



# SIX - YEAR S U M M A R Y

Marubeni Corporation

Years ended March 31, 2002, 2001, 2000, 1999, 1998 and 1997

	Millions of yen						Thousands of U.S. dollars
	2002	2001	2000	1999	1998	1997	2002
<b>For the year:</b>							
Trading transactions:							
Domestic	<b>¥3,232,883</b>	¥3,754,652	¥4,571,183	¥ 5,183,131	¥ 5,931,831	¥ 6,604,469	<b>\$24,307,391</b>
Export	<b>1,209,677</b>	1,184,653	1,250,165	2,163,734	2,535,228	2,190,089	<b>9,095,316</b>
Import	<b>1,519,451</b>	1,760,793	1,425,294	1,452,026	1,710,749	1,727,032	<b>11,424,444</b>
Offshore	<b>3,010,234</b>	2,736,765	2,975,800	3,161,266	3,462,709	3,448,387	<b>22,633,338</b>
Total volume of trading transactions	<b>8,972,245</b>	9,436,863	10,222,442	11,960,157	13,640,517	13,969,977	<b>67,460,489</b>
Gross trading profit	<b>436,804</b>	479,754	453,496	522,356	534,485	496,550	<b>3,284,241</b>
Income (loss) before income taxes and equity in earnings (losses)	<b>(165,155)</b>	6,688	5,419	(149,904)	54,922	57,504	<b>(1,241,767)</b>
Net income (loss)	<b>(116,418)</b>	15,036	2,060	(117,729)	17,230	20,113	<b>(875,323)</b>
<b>At year-end:</b>							
Total assets	<b>4,805,669</b>	5,320,604	5,584,353	6,511,841	7,388,101	7,550,347	<b>36,132,850</b>
Total shareholders' equity	<b>263,895</b>	342,297	324,301	354,017	475,253	512,929	<b>1,984,173</b>
Interest-bearing debt	<b>3,184,884</b>	3,428,363	3,736,136	4,546,681	4,915,046	4,935,317	<b>23,946,496</b>
	Yen						U.S. dollars
<b>Amounts per 100 shares:</b>							
Basic earnings (loss)	<b>¥(7,792)</b>	¥1,006	¥138	¥(7,880)	¥1,153	¥1,346	<b>\$(58.59)</b>
Diluted earnings (loss)	<b>(7,792)</b>	940	138	(7,880)	1,054	1,289	<b>(58.59)</b>
Cash dividends	—	—	—	300	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 ¥133 to US\$1 as of March 29, 2002.

**Operating Environment**

In the fiscal year ended March 31, 2002, Japanese exports declined, particularly those related to IT, while the economy continued to deflate slightly. This constrained corporate earnings, while personal consumption was depressed due to worsening unemployment and stagnating income levels.

In the U.S., the economy slowed from spring 2001, while European economies were lackluster overall and other Asian economies generally lacked steam.

**Total Volume of Trading Transactions**

On a consolidated basis, Marubeni's total volume of trading transactions dropped ¥464.6 billion, or 4.9%, to ¥8,972.2 billion (US\$67,460 million).

**By Transaction Type**

Domestic transactions were off ¥521.8 billion, or 13.9%, to ¥3,232.9 billion (US\$24,307 million), due mainly to declines in Metals and Machinery. Exports rose ¥25.0 billion, or 2.1%, to ¥1,209.7 billion (US\$9,095 million), on the strength of gains in Machinery. Imports dropped ¥241.3 billion, or 13.7%, to ¥1,519.5 billion (US\$11,424 million), primarily because of declines in Energy and Metals. Offshore transactions increased ¥273.5 billion, or 10.0%, to ¥3,010.2 billion (US\$22,633 million), as a result of improvements in Energy.

**By Region**

Total volume of trading transactions in Japan dipped ¥783.0 billion, or 8.8%, to ¥8,163.8 billion (US\$61,382 million), reflecting reductions resulting from the transfer of the Iron & Steel business to Marubeni-Itochu Steel Inc. Transactions in North America advanced ¥252.1 billion, or 18.7%, to ¥1,599.9 billion (US\$12,029 million), primarily due to an increase in Energy. European transactions

rose ¥27.2 billion, or 8.0%, to ¥366.1 billion (US\$2,753 million), mainly because of increases in automobiles. In Asia and Oceania, transactions plunged ¥101.9 billion, or 14.5%, to ¥600.5 billion (US\$4,515 million), also chiefly owing to reduced transaction volume of overseas corporate subsidiaries. Transactions in other regions increased ¥32.4 billion, or 4.1%, to ¥820.4 billion (US\$6,168 million).

**Total Volume of Trading Transactions and Gross Trading Profit by Operating Segment**

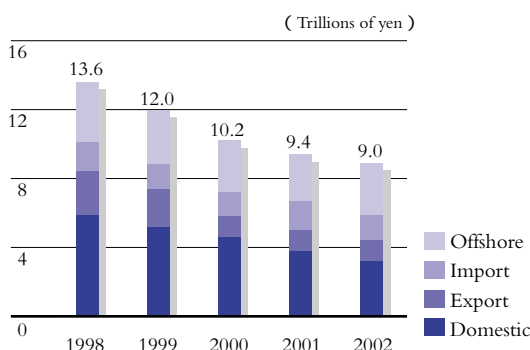
**IT Business** transactions rose ¥16.0 billion, or 3.6%, to ¥467.1 billion (US\$3,512 million), reflecting growth in telecommunications systems for other Asian countries. Gross trading profit for the segment fell ¥8.1 billion, or 19.7%, to ¥33.2 billion (US\$250 million). This was because of declines in overseas projects, a higher cost of sales owing to capital expenditures, and deteriorating market conditions in IT product-related businesses.

**Utility & Infrastructure** transactions were down ¥94.8 billion, or 22.3%, to ¥329.8 billion (US\$2,479 million). This followed a decrease in power station projects in North America, which offset rises in Brunei and Vietnam and gains in power consolidation operations in the United Kingdom. Gross trading profit in this segment climbed ¥0.4 billion, or 4.3%, to ¥10.6 billion (US\$79 million), on the back of power projects in Brunei, Vietnam and India, power consolidation operations in the United Kingdom and gains in domestic power operations.

**Plant & Ship** transactions advanced ¥89.3 billion, or 17.5%, to ¥600.7 billion (US\$4,516 million), reflecting expanded transactions in energy and chemicals plants in Africa and Latin America, and ships. Gross trading profit fell ¥9.9 billion, or 49.2%, to ¥10.3 billion (US\$77 million), however, mainly because reduced transactions in industrial plants for China and Southeast Asia outweighed gains in energy and chemicals plants in Africa.

**Trading Transactions by Type**

( Years ended March 31 )



**Transportation & Industrial Machinery** transactions slipped ¥62.3 billion, or 7.4%, to ¥774.2 billion (US\$5,821 million), mainly because of lower construction machinery transactions. Gross trading profit was down ¥0.7 billion, or 1.3%, to ¥52.5 billion (US\$394 million).

**Energy** transactions improved ¥285.8 billion, or 15.0%, to ¥2,196.9 billion (US\$16,518 million), owing to increased oil trading overseas. Gross trading profit dropped ¥1.0 billion, or 3.1%, to ¥30.3 billion (US\$228 million), however, because of the lower profitability of resources development businesses amid declining oil prices.

**Metals & Mineral Resources** transactions were down ¥47.7 billion, or 9.1%, to ¥476.1 billion (US\$3,580 million), as a result of reduced transactions in iron ore and sluggish nonferrous metals markets. Gross trading profit was off ¥0.9 billion, or 6.0%, to ¥14.6 billion (US\$110 million), stemming from poor market conditions and reduced transactions in electronics materials for IT applications.

The **Iron & Steel** segment no longer exists, as Marubeni transferred these operations to Marubeni-Itochu Steel Inc. as of October 1, 2001. As a consequence, segment results for the first half of the fiscal year ended March 31, 2002—i.e. transactions of ¥238.2 billion (US\$1,791 million) and gross trading profit of ¥11.8 billion (US\$89 million)—were included in corporate and elimination.

**Chemicals** transactions declined ¥62.7 billion, or 10.4%, to ¥538.9 billion (US\$4,052 million), reflecting poor markets for such products as organic chemicals and electronic materials, particularly in Asia. Gross trading profit thus decreased ¥0.9 billion, or 3.0%, to ¥28.7 billion (US\$216 million).

**Forest Products & General Merchandise** transactions were down ¥65.8 billion, or 8.3%, to ¥728.5 billion (US\$5,477 million), owing to downturns in the markets for paper, logs and plywoods. Gross trading profit declined

¥3.2 billion, or 7.2%, to ¥40.8 billion (US\$307 million), amid fluctuating pulp prices, reduced margins in paper transactions and decreased trading in logs and plywoods.

**Agri-Marine Products** transactions fell ¥8.0 billion, or 0.8%, to ¥1,044.8 billion (US\$7,856 million), owing primarily to lower transactions in livestock. Poorer margins on livestock and grain products led to a ¥4.8 billion, or 7.3%, fall in gross trading profit, to ¥60.3 billion (US\$453 million).

**Textile** transactions decreased ¥50.5 billion, or 10.3%, to ¥438.4 billion (US\$3,296 million), owing to a slow-down in domestic trading and an overhaul of low-profitability operations. Gross trading profit was down ¥2.4 billion, or 8.0%, to ¥28.1 billion (US\$212 million), as a result of lower margins on domestic and import trading.

**Development & Construction** transactions dropped ¥22.6 billion, or 10.9%, to ¥184.9 billion (US\$1,390 million), because of falling sales in Japan. Enhanced margins boosted gross trading profit ¥3.1 billion, or 10.5%, to ¥32.2 billion (US\$242 million).

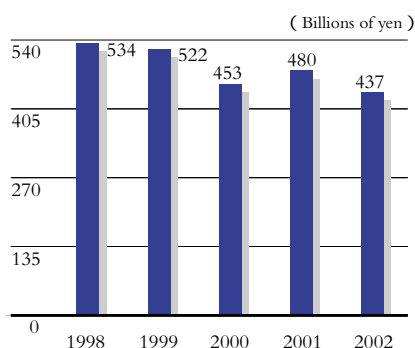
**Finance & Logistics Business** transactions totaled ¥46.5 billion (US\$349 million). Gross trading profit was ¥6.8 billion (US\$51 million).

Transactions of **domestic branches and offices** dropped ¥137.8 billion, or 31.7%, to ¥297.4 billion (US\$2,236 million), reflecting the transfer of Marubeni's Iron & Steel business to Marubeni-Itochu Steel Inc. Gross trading profit was off ¥4.8 billion, or 42.4%, to ¥6.6 billion (US\$50 million).

Transactions of **overseas corporate subsidiaries and branches** fell ¥129.2 billion, or 10.5%, to ¥1,100.1 billion (US\$8,271 million), as a result of the transfer of the Iron & Steel business and a downturn in machinery-related transactions. Gross trading profit, however, advanced ¥4.8 billion, or 6.8%, to ¥74.7 billion (US\$562 million).

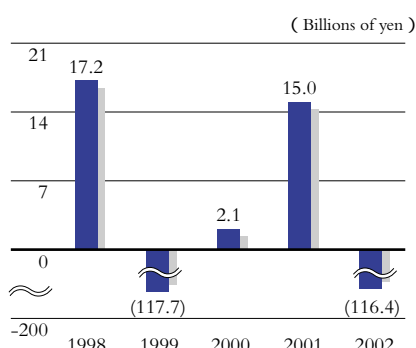
### Gross Trading Profit

(Years ended March 31)



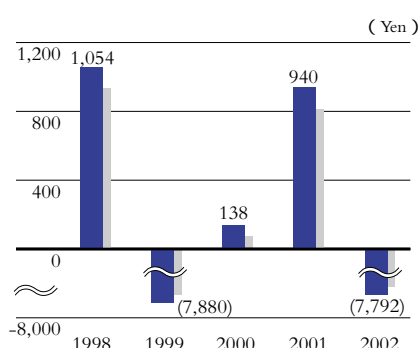
### Net Income (Loss)

(Years ended March 31)



### Diluted Earnings per 100 Shares

(Years ended March 31)



### Costs, Expenses and Earnings

As a result of the above factors, gross trading profit was down ¥43.0 billion, or 9.0%, to ¥436.8 billion (US\$3,284 million).

