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Eleven-Year Summary

Marubeni Corporation
Years ended March 31

| | Millions of Yen | Thousands of U.S. Dollars* | 2002 | 2001 |
|---|-----------------|-------------------------------|------------|------------|
| | 2003 | 2003 | | |
| For the year: | | | | |
| Trading transactions | | | | |
| Domestic | ¥2,928,999 | \$24,408,325 | ¥3,232,883 | ¥3,754,652 |
| Export | 1,101,830 | 9,181,917 | 1,209,677 | 1,184,653 |
| Import | 1,477,899 | 12,315,825 | 1,519,451 | 1,760,793 |
| Offshore | 3,284,575 | 27,371,458 | 3,010,234 | 2,736,765 |
| Total volume of trading transactions | 8,793,303 | 73,277,525 | 8,972,245 | 9,436,863 |
| Gross trading profit | 424,643 | 3,538,692 | 436,804 | 479,754 |
| Income (loss) before income taxes and equity in earnings (losses) of affiliated companies | 33,166 | 276,383 | (165,155) | 6,688 |
| Net income (loss) | 30,312 | 252,600 | (116,418) | 15,036 |
| At year-end: | | | | |
| Total assets | 4,321,482 | 36,012,350 | 4,805,669 | 5,320,604 |
| Net interest-bearing debt | 2,264,117 | 18,867,642 | 2,712,906 | 3,089,839 |
| Total shareholders' equity | 260,051 | 2,167,092 | 263,895 | 342,297 |
| Amounts per 100 shares (¥/US\$): | | | | |
| Basic earnings (loss) | 2,030 | 16.92 | (7,792) | 1,006 |
| Diluted earnings (loss) | 1,896 | 15.80 | (7,792) | 940 |
| Cash dividends | 300 | 2.50 | - | - |
| Cash Flows (for the year): | | | | |
| Net cash provided by (used in) operating activities | 194,788 | 1,623,233 | 198,456 | 179,305 |
| Net cash provided by (used in) investing activities | 113,241 | 943,675 | 74,504 | 187,993 |
| Net cash (used in) provided by financing activities | (294,001) | (2,450,008) | (150,104) | (456,125) |
| Cash and cash equivalents at end of year | 466,511 | 3,887,592 | 466,642 | 329,811 |
| Ratios: | | | | |
| Return on assets (%) | 0.7 | | - | 0.3 |
| Return on equity (%) | 11.6 | | - | 4.5 |
| Shareholders' equity to total assets (%) | 6.0 | | 5.5 | 6.4 |
| Net D/E ratio (times) | 8.7 | | 10.3 | 9.0 |
| Consolidation: | | | | |
| Consolidated subsidiaries | 327 | | 354 | 412 |
| Equity-method affiliates | 157 | | 161 | 186 |
| Total | 484 | | 515 | 598 |
| Number of employees: | | | | |
| Consolidated | 24,829 | | 28,140 | 30,956 |
| Non-consolidated | 3,914 | | 4,234 | 4,855 |
| Stock price (Tokyo Stock Exchange) (¥): | | | | |
| High | 151 | | 262 | 401 |
| Low | 86 | | 58 | 200 |

* U.S. dollar amounts above and elsewhere in this report are converted from yen, for convenience only, at the prevailing rate of ¥120 to US\$1 as of March 31, 2003.

Millions of Yen

| 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| ¥ 4,571,183 | ¥ 5,183,131 | ¥ 5,931,831 | ¥ 6,604,469 | ¥ 6,967,511 | ¥ 6,741,379 | ¥ 7,020,640 | ¥ 7,469,459 |
| 1,250,165 | 2,163,734 | 2,535,228 | 2,190,089 | 1,976,749 | 2,058,938 | 2,247,539 | 2,600,561 |
| 1,425,294 | 1,452,026 | 1,710,749 | 1,727,032 | 1,531,517 | 1,619,055 | 1,775,125 | 2,396,812 |
| 2,975,800 | 3,161,266 | 3,462,709 | 3,448,387 | 3,064,783 | 2,449,590 | 2,300,504 | 2,990,595 |
| 10,222,442 | 11,960,157 | 13,640,517 | 13,969,977 | 13,540,560 | 12,868,962 | 13,343,808 | 15,457,427 |
| 453,496 | 522,356 | 534,485 | 496,550 | 475,221 | 460,167 | 451,596 | 458,193 |
| 5,419 | (149,904) | 54,922 | 57,504 | 33,900 | 14,572 | 36,104 | 37,146 |
| 2,060 | (117,729) | 17,230 | 20,113 | 15,117 | 10,368 | 5,493 | 1,108 |
| 5,584,353 | 6,511,841 | 7,388,101 | 7,550,347 | 7,644,002 | 6,844,022 | 7,059,389 | 8,067,086 |
| 3,328,437 | 3,966,471 | 4,432,159 | 4,555,208 | 4,403,714 | 4,079,368 | 3,932,907 | 4,620,051 |
| 324,301 | 354,017 | 475,253 | 512,929 | 560,589 | 480,451 | 438,810 | 452,873 |
| 138 | (7,880) | 1,153 | 1,346 | 1,012 | 694 | 368 | 74 |
| 138 | (7,880) | 1,054 | 1,289 | 1,010 | 694 | 368 | 74 |
| - | 300 | 600 | 600 | 600 | 600 | 600 | 600 |
| 184,701 | 232,414 | 254,221 | 24,308 | 107,547 | (99,929) | 227,959 | (241,545) |
| 257,006 | 99,101 | (58,769) | 66,036 | (252,345) | (158,296) | 436,054 | (75,819) |
| (594,878) | (213,321) | (91,879) | (209,412) | 267,217 | (4,188) | (772,509) | (124,646) |
| 405,308 | 579,366 | 480,825 | 373,015 | 485,844 | 359,436 | 642,575 | 785,127 |
| 0.0 | - | 0.2 | 0.3 | 0.2 | 0.2 | 0.1 | 0.0 |
| 0.6 | - | 3.5 | 3.8 | 2.9 | 2.3 | 1.2 | 0.2 |
| 5.8 | 5.4 | 6.4 | 6.8 | 7.3 | 7.0 | 6.2 | 5.6 |
| 10.3 | 11.2 | 9.3 | 8.9 | 7.9 | 8.5 | 9.0 | 10.2 |
| 456 | 488 | 479 | 459 | 436 | 410 | 422 | 464 |
| 190 | 201 | 214 | 203 | 188 | 164 | 157 | 175 |
| 646 | 689 | 693 | 662 | 624 | 574 | 579 | 639 |
| 31,342 | - | - | - | - | - | - | - |
| 5,344 | 5,844 | 6,041 | 6,386 | 6,702 | 7,064 | 7,190 | 7,218 |
| 486 | 345 | 525 | 638 | 602 | 580 | 545 | 490 |
| 205 | 155 | 177 | 421 | 404 | 415 | 410 | 309 |

Financial Review

1. OPERATING ENVIRONMENT

During the year under review, ended March 31, 2003, the U.S. economy witnessed capital investment pick up slowly, but consumer spending made moderate gains in the first half of 2002 thanks to low interest rates and a positive wealth effect supported by high housing prices. However, the second half of the fiscal year was adversely influenced by falling stock prices and a delayed recovery in unemployment rates, both brought on by a series of highly publicized accounting irregularities at major corporations and weak corporate profits. As a result, business and consumer sentiment worsened and economic recovery slowed. This situation was exacerbated in the early months of 2003 by increasing tension in Iraq. The result was that businesses and households reined in spending, slowing economic growth.

In Europe, mandatory fiscal constraints by countries having already adopted the euro prevented the adoption of proactive economic policies. Germany and other European countries suffered stock market slumps and layoffs as a result. Predictably, consumer spending fell and as a consequence domestic demand within Europe stagnated. Overall growth rates failed to improve significantly from the low figures of the previous year.

