\$130,132 thousand), ¥6,288 million and ¥3,339 million for the years ended March 31, 2000, 1999 and 1998, respectively. Net foreign currency transaction gains and losses include translation gains and losses resulting from remeasuring the financial statements of certain subsidiaries in highly inflationary economies into Japanese yen.

14. Financial Instruments

Risk management The Company and certain of its subsidiaries have separate departments which confirm its financial transactions with the counterparties from the departments which execute them. The Company has as its "middle-office" a "Financial Control Department," which is strictly independent of its Finance Department, in its Tokyo Head Office. The Financial Control Department independently performs direct confirmation procedures with the counterparties to each transaction and the month-end outstanding balances, analyzes various risks and exposures, reports the results of the analysis, and monitors and controls financial risks on the whole. In addition, the Financial Control Department obtains derivative transaction data from the financial subsidiaries and foreign corporate subsidiaries, reports to management periodically, and strengthens the Company's unified global control over derivative transactions. Effective April 1, 2000, the function of the Financial Control Department was replaced by the Risk Management Division, which monitors all risks of

the group companies.

Substantially all the derivative instruments which the Company and certain of its subsidiaries hold are utilized as a means of hedging the related market risks, and gains and losses on the derivative instruments are offset against losses and gains on the hedged assets and liabilities. Although the Company and certain subsidiaries are exposed to credit risks in the event of nonperformance by the counterparties, they minimize such risks by avoiding a concentration of counterparties, selecting counterparties with high credit ratings and maintaining strict credit control.

Foreign exchange contracts The Company and certain of its subsidiaries utilize foreign exchange contracts to hedge transactions and balances denominated in foreign currencies.

Interest rate swap agreements, including interest rate and currency swap agreements The Company and certain of its subsidiaries utilize interest rate swap agreements principally to reduce the impact of changes in interest rates on interest-bearing assets and liabilities. In addition, the Com-

pany and certain of its subsidiaries enter into interest rate swap agreements for trading purposes.

Other derivative instruments The Company and certain of its subsidiaries utilize other derivative instruments such as futures contracts primarily in order to hedge the risks associated with certain inventories or commitments, the fair value of which totaled ¥183 million (\$1,726 thousand) in losses as of March 31, 2000. In addition, the Company and certain of its subsidiaries enter into such derivative contracts for trading purposes, the fair value of which totaled ¥209 million (\$1,972 thousand) in losses as of March 31, 2000.

Fair value of financial instruments The estimated fair value of the financial instruments of the Companies has been determined using the available market information or other appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop estimates of fair value. Consequently, the estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange.

The following methodologies and assumptions were used by the Companies in estimating the fair value disclosures of the financial instruments:

Cash and cash equivalents, and time deposits: the carrying amounts of the cash and cash equivalents, and time deposits reflected in the consolidated balance sheets approximate their fair value.

Investment securities, securities and other investments: the fair value of marketable equity securities is based on quoted market prices. The carrying amount of the marketable equity securities reflected in the balance sheets represents their fair value. The fair value of investments in debt securities is based on quoted market prices or estimated using discounted cash flow analyses, based on the estimated current rates offered to

the issuers for securities with similar terms and remaining maturities. It was not practicable to estimate the fair value of the investments other than marketable equity securities and debt securities without incurring excessive costs. The carrying amount of the portion of the portfolio for which fair value could not be estimated was ¥207,070 million (\$1,953,490 thousand) and ¥216,224 million at March 31, 2000 and 1999, respectively, and represents the original cost of this portion of the portfolio, which management believes is not impaired.

Long-term notes, loans and accounts receivable - trade: the fair value of long-term notes, loans and accounts receivable - trade is estimated using discounted cash flow analyses, based on the interest rates currently being offered to the borrowers for similar long-term notes, loans and accounts receivable - trade with similar credit ratings. The fair value of accounts receivable with collectibility concerns is reflected at their carrying value less the related allowance for doubtful accounts. Short-term loans: the carrying amount of the short-term loans reflected in the accompanying consolidated balance sheets approximates their fair value.

Long-term debt: the fair value of long-term debt is estimated using discounted cash flow analyses, based on the current borrowing rates for borrowing arrangements with similar terms and remaining maturities.

Foreign exchange contracts: the fair value of foreign exchange contracts is estimated based on the quoted market prices of comparable contracts, adjusted where necessary for maturity differences.

Interest rate swap agreements: the fair value of interest rate swap agreements is estimated using discounted cash flow analyses, based on the current swap rates for interest rate swap agreements with similar terms and remaining periods.