Operating profit dropped ¥40.7 billion, or 98.1%, to ¥0.8 billion (US\$6 million). Although selling, general and administrative expenses were lower as a result of a drive to cut costs, provision for doubtful accounts, which was reserved for future loss, increased.

Income before income taxes and equity in (losses) earnings of affiliated companies was down ¥171.8 billion, to a loss of ¥165.2 billion (US\$1,242 million), owing to a decrease in operating profit and evaluation loss incurred on investment securities and fixed assets. Loss before equity in (losses) earnings of affiliated companies decreased ¥95.6 billion, to a loss of ¥97.5 billion (US\$733 million).

Net income dropped ¥131.5 billion, to a net loss of ¥116.4 billion (US\$875 million). This was due mainly to a decrease of ¥35.8 billion in equity in (losses) earnings of affiliated companies - net (after income tax effects) as a result of evaluation loss on fixed assets, in addition to the above-mentioned losses.

### Financial Position

At the close of the fiscal year ended March 31, 2002, consolidated total assets were ¥4,805.7 billion (US\$36,133 million), down ¥514.9 billion, or 9.7%. This was due to the transfer of the Iron & Steel business to Marubeni-Itochu Steel Inc., reviews of low-profitability transactions, and business reorganizations and asset sales, which reduced notes and accounts receivable, inventories, investment securities and other investments and long-term receivables. Consolidated interest-bearing debt declined ¥243.5 billion, or 7.1%, to ¥3,184.9 billion (US\$23,947 million), reflecting

efforts to cut total assets. Net interest-bearing debt after deducting cash and cash equivalents was down ¥376.9 billion, or 12.2%, to ¥2,712.9 billion (US\$20,398 million). During the period under review, Marubeni adopted Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities" (updated with SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities"), which boosted consolidated interest-bearing debt by ¥39.7 billion. After factoring out this impact, net interest-bearing debt fell ¥416.6 billion, or 13.5%, to ¥2,673.2 billion (US\$20,099 million).

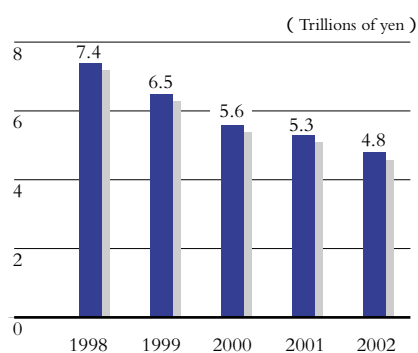
Total shareholders' equity dropped ¥78.4 billion, or 22.9%, to ¥263.9 billion (US\$1,984 million), reflecting a net loss recorded during the period under review, which offset a rise in accumulated other comprehensive loss. Consequently, the net debt-to-equity ratio slipped 1.25 points, to 10.28 times.

### Cash Flows

Net cash provided by operating activities increased ¥19.2 billion, or 10.7%, to ¥198.5 billion (US\$1,492 million), due to efficient operations through reduction of receivables and inventories. Net cash provided by investing activities was ¥74.5 billion (US\$560 million), due to proceeds from sales and redemptions of securities and other investments, and collection of loans receivable, down ¥113.5 billion, or 60.4%. Thus, free cash inflow for the period was ¥273.0 billion (US\$2,052 million). Net cash used in financing activities was ¥150.1 billion (US\$1,129 million), after the free cash inflow was applied to reduce interest-bearing debt and enhance liquidity. As a result, cash and cash equivalents at end of year were up ¥136.8 billion, or 41.5%, to ¥466.6 billion (US\$3,509 million).

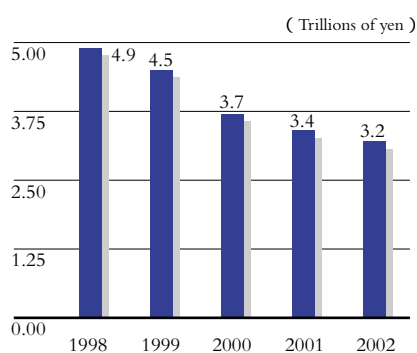
### Total Assets

( At March 31 )



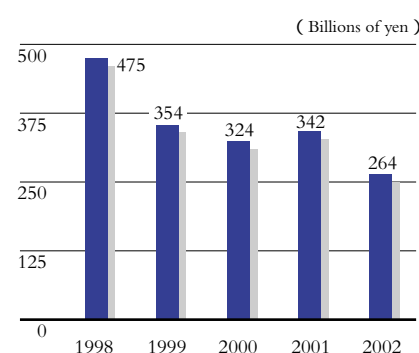
### Interest-bearing Debt

( At March 31 )



### Total Shareholders' Equity

( At March 31 )



# C O N S O L I D A T E D   B A L A N C E   S H E E T S

Marubeni Corporation  
At March 31, 2002 and 2001

<b>Assets</b>	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
<b>Current assets:</b>			
Cash and cash equivalents (Notes 2 and 15).....	¥ 466,642	¥ 329,811	\$ 3,508,586
Time deposits (Notes 7 and 15).....	5,336	8,713	40,120
Investment securities (Notes 2, 3, 7 and 15):			
Marketable equity securities .....	751	383	5,647
Other .....	63,198	87,027	475,173
Notes and accounts receivable - trade (Notes 5 and 7):			
Notes receivable .....	181,566	294,082	1,365,158
Accounts receivable .....	919,741	1,233,961	6,915,346
Due from affiliated companies .....	182,708	145,123	1,373,744
Allowance for doubtful accounts .....	(34,213)	(26,832)	(257,241)
Inventories (Notes 2 and 7) .....	439,278	481,227	3,302,842
Advance payments to suppliers .....	67,074	76,146	504,316
Deferred income taxes (Note 10) .....	33,207	27,886	249,677
Prepaid expenses and other current assets .....	162,271	115,309	1,220,083
Total current assets .....	2,487,559	2,772,836	18,703,451
<b>Investments and long-term receivables:</b>			
Affiliated companies (Notes 2 and 4) .....	283,944	289,575	2,134,917
Securities and other investments (Notes 2, 3, 7 and 15):			
Marketable equity securities .....	164,484	204,414	1,236,722
Other .....	389,373	447,968	2,927,617
Notes, loans and accounts receivable - trade, net of unearned interest, less allowance for doubtful accounts of ¥115,341 million (\$867,226 thousand) in 2002 and ¥102,894 million in 2001 (Notes 2, 5, 7 and 15) .....	332,254	512,036	2,498,150
Property leased to others, at cost, less accumulated depreciation of ¥93,402 million (\$702,271 thousand) in 2002 and ¥104,203 million in 2001 (Notes 2 and 7) .....	249,781	302,161	1,878,053
Total investments and long-term receivables .....	1,419,836	1,756,154	10,675,459
<b>Property and equipment, at cost (Notes 2, 6 and 7):</b>			
Land and land improvements .....	181,675	188,930	1,365,977
Buildings .....	306,152	321,377	2,301,895
Equipment .....	302,286	306,441	2,272,827
	790,113	816,748	5,940,699
Accumulated depreciation .....	(278,239)	(284,028)	(2,092,022)
Net property and equipment .....	511,874	532,720	3,848,677
<b>Prepaid pension cost (Note 9) .....</b>	<b>93,829</b>	<b>84,507</b>	<b>705,481</b>
<b>Deferred income taxes (Note 10) .....</b>	<b>154,391</b>	<b>83,899</b>	<b>1,160,835</b>
<b>Other assets .....</b>	<b>138,180</b>	<b>90,488</b>	<b>1,038,947</b>
<b>Total assets .....</b>	<b>¥ 4,805,669</b>	<b>¥ 5,320,604</b>	<b>\$ 36,132,850</b>

See accompanying notes.

<b>Liabilities and shareholders' equity</b>	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<b>2002</b>	<b>2001</b>	<b>2002</b>
<b>Current liabilities:</b>			
Short-term loans ( <i>Notes 7, 8 and 15</i> ) .....	¥ 719,254	¥ 835,663	\$ 5,407,925
Current portion of long-term debt ( <i>Notes 7, 8 and 15</i> ) .....	528,048	475,842	3,970,286
Notes and accounts payable - trade:			
Notes and acceptances payable ( <i>Note 7</i> ) .....	222,066	282,169	1,669,669
Accounts payable .....	624,962	796,750	4,698,962
Due to affiliated companies .....	52,371	48,845	393,767
Advance payments received from customers .....	58,138	46,824	437,128
Income taxes ( <i>Note 10</i> ) .....	10,967	9,459	82,459
Deferred income taxes ( <i>Note 10</i> ) .....	1,490	1,720	11,203
Accrued expenses and other current liabilities .....	223,912	227,939	1,683,548
Total current liabilities .....	<b>2,441,208</b>	2,725,211	<b>18,354,947</b>
<b>Long-term debt, less current portion</b> ( <i>Notes 7, 8 and 15</i> ) .....	<b>2,048,454</b>	2,193,789	<b>15,401,910</b>
<b>Employees' retirement benefits</b> ( <i>Notes 2 and 9</i> ) .....	<b>12,893</b>	13,960	<b>96,940</b>
<b>Deferred income taxes</b> ( <i>Note 10</i> ) .....	<b>6,345</b>	14,766	<b>47,707</b>
<b>Minority interests in consolidated subsidiaries</b> .....	<b>32,874</b>	30,581	<b>247,173</b>
<b>Commitments and contingent liabilities</b> ( <i>Note 17</i> ) .....			
<b>Shareholders' equity</b> ( <i>Note 11</i> ):			
Common stock:			
Authorized shares - 3,000,000,000			
Issued and outstanding shares - 1,494,021,081 in 2002 and 2001 .....	194,039	194,039	1,458,940
Additional paid-in capital .....	216,993	216,993	1,631,526
(Accumulated deficit) retained earnings .....	(94,754)	21,664	(712,436)
Accumulated other comprehensive loss ( <i>Notes 3, 9, 10 and 12</i> ) .....	(52,375)	(90,398)	(393,797)
Cost of common stock in treasury - 88,388 shares in 2002 and 3,766 shares in 2001 .....	(8)	(1)	(60)
Total shareholders' equity .....	<b>263,895</b>	342,297	<b>1,984,173</b>
<b>Total liabilities and shareholders' equity</b> .....	<b>¥ 4,805,669</b>	¥ 5,320,604	<b>\$ 36,132,850</b>

See accompanying notes.