In Asia, exports and domestic demand made significant gains in South Korea, Thailand and Malaysia, driving robust economic expansion. The Indonesian economy benefited from a consumer-led recovery, with Taiwan and Singapore making similar progress on the back of strong exports. Exports to the U.S. by NIE and ASEAN countries slowed somewhat from the summer onwards, but exports to China and other Asian countries were steady. Chinese exports continued their strong performance, with internal Chinese demand also benefiting from foreign direct investment. As a consequence, total overall growth for China came to a strong 8%.

The Russian economy made a strong showing during the year due to rising crude oil prices. In contrast, disruptions in capital markets and economic stagnation in Argentina and Brazil showed no signs of abating.

The Japanese economy bottomed out thanks to strong exports. However, consumer spending remained flat and capital expenditures were lackluster, amid high unemployment and low personal income levels. A full-scale economic recovery thus remained a distant prospect. From autumn 2002, the economy began to lose steam as exports and industrial production peaked

out. The Bank of Japan continued its quantitative easing policy in the face of ongoing deflation, but this failed to increase lending on the part of financial institutions. The Nikkei 225 Stock Average at the end of March 2003 actually hit a 21-year low, and was representative of the continuing difficulties and instability faced by capital markets.

2. OVERVIEW OF FISCAL YEAR ENDED MARCH 31, 2003

Total Volume of Trading Transactions

Marubeni recorded a total volume of trading transactions of ¥8,793.3 billion (US\$73,278 million) on a consolidated basis, ¥178.9 billion, or 2%, lower than the previous fiscal year. The total volume of trading transactions includes the sales value of all transactions in which Marubeni and its subsidiaries participate, irrespective of the type of transaction, based on the practices of Japanese trading companies.

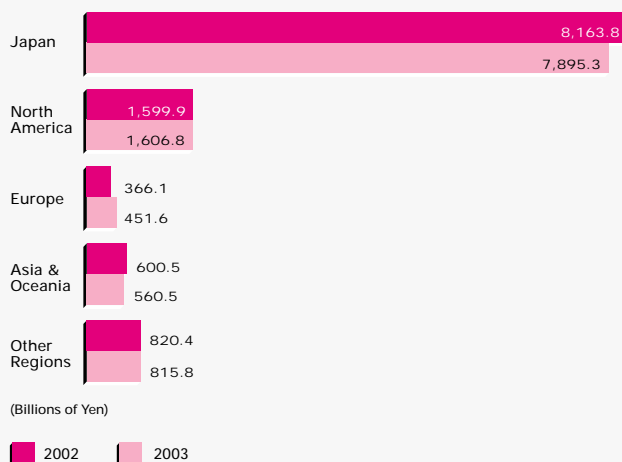
By Transaction Type

Domestic transactions were down ¥303.9 billion, or 9.4%, at ¥2,929.0 billion mainly due to declines in Metals and Machinery. Exports declined ¥107.8 billion, or 8.9%, to ¥1,101.8 billion primarily because of declines in Metals and Machinery. Imports, notably in Textiles and Metals, edged down ¥41.6 billion, or 2.7%, to ¥1,477.9 billion. Offshore transactions climbed ¥274.3 billion, or 9.1%, to ¥3,284.6 billion, largely due to an increase in Machinery transactions.

By Region

Trading transactions in Japan dipped ¥268.4 billion, or 3.3%, to ¥7,895.3 billion, due to the transfer of the Iron and Steel business to Marubeni-Itochu Steel Inc. Transactions in North America improved ¥6.9 billion, or 0.4%, to ¥1,606.8 billion, largely due to an increase in Energy transactions. European transactions rose ¥85.5 billion, or 23.4%, to ¥451.6 billion, mainly reflecting Utility and Infrastructure transactions. In Asia and Oceania, transactions fell ¥40.0 billion, or 6.7%, to ¥560.5 billion, primarily from lower Energy and Textiles transactions. Transactions in other regions, negatively impacted by lower Plant and Ship transactions, declined ¥4.6 billion, or 0.6%, to ¥815.8 billion.

Total Volume of Trading Transactions by Region
(Years ended March 31)



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

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 geographic areas. These segments are managed by product-specific Head Office divisions. Domestic branches and offices, and overseas corporate subsidiaries and branches operate in their respective geographic areas as independent operating units. Each reportable segment purchases, distributes and markets a wide variety of industrial and consumer goods, including raw materials and equipment in many industries and, in addition, provides the related financing, insurance and other services accompanying 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.

IT Business transactions fell 17.3%, or ¥81.0 billion from the previous year, to ¥386.2 billion (US\$3,218 million) as a result of weakness in the submarine cable-related business in Asia and a general decline in the PC market. Gross trading profit in this area fell 1.9%, or ¥0.6 billion, to ¥32.6 billion (US\$271 million).

Utility & Infrastructure transactions increased 27.9%, or ¥92.1 billion, to ¥421.9 billion (US\$3,515 million) as a result of orders in Southeast Asian power generation and Near and Middle East water pipe projects. Gross trading profit increased 12.0%, or ¥1.3 billion, to ¥11.8 billion (US\$99 million), in line with the increased sales.

Plant & Ship transactions rose 22.6%, or ¥135.8 billion, over the previous year to ¥736.5 billion (US\$6,137 million). These strong results were due to an increase in energy and chemical plant contracts secured mainly in Africa and the Near and Middle

East. Complementing this strong performance was a withdrawal from unprofitable businesses in the U.S., which helped to take gross trading profit up 35.3%, or ¥3.6 billion, to ¥13.9 billion (US\$116 million).

Transportation & Industrial Machinery transactions benefited mainly from an upsurge in aircraft-related business, rising 0.3%, or ¥2.4 billion, over the previous year to ¥776.6 billion (US\$6,471 million). Due both to this and favorable progress in the industrial machinery business, gross trading profit rose 3.6%, or ¥1.9 billion, to ¥54.4 billion (US\$453 million).

Energy transactions grew due to a rise in oil-related transactions, lifting total sales in the area 5.1%, or ¥112.8 billion, to ¥2,309.8 billion (US\$19,248 million). However, a fall in profits from oil-related businesses brought gross trading profit down 2.2%, or ¥0.7 billion, to ¥29.6 billion (US\$247 million).

Metals & Mineral Resources transactions suffered from falling prices in the non-ferrous light metals market, dropping 7.1% or ¥33.8 billion from the previous year to ¥442.3 billion (US\$3,686 million). This took gross trading profit down 4.1%, or ¥0.6 billion, to ¥14.0 billion (US\$117 million).

Chemicals transactions were buoyed by the rise in crude oil and naphtha prices, with sales of organic and synthetic fiber materials growing to push total sales up 5.8%, or ¥31.1 billion, to ¥569.9 billion (US\$4,749 million). At ¥29.3 billion (US\$244 million), gross trading profit also benefited from growth in polyvinyl chloride alkali sales, improving on last year's figure by 2.0%, or ¥0.6 billion.

Forest Products & General Merchandise transactions rose 2.4%, or ¥17.3 billion, to ¥745.8 billion (US\$6,215 million). The main contributing factors were growth in natural rubber sales and an upturn in the plywood market, which more than offset declines in wood-chip and domestic paper transactions. Gross trading profit rose 1.0%, or ¥0.4 billion, to ¥41.2 billion (US\$344 million) as a consequence of improved profitability due to cost reduction initiatives in the paper business.

Agri-marine Products transactions fell 2.0% from the previous year, or ¥21.3 billion, to ¥1,023.5 billion (US\$8,529 million) as seafood business volume fell. This unfavorable trend combined with the removal from the scope of consolidation of an oil-expressing subsidiary to bring gross trading profit down 2.8% from the previous year, or ¥1.7 billion, to ¥58.6 billion (US\$488 million).