The notional amount, carrying amounts and fair value of interest rate swap agreements and foreign currency contracts held for other than trading at March 31, 2000 and 1999 were as follows (amounts in parentheses represent liabilities):

| | Millions of yen | | | | | |
|---|-----------------|-----------------|-------------|-----------------|-----------------|-------------|
| | 2000 | | | 1999 | | |
| | Notional amount | Carrying amount | Fair value | Notional amount | Carrying amount | Fair value |
| Short-term investments in debt securities | - | ¥ 189,918 | ¥ 190,223 | - | ¥ 325,494 | ¥ 325,968 |
| Long-term investments in debt securities | - | 252,206 | 250,862 | - | 249,605 | 250,314 |
| Long-term notes, loans and accounts receivable - trade (less allowance for doubtful accounts) | - | 588,916 | 589,166 | - | 753,176 | 753,649 |
| Long-term debt | - | (2,826,223) | (2,869,913) | - | (2,989,267) | (3,017,087) |
| Interest rate swaps | ¥ 1,980,099 | 1,940 | 42,340 | ¥ 2,185,169 | (9,971) | 36,808 |
| Foreign exchange contracts | 292,626 | (98) | (319) | 344,369 | 3,947 | 4,106 |

| | Thousands of U.S. dollars | | |
|---|---------------------------|-----------------|--------------|
| | 2000 | | |
| | Notional amount | Carrying amount | Fair value |
| Short-term investments in debt securities | - | \$ 1,791,679 | \$ 1,794,557 |
| Long-term investments in debt securities | - | 2,379,302 | 2,366,623 |
| Long-term notes, loans and accounts receivable - trade (less allowance for doubtful accounts) | - | 5,555,812 | 5,558,170 |
| Long-term debt | - | (26,662,481) | (27,074,651) |
| Interest rate swaps | \$ 18,680,179 | 18,301 | 399,434 |
| Foreign exchange contracts | 2,760,623 | (925) | (3,009) |

For interest rate swaps held for trading, the notional amounts and fair values as of March 31, 2000, and the average fair values and net gain during the year ended at March 31, 2000 were as follows:

| | Millions of yen | Thousands of U.S. dollars |
|----------------------------------|-----------------|------------------------------|
| Notional amount | ¥ 106,929 | \$ 1,008,764 |
| Fair Value (Asset) | 468 | 4,415 |
| Average fair value (Asset) | 568 | 5,358 |
| Net gain | 509 | 4,802 |

15. Concentration of Credit Risk

Although the Companies operate in a general trading business, their fields of business comprise export, import, domestic and offshore trading in a wide variety of industrial, agricultural and consumer products, and also involve all levels of the production process from planning, investment, and research and development, through production, distribution and

marketing. In addition, the Companies operate in substantially all geographic areas of the world, and their customers are diversified. Accordingly, management of the Companies believes there is no significant concentration of credit risk among their customers or in their investments. The Companies require collateral to the extent considered necessary.

16. Commitments and Contingent Liabilities

Rental expenses, primarily for office space and equipment, amounted to ¥18,823 million (\$177,575 thousand), ¥23,662 million and ¥22,359 million for the years ended March 31,

2000, 1999 and 1998, respectively. At March 31, 2000, the future minimum lease payments under non-cancelable operating leases were as follows:

| Year ending March 31 | Millions of yen | Thousands of U.S. dollars |
|----------------------|-----------------|------------------------------|
| 2001 | ¥5,722 | \$53,981 |
| 2002 | 4,922 | 46,434 |
| 2003 | 3,963 | 37,387 |
| 2004 | 2,391 | 22,557 |
| Thereafter | 8,132 | 76,717 |

The Companies had commitments to make additional investments or loans in aggregate amounts of approximately ¥78,000 million (\$735,849 thousand) and ¥105,000 million at March 31, 2000 and 1999, respectively.

At March 31, 2000, the Companies were contingently liable as guarantors of loan obligations of ¥274,119 million (\$2,586,028 thousand) in the aggregate, including ¥96,290 million (\$908,396 thousand) to affiliated companies. The comparable amounts at March 31, 1999 were ¥385,109 million and ¥113,872 million, respectively.

The Company, its subsidiaries and affiliated companies

conduct business activities on a global scale and are involved in transactions which are subject to review and jurisdiction by a wide range of authorities, both in Japan and abroad. Such business activities are not without risk and, from time to time, may involve legal actions, claims or other disputes. Although there are various matters pending at any one time, management is of the opinion that settlement of all such matters pending at March 31, 2000 would not have a material effect on the consolidated financial position or results of operations of the Companies.

REPORT OF INDEPENDENT AUDITORS



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Report of Independent Auditors

The Board of Directors and Shareholders
Marubeni Corporation
(Marubeni Kabushiki Kaisha)

We have audited the accompanying consolidated balance sheets of Marubeni Corporation (the "Company") as of March 31, 2000 and 1999, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2000, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Marubeni Corporation at March 31, 2000 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

We have also reviewed the translation of the financial statements mentioned above into United States dollars on the basis described in Note 1. In our opinion, such statements have been translated on such basis.

A handwritten signature in cursive script that reads 'Ernst & Young'.

May 18, 2000