# C O N S O L I D A T E D   S T A T E M E N T S   O F   O P E R A T I O N S

Marubeni Corporation  
Years ended March 31, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2002	2001	2000	2002
<b>Total volume of trading transactions</b> (Notes 2, 4 and 13).....	<b>¥ 8,972,245</b>	¥ 9,436,863	¥ 10,222,442	<b>\$ 67,460,489</b>
<b>Gross trading profit</b> .....	<b>¥ 436,804</b>	¥ 479,754	¥ 453,496	<b>\$ 3,284,241</b>
<b>Expenses:</b>				
Selling, general and administrative expenses .....	<b>392,092</b>	400,356	411,511	<b>2,948,060</b>
Provision for doubtful accounts (Note 5) .....	<b>43,936</b>	37,916	25,655	<b>330,346</b>
Total .....	<b>436,028</b>	438,272	437,166	<b>3,278,406</b>
<b>Operating profit</b> .....	<b>776</b>	41,482	16,330	<b>5,835</b>
<b>Other income (expenses):</b>				
Interest expense, net of interest income:				
2002, ¥45,773 million (\$344,158 thousand);				
2001, ¥75,262 million;				
2000, ¥88,174 million .....	<b>(29,492)</b>	(29,532)	(32,584)	<b>(221,744)</b>
Dividends .....	<b>7,477</b>	7,692	5,221	<b>56,218</b>
(Loss) gain on investment securities (Note 3) .....	<b>(83,814)</b>	2,318	49,326	<b>(630,181)</b>
(Loss) gain on property and equipment (Note 6) .....	<b>(43,636)</b>	3,738	(4,782)	<b>(328,090)</b>
Other - net (Notes 2 and 14) .....	<b>(16,466)</b>	(19,010)	(28,092)	<b>(123,805)</b>
Total .....	<b>(165,931)</b>	(34,794)	(10,911)	<b>(1,247,602)</b>
<b>(Loss) income before income taxes and equity in (losses) earnings of affiliated companies</b> .....	<b>(165,155)</b>	6,688	5,419	<b>(1,241,767)</b>
<b>Provision (benefit) for income taxes</b> (Note 10):				
Current .....	<b>19,704</b>	21,784	39,949	<b>148,150</b>
Deferred .....	<b>(87,378)</b>	(13,258)	(32,932)	<b>(656,977)</b>
	<b>(67,674)</b>	8,526	7,017	<b>(508,827)</b>
<b>Loss before equity in (losses) earnings of affiliated companies ..</b>	<b>(97,481)</b>	(1,838)	(1,598)	<b>(732,940)</b>
<b>Equity in (losses) earnings of affiliated companies - net (after income tax effects)</b> (Notes 4 and 10) .....	<b>(18,937)</b>	16,874	3,658	<b>(142,383)</b>
<b>Net (loss) income</b> .....	<b>¥ (116,418)</b>	¥ 15,036	¥ 2,060	<b>\$ (875,323)</b>
		Yen		U.S. dollars
<b>Basic (loss) earnings per 100 shares</b> (Note 2) .....	<b>¥ (7,792)</b>	¥ 1,006	¥ 138	<b>\$ (58.59)</b>
<b>Diluted (loss) earnings per 100 shares</b> (Note 2) .....	<b>¥ (7,792)</b>	¥ 940	¥ 138	<b>\$ (58.59)</b>

See accompanying notes.

# CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Marubeni Corporation  
Years ended March 31, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2002	2001	2000	2002
<b>Common stock:</b>				
Balance at beginning of year ....	¥ 194,039	¥ 194,039	¥ 194,039	\$ 1,458,940
Balance at end of year .....	<u>¥ 194,039</u>	<u>¥ 194,039</u>	<u>¥ 194,039</u>	<u>\$ 1,458,940</u>
<b>Additional paid-in capital:</b>				
Balance at beginning of year ....	¥ 216,993	¥ 216,993	¥ 216,993	\$ 1,631,526
Balance at end of year .....	<u>¥ 216,993</u>	<u>¥ 216,993</u>	<u>¥ 216,993</u>	<u>\$ 1,631,526</u>
<b>(Accumulated deficit) retained earnings:</b>				
Balance at beginning of year ....	¥ 21,664	¥ 6,628	¥ 9,050	\$ 162,887
Net (loss) income .....	(116,418) ¥ (116,418)	15,036 ¥ 15,036	2,060 ¥ 2,060	(875,323) \$ (875,323)
Cash dividends .....	-	-	(4,482)	-
Balance at end of year .....	<u>¥ (94,754)</u>	<u>¥ 21,664</u>	<u>¥ 6,628</u>	<u>\$ (712,436)</u>
<b>Accumulated other comprehensive loss (Note 12):</b>				
Balance at beginning of year ....	¥ (90,398)	¥ (93,357)	¥ (66,065)	\$ (679,684)
Effect of change in accounting standard (Note 2) .....	1,426	-	-	10,722
Unrealized gains (losses) on investment securities, net of reclassification (Note 3) .....	14,628	(37,568)	7,772	109,985
Currency translation adjustments, net of reclassification ...	24,137	10,362	(34,347)	181,481
Unrealized losses on derivatives ..	(2,141)	-	-	(16,098)
Minimum pension liability adjustment (Note 9) .....	(27)	30,165	(717)	(203)
Other comprehensive income (loss), net of tax .....	38,023	2,959	(27,292)	285,887
Comprehensive (loss) income ...	<u>¥ (78,395)</u>	<u>¥ 17,995</u>	<u>¥ (25,232)</u>	<u>\$ (589,436)</u>
Balance at end of year .....	<u>¥ (52,375)</u>	<u>¥ (90,398)</u>	<u>¥ (93,357)</u>	<u>\$ (393,797)</u>
<b>Cost of common stock in treasury:</b>				
Balance at beginning of year ....	¥ (1)	¥ (2)	¥ -	\$ (8)
Treasury stock sold (repurchased) .....	(7)	1	(2)	(52)
Balance at end of year .....	<u>¥ (8)</u>	<u>¥ (1)</u>	<u>¥ (2)</u>	<u>\$ (60)</u>
<b>Disclosure of reclassification amount for the year ended:</b>				Thousands of U.S. dollars (Note 1)
	2002	2001	2000	2002
Unrealized (losses) gains on investment securities arising during the period .....	¥ (23,755)	¥ (43,951)	¥ 34,839	\$ (178,609)
Less: reclassification adjustment for losses (gains) included in net (loss) income .....	38,383	6,383	(27,067)	288,594
Net unrealized gains (losses) .....	<u>¥ 14,628</u>	<u>¥ (37,568)</u>	<u>¥ 7,772</u>	<u>\$ 109,985</u>
Currency translation adjustments arising during period - gains (losses) .....	¥ 22,298	¥ 13,688	¥ (34,820)	\$ 167,654
Less: reclassification adjustment for losses (gains) included in net (loss) income .....	1,839	(3,326)	473	13,827
Net currency translation adjustments .....	<u>¥ 24,137</u>	<u>¥ 10,362</u>	<u>¥ (34,347)</u>	<u>\$ 181,481</u>
Effect of change in accounting standard .....	¥ 1,426	¥ -	¥ -	\$ 10,722
Unrealized losses on derivatives arising during the period .....	(3,411)	-	-	(25,647)
Less: reclassification adjustment for losses included in net (loss) income .....	1,270	-	-	9,549
Net unrealized losses on derivatives .....	<u>¥ (715)</u>	<u>¥ -</u>	<u>¥ -</u>	<u>\$ (5,376)</u>

See accompanying notes.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Marubeni Corporation  
Years ended March 31, 2002, 2001 and 2000

Thousands of  
U.S. dollars  
(Note 1)

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2002	2001	2000	
<b>Operating activities</b>				
Net (loss) income	¥ (116,418)	¥ 15,036	¥ 2,060	\$ (875,323)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:				
Depreciation and amortization	71,052	69,914	59,807	534,226
Provision for doubtful accounts	43,936	37,916	25,655	330,346
Equity in losses (earnings) of affiliated companies, less dividends received	31,647	(6,740)	1,665	237,947
Loss (gain) on investment securities	83,814	(2,318)	(49,326)	630,180
Loss (gain) on property and equipment	43,636	(3,738)	4,782	328,090
Valuation losses on real estate inventories	-	-	21,447	-
Deferred income taxes	(87,378)	(13,258)	(32,932)	(656,977)
Changes in operating assets and liabilities:				
Notes and accounts receivable	291,263	64,461	174,861	2,189,947
Inventories	35,970	20,495	45,359	270,451
Advance payments to suppliers and prepaid expenses and other current assets	(58,369)	5,678	132	(438,865)
Prepaid pension cost	(9,322)	(84,507)	-	(70,090)
Notes, acceptances and accounts payable	(148,059)	55,801	(58,418)	(1,113,226)
Advance payments received from customers and accrued and other current liabilities	13,066	23,354	(42,304)	98,241
Income taxes	(162)	(15,923)	19,086	(1,218)
Other	3,780	13,134	12,827	28,421
Net cash provided by operating activities	198,456	179,305	184,701	1,492,150
<b>Investing activities</b>				
Proceeds from sales and redemptions of securities and other investments	224,832	283,634	383,829	1,690,466
Purchases of securities and other investments	(158,546)	(133,590)	(201,968)	(1,192,075)
Proceeds from sales of property and equipment and property leased to others	19,432	65,830	47,132	146,105
Purchases of property and equipment and property leased to others	(76,783)	(95,430)	(71,410)	(577,316)
Collection of loans receivable	114,806	148,999	231,471	863,203
Loans made to customers	(58,879)	(56,724)	(124,384)	(442,699)
Other	9,642	(24,726)	(7,664)	72,496
Net cash provided by investing activities	74,504	187,993	257,006	560,180
<b>Financing activities</b>				
Net decrease in short-term loans	(29,498)	(150,052)	(531,110)	(221,789)
Proceeds from long-term debt	509,708	374,323	743,908	3,832,391
Payments of long-term debt	(632,830)	(680,791)	(803,192)	(4,758,120)
Cash dividends paid	-	-	(4,482)	-
(Purchase) sale of treasury stock	(5)	1	(2)	(38)
Other	2,521	394	-	18,955
Net cash used in financing activities	(150,104)	(456,125)	(594,878)	(1,128,601)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	13,975	13,330	(20,887)	105,075
<b>Net increase (decrease) in cash and cash equivalents</b>	136,831	(75,497)	(174,058)	1,028,804
<b>Cash and cash equivalents at beginning of year</b>	329,811	405,308	579,366	2,479,782
<b>Cash and cash equivalents at end of year</b>	¥ 466,642	¥ 329,811	¥ 405,308	\$ 3,508,586
<b>Supplemental cash flow information:</b>				
Cash paid during the year for:				
Interest	¥ 82,460	¥ 108,358	¥ 124,521	\$ 620,000
Income taxes	19,866	37,707	20,863	149,368
Non-cash investing activities:				
Exchange of assets:				
Fair value of assets received	48,660	23,039	-	365,865
Carrying value of assets surrendered	47,148	28,005	-	354,496
Contribution to joint venture (Note 4):				
Carrying value of stocks received	25,495	-	-	191,692
Carrying value of assets contributed	201,990	-	-	1,518,722
Carrying value of liabilities contributed	176,495	-	-	1,327,030

See accompanying notes.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Marubeni Corporation  
Years ended March 31, 2002, 2001 and 2000

## 1. Basis of Financial Statements

Marubeni Corporation (the "Company"), a Japanese corporation, maintains its books and 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) deferred gain on sales of property for tax purposes, (7) accounting for impairment of long-lived assets, and (8) accounting for derivative instruments and hedging activities.

Certain reclassifications have been made in the 2001 and 2000 financial statements to conform to the presentation for 2002.

The translation of Japanese yen amounts into U.S. dollar amounts for the year ended March 31, 2002 is included solely for the convenience of readers outside of Japan and has been made at ¥133 to \$1, the exchange rate prevailing on March 29, 2002. 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. When a subsidiary sells stock to unrelated third parties, the Company's shareholdings in the subsidiary decreases while the price per share increases or decreases, depending on the price of the new stock issued. The Companies recognize such a change in the price per share as a gain or loss at the time of the sale of stock.

**Use of estimates** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 (loss) gain 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 (loss) gain 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 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 (loss) gain 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). Inventories included real estate for sale of ¥131,836 million (\$991,248 thousand) and ¥144,790 million at March 31, 2002 and 2001, respectively.