Textile transactions fell 15.5%, or ¥68.1 billion, to ¥370.3 billion (US\$3,086 million) due to stagnation in the domestic market and a review of low-profit transactions. These factors resulted in a decline of ¥3.6 billion, or 12.9%, in gross trading profit to ¥24.5 billion (US\$204 million).

Development & Construction transactions rose 0.5%, or ¥0.9 billion, over the previous year to ¥185.8 billion (US\$1,549 million), as growth in domestic housing projects outweighed a contraction in installation contracts. Improved profit margins

were an additional factor in taking gross trading profit up 5.7%, or ¥1.8 billion, to ¥34.0 billion (US\$284 million).

Finance & Logistics Business transactions dropped 18.6%, or ¥8.6 billion, to ¥37.8 billion (US\$315 million) as a result of the removal from the scope of consolidation of certain subsidiaries operating in lease-related businesses. Gross trading profit fell 3.7%, or ¥0.3 billion, to ¥6.5 billion (US\$54 million).

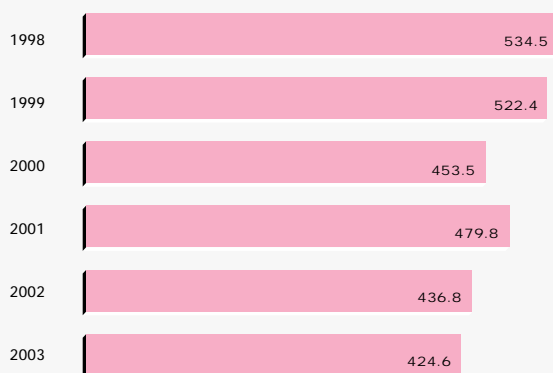
Domestic Branches and Offices transactions fell 41.8%, or ¥124.4 billion, to ¥172.9 billion (US\$1,441 million) due to the transfer of the Iron & Steel business to Marubeni-Itochu Steel Inc. Gross trading profit declined 7.7%, or ¥0.5 billion, to ¥6.1 billion (US\$51 million).

Overseas Corporate Subsidiaries and Branches transactions dropped 3.2%, or ¥34.7 billion, to ¥1,065.4 billion (US\$8,878 million) due to the abovementioned transfer of the Iron & Steel business to Marubeni-Itochu Steel. Gross trading profit dropped 2.5%, or ¥1.9 billion, to ¥72.8 billion (US\$607 million).

As a result of the above factors, gross trading profit fell 2.8%, or ¥12.2 billion to ¥424.6 billion (US\$3,539 million).

Gross Trading Profit

(Years ended March 31)



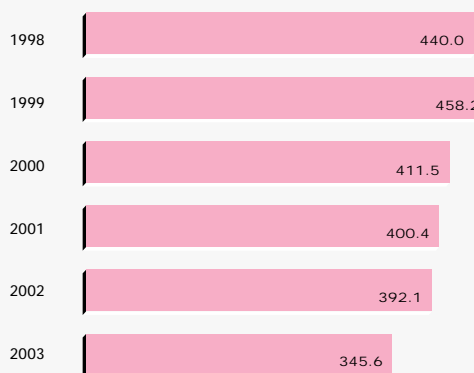
(Billions of Yen)

Selling, general and administrative expenses fell 11.9%, or ¥46.5 billion, to ¥345.6 billion (US\$2,880 million). Reasons include a nearly ¥20.0 billion decline in expenses (approximately ¥16.5 billion excluding roughly ¥3.5 billion due to changes in exchange rates), owing to vigilant cost-reduction initiatives, and respective declines of around ¥15.0 billion from the transfer of the Iron & Steel business to Marubeni-Itochu Steel Inc. and withdrawal from unprofitable businesses. Because of a large

provision for doubtful accounts made in the previous fiscal year pursuant to the *@ction 21 "A"* PLAN initiated in the previous year, the provision for doubtful accounts declined 87.1%, or ¥38.3 billion, to ¥5.7 billion (US\$47 million).

Selling, General and Administrative Expenses

(Years ended March 31)



(Billions of Yen)

Consequently, operating profit climbed ¥72.6 billion to ¥73.4 billion (US\$611 million).

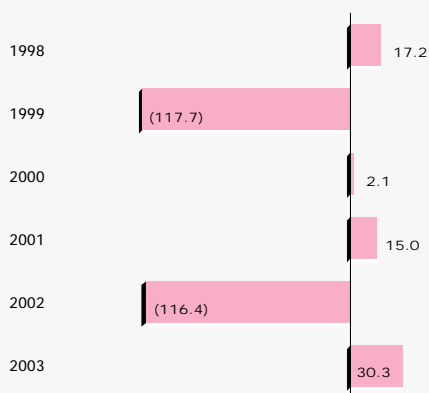
Interest expenses, net of interest income improved ¥6.0 billion from the previous year to ¥23.5 billion, largely owing to a decrease in interest-bearing debt and lower interest rates. Despite gains on the exchange and sale of securities in its portfolio, the Company posted a loss on investment securities of ¥12.7 billion. This came as the result of a combined loss of ¥30.9 billion, consisting of a loss on the devaluation of shareholdings in banks due to falling stock prices and a loss accompanying the establishment of an employee retirement benefit trust. The sale of real-estate holdings led to a gain on property and equipment of ¥8.5 billion. Other-net in other income (expenses) amounted to ¥19.3 billion, and included losses incurred in liquidating subsidiaries and affiliated companies of ¥12.5 billion and net foreign currency transaction loss of ¥5.3 billion, due to the yen's appreciation. Although losses incurred in liquidating subsidiaries and affiliated companies declined year on year, a stronger yen led to larger exchange losses, causing other-net to worsen by ¥2.8 billion.

Consequently, income before income taxes and equity in earnings of affiliated companies amounted to ¥33.2 billion (US\$276 million), reversing the previous fiscal year's result by ¥198.3 billion.

After posting heavy valuation losses in the previous year in line with the *action 21* “A” PLAN, equity in earnings (losses) of affiliated companies were ¥13.4 billion (US\$112 million), turning around the previous fiscal year’s result by ¥32.4 billion.

The result was net income of ¥30.3 billion (US\$253 million), reversing the previous fiscal year’s net loss by ¥146.7 billion.

Net Income
(Years ended March 31)



(Billions of Yen)

3. SIGNIFICANT FACTORS IMPACTING OPERATING RESULTS

(1) Macroeconomic conditions in Japan and other principal economies

Marubeni conducts business activities worldwide, and is thus affected by economic conditions both in its home country of Japan and abroad. Conversely, as a *sogo shosha* (general trading company), Marubeni is active in multiple industries and conducts businesses in Japan and many other countries, without limiting its presence to any specific country. This diversified portfolio of businesses helps to mitigate the effects of economic fluctuations on Marubeni’s performance.

(2) Fluctuations in the prices of various commodities

Because Marubeni handles a variety of merchandise, its business performance is impacted by fluctuations in market conditions. The Company and certain consolidated subsidiaries enter into commodity futures and forward contracts principally as a means of hedging the risks associated with certain inventories, commitments and forecasted transactions.

(3) Foreign currency fluctuations

The Company and certain consolidated subsidiaries conduct business in various foreign currencies. Fluctuations in these currencies can thus impact business performance. The Company and certain consolidated subsidiaries enter into foreign exchange contracts principally to hedge foreign currency denominated transactions, assets and liabilities to minimize the effect of foreign currency fluctuations.

(4) Interest rate fluctuations

The Company procures funds through loans from financial institutions and from capital markets via the issuance of bonds and other means. The Company has both fixed and variable-rate debt obligations. While most business assets can be shifted to cover the risk of fluctuations in interest rates on borrowings, fluctuations in market interest rates may have an impact on earnings. Through its Asset Liability Management program, the Company utilizes interest swaps contracts and other means to reduce the risk of interest rate fluctuations.