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

**Loans** The Company applies 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 Company leases vessels, buildings and equipment to customers and other third parties. Finance leases are included in current and non-current accounts receivable in the consolidated balance sheet. Operating leases are presented separately as property leased to others in the consolidated 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, which are from 2 to 50 years.

**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.

**Trading transactions and revenue recognition** 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. Shipping and handling costs are included in the gross trading profit.

In acting as principal, the Companies recognize gross trading profit when the delivery conditions are met. These conditions are considered to have been met when the goods are received by the customers or titles to securities such as bills of lading are transferred to the customers. In acting as agent, the Companies recognize gross trading profit when contracted services are fully rendered to the customers.

**Other income (expenses)** Other-net in other income (expenses) includes losses incurred in liquidating subsidiaries and affiliated companies of ¥16,669 million (\$125,331 thousand), ¥9,233 million and ¥7,841 million for the years ended March 31, 2002, 2001 and 2000, respectively.

**Derivative instruments and hedging activities** Effective April 1, 2001, the Company adopted Statement No. 133 of Financial Accounting Standards Board (FASB), "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), as amended. SFAS 133 requires the Company to recognize all derivative instruments on the consolidated balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. 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 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 the change in fair value of a hedge will be immediately recognized in earnings. For derivative and non-derivative financial instruments designated as hedging the foreign currency exposure of a net investment in foreign subsidiaries and affiliates, the gain or loss is reported in other comprehensive income as part of the cumulative translation adjustment to the extent the hedges are effective. The adoption of SFAS 133 did not have a significant effect on the earnings of the Company as of April 1, 2001. Gains and losses related to the hedge ineffective portion and related to the portion of hedging instruments excluded from assessment of hedge effectiveness are included in other income (expenses) - net. The Companies expect to reclassify ¥247 million (\$1,857 thousand) of net losses on derivative instruments from accumulated other comprehensive income to earnings during the 12 months ending March 31, 2003, due to actual export and import transactions or receipts and payments of interest. The maximum length of time over which the Company is hedging its exposure to the variability in future cash flows for forecasted transactions excluding those forecasted transactions related to the payments of variable interest on existing financial instruments is 13 months.

**Earnings/loss per 100 shares of common stock** The computation of basic earnings or 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 or 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
	2002	2001	2000	2002
<b>Numerator:</b>				
Net (loss) income (numerator for basic (loss) earnings per 100 shares) .....	¥ (116,418)	¥ 15,036	¥ 2,060	\$ (875,323)
<b>Effect of dilutive securities:</b>				
Convertible debentures .....	-	407	-	-
Numerator for diluted (loss) earnings per 100 shares .....	¥ (116,418)	¥ 15,443	¥ 2,060	\$ (875,323)
<b>Denominator:</b>				
Denominator for basic (loss) earnings per 100 shares - weighted average shares .....	1,493,990,899	1,494,018,855	1,494,018,962	
<b>Effect of dilutive securities:</b>				
Convertible debentures .....	-	148,869,326	-	
Denominator for diluted (loss) earnings per 100 shares - adjusted weighted average shares and assumed conversions .....	1,493,990,899	1,642,888,181	1,494,018,962	
<b>Basic (loss) earnings per 100 shares</b> .....				
	¥ (7,792)	¥ 1,006	¥ 138	\$ (58.59)
<b>Diluted (loss) earnings per 100 shares</b> .....				
	¥ (7,792)	¥ 940	¥ 138	\$ (58.59)

The convertible debentures issued in 1986 and redeemed in 2001 with a rate of 2.1%, issued in 1988 and redeemed in 2000 with a rate of 2.0% and issued in 1996 with a rate of 0.85% were dilutive for the year ended March 31, 2001, and antidilutive for the years ended March 31, 2002 and 2000.

**Recently issued accounting standards** In June 2001, FASB issued Statement No. 141, "Business Combinations" (SFAS 141), and Statement No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after

June 30, 2001. SFAS 141 also includes guidance on the initial recognition and measurement of goodwill and other intangible assets arising from business combinations completed after June 30, 2001. SFAS 142 prohibits the amortization of goodwill and intangible assets with indefinite useful lives. SFAS 142 requires that these assets are reviewed for impairment at least annually. Intangible assets with finite lives will continue to be amortized over their estimated useful lives. Additionally, SFAS 142 requires that goodwill included in the carrying value of equity method investments no longer be amortized. The Company will test goodwill for impairment using the two-step process prescribed in SFAS 142. The first step is a screen for potential impairment, while the second step measures the amount of the impairment, if any. The Company will adopt SFAS 142 effective April 1, 2002, however, the adoption of SFAS 142 is not expected to have a material effect on the Company's statement of operations or

financial positions.

In August 2001, FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144). SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations for a Disposal of a Segment of Business." SFAS 144 is effective for years beginning after December 15, 2001, with earlier application encouraged. The Company will adopt SFAS 144 effective April 1, 2002, however, the adoption of SFAS 144 is not expected to have a material effect on the Company's statement of operations or financial positions.

### 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, 2002 and 2001:

	Available-for-sale securities							
	Millions of yen							
	2002				2001			
Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	
Current:								
Corporate bonds .....	¥ 6,865	¥ 463	¥ (251)	¥ 7,077	¥ 70,512	¥ 1,243	¥ (528)	¥ 71,227
Other debt securities .....	-	-	-	-	147	-	-	147
Total .....	¥ 6,865	¥ 463	¥ (251)	¥ 7,077	¥ 70,659	¥ 1,243	¥ (528)	¥ 71,374
Non-current:								
Corporate bonds .....	¥ 11,818	¥ 486	¥ (477)	¥ 11,827	¥ 75,121	¥ 1,408	¥ (20,989)	¥ 55,540
Other debt securities .....	39	-	(1)	38	1,254	238	-	1,492
Total debt securities .....	11,857	486	(478)	11,865	76,375	1,646	(20,989)	57,032
Marketable equity securities .....	161,362	30,406	(27,284)	164,484	204,462	43,925	(43,973)	204,414
Total .....	¥ 173,219	¥ 30,892	¥ (27,762)	¥ 176,349	¥ 280,837	¥ 45,571	¥ (64,962)	¥ 261,446
	Thousands of U.S. dollars							
Current:								
Corporate bonds .....	\$ 51,617	\$ 3,481	\$ (1,887)	\$ 53,211				
Non-current:								
Corporate bonds .....	\$ 88,857	\$ 3,654	\$ (3,586)	\$ 88,925				
Other debt securities .....	293	-	(8)	285				
Total debt securities .....	89,150	3,654	(3,594)	89,210				
Marketable equity securities .....	1,213,248	228,617	(205,143)	1,236,722				
Total .....	\$ 1,302,398	\$ 232,271	\$ (208,737)	\$ 1,325,932				
	Held-to-maturity securities							
	Millions of yen							
	2002				2001			
Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	
Current:								
Corporate bonds .....	¥ 56,121	¥ 1	¥ (2)	¥ 56,120	¥ 15,647	¥ 213	¥ -	¥ 15,860
Other debt securities .....	-	-	-	-	6	-	-	6
Total .....	¥ 56,121	¥ 1	¥ (2)	¥ 56,120	¥ 15,653	¥ 213	¥ -	¥ 15,866
Non-current:								
Corporate bonds .....	¥ 58,484	¥ 22	¥ (5,878)	¥ 52,628	¥ 132,035	¥ 581	¥ (2,563)	¥ 130,053
Other debt securities .....	-	-	-	-	369	-	-	369
Total .....	¥ 58,484	¥ 22	¥ (5,878)	¥ 52,628	¥ 132,404	¥ 581	¥ (2,563)	¥ 130,422
	Thousands of U.S. dollars							
Current:								
Corporate bonds .....	\$ 421,962	\$ 8	\$ (15)	\$ 421,955				
Non-current:								
Corporate bonds .....	\$ 439,729	\$ 165	\$ (44,195)	\$ 395,699				

In addition to the securities listed above, the Company held trading securities of ¥751 million (\$5,647 thousand) and ¥383 million, which are equal to their fair value, as of March 31, 2002 and 2001, respectively. The net unrealized holding loss and gain on trading securities included in earnings for the years ended March 31, 2002, 2001 and 2000 amounted to ¥75 million (\$564 thousand) of a loss, ¥40 million of a loss and ¥1,804 million of a gain, respectively.

The proceeds from sales of available-for-sale securities amounted to ¥31,370 million (\$235,865 thousand), ¥88,515 million and ¥170,931 million for the years ended March 31, 2002, 2001 and 2000, respectively. Gross realized gains on sales of available-for-sale securities totaled ¥13,274 million (\$99,805 thousand), ¥26,559 million and ¥54,531 million, and gross

realized losses totaled ¥2,892 million (\$21,744 thousand), ¥1,349 million and ¥8,927 million for the years ended March 31, 2002, 2001 and 2000, respectively.

At March 31, 2002, 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 ¥77,820 million (\$585,113 thousand).

The amortized cost and estimated fair value of debt and marketable equity securities at March 31, 2002 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 .....	¥ 3,044	¥ 2,967	\$ 22,887	\$ 22,308
Due after one year through five years .....	10,054	10,096	75,594	75,910
Due after five years .....	5,624	5,879	42,286	44,203
Total debt securities .....	18,722	18,942	140,767	142,421
Marketable equity securities .....	161,362	164,484	1,213,248	1,236,722
Total .....	¥ 180,084	¥ 183,426	\$ 1,354,015	\$ 1,379,143

	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 .....	¥ 56,121	¥ 56,120	\$ 421,962	\$ 421,955
Due after one year through five years .....	42,827	38,648	322,008	290,586
Due after five years .....	15,657	13,980	117,723	105,113
Total .....	¥ 114,605	¥ 108,748	\$ 861,693	\$ 817,654

#### 4. Affiliated Companies

Investments in and amounts due from affiliated companies at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Capital investments .....	¥ 220,829	¥ 202,144	\$ 1,660,368
Long-term receivables .....	63,115	87,431	474,549
	¥ 283,944	¥ 289,575	\$ 2,134,917

The financial information of affiliated companies at March 31, 2002 and 2001 and for the years ended March 31, 2002, 2001 and 2000, is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Total assets .....	¥ 4,268,927	¥ 3,037,328	\$32,097,195
Total liabilities .....	3,686,526	2,700,365	27,718,240
Net assets .....	¥ 582,401	¥ 336,963	\$ 4,378,955

	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	2002
Net sales .....	¥ 4,552,961	¥ 3,084,618	¥ 2,188,986	\$34,232,789
Net income .....	2,425	43,169	9,112	18,233

The Company's sales to and purchases from affiliated companies for the years ended March 31, 2002, 2001 and 2000 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	2002
Sales .....	¥ 421,275	¥ 445,241	¥ 388,030	\$ 3,167,481
Purchases .....	555,948	608,587	624,282	4,180,060

The unamortized balances of the difference between the cost of the investments in affiliated companies and the Company's equity in the net assets at the dates of acquisition amounted to ¥12,446 million of an excess at March 31, 2001. The difference was not significant at March 31, 2002.

Certain investments in the common stock of affiliated companies are marketable equity securities, which have carrying values of ¥26,151 million (\$196,624 thousand) and ¥11,874 million at March 31, 2002 and 2001, respectively, with

corresponding aggregate quoted market values of ¥21,583 million (\$162,278 thousand) and ¥21,583 million.

The Company and Itochu Corporation integrated their iron and steel product operations into a new company, Marubeni-Itochu Steel Inc. as of October 1, 2001. The Company's 50% interest in this venture was recorded at the net book value of the assets and liabilities transferred amounting to ¥25,495 (\$191,692 thousand).

## 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
	2002	2001	2000	2002
Balance at beginning of year .....	¥ 129,726	¥ 142,012	¥ 129,462	\$ 975,383
Provision .....	43,936	37,916	25,655	330,346
Charge-offs .....	(19,538)	(51,304)	(10,844)	(146,903)
Other .....	(4,570)	1,102	(2,261)	(34,361)
Balance at end of year .....	¥ 149,554	¥ 129,726	¥ 142,012	\$ 1,124,465

At March 31, 2002 and 2001, the recorded investments in loans that are considered to be impaired under SFAS 114 were ¥307,602 million (\$2,312,797 thousand) and ¥240,123 million, respectively, and the allowance for credit losses related to those loans were ¥130,990 million (\$984,887 thousand) and ¥108,240 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 ¥269,583 million (\$2,026,940 thousand), ¥214,609 million and ¥148,432 million for the years ended March 31, 2002, 2001 and 2000, respectively. The Companies generally recognize interest income on impaired loans on a cash basis, which was not significant for the years ended March 31, 2002, 2001 and 2000.

## 6. Long-Lived Assets

Due to decreases in expected future cash flows below their carrying amounts, the Company and certain of its subsidiaries recognized impairment losses primarily on their commercial and residential real estate leased to others in the total amount of

¥41,835 million (\$314,549 thousand), which is included in (loss) gain on property and equipment on the consolidated statement of operations, for the year ended March 31, 2002. The segment affected by the impairment losses is primarily development and construction.

## 7. Pledged Assets

The following table summarizes assets pledged as collateral for the Company's obligations at March 31, 2002 and 2001:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Time deposits .....	¥ 1,419	¥ 1,124	\$ 10,669
Investment securities, securities and other investments .....	164,106	102,046	1,233,880
Notes, loans and accounts receivable - trade (current and non-current) .....	37,080	53,859	278,797
Inventories .....	28,184	30,798	211,910
Property leased to others, net of accumulated depreciation .....	19,794	22,034	148,827
Property and equipment, net of accumulated depreciation .....	177,209	60,062	1,332,398
Other assets .....	8,682	-	65,278
	¥ 436,474	¥ 269,923	\$ 3,281,759

The obligations secured by such collateral were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Short-term loans .....	¥ 26,641	¥ 26,922	\$ 200,308
Long-term debt .....	116,114	82,919	873,038
Financial guarantees .....	24,794	-	186,421
Guarantees of contracts, etc. ....	8,174	23,667	61,459
	¥ 175,723	¥ 133,508	\$ 1,321,226

In addition, acceptances payable at March 31, 2002 and 2001 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 Company has, in general, followed the practice of paying acceptances on their maturity dates. Given the substantial volume of the Company's 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 Company and no such rights have been exercised.

## 8. Short-Term Loans and Long-Term Debt

Short-term loans at March 31, 2002 and 2001 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Short-term loans from banks and others .....	¥ 719,254	¥ 789,567	\$ 5,407,925
Commercial paper .....	—	46,096	—
	<b>¥ 719,254</b>	<b>¥ 835,663</b>	<b>\$ 5,407,925</b>

The weighted average interest rates on short-term loans outstanding at March 31, 2002 and 2001 were 0.60% and 0.67%, respectively.

Long-term debt at March 31, 2002 and 2001 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
4.0% reverse dual currency notes due 2005 .....	¥ 16,491	¥ 18,800	\$ 123,992
2.8% notes due 2002 .....	37,500	38,100	281,955
2.5% notes due 2001 .....	—	18,500	—
3.0% notes due 2002 .....	10,000	10,000	75,188
1.4% notes due 2001 .....	—	5,000	—
1.7% notes due 2001 .....	—	5,000	—
1.7% notes due 2001 .....	—	6,000	—
1.85% notes due 2001 .....	—	7,000	—
2.0% notes due 2002 .....	30,000	30,000	225,564
2.0% notes due 2003 .....	14,500	15,000	109,023
2.0% notes due 2003 .....	39,541	45,000	297,301
2.12% notes due 2004 .....	4,900	5,000	36,842
1.6% notes due 2002 .....	32,137	34,900	241,632
2.0% notes due 2003 .....	10,594	12,500	79,654
2.0% notes due 2003 .....	18,878	22,000	141,940
2.5% notes due 2004 .....	9,700	10,000	72,932
2.3% notes due 2004 .....	7,900	8,000	59,398
1.5% notes due 2002 .....	14,100	15,000	106,015
2.0% notes due 2003 .....	28,200	30,000	212,030
2.0% notes due 2003 .....	23,119	25,000	173,827
2.0% notes due 2003 .....	4,600	5,000	34,586
2.37% notes due 2004 .....	4,700	7,000	35,338
2.13% notes due 2005 .....	8,000	8,000	60,150
1.52% notes due 2004 .....	11,300	12,000	84,962
1.75% notes due 2008 with prepayment options .....	5,000	5,000	37,594
1.2% notes due 2004 .....	8,700	10,000	65,414
1.48% notes due 2006 .....	4,200	—	31,579
1.15% notes due 2005 .....	37,047	—	278,549
1.27% notes due 2006 .....	10,000	—	75,188
1.13% notes due 2006 .....	28,100	—	211,278
0.81% notes due 2004 .....	28,100	—	211,278
LIBOR + 0.73% notes due 2007 .....	18,484	—	138,977
2.1% convertible debentures due 2001 .....	—	588	—
0.85% convertible debentures due 2006 .....	68,890	78,765	517,970
Medium-term notes due from 2001 to 2007 principally at rates from 0.1% to 8.1% or at floating rates .....	153,098	210,004	1,151,113
Loans from government-owned banks and government agencies:			
Secured, due serially through 2016 principally at rates from 1.1% to 6.7% .....	77,909	38,998	585,782
Unsecured, due serially through 2016 principally at rates from 0.3% to 4.8% .....	86,998	177,675	654,120
Loans principally from banks and insurance companies:			
Secured, due serially through 2009 principally at rates from 1.5% to 8.0% .....	38,205	43,921	287,256
Unsecured, due serially through 2017 principally at rates from 0.2% to 8.4% .....	1,556,992	1,618,942	11,706,707
Other .....	128,619	92,938	967,062
	<b>2,576,502</b>	<b>2,669,631</b>	<b>19,372,196</b>
Less current portion .....	<b>528,048</b>	<b>475,842</b>	<b>3,970,286</b>
	<b>¥ 2,048,454</b>	<b>¥ 2,193,789</b>	<b>\$15,401,910</b>

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 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 (\$4.05), and (2) the debentures are redeemable at the option of the Company at prices ranging from 100% to 103% of the principal amounts after March 31, 2002.

Long-term debt subsequent to March 31, 2002 matures as follows:

<b>Year ending March 31</b>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2003 .....	¥ 528,048	\$ 3,970,286
2004 .....	524,854	3,946,271
2005 .....	355,198	2,670,662
2006 .....	388,887	2,923,962
2007 .....	209,755	1,577,105
Thereafter .....	569,760	4,283,910

Certain agreements provide that earlier repayment may be required if, in the judgment of the lenders, the Company has achieved higher than expected 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 Company, upon request, submit for the lenders' approval the proposed appropriations of income, including dividends, before such appropriations can be submitted to the shareholders. The Company has never received such a request.

## **9. 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 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 Insurance 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 determined by independent actuaries. The plan assets primarily consist of Japanese government bonds, corporate bonds and marketable equity securities.

During the years ended March 31, 2002 and 2001, the Company contributed ¥5,000 million (\$37,594 thousand) and ¥95,000 million of cash, respectively, to a trust which was established to provide pension benefits and is legally segregated from the Company. This contribution was made to improve the funding of the benefit plans.

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

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
<b>Change in projected benefit obligation</b>			
Projected benefit obligation at beginning of year .....	¥ 248,238	¥ 242,538	\$ 1,866,451
Service cost .....	10,165	10,375	76,429
Interest cost .....	7,380	7,197	55,489
Actuarial losses .....	2,066	2,165	15,534
Foreign currency exchange rate changes.....	1,599	1,075	12,023
Benefits paid .....	(17,511)	(13,427)	(131,662)
Plan amendment .....	281	(1,685)	2,112
Projected benefit obligation at end of year .....	252,218	248,238	1,896,376
<b>Change in plan assets</b>			
Fair value of plan assets at beginning of year .....	227,623	136,533	1,711,451
Actual return on plan assets .....	(8,077)	(11,523)	(60,729)
Foreign currency exchange rate changes.....	1,567	1,122	11,782
Employees' contributions .....	787	899	5,917
Employer's contribution .....	15,887	108,262	119,451
Benefits paid .....	(8,897)	(7,670)	(66,894)
Fair value of plan assets at end of year .....	228,890	227,623	1,720,978
Funded status .....	(23,328)	(20,615)	(175,398)
Unrecognized net transition obligation being recognized over 15 years .....	1,243	1,865	9,346
Unrecognized prior service cost .....	5,123	5,430	38,519
Unrecognized net loss .....	101,135	86,841	760,413
Net amount recognized .....	¥ 84,173	¥ 73,521	\$ 632,880
Amounts recognized in the consolidated balance sheet consist of:			
Prepaid benefit cost - current .....	¥ 859	¥ 574	\$ 6,459
Prepaid benefit cost - noncurrent .....	93,829	84,507	705,481
Accrued benefit liability .....	(12,893)	(13,960)	(96,940)
Intangible assets .....	1,999	2,067	15,030
Accumulated other comprehensive income, gross of tax .....	379	333	2,850
Net amount recognized .....	¥ 84,173	¥ 73,521	\$ 632,880

The components of net pension expense of the Company's and certain subsidiaries' plans for the years ended March 31, 2002, 2001 and 2000 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	2002
Service cost - benefits earned during the year.....	¥ 10,165	¥ 10,375	¥ 11,835	\$ 76,429
Interest cost on projected benefit obligation .....	7,380	7,197	7,193	55,489
Expected return on plan assets .....	(7,579)	(4,882)	(4,430)	(56,985)
Net amortization and deferrals .....	5,227	5,434	4,816	39,301
Employees' contributions .....	(787)	(899)	(952)	(5,918)
Net pension expense .....	¥ 14,406	¥ 17,225	¥ 18,462	\$ 108,316

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
	2002	2001	2002
Aggregate projected benefit obligation .....	¥ 251,830	¥ 239,457	\$ 1,893,459
Aggregate fair value of plan assets .....	228,375	218,078	1,717,105

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
	2002	2001	2002
Aggregate accumulated benefit obligation .....	¥ 30,635	¥ 25,189	\$ 230,338
Aggregate fair value of plan assets .....	17,742	11,229	133,398

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, 2002, 2001 and 2000 were as follows:

	2002	2001	2000
Discount rates .....	3.0%	3.0%	3.0%
Weighted average rates of increases in future salary levels .....	3.3%	3.4%	3.2%
Expected long-term rates of return on plan assets .....	3.0%	3.5%	3.5%

## 10. Income Taxes

The significant components of deferred tax assets and deferred tax liabilities at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Deferred tax assets:			
Allowance for doubtful accounts .....	¥ 101,365	¥ 38,506	\$ 762,143
Inventories .....	6,924	7,786	52,060
Investment securities .....	37,748	6,588	283,820
Employees' retirement benefits .....	6,432	7,464	48,361
Unrealized profit .....	14,999	18,722	112,774
Investments in affiliated companies .....	32,332	19,086	243,098
Foreign currency .....	-	78	-
Net operating loss carryforwards .....	29,149	29,367	219,165
Other .....	17,266	13,750	129,820
Total deferred tax assets .....	246,215	141,347	1,851,241
Valuation allowance .....	(45,371)	(22,845)	(341,136)
Net deferred tax assets .....	200,844	118,502	1,510,105
Deferred tax liabilities:			
Property and equipment .....	11,440	14,155	86,015
Undistributed earnings .....	2,797	2,073	21,030
Other .....	6,844	6,975	51,458
Total deferred tax liabilities .....	21,081	23,203	158,503
Net deferred tax assets .....	¥ 179,763	¥ 95,299	\$ 1,351,602

The net changes in the valuation allowance for deferred tax assets were ¥22,526 million (\$169,368 thousand) of increase and ¥6,979 million of decrease for the years ended March 31, 2002 and 2001, respectively.