(5) Gains (losses) on marketable equity securities and debt securities

The Company and certain subsidiaries invest in marketable equity securities, debt securities and other available-for-sale securities with the intent of strengthening business relationships and other purposes. The companies determine 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. These trading and available-for-sale securities bear an intrinsic risk of fluctuation in their fair value.

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.

Available-for-sale securities

Marketable equity securities not classified as trading securities, and debt securities not classified as trading nor held-to-maturity securities 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.

(6) Retirement benefits and pension plans

The Company has a lump-sum retirement plan based on compensation as of the date of severance and years of service and a defined benefit retirement plan.

The Company's retirement plan is based on a welfare pension plan as defined by the Welfare Pension Insurance Law of Japan, and consists of two components: a public pension plan managed on behalf of the Japanese government in the form of a substitutional portion and a corporate pension plan with a defined compensation rate of 5.5%.

The persistence of low interest rates and a deteriorating investment environment may weaken the financial integrity of the Company's pension fund, increasing the risk of higher retirement benefit obligations and pension costs. To minimize this risk, the Company adopted a cash balance plan and reduced retirement benefits for certain employees effective April 1, 2003.

Under the cash balance plan, the Company's former compensation rate of 5.5% has been pegged to the variable interest rate of government bonds (guaranteed minimum of 2.5%). The guaranteed period of pension payments has been extended from 15 to 20 years.

To minimize investment risk, the Company obtained approval from Japan's Minister of Health, Labour and Welfare for exemption from future benefit obligations with respect to the substitutional portion of the welfare pension fund on April 15, 2003. The final date for transfer of all pension assets to the government is currently scheduled for some time after October 2003.

4. FINANCIAL CONDITION

Consolidated total assets fell ¥484.2 billion, or 10.1% year on year, to ¥4,321.5 billion due to a review of low-profit transactions, business reorganization, and sale of various assets.

Consolidated interest-bearing debt fell in line with a decrease in receivables and inventories, as well as the sale and redemption of marketable and investment securities. Interest-bearing debt dropped ¥439.9 billion, or 13.8%, to ¥2,745.0 billion. Net interest-bearing debt excluding cash and cash equivalents was down ¥448.8 billion, or 16.5%, to ¥2,264.1 billion yen. A breakdown of cash and cash equivalents and net interest-bearing debt is as follows.

| | Billions of yen | |
|--|-------------------|-----------------|
| | March 31, 2003 | Y-o-Y change |
| Short-term loans: | | |
| Short-term loans from bank and others | ¥ 548.4 | ¥-170.8 |
| Commercial paper | 12.7 | +12.7 |
| Interest-bearing portion of long-term debt: | | |
| Long-term loans | 1,736.5 | -23.6 |
| Bonds | 447.3 | -258.2 |
| Total interest-bearing liabilities | ¥2,745.0 | ¥-439.9 |
| (Cash and cash equivalents and time deposits) | (480.8) | (-8.9) |
| Interest-bearing debt, net of cash and cash equivalents and time deposits | ¥2,264.1 | ¥-448.8 |

Total shareholders' equity decreased ¥3.8 billion, 1.5%, to ¥260.1 billion. This mainly reflected an increase in accumulated other comprehensive loss. The main components were a deterioration of ¥20.9 billion in currency translation adjustments and an ¥8.7 billion increase in unrealized losses on securities.

As a consequence, the net debt-to-equity ratio improved 1.57 points to 8.71 times, from 10.28 times at the previous fiscal year-end.

5. CASH FLOWS

Net cash provided by operating activities came to ¥194.8 billion as a result of the greater asset efficiency brought on by streamlining receivables and inventories. Net cash provided by investing activities rose ¥38.7 billion over the previous year to ¥113.2 billion due to sales and redemption of marketable and investment securities and the collection of loans receivable. Accordingly, free cash inflow for the year came to ¥308.0 billion.

Net cash used in financing activities was ¥294.0 billion, after free cash inflow was used to reduce interest-bearing debt. Cash and cash equivalents at year-end were ¥466.5 billion, ¥0.1 billion lower than at the previous fiscal year-end.

6. LIQUIDITY AND FUNDING SOURCES

(1) Funding Policy

Marubeni's fundamental policy is to maintain a balanced mix of funding in line with the requirements of its asset portfolio. The goal is to sustain a stable level of liquidity while at the same time trimming financing costs. In the year ended March 31, 2003,

loans from financial institutions comprised approximately 80% of total funding sources. The remaining approximately 20% was raised from capital markets via the issuance of bonds and commercial paper. The Company is also securitizing receivables and taking other actions to diversify funding sources. The Company will continue its drive to attain an optimal funding structure by maintaining existing relationships with major financial institutions and by flexibly securing funding from capital markets via bonds issuances and other means, while diversifying funding sources.

(2) Liquidity

As part of contingency plans, Marubeni is taking steps to secure the liquidity necessary to withstand unforeseen changes in its business environment. These steps primarily involve maintaining a sufficient balance of cash deposits and committed credit facilities. As of March 31, 2003, the balance of cash deposits on a consolidated basis was approximately ¥480.0 billion. The Company's committed credit facilities totaled approximately ¥420.0 billion, consisting of ¥400.0 billion yen for the parent company and approximately ¥20.0 billion for major overseas subsidiaries. Of the parent company's committed credit facility, ¥152.0 billion was switched to a long-term three-year committed credit facility upon renewal in March 2003, in a significant step toward ensuring ample liquidity. Marubeni also holds highly liquid marketable securities among its assets, virtually eliminating any liquidity concerns.

(3) Credit ratings

Improving Marubeni's credit ratings remains one of the most important management tasks. Marubeni hopes to restore all its credit ratings to an investment grade as soon as possible through dialogue with ratings agencies aimed at promoting greater understanding of its businesses, along with strengthening its earnings power and improving its financial structure.

Marubeni's credit ratings as of June 30, 2003 are listed below.

| Ratings agency | As of June 30, 2003 | |
|---|---------------------|------------|
| | Long term | Short term |
| Japan Credit Rating Agency, Ltd. | BBB+ | J-2 |
| Ratings & Investment Information, Inc. | BB+ | a-3 |
| Moody's Investors Service | B1 | NP |
| Standard & Poor's | - | C |

7. COMMITMENTS AND CONTINGENT LIABILITIES

The Company guarantees debt of affiliated companies and third parties in the ordinary course of business. Should the guaranteed parties fail to make payments, the Company would be required to make such payments under these guarantees. The term of the guarantees is basically one year. The related guarantee fees are primarily received quarterly or semi-annually. Certain of these guarantees were secured by guarantees issued to the Company by other parties. The outstanding balance of guarantees, which approximated the maximum potential payment under these guarantees, was ¥276,431 million (\$2,303,592 thousand), including ¥151,355 million (\$1,261,292 thousand) to affiliated companies, at March 31, 2003, net of the amount secured by guarantees issued to the Company by other parties of ¥21,258 million (\$177,150 thousand).

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, 2003 would not have a material effect on the consolidated financial position or results of operations of the Companies.

8. CONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

As of March 31, 2003, Marubeni had 484 companies within the scope of consolidation, 31 less than the 515 companies as of March 31, 2002. This latest figure accounts for the addition of 17 newly consolidated companies and the removal of 48 companies from the scope of consolidation. The 484 companies included 327 subsidiaries and 157 affiliates. There were 176 companies based in Japan, while 308 were located overseas.

A profitability comparison of consolidated companies is presented as follows.