At March 31, 2002, certain of the Company's subsidiaries have net operating loss carryforwards of ¥86,778 million (\$652,466 thousand), of which ¥64,548 million (\$485,323 thousand) will

expire through 2021, and ¥22,230 million (\$167,143 thousand) has no expiration date.

Realization is dependent on the Company generating sufficient taxable income or the Company executing certain available tax strategies. Although realization is not assured, management believes it is more likely than not that the net deferred tax assets will be realized.

Taxes on income applicable to the Company would normally result in a statutory tax rate of approximately 42%. A reconciliation of the statutory income tax rate to the effective income tax rates expressed as a percentage of (loss) income before income taxes and equity in (losses) earnings of affiliated companies is as follows:

	2002	2001	2000
Statutory income tax rate .....	<b>(42.0)%</b>	42.0%	42.0%
Tax effect of subsidiaries' operations .....	<b>11.7</b>	88.0	145.6
Tax effect of permanent differences .....	<b>0.2</b>	3.4	(42.6)
Difference in tax rates of foreign subsidiaries .....	<b>(0.8)</b>	(31.5)	(28.2)
Tax effect on undistributed earnings of subsidiaries and other .....	<b>(12.8)</b>	18.6	19.4
Other .....	<b>2.7</b>	7.0	(6.7)
Effective income tax rates .....	<b>(41.0)%</b>	127.5%	129.5%

Total income taxes recognized for the years ended March 31, 2002, 2001 and 2000 are applicable to the following:

	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	2002
(Loss) income before income taxes and equity in (losses) earnings of affiliated companies .....	¥ (67,674)	¥ 8,526	¥ 7,017	\$ (508,827)
Equity in (losses) earnings of affiliated companies .....	(8,404)	(1,064)	(298)	(63,188)
Other comprehensive income .....	10,693	1,570	299	80,398
Total income taxes .....	¥ (65,385)	¥ 9,032	¥ 7,018	\$ (491,617)

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 ¥86,646 million (\$651,474 thousand) and ¥81,040 million at

March 31, 2002 and 2001, 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.

## 11. Shareholders' Equity

On October 1, 2001, an amendment (the "Amendment") to the Japanese Commercial Code (the "JCC") became effective. The Amendment eliminates the stated par value of the Company's outstanding shares which results in all outstanding shares having no par value as of October 1, 2001. Before the Amendment, the Company's shares had a par value of ¥50 per share.

The Amendment requires that an amount equal to at least 10% of cash dividends and other distributions from retained earnings paid by the Company be appropriated as a legal reserve to the extent that the total amount of additional paid-in capital and the legal reserve equals 25% of the common stock while the JCC before the Amendment required to do so to the extent that the legal reserve equals 25% of the common stock. The Amendment also provides that to the extent that the sum of the additional paid-in capital and the legal reserve exceed 25% of the common stock, the amount of the excess, if any, is available

for appropriations by the resolution of the shareholders prescribed by the JCC.

The amounts of additional paid-in capital and legal reserve of the Company were ¥186,707 million (\$1,403,812 thousand) and ¥18,843 million (\$141,677 thousand) at March 31, 2002, respectively.

At the conversion price, 127,810,761 shares of common stock were reserved at March 31, 2002 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.

## 12. Other Comprehensive Income (Loss)

The amount of income tax expense or benefit allocated to each component of other comprehensive income (loss) for the years ended March 31, 2002, 2001 and 2000 was as follows:

	<i>Millions of yen</i>		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
<b>2002</b>			
Unrealized losses on investment securities arising during period .....	¥ (40,891)	¥ 17,136	¥ (23,755)
Less: reclassification adjustments for losses included in net loss .....	66,100	(27,717)	38,383
Net unrealized gains .....	25,209	(10,581)	14,628
Currency translation adjustments arising during period .....	22,766	(468)	22,298
Less: reclassification adjustments for losses included in net loss .....	2,826	(987)	1,839
Net currency translation adjustments .....	25,592	(1,455)	24,137
Effect of change in accounting standard .....	2,477	(1,051)	1,426
Unrealized losses on derivatives arising during the period .....	(6,711)	3,300	(3,411)
Less: reclassification adjustment for losses included in net loss .....	2,195	(925)	1,270
Net unrealized losses on derivatives .....	(2,039)	1,324	(715)
Minimum pension liability adjustment .....	(46)	19	(27)
Other comprehensive income .....	¥ 48,716	¥ (10,693)	¥ 38,023
	<i>Thousands of U.S. dollars</i>		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
<b>2002</b>			
Unrealized losses on investment securities arising during period .....	\$ (307,451)	\$ 128,842	\$ (178,609)
Less: reclassification adjustments for losses included in net loss .....	496,992	(208,398)	288,594
Net unrealized gains .....	189,541	(79,556)	109,985
Currency translation adjustments arising during period .....	171,173	(3,519)	167,654
Less: reclassification adjustments for losses included in net loss .....	21,248	(7,421)	13,827
Net currency translation adjustments .....	192,421	(10,940)	181,481
Effect of change in accounting standard .....	18,624	(7,902)	10,722
Unrealized losses on derivatives arising during the period .....	(50,459)	24,812	(25,647)
Less: reclassification adjustment for losses included in net loss .....	16,504	(6,955)	9,549
Net unrealized losses on derivatives .....	(15,331)	9,955	(5,376)
Minimum pension liability adjustment .....	(346)	143	(203)
Other comprehensive income .....	\$ 366,285	\$ (80,398)	\$ 285,887
	<i>Millions of yen</i>		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
<b>2001</b>			
Unrealized losses on investment securities arising during period .....	¥ (74,870)	¥ 30,919	¥ (43,951)
Less: reclassification adjustments for losses included in net income .....	11,121	(4,738)	6,383
Net unrealized losses .....	(63,749)	26,181	(37,568)
Currency translation adjustments arising during period .....	13,958	(270)	13,688
Less: reclassification adjustments for gains included in net income .....	(3,259)	(67)	(3,326)
Net currency translation adjustments .....	10,699	(337)	10,362
Minimum pension liability adjustment .....	57,579	(27,414)	30,165
Other comprehensive income .....	¥ 4,529	¥ (1,570)	¥ 2,959
	<i>Millions of yen</i>		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
<b>2000</b>			
Unrealized gains on investment securities arising during period .....	¥ 57,935	¥ (23,096)	¥ 34,839
Less: reclassification adjustments 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 .....	(38,827)	4,007	(34,820)
Less: reclassification adjustments for losses included in net income .....	740	(267)	473
Net currency translation adjustments .....	(38,087)	3,740	(34,347)
Minimum pension liability adjustment .....	(1,237)	520	(717)
Other comprehensive loss .....	¥ (26,993)	¥ (299)	¥ (27,292)

The accumulated balance of each component of accumulated other comprehensive loss at March 31, 2002, 2001 and 2000 was as follows:

	<i>Millions of yen</i>				
	Unrealized gains (losses) on investment securities	Currency translation adjustments	Unrealized losses on derivatives	Minimum pension liability adjustment	Accumulated other comprehensive losses
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)
Change in the period .....	(37,568)	10,362	—	30,165	2,959
Balance at March 31, 2001 .....	<b>(14,242)</b>	<b>(75,963)</b>	—	<b>(193)</b>	<b>(90,398)</b>
Change in the period .....	<b>14,628</b>	<b>24,137</b>	<b>(715)</b>	<b>(27)</b>	<b>38,023</b>
<b>Balance at March 31, 2002</b> .....	<b>¥ 386</b>	<b>¥ (51,826)</b>	<b>¥ (715)</b>	<b>¥ (220)</b>	<b>¥ (52,375)</b>

	<i>Thousands of U.S. dollars</i>				
	Unrealized gains (losses) on investment securities	Currency translation adjustments	Unrealized losses on derivatives	Minimum pension liability adjustment	Accumulated other comprehensive losses
Balance at March 31, 2001 .....	<b>\$ (107,083)</b>	<b>\$ (571,150)</b>	<b>\$ —</b>	<b>\$ (1,451)</b>	<b>\$ (679,684)</b>
Change in the period .....	<b>109,985</b>	<b>181,481</b>	<b>(5,376)</b>	<b>(203)</b>	<b>285,887</b>
<b>Balance at March 31, 2002</b> .....	<b>\$ 2,902</b>	<b>\$ (389,669)</b>	<b>\$ (5,376)</b>	<b>\$ (1,654)</b>	<b>\$ (393,797)</b>

### 13. Segment Information

The Company's operating segments by which management evaluates performance and allocates resources are classified in terms of the nature of the products and services or areas. The segments, by products and services, are managed by the divisions of the Head Office. Domestic branches and offices, and overseas corporate subsidiaries and branches operate in the respective areas and are independent operating units. Each reportable segment purchases, distributes and markets a wide variety of industrial and consumer goods including raw materials and equipment relating to a multitude of industries and, in addition, provides the related financing, insurance and other services to these operations primarily on a worldwide basis. The Company has twelve segments identified by product and service, in addition to its domestic branches and offices, and overseas corporate subsidiaries and branches. Effective for the year ended March 31, 2002, the Finance and Logistics Business segment was added, and the iron and steel segment was excluded since its business was transferred to Marubeni-Itochu Steel Inc. on October 1, 2001. These segments are outlined as follows:

**IT Business:** This group is engaged in information technology-related businesses such as: IP network infrastructures; overseas communication plants; cellular phones; wholesale and retail sales of hardware and software for personal computers; medical healthcare; BS/CS broadcasting; ASP/ISP, etc., both domestically and internationally.

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

**Plant and Ship:** This group constructs and supplies a wide variety of industrial plants and participates in investments in these businesses both domestically and internationally. In addition, it supplies cargo ships and tankers, and owns and operates a fleet.

**Transportation and Industrial Machinery:** This group imports and exports vehicles, construction equipment, agro-industrial equipment, environmental and industrial equipment, airplanes, defense-related equipment and aerospace-related equipment both domestically and internationally, and markets them in Japan.

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

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

**Chemicals:** This group handles a wide variety of goods ranging from basic chemicals to leading-edge finished products for the information technologies and bio technologies industries for sale in Japan and internationally. In particular, this group focuses on further bolstering efficient operations in electric materials, retail, resource development and environmental areas.

**Forest Products and General Merchandise:** This group operates in Japan and internationally, selling rubber products, footwear and housing materials, operating leisure facilities, manufacturing and selling raw materials for paper production, paper and wallpaper, and taking part in afforestation projects.

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

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

**Development and Construction:** This group develops condominiums, houses and apartments, and develops and rents sports facilities and commercial buildings in Japan while operating internationally as a general area developer.

**Finance and Logistics Business:** This group is involved in investment finance, non-bank business and insurance business in the finance area while it invests in infrastructures for logistics and operates a forwarding business and a third party logistic business, improving efficiency in logistics operations in the supply chain management in the distribution area.

**Domestic branches and offices:** Domestic branches and offices are located throughout Japan, including Hokkaido, Tohoku, Chubu, Chugoku-Shikoku, Kyushu, and handle various merchandise and carry out related activities.

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

The Companies' operating segment information for the years ended March 31, 2002, 2001 and 2000, were as follows:

<b>Year ended March 31, 2002</b>	<i>Millions of yen</i>							
	IT Business	Utility and Infrastructure	Plant and Ship	Transportation and Industrial Machinery	Energy	Metals and Mineral Resources	Chemicals	Forest Products and General Merchandise
Total volume of trading transactions:								
Outside customers .....	¥ 462,716	¥ 329,565	¥ 593,155	¥ 756,297	¥ 2,195,849	¥ 430,132	¥ 518,620	¥ 695,337
Inter-segment .....	4,427	185	7,539	17,906	1,099	45,965	20,239	33,147
Total .....	¥ 467,143	¥ 329,750	¥ 600,694	¥ 774,203	¥ 2,196,948	¥ 476,097	¥ 538,859	¥ 728,484
Gross trading profit .....	¥ 33,205	¥ 10,564	¥ 10,251	¥ 52,466	¥ 30,285	¥ 14,589	¥ 28,694	¥ 40,833
Segment net income (loss) .....	¥ (35,647)	¥ 1,960	¥ (30,202)	¥ (6,250)	¥ 5,465	¥ (1,369)	¥ 2,111	¥ 3,060
Segment assets .....	¥ 263,365	¥ 212,807	¥ 402,287	¥ 329,131	¥ 351,483	¥ 177,754	¥ 165,692	¥ 331,755
Depreciation and amortization .....	¥ 3,808	¥ 3,968	¥ 1,796	¥ 3,756	¥ 7,133	¥ 2,196	¥ 2,600	¥ 2,737
Expenditures for segment assets .....	¥ 11,635	¥ 4,710	¥ 8,524	¥ 1,674	¥ 3,255	¥ 188	¥ 1,880	¥ 4,687

	<i>Millions of yen</i>							
	Agri-Marine Products	Textile	Development and Construction	Finance and Logistics Business	Domestic branches and offices	Overseas corporate subsidiaries and branches	Corporate and elimination	Consolidated
Total volume of trading transactions:								
Outside customers .....	¥ 1,030,882	¥ 434,724	¥ 184,018	¥ 39,435	¥ 276,451	¥ 792,738	¥ 232,326	¥ 8,972,245
Inter-segment .....	13,912	3,664	909	7,025	20,912	307,319	(484,248)	-
Total .....	¥ 1,044,794	¥ 438,388	¥ 184,927	¥ 46,460	¥ 297,363	¥ 1,100,057	¥ (251,922)	¥ 8,972,245
Gross trading profit .....	¥ 60,276	¥ 28,134	¥ 32,183	¥ 6,774	¥ 6,585	¥ 74,704	¥ 7,261	¥ 436,804
Segment net income (loss) .....	¥ (6,475)	¥ 1,352	¥ (23,362)	¥ 447	¥ (1,399)	¥ (11,363)	¥ (14,746)	¥ (116,418)
Segment assets .....	¥ 346,456	¥ 150,503	¥ 398,484	¥ 340,354	¥ 92,549	¥ 563,108	¥ 679,941	¥ 4,805,669
Depreciation and amortization .....	¥ 4,671	¥ 830	¥ 3,526	¥ 16,161	¥ 148	¥ 9,782	¥ 7,940	¥ 71,052
Expenditures for segment assets .....	¥ 8,076	¥ 652	¥ 13,260	¥ 12,547	¥ 243	¥ 14,701	¥ (9,249)	¥ 76,783

<b>Year ended March 31, 2002</b>	<i>Thousands of U.S. dollars</i>							
	IT Business	Utility and Infrastructure	Plant and Ship	Transportation and Industrial Machinery	Energy	Metals and Mineral Resources	Chemicals	Forest Products and General Merchandise
Total volume of trading transactions:								
Outside customers .....	\$ 3,479,068	\$ 2,477,932	\$ 4,459,812	\$ 5,686,444	\$ 16,510,143	\$ 3,234,075	\$ 3,899,398	\$ 5,228,098
Inter-segment .....	33,286	1,391	56,684	134,632	8,263	345,602	152,173	249,226
Total .....	\$ 3,512,354	\$ 2,479,323	\$ 4,516,496	\$ 5,821,076	\$ 16,518,406	\$ 3,579,677	\$ 4,051,571	\$ 5,477,324
Gross trading profit .....	\$ 249,662	\$ 79,429	\$ 77,075	\$ 394,481	\$ 227,707	\$ 109,692	\$ 215,744	\$ 307,015
Segment net income (loss) .....	\$ (268,023)	\$ 14,737	\$ (227,083)	\$ (46,992)	\$ 41,090	\$ (10,293)	\$ 15,872	\$ 23,008
Segment assets .....	\$ 1,980,188	\$ 1,600,053	\$ 3,024,714	\$ 2,474,669	\$ 2,642,729	\$ 1,336,496	\$ 1,245,805	\$ 2,494,398
Depreciation and amortization .....	\$ 28,632	\$ 29,835	\$ 13,504	\$ 28,241	\$ 53,632	\$ 16,511	\$ 19,549	\$ 20,579
Expenditures for segment assets .....	\$ 87,481	\$ 35,414	\$ 64,090	\$ 12,586	\$ 24,474	\$ 1,414	\$ 14,135	\$ 35,241

	<i>Thousands of U.S. dollars</i>							
	Agri-Marine Products	Textile	Development and Construction	Finance and Logistics Business	Domestic branches and offices	Overseas corporate subsidiaries and branches	Corporate and elimination	Consolidated
Total volume of trading transactions:								
Outside customers .....	\$ 7,750,992	\$ 3,268,602	\$ 1,383,594	\$ 296,504	\$ 2,078,579	\$ 5,960,436	\$ 1,746,812	\$ 67,460,489
Inter-segment .....	104,602	27,549	6,835	52,820	157,233	2,310,669	(3,640,965)	-
Total .....	\$ 7,855,594	\$ 3,296,151	\$ 1,390,429	\$ 349,324	\$ 2,235,812	\$ 8,271,105	\$ (1,894,153)	\$ 67,460,489
Gross trading profit .....	\$ 453,203	\$ 211,534	\$ 241,977	\$ 50,932	\$ 49,511	\$ 561,684	\$ 54,595	\$ 3,284,241
Segment net income (loss) .....	\$ (48,684)	\$ 10,165	\$ (175,654)	\$ 3,361	\$ (10,519)	\$ (85,436)	\$ (110,872)	\$ (875,323)
Segment assets .....	\$ 2,604,932	\$ 1,131,602	\$ 2,996,120	\$ 2,559,053	\$ 695,857	\$ 4,233,895	\$ 5,112,339	\$ 36,132,850
Depreciation and amortization .....	\$ 35,120	\$ 6,241	\$ 26,511	\$ 121,511	\$ 1,113	\$ 73,549	\$ 59,698	\$ 534,226
Expenditures for segment assets .....	\$ 60,722	\$ 4,902	\$ 99,699	\$ 94,338	\$ 1,827	\$ 110,534	\$ (69,541)	\$ 577,316

Year ended March 31, 2001	Millions of yen							
	IT Business	Utility and Infrastructure	Plant and Ship	Transportation and Industrial Machinery	Energy	Metals and Mineral Resources	Iron and Steel	Chemicals
Total volume of trading transactions:								
Outside customers .....	¥ 444,564	¥ 424,372	¥ 505,369	¥ 814,057	¥ 1,909,479	¥ 470,489	¥ 483,958	¥ 574,741
Inter-segment .....	6,536	194	6,027	22,442	1,670	53,352	46,016	26,790
Total .....	¥ 451,100	¥ 424,566	¥ 511,396	¥ 836,499	¥ 1,911,149	¥ 523,841	¥ 529,974	¥ 601,531
Gross trading profit .....	¥ 41,328	¥ 10,126	¥ 20,188	¥ 53,179	¥ 31,258	¥ 15,517	¥ 25,524	¥ 29,571
Segment net income (loss) .....	¥ (3,526)	¥ (3,524)	¥ (14,002)	¥ (10,489)	¥ 8,383	¥ 2,738	¥ (2,366)	¥ 3,803
Segment assets .....	¥ 303,382	¥ 198,623	¥ 573,658	¥ 447,078	¥ 318,981	¥ 207,470	¥ 251,544	¥ 180,367
Depreciation and amortization .....	¥ 2,810	¥ 3,554	¥ 3,690	¥ 21,155	¥ 4,342	¥ 2,458	¥ 962	¥ 4,087
Expenditures for segment assets .....	¥ 17,632	¥ 1,884	¥ 1,358	¥ 23,035	¥ 16,976	¥ 252	¥ 592	¥ 2,231

Year ended March 31, 2000	Millions of yen							
	Forest Products and General Merchandise	Agri-Marine Products	Textile	Development and Construction	Domestic branches and offices	Overseas corporate subsidiaries and branches	Corporate and elimination	Consolidated
Total volume of trading transactions:								
Outside customers .....	¥ 759,723	¥ 1,029,812	¥ 483,641	¥ 206,892	¥ 408,320	¥ 893,807	¥ 27,639	¥ 9,436,863
Inter-segment .....	34,604	22,951	5,255	620	26,869	335,478	(588,804)	–
Total .....	¥ 794,327	¥ 1,052,763	¥ 488,896	¥ 207,512	¥ 435,189	¥ 1,229,285	¥ (561,165)	¥ 9,436,863
Gross trading profit .....	¥ 43,987	¥ 65,040	¥ 30,570	¥ 29,123	¥ 11,426	¥ 69,936	¥ 2,981	¥ 479,754
Segment net income (loss) .....	¥ 8,014	¥ 8,679	¥ (3,462)	¥ (5,381)	¥ 1,126	¥ (1,363)	¥ 26,406	¥ 15,036
Segment assets .....	¥ 381,894	¥ 350,086	¥ 184,097	¥ 426,304	¥ 170,607	¥ 559,145	¥ 767,368	¥ 5,320,604
Depreciation and amortization .....	¥ 3,695	¥ 4,220	¥ 568	¥ 3,016	¥ 281	¥ 8,562	¥ 6,514	¥ 69,914
Expenditures for segment assets .....	¥ 2,681	¥ 4,140	¥ 323	¥ 3,592	¥ 77	¥ 21,681	¥ (1,024)	¥ 95,430

Year ended March 31, 2000	Millions of yen							
	IT Business	Utility and Infrastructure	Plant and Ship	Transportation and Industrial Machinery	Energy	Metals and Mineral Resources	Iron and Steel	Chemicals
Total volume of trading transactions:								
Outside customers .....	¥ 386,635	¥ 454,947	¥ 683,127	¥ 1,111,570	¥ 1,455,955	¥ 449,066	¥ 513,697	¥ 537,940
Inter-segment .....	6,567	1,038	14,326	28,270	12,763	57,506	51,005	20,519
Total .....	¥ 393,202	¥ 455,985	¥ 697,453	¥ 1,139,840	¥ 1,468,718	¥ 506,572	¥ 564,702	¥ 558,459
Gross trading profit .....	¥ 37,314	¥ 5,953	¥ 19,571	¥ 58,274	¥ 26,638	¥ 14,268	¥ 27,107	¥ 29,659
Segment net income (loss) .....	¥ 1,294	¥ (6,582)	¥ 1,982	¥ (4,622)	¥ 1,801	¥ 968	¥ 1,034	¥ 6,004
Segment assets .....	¥ 253,267	¥ 208,564	¥ 590,000	¥ 558,715	¥ 262,336	¥ 208,555	¥ 259,025	¥ 170,080
Depreciation and amortization .....	¥ 762	¥ 144	¥ 3,818	¥ 20,252	¥ 3,158	¥ 1,000	¥ 1,544	¥ 824
Expenditures for segment assets .....	¥ 3,819	¥ 985	¥ 4,384	¥ 21,496	¥ 3,235	¥ 113	¥ 887	¥ 280

Year ended March 31, 2000	Millions of yen							
	Forest Products and General Merchandise	Agri-Marine Products	Textile	Development and Construction	Domestic branches and offices	Overseas corporate subsidiaries and branches	Corporate and elimination	Consolidated
Total volume of trading transactions:								
Outside customers .....	¥ 800,296	¥ 1,059,016	¥ 665,193	¥ 244,192	¥ 512,136	¥ 1,311,476	¥ 37,196	¥ 10,222,442
Inter-segment .....	31,470	14,753	7,178	977	27,654	525,877	(799,903)	–
Total .....	¥ 831,766	¥ 1,073,769	¥ 672,371	¥ 245,169	¥ 539,790	¥ 1,837,353	¥ (762,707)	¥ 10,222,442
Gross trading profit .....	¥ 45,142	¥ 66,421	¥ 30,615	¥ 11,141	¥ 9,093	¥ 68,936	¥ 3,364	¥ 453,496
Segment net income (loss) .....	¥ 15,441	¥ 7,643	¥ (2,429)	¥ (14,928)	¥ 83	¥ (1,386)	¥ (4,243)	¥ 2,060
Segment assets .....	¥ 358,983	¥ 338,981	¥ 198,394	¥ 465,881	¥ 163,837	¥ 583,518	¥ 964,217	¥ 5,584,353
Depreciation and amortization .....	¥ 3,963	¥ 5,951	¥ 601	¥ 3,805	¥ 282	¥ 6,340	¥ 7,363	¥ 59,807
Expenditures for segment assets .....	¥ 3,677	¥ 5,470	¥ 236	¥ 14,347	¥ 53	¥ 8,813	¥ 3,615	¥ 71,410

Effective April 1, 2001, the Finance and Logistics Business segment was created. The respective amounts for the years ended March 31, 2001 and 2000 were treated as Corporate.