Profitability Comparison of Consolidated Companies

| | Billions of yen | | | | | | | | |
|--|-----------------|----------|---------|----------------|----------|----------|----------------|----------------|----------------|
| | March 31, 2003 | | | March 31, 2002 | | | Y-o-Y change | | |
| | Domestic | Overseas | Total | Domestic | Overseas | Total | Domestic | Overseas | Total |
| Profitable companies | | | | | | | | | |
| No. of companies | 128 | 247 | 375 | 134 | 257 | 391 | -6 | -10 | -16 |
| Profit | ¥ 24.4 | ¥ 40.9 | ¥ 65.3 | ¥ 16.1 | ¥ 34.9 | ¥ 51.0 | ¥ 8.3 | ¥ 6.0 | ¥14.3 |
| Unprofitable companies | | | | | | | | | |
| No. of companies | 48 | 61 | 109 | 53 | 71 | 124 | -5 | -10 | -15 |
| Loss | ¥(17.1) | ¥(14.0) | ¥(31.1) | ¥(26.4) | ¥(81.1) | ¥(107.5) | ¥ 9.3 | ¥67.1 | ¥76.4 |
| Total | | | | | | | | | |
| No. of companies | 176 | 308 | 484 | 187 | 328 | 515 | -11 | -20 | -31 |
| Profit (loss) | ¥ 7.2 | ¥ 26.9 | ¥ 34.1 | ¥(10.3) | ¥(46.2) | ¥ (56.5) | +¥17.5 | +¥73.1 | +¥90.6 |
| Percentage of profitable companies | 72.7% | 80.2% | 77.5% | 71.7% | 78.4% | 75.9% | +1.0 Points | +1.8 Points | +1.6 Points |

9. RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2001, FASB issued Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* ("SFAS 143"), which is effective for fiscal years beginning after June 15, 2002. SFAS 143 requires legal obligations associated with the retirement of long-lived assets to be recognized at their fair value at the time that the obligations are incurred. Upon initial recognition of a liability, that cost should be capitalized as part of the related long-lived asset and allocated to expense over the useful life of the asset. The Company adopted SFAS 143 on April 1, 2003, and, based on current circumstances, does not believe that the impact of adoption of SFAS 143 will have a material effect on the Company's financial position or results of operations.

10. MANAGEMENT POLICIES

On the basis of the *@ction 21* "A" PLAN unveiled in November 2001, Marubeni has pursued ever-higher profits in core business areas, reduced expenses, and turned around unprofitable businesses. As a result, the Company achieved consolidated net income of ¥30 billion and lowered interest-bearing debt to under ¥2,500.0 billion during the year, ended March 31, 2003, both of which numbered among the numerical targets set under the above plan.

Now, the Company plans to take its profitability and vitality, which were successfully restored under the *@ction 21* "A" PLAN, to the next level. To this end, the Company will embark upon a new three-year medium-term management plan: the "V" PLAN launched in April 2003.

Under the "V" PLAN, the Company will take as its basic management policy the creation of a robust corporate group

composed of portfolio units at the very forefront of their respective industries. Guided by the new plan, risk assets will be reduced and replaced by quality assets, a move expected to make a positive contribution to profit margins. Numerical targets have been set as follows: consolidated net income of ¥50 billion, net interest-bearing debt of ¥2 trillion or less, and a net debt-to-equity ratio four to five times or less. During the three years covered by the "V" PLAN, the Company plans to increase its shareholders' equity. Marubeni put forward a proposal to the regular General Meeting of Shareholders held in June 2003 to partially revise the Articles of Incorporation to enable the Company to issue preferred shares. This will give the Company more options for making flexible and swift decisions on reinforcing its capital structure.

Moreover, the Company will implement business strategies tailored to the demands of individual business models, simultaneously ensuring that the utmost emphasis is placed upon risk-return profiles and cash flows. These measures will introduce a new level of robustness to management practices. The positioning of PATRAC (Profit After Tax Less Risk Asset Cost) as the most important performance indicator will continue to be instrumental in this respect, ensuring returns commensurate with the risks in any given business. At the same time, resources will be selectively concentrated on portfolio units, which constitute the fundamental unit of operations on a consolidated basis. This will give Marubeni a stronger financial structure and reinforce its profit base.

11. OUTLOOK

In the year ending March 31, 2004, consumer spending and capital investments are expected to bounce back in the U.S. as a consequence of the swift conclusion of war in Iraq, allowing the

U.S. economy to commence a modest recovery. A similar path is likely to be followed by Asian economies on the back of renewed growth in exports to the U.S. The unabated spread of Severe Acute Respiratory Syndrome (SARS), however, may dampen economic growth across the region, most notably in China.

In Japan, the prospects for an upturn in consumer spending are uncertain, with no strong signs of marked improvement in unemployment and personal income levels. However, increased exports to both the U.S. and Asian countries are expected to underpin steady economic growth. The persistence of deflationary conditions and worsening business and consumer sentiment, however, are likely to lead, at best, to a gradual economic recovery.

Against this backdrop, Marubeni started a new three-year medium-term management plan, the "V" PLAN, in April 2003. Guided by this plan, the Company will continue to reduce risk assets and replace them with quality assets. These moves will play an important role in efforts to increase profit margins, which management anticipates will translate into consolidated net income of ¥33.0 billion for the year ending March 31, 2004, an increase of ¥2.7 billion over the year under review.

Marubeni will continue to reduce net interest-bearing debt, excluding cash and cash equivalents, through the timely collection of receivables, the sale of certain businesses and other assets, and other means. In light of foreign exchange rates and other uncertain factors, Marubeni expects to lower net interest-bearing debt, excluding cash and cash equivalents, to ¥2,200 billion or less by March 31, 2004.

| | Billions of yen | |
|---|--|--|
| | Year ending March 31, 2004 (forecast) | Year ended March 31, 2003 (results) |
| Total volume of trading transactions | ¥8,200.0 | ¥8,793.3 |
| Gross trading profit | 420.0 | 424.6 |
| Selling, general and administrative expenses | (335.0) | (345.6) |
| Provision for doubtful accounts | (8.0) | (5.7) |
| Operating profit | 77.0 | 73.4 |
| Interest expense, net of interest income | (26.0) | (23.5) |
| Dividends | 5.0 | 6.8 |
| Loss on investment securities | | (12.7) |
| Loss (gain) on property and equipment | (10.0) | 8.5 |
| Other-net | | (19.3) |
| Income before income taxes and equity in earnings of affiliated companies | 46.0 | 33.2 |
| Income taxes | (26.0) | (16.3) |
| Equity in earnings of affiliated companies ... | 13.0 | 13.4 |
| Net income | ¥ 33.0 | ¥ 30.3 |

| | Billions of yen | |
|--|--|--|
| | Year ending March 31, 2004 (forecast) | Year ended March 31, 2003 (results) |
| Total assets | ¥4,200.0 | ¥4,321.5 |
| Total Shareholders' equity | 290.0 | 260.1 |
| Net interest bearing debt | 2,200.0 | 2,264.1 |
| Net debt-to-equity ratio (times) | 7.59 | 8.71 |

The assumptions used in preparing forecasts for the year ending March 31, 2004 are: exchange rate of roughly ¥120 to the U.S. dollar; a short-term prime rate for the Japanese yen of 1.375%; and a long-term prime rate of 1.4%.

The above and other forward-looking statements about the performance of Marubeni and its Group companies found in this document are based on management's assumptions in light of current information. Any number of uncontrollable and unforeseen factors may cause forecasts to differ materially from actual results.

12. DIVIDENDS

Providing shareholders with steady dividend payments ranks alongside improving shareholders' equity as one of a corporation's most important responsibilities. For the year ended March 2000 to the year ended March 2002, however, the Company did not pay dividends, in order to increase shareholders' equity.

For the year under review, the Company paid year-end dividends of ¥3.00 per share, as the financial targets set in *@ction21* "A" PLAN have been achieved.

The Company also plans to pay year-end dividends of ¥3.00 per share for the year ending March 31, 2004.

Note: Segment performance throughout this report is based on business results for the year ended March 31, 2003. Information regarding business lines, products and services is as of April 2003. Further, from April 2003, the IT Business Division has been renamed the Telecom & Information Division.

Consolidated Balance Sheets

Marubeni Corporation
At March 31, 2003 and 2002

| ASSETS | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|--|-------------------|-------------------|--|
| | 2003 | 2002 | 2003 |
| Current assets: | | | |
| Cash and cash equivalents (Notes 2 and 15) | ¥ 466,511 | ¥ 466,642 | \$ 3,887,592 |
| Time deposits (Notes 7 and 15) | 14,331 | 5,336 | 119,425 |
| Investment securities (Notes 2, 3, 7 and 15): | | | |
| Marketable equity securities | 182 | 751 | 1,517 |
| Other | 13,108 | 63,198 | 109,233 |
| Notes and accounts receivable – trade (Notes 5 and 7): | | | |
| Notes receivable | 108,048 | 181,566 | 900,400 |
| Accounts receivable | 824,784 | 919,741 | 6,873,200 |
| Due from affiliated companies | 131,655 | 182,708 | 1,097,125 |
| Allowance for doubtful accounts | (32,068) | (34,213) | (267,233) |
| Inventories (Notes 2 and 7) | 397,714 | 439,278 | 3,314,283 |
| Advance payments to suppliers | 67,741 | 67,074 | 564,508 |
| Deferred income taxes (Note 10) | 34,594 | 33,207 | 288,283 |
| Prepaid expenses and other current assets | 175,474 | 162,271 | 1,462,284 |
| Total current assets | 2,202,074 | 2,487,559 | 18,350,617 |
| Investments and long-term receivables: | | | |
| Affiliated companies (Notes 2, 4 and 7) | 364,648 | 283,944 | 3,038,733 |
| Securities and other investments (Notes 2, 3, 7 and 15): | | | |
| Marketable equity securities | 112,589 | 164,484 | 938,242 |
| Other | 337,955 | 389,373 | 2,816,292 |
| Notes, loans and accounts receivable – trade, net of unearned interest, less allowance for doubtful accounts of ¥110,462 million (\$920,517 thousand) in 2003 and ¥115,341 million in 2002 (Notes 2, 5, 7 and 15) | 245,887 | 332,254 | 2,049,058 |
| Property leased to others, at cost, less accumulated depreciation of ¥50,282 million (\$419,017 thousand) in 2003 and ¥93,402 million in 2002 (Notes 2, 6 and 7) | 201,871 | 249,781 | 1,682,258 |
| Total investments and long-term receivables | 1,262,950 | 1,419,836 | 10,524,583 |
| Property and equipment, at cost (Notes 2 and 7): | | | |
| Land and land improvements | 171,037 | 181,675 | 1,425,308 |
| Buildings | 276,190 | 306,152 | 2,301,583 |
| Equipment | 279,089 | 302,286 | 2,325,742 |
| | 726,316 | 790,113 | 6,052,633 |
| Accumulated depreciation | (265,985) | (278,239) | (2,216,541) |
| Net property and equipment | 460,331 | 511,874 | 3,836,092 |
| Prepaid pension cost (Note 9) | 113,005 | 93,829 | 941,708 |
| Deferred income taxes (Note 10) | 157,335 | 154,391 | 1,311,125 |
| Intangible assets (Notes 2 and 6) | 42,236 | 48,136 | 351,967 |
| Goodwill (Notes 2 and 6) | 23,553 | 17,393 | 196,275 |
| Other assets | 59,998 | 72,651 | 499,983 |
| Total assets | ¥4,321,482 | ¥4,805,669 | \$36,012,350 |

| LIABILITIES AND SHAREHOLDERS' EQUITY | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|-------------------|-------------------|--|
| | 2003 | 2002 | 2003 |
| Current liabilities: | | | |
| Short-term loans (Notes 7, 8 and 15) | ¥ 561,139 | ¥ 719,254 | \$ 4,676,158 |
| Current portion of long-term debt (Notes 7, 8 and 15) | 402,186 | 528,048 | 3,351,550 |
| Notes and accounts payable – trade: | | | |
| Notes and acceptances payable (Note 7) | 196,282 | 222,066 | 1,635,683 |
| Accounts payable | 608,386 | 624,962 | 5,069,883 |
| Due to affiliated companies | 44,717 | 52,371 | 372,642 |
| Advance payments received from customers | 60,553 | 58,138 | 504,609 |
| Income taxes (Note 10) | 13,773 | 10,967 | 114,775 |
| Deferred income taxes (Note 10) | 1,984 | 1,490 | 16,533 |
| Accrued expenses and other current liabilities | 216,880 | 223,912 | 1,807,334 |
| Total current liabilities | 2,105,900 | 2,441,208 | 17,549,167 |
| | | | |
| Long-term debt, less current portion (Notes 7, 8 and 15) | 1,902,327 | 2,048,454 | 15,852,725 |
| | | | |
| Employees' retirement benefits (Note 9) | 9,571 | 12,893 | 79,758 |
| | | | |
| Deferred income taxes (Note 10) | 10,972 | 6,345 | 91,433 |
| | | | |
| Minority interests in consolidated subsidiaries | 32,661 | 32,874 | 272,175 |
| | | | |
| Commitments and contingent liabilities (Note 17) | | | |
| | | | |
| Shareholders' equity (Note 11): | | | |
| Common stock: | | | |
| Authorized shares – 3,000,000,000 | | | |
| Issued and outstanding shares – 1,494,021,081 | | | |
| in 2003 and 2002 | 194,039 | 194,039 | 1,616,992 |
| Additional paid-in capital | 87,765 | 216,993 | 731,375 |
| Retained earnings (accumulated deficit) | 64,786 | (94,754) | 539,883 |
| Accumulated other comprehensive loss (Notes 3, 9, 10 and 12) | (86,441) | (52,375) | (720,342) |
| Cost of common stock in treasury – 756,776 shares | | | |
| in 2003 and 88,388 shares in 2002 | (98) | (8) | (816) |
| Total shareholders' equity | 260,051 | 263,895 | 2,167,092 |
| Total liabilities and shareholders' equity | ¥4,321,482 | ¥4,805,669 | \$36,012,350 |

See accompanying notes.

Consolidated Statements of Operations

Marubeni Corporation
Years ended March 31, 2003, 2002 and 2001

| | Millions of Yen | | | Thousands of U.S. Dollars (Note 1) |
|---|-----------------|------------|----------|--|
| | 2003 | 2002 | 2001 | 2003 |
| Gross trading profit | ¥424,643 | ¥ 436,804 | ¥479,754 | \$3,538,692 |
| (Total volume of trading transactions: 2003, ¥8,793,303 million (\$73,277,525 thousand) 2002, ¥8,972,245 million 2001, ¥9,436,863 million) (Notes 2, 4 and 13) | | | | |
| Expenses: | | | | |
| Selling, general and administrative expenses | 345,612 | 392,092 | 400,356 | 2,880,100 |
| Provision for doubtful accounts (Note 5) | 5,660 | 43,936 | 37,916 | 47,167 |
| Total | 351,272 | 436,028 | 438,272 | 2,927,267 |
| Operating profit | 73,371 | 776 | 41,482 | 611,425 |
| Other income (expenses): | | | | |
| Interest expense, net of interest income: 2003, ¥26,605 million (\$221,708 thousand); 2002, ¥45,773 million; 2001, ¥75,262 million | (23,513) | (29,492) | (29,532) | (195,942) |
| Dividends | 6,797 | 7,477 | 7,692 | 56,642 |
| (Loss) gain on investment securities (Note 3) | (12,732) | (83,814) | 2,318 | (106,100) |
| Gain (loss) on property and equipment (Note 6) | 8,530 | (43,636) | 3,738 | 71,083 |
| Other – net (Notes 2 and 14) | (19,287) | (16,466) | (19,010) | (160,725) |
| Total | (40,205) | (165,931) | (34,794) | (335,042) |
| Income (loss) before income taxes and equity in earnings (losses) of affiliated companies | 33,166 | (165,155) | 6,688 | 276,383 |
| Provision (benefit) for income taxes (Note 10): | | | | |
| Current | 16,931 | 19,704 | 21,784 | 141,091 |
| Deferred | (657) | (87,378) | (13,258) | (5,475) |
| | 16,274 | (67,674) | 8,526 | 135,616 |
| Income (loss) before equity in earnings (losses) of affiliated companies | 16,892 | (97,481) | (1,838) | 140,767 |
| Equity in earnings (losses) of affiliated companies – net (after income tax effects) (Notes 4 and 10) | 13,420 | (18,937) | 16,874 | 111,833 |
| Net income (loss) | ¥ 30,312 | ¥(116,418) | ¥ 15,036 | \$ 252,600 |
| | | Yen | | U.S. Dollars |
| Basic earnings (loss) per 100 shares (Note 2) | ¥ 2,030 | ¥ (7,792) | ¥ 1,006 | \$ 16.92 |
| Diluted earnings (loss) per 100 shares (Note 2) | ¥ 1,896 | ¥ (7,792) | ¥ 940 | \$ 15.80 |

See accompanying notes.

Consolidated Statements of Changes in Shareholders' Equity

Marubeni Corporation

Years ended March 31, 2003, 2002 and 2001

| | Millions of Yen | | | Thousands of U.S. Dollars (Note 1) | |
|--|-----------------|--------------------|--------------------|------------------------------------|-----------------------|
| | 2003 | 2002 | 2001 | 2003 | |
| Common stock: | | | | | |
| Balance at beginning of year | ¥ 194,039 | ¥ 194,039 | ¥194,039 | \$ 1,616,992 | |
| Balance at end of year | ¥ 194,039 | ¥ 194,039 | ¥194,039 | \$ 1,616,992 | |
| Additional paid-in capital: | | | | | |
| Balance at beginning of year | ¥ 216,993 | ¥ 216,993 | ¥216,993 | \$ 1,808,275 | |
| Transfer to retained earnings (accumulated deficit) (Note 11) | (129,228) | - | - | (1,076,900) | |
| Balance at end of year | ¥ 87,765 | ¥ 216,993 | ¥216,993 | \$ 731,375 | |
| Retained earnings (accumulated deficit): | | | | | |
| Balance at beginning of year | ¥ (94,754) | ¥ 21,664 | ¥ 6,628 | \$ (789,617) | |
| Net income (loss) | 30,312 | ¥ 30,312 (116,418) | ¥ (116,418) 15,036 | ¥ 15,036 | \$ 252,600 \$ 252,600 |
| Transfer from additional paid-in capital (Note 11) | 129,228 | - | - | 1,076,900 | |
| Balance at end of year | ¥ 64,786 | ¥ (94,754) | ¥ 21,664 | \$ 539,883 | |
| Accumulated other comprehensive loss (Note 12): | | | | | |
| Balance at beginning of year | ¥ (52,375) | ¥ (90,398) | ¥(93,357) | \$ (436,459) | |
| Effect of change in accounting standard (Note 2) | - | 1,426 | - | - | |
| Unrealized (losses) gains on investment securities, net of reclassification (Note 3) | (8,749) | 14,628 | (37,568) | (72,908) | |
| Currency translation adjustments, net of reclassification | (20,854) | 24,137 | 10,362 | (173,783) | |
| Unrealized losses on derivatives | (4,101) | (2,141) | - | (34,175) | |
| Minimum pension liability adjustment (Note 9) | (362) | (27) | 30,165 | (3,017) | |
| Other comprehensive (loss) income, net of tax | (34,066) | (34,066) 38,023 | 38,023 2,959 | 2,959 | (283,883) (283,883) |
| Comprehensive (loss) income | ¥ (3,754) | ¥ (78,395) | ¥ 17,995 | \$ (31,283) | |
| Balance at end of year | ¥ (86,441) | ¥ (52,375) | ¥(90,398) | \$ (720,342) | |
| Cost of common stock in treasury: | | | | | |
| Balance at beginning of year | ¥ (8) | ¥ (1) | ¥ (2) | \$ (67) | |
| Treasury stock (repurchased) sold | (90) | (7) | 1 | (749) | |
| Balance at end of year | ¥ (98) | ¥ (8) | ¥ (1) | \$ (816) | |

| | Millions of Yen | | | Thousands of U.S. Dollars (Note 1) | |
|---|-----------------|------------|-----------|------------------------------------|--|
| | 2003 | 2002 | 2001 | 2003 | |
| Disclosure of reclassification amount for the year ended: | | | | | |
| Unrealized (losses) gains on investment securities arising during the period | ¥ (19,036) | ¥ (23,755) | ¥(43,951) | \$ (158,633) | |
| Less: reclassification adjustments for losses (gains) included in net income (loss) | 10,287 | 38,383 | 6,383 | 85,725 | |
| Net unrealized (losses) gains | ¥ (8,749) | ¥ 14,628 | ¥(37,568) | \$ (72,908) | |
| Currency translation adjustments arising during period- (losses) gains | ¥ (27,252) | ¥ 22,298 | ¥ 13,688 | \$ (227,100) | |
| Less: reclassification adjustments for losses (gains) included in net income (loss) | 6,398 | 1,839 | (3,326) | 53,317 | |
| Net currency translation adjustments | ¥ (20,854) | ¥ 24,137 | ¥ 10,362 | \$ (173,783) | |
| Effect of change in accounting standard | ¥ - | ¥ 1,426 | ¥ - | \$ - | |
| Unrealized losses on derivatives arising during the period | (4,618) | (3,411) | - | (38,483) | |
| Less: reclassification adjustments for losses included in net income (loss) | 517 | 1,270 | - | 4,308 | |
| Net unrealized losses on derivatives | ¥ (4,101) | ¥ (715) | ¥ - | \$ (34,175) | |

See accompanying notes.

Consolidated Statements of Cash Flows

Marubeni Corporation
Years ended March 31, 2003, 2002 and 2001

| | Millions of Yen | | | Thousands of U.S. Dollars (Note 1) |
|--|------------------|------------------|------------------|--|
| | 2003 | 2002 | 2001 | 2003 |
| Operating activities | | | | |
| Net income (loss) | ¥ 30,312 | ¥(116,418) | ¥ 15,036 | \$ 252,600 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 63,665 | 71,052 | 69,914 | 530,542 |
| Provision for doubtful accounts | 5,660 | 43,936 | 37,916 | 47,167 |
| Equity in (earnings) losses of affiliated companies, less dividends received | (5,555) | 31,647 | (6,740) | (46,292) |
| Loss (gain) on investment securities | 12,732 | 83,814 | (2,318) | 106,100 |
| (Gain) loss on property and equipment | (8,530) | 43,636 | (3,738) | (71,083) |
| Deferred income taxes | (657) | (87,378) | (13,258) | (5,475) |
| Changes in operating assets and liabilities: | | | | |
| Notes and accounts receivable | 76,603 | 291,263 | 64,461 | 638,358 |
| Inventories | 15,637 | 35,970 | 20,495 | 130,308 |
| Advance payments to suppliers and prepaid expenses and other current assets | (1,062) | (58,369) | 5,678 | (8,850) |
| Prepaid pension cost | (8,819) | (9,322) | (84,507) | (73,492) |
| Notes, acceptances and accounts payable | (13,898) | (148,059) | 55,801 | (115,817) |
| Advance payments received from customers and accrued expenses and other current liabilities | 19,155 | 13,066 | 23,354 | 159,625 |
| Income taxes | 3,996 | (162) | (15,923) | 33,300 |
| Other | 5,549 | 3,780 | 13,134 | 46,242 |
| Net cash provided by operating activities | 194,788 | 198,456 | 179,305 | 1,623,233 |
| Investing activities | | | | |
| Proceeds from sales and redemptions of securities and other investments | 108,092 | 224,832 | 283,634 | 900,767 |
| Purchases of securities and other investments | (82,796) | (158,546) | (133,590) | (689,967) |
| Proceeds from sales of property and equipment and property leased to others | 47,783 | 19,432 | 65,830 | 398,192 |
| Purchases of property and equipment and property leased to others | (59,663) | (76,783) | (95,430) | (497,192) |
| Collection of loans receivable | 165,363 | 114,806 | 148,999 | 1,378,025 |
| Loans made to customers | (61,523) | (58,879) | (56,724) | (512,692) |
| Other | (4,015) | 9,642 | (24,726) | (33,458) |
| Net cash provided by investing activities | 113,241 | 74,504 | 187,993 | 943,675 |
| Financing activities | | | | |
| Net decrease in short-term loans | (53,423) | (29,498) | (150,052) | (445,192) |
| Proceeds from long-term debt | 368,218 | 509,708 | 374,323 | 3,068,483 |
| Payments of long-term debt | (609,920) | (632,830) | (680,791) | (5,082,667) |
| (Purchase) sale of treasury stock | (90) | (5) | 1 | (750) |
| Other | 1,214 | 2,521 | 394 | 10,118 |
| Net cash used in financing activities | (294,001) | (150,104) | (456,125) | (2,450,008) |
| Effect of exchange rate changes on cash and cash equivalents | (14,159) | 13,975 | 13,330 | (117,991) |
| Net (decrease) increase in cash and cash equivalents | (131) | 136,831 | (75,497) | (1,091) |
| Cash and cash equivalents at beginning of year | 466,642 | 329,811 | 405,308 | 3,888,683 |
| Cash and cash equivalents at end of year | ¥ 466,511 | ¥ 466,642 | ¥ 329,811 | \$ 3,887,592 |
| Supplemental cash flow information: | | | | |
| Cash paid during the year for: | | | | |
| Interest | ¥ 52,864 | ¥ 82,460 | ¥ 108,358 | \$ 440,533 |
| Income taxes | 12,935 | 19,866 | 37,707 | 107,792 |
| Non-cash investing activities: | | | | |
| Exchange of assets: | | | | |
| Fair value of assets received | 30,270 | 48,660 | 23,039 | 252,250 |
| Carrying value of assets surrendered | 24,239 | 47,148 | 28,005 | 201,992 |
| Contribution to joint venture: | | | | |
| Carrying value of stocks received | - | 25,495 | - | - |
| Carrying value of assets contributed | - | 201,990 | - | - |
| Carrying value of liabilities contributed | - | 176,495 | - | - |
| Contribution of securities to employee retirement benefit trusts | 8,746 | - | - | 72,883 |

See accompanying notes.

Notes to Consolidated Financial Statements

Marubeni Corporation
Years ended March 31, 2003, 2002 and 2001

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) recognition of the value ascribed to warrants, (3) accounting for pension costs, (4) accounting for certain investments in debt and marketable equity securities,

(5) deferred gain on sales of property for tax purposes, (6) accounting for long-lived assets, (7) accounting for derivative instruments and hedging activities, and (8) accounting for sale-leaseback of real estate.

Certain reclassifications have been made in the 2002 and 2001 financial statements to conform to the presentation for 2003.

The translation of Japanese yen amounts into U.S. dollar amounts for the year ended March 31, 2003 is included solely for the convenience of readers outside of Japan and has been made at ¥120 to \$1, the exchange rate prevailing on March 31, 2003. 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.

In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation ("Interpretation") No. 46, *Consolidation of Variable Interest Entities*. Interpretation No.46 requires the consolidation of variable interest entities in which the Company absorbs a majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity. Interpretation No.46 applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which the Company obtains an interest after that date. The adoption of Interpretation No.46 for such entities did not have a material impact on the Company's financial position and results of operations. Interpretation No.46 will also apply in interim period beginning July 1, 2003, to variable interest entities in which the Company holds a variable interest that it acquired before February 1, 2003, and the Company is currently reviewing the impact on the Company's financial position and results of operations.

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 Companies 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 ¥115,140 million (\$959,500 thousand) and ¥131,836 million at March 31, 2003 and 2002, 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 and allowance for doubtful accounts

Loans including accounts receivable are stated at cost.

In evaluating the credit risk relating to loans, the Companies categorize them based on the potential exposures for credit ratings of debtors, geographical and other considerations. When a loan is impaired, the allowance for credit losses is determined based on discounted cash flows using the loans' initial effective interest rate or the fair value of the collateral for certain collateral dependent loans. For other loans, the allowance for credit losses is determined based on a historical bad debt ratio by the credit risk category. When loans are legally or contractually determined to be uncollectible, the loans are offset against their respective allowances.

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. The Companies discontinue the accrual of interest when loans are past due for a period of six months or more. The accrual of interest is resumed when agreements for rescheduling of payment is made and receipt of interest is probable.

Loans ninety days past due are noted as delinquent and monitored for collectibility.

Leases

The Companies 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 (primarily for buildings) at rates based on the estimated useful lives of the respective assets, which are from 2 to 50 years.

Long-lived assets other than goodwill and other intangible assets

Long-lived assets held and used are evaluated for impairment and written down to their fair value if the sum of their 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 and other intangible assets

Effective April 1, 2002, the Companies adopted Statement of Financial Accounting Standards No. 142 *Goodwill and Other Intangible Assets* (SFAS142). SFAS142 prohibits the amortization of goodwill and intangible assets with indefinite useful lives. SFAS142 requires that these assets be reviewed for impairment at least annually. Intangible assets with finite lives will continue to be amortized over their estimated useful lives. Additionally, SFAS142 requires that goodwill included in the carrying value of equity method investments no longer be amortized. The Companies test goodwill for impairment using the two-step process prescribed in SFAS142. The first step is a screen for potential impairment, while the second step measures the amount of the impairment, if any.

Guarantees

Effective on January 1, 2003, the Companies adopted the Financial Accounting Standards Board ("FASB") Interpretation ("Interpretation") No.45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. As a result of adopting Interpretation No.45, the Companies recognizes, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee, issued or modified after December 31, 2002, while the previous accounting for guarantees continues to be applied for guarantees issued before January 1, 2003. The adoption of Interpretation No.45 did not have a material impact on the Company's financial position and results of operations.

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 transaction, based on the practice of the Japanese trading companies. Gross trading profit principally consists of gross profit on sales transactions and commissions on agency transactions. Shipping and handling costs are included in determining 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 customer or title to securities such as bills of lading are transferred to the customer. 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 ¥12,542 million (\$104,517 thousand), ¥16,669 million and ¥9,233 million for the years ended March 31, 2003, 2002 and 2001, respectively.

Derivative instruments and hedging activities

Effective April 1, 2001, the Companies adopted Statement No. 133 of Financial Accounting Standards Board (FASB), *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), as amended. SFAS133 requires the Companies 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. Gains and losses related to the hedge ineffective portion and related to the portion of hedging instruments excluded from the assessment of hedge effectiveness are included in other income (expenses) – net. The Companies expects to reclassify ¥1,413 million (\$11,775 thousand) of net losses on derivative instruments from accumulated other comprehensive income to earnings during the 12 months ending March 31, 2004, due to

actual export and import transactions or receipts and