The accounting policies of the reportable segments are the accounting principles generally accepted in Japan.

Corporate and elimination 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.

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

The respective amounts of Iron and Steel for the first half of the year ended March 31, 2002 are included in Corporate and elimination.

Total volumes of trading transactions by country are as follows:

Country	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	2002
Japan .....	<b>¥ 6,075,145</b>	¥ 6,780,133	¥ 7,338,374	<b>\$45,677,782</b>
United States of America .....	<b>1,340,796</b>	1,091,601	1,045,834	<b>10,081,173</b>
Singapore .....	<b>214,581</b>	248,814	220,840	<b>1,613,391</b>
Other .....	<b>1,341,723</b>	1,316,315	1,617,394	<b>10,088,143</b>
Total .....	<b>¥ 8,972,245</b>	¥ 9,436,863	¥ 10,222,442	<b>\$67,460,489</b>

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

Long-lived assets, including property leased to others, by country are as follows:

Country	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	2002
Japan .....	<b>¥ 515,992</b>	¥ 571,326	¥ 607,467	<b>\$ 3,879,639</b>
United States of America .....	<b>135,495</b>	127,608	93,761	<b>1,018,759</b>
Australia .....	<b>28,748</b>	26,903	25,589	<b>216,150</b>
Other .....	<b>81,420</b>	109,044	90,478	<b>612,181</b>
Total .....	<b>¥ 761,655</b>	¥ 834,881	¥ 817,295	<b>\$ 5,726,729</b>

Total volumes of trading transactions with external customers by product for the years ended March 31, 2002 and 2001, were as follows:

Product	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	2002
Machinery .....	<b>¥ 2,279,414</b>	¥ 2,360,973	¥ 2,970,731	<b>\$17,138,451</b>
Energy .....	<b>2,308,831</b>	1,988,217	1,567,157	<b>17,359,632</b>
Metals .....	<b>874,196</b>	1,326,967	1,411,970	<b>6,572,902</b>
Chemicals .....	<b>863,307</b>	909,064	904,459	<b>6,491,030</b>
Forest products and general merchandise .....	<b>819,288</b>	901,502	962,224	<b>6,160,060</b>
Agri-marine products .....	<b>1,112,431</b>	1,139,875	1,288,648	<b>8,364,143</b>
Textile .....	<b>520,043</b>	587,368	818,025	<b>3,910,098</b>
Development and construction .....	<b>194,735</b>	222,897	299,228	<b>1,464,173</b>
Total .....	<b>¥ 8,972,245</b>	¥ 9,436,863	¥ 10,222,442	<b>\$67,460,489</b>

There is no concentration by customer.

#### 14. Foreign Currency Transactions

Net foreign currency transaction gains and losses included in other income (losses) – net amounted to ¥6,153 million (\$46,263 thousand) and ¥4,645 million of gains for the years ended March 31, 2002 and 2001, respectively, and ¥13,794

million of losses for the year ended March 31, 2000. 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.

#### 15. Financial Instruments

**Risk management** Substantially all the derivative instruments which the Company and certain of its subsidiaries hold are utilized to hedge 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, such risks are minimized by avoiding a concentration of counterparties, selecting counterparties with high credit ratings and maintaining strict credit control.

The Company and certain of its subsidiaries have separate departments which confirm its financial transactions with the counterparties from the departments which execute them. In addition, the Company has as its “middle-office” a “Risk Management Division,” which is strictly independent of its Finance Department, in its Tokyo Head Office. The Risk Management Division 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. Furthermore, the Risk Management Division 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.

**Foreign exchange contracts** The Company and certain of its subsidiaries conduct business in various foreign currencies and enter into foreign exchange contracts principally to hedge foreign currency denominated transactions, assets and liabilities to minimize the effect of foreign currency fluctuations. Gains and losses related to the hedge ineffective portion and related to the portion of hedging instruments excluded from assessment of hedge effectiveness were not significant for the year ended March 31, 2002.

**Interest rate swap agreements, including interest rate and currency 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. Gains and losses related to the hedge ineffective portion and related to the portion of hedging instruments excluded from assessment of hedge effectiveness were not significant for the year ended March 31, 2002. In addition, the Company and certain of its subsidiaries enter into interest rate swap

agreements for trading purposes on a limited basis.

**Commodity futures and forward contracts** The Company and certain of its subsidiaries enter into commodity futures and forward contracts principally as a means of hedging the risks associated with certain inventories, commitments and forecasted transactions. Gains and losses related to the hedge ineffective portion and related to the portion of hedging instruments excluded from assessment of hedge effectiveness were not significant for the year ended March 31, 2002.

**Other derivative instruments** The Company and certain of its subsidiaries utilize option contracts primarily to hedge the risks associated with changes in interest rates and exchange rates. Gains and losses related to the hedge ineffective portion and related to the portion of hedging instruments excluded from assessment of hedge effectiveness were not significant for the year ended March 31, 2002. In addition, the Company and certain of its subsidiaries enter into other derivative contracts for trading purposes on a limited basis.

**Fair value of financial instruments** The estimated fair value of the financial instruments of the Company 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

The carrying amounts and fair value of financial instruments and the derivative instruments at March 31, 2002 were as follows (amounts in parentheses represent liabilities):

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>	
	<b>2002</b>		<b>2002</b>	
	Carrying amount	Fair value	Carrying amount	Fair value
Short-term investments in debt securities .....	¥ 63,198	¥ 63,197	\$ 475,173	\$ 475,165
Long-term investments in debt securities .....	70,349	64,493	528,940	484,910
Long-term notes, loans and accounts receivable - trade (less allowance for doubtful accounts) .....	332,254	331,749	2,498,150	2,494,353
Long-term debt .....	(2,576,502)	(2,466,990)	(19,372,195)	(18,548,797)
Interest rate swaps .....	37,860	37,860	284,662	284,662
Foreign exchange contracts .....	2,589	2,589	19,466	19,466
Commodity futures and forward contracts .....	3,790	3,790	28,496	28,496

The carrying amounts and fair value of financial instruments and the notional amount, carrying amounts and fair value of interest rate swap agreements, foreign exchange contracts and commodity futures contracts held for other than trading at March 31, 2001 were as follows (amounts in parentheses represent liabilities):

	<i>Millions of yen</i>		
	<b>2001</b>		
	Notional amount	Carrying amount	Fair value
Short-term investments in debt securities .....	—	¥ 87,027	¥ 87,240
Long-term investments in debt securities .....	—	189,436	187,454
Long-term notes, loans and accounts receivable - trade (less allowance for doubtful accounts) .....	—	512,036	512,192
Long-term debt .....	—	(2,669,631)	(2,722,369)
Interest rate swaps .....	¥ 1,894,977	(434)	53,156
Foreign exchange contracts .....	314,279	191	665
Commodity futures and forward contracts .....	458,133	193	193

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 ¥319,024 million (\$2,398,677 thousand) and ¥258,532 million at March 31, 2002 and 2001, respectively, and represents the 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 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.

Commodity futures and forward contracts: the fair value of commodity futures contracts is estimated based on the quoted market prices of comparable contracts, adjusted where necessary for maturity differences.

In addition to the above, the Company and certain of its subsidiaries entered into option contracts primarily to hedge the risks associated with changes in interest rates and exchange rates, the fair value of which totaled ¥201 million of assets as of March 31, 2001.

For interest rate swaps held for trading, the notional amounts and fair values as of March 31, 2001, and the average fair values and net gain during the year ended at March 31, 2001 were as follows:

	<i>Millions of yen</i>	
	<b>2001</b>	
Notional amount .....	¥	-
Fair value - assets .....		-
Average fair value - asset .....		178
Net gain .....		411

In addition to the above, the Company and certain of its subsidiaries entered into futures and other derivative contracts for trading purposes, the fair value of which totaled ¥131 million of assets as of March 31, 2001.

## 16. Concentration of Credit Risk

Although the Company operates as 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 Company operates in substantially all geographic areas of the world, and their customers are diversified. Accordingly, management of the Company believes there is no significant concentration of credit risk among its customers or in its investments. The Company requires collateral to the extent considered necessary.

## 17. Commitments and Contingent Liabilities

Rental expense, primarily for office space and equipment, amounted to ¥23,440 million (\$202,917 thousand), ¥16,450 million and ¥18,823 million for the years ended March 31, 2002, 2001 and 2000, respectively.

At March 31, 2002, the future minimum lease payments payable and rentals receivable under non-cancelable operating leases were as follows:

<b>Year ending March 31</b>	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>	
	Payable	Receivable	Payable	Receivable
2003 .....	¥ 9,392	¥ 11,000	\$ 70,617	\$ 82,707
2004 .....	8,211	7,616	61,737	57,263
2005 .....	7,332	4,793	55,128	36,038
2006 .....	6,849	3,533	51,496	26,564
2007 .....	3,040	2,556	22,857	19,218
Thereafter .....	9,626	3,364	72,376	25,293

The future minimum rentals to be received under noncancelable subleases corresponding to the above future minimum lease payments payable were not significant at March 31, 2002.

The Company had commitments to make additional investments or loans in aggregate amounts of approximately ¥40,000 million (\$300,752 thousand) and ¥56,000 million at March 31, 2002 and 2001, respectively.

At March 31, 2002, the Company was contingently liable as a guarantor of loan obligations of ¥382,148 million (\$2,873,293 thousand) in the aggregate, including ¥220,614 million (\$1,658,752 thousand) to affiliated companies. The comparable amounts at March 31, 2001 were ¥245,165 million and ¥90,472

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, 2002 would not have a material effect on the consolidated financial position or results of operations of the Companies.

## 18. Subsequent Event

On June 17, 2002, the Company reached an agreement with Nihon Sogo Trust Investment Corporation to sell it a building and land that it is currently using as its Osaka headquarters for

¥12,500 million (\$93,985 thousand). The Company will also enter into a contract, under which the Company will lease back these facilities. The impact of this transaction on the earnings of the Company will not be significant.

## 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, 2002 and 2001, 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, 2002, 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Marubeni Corporation at March 31, 2002 and 2001, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, as of April 1, 2001, the Company changed its method of accounting for derivative instruments and hedging activities.

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.



May 14, 2002  
except for Note 18, as to which date is  
June 17, 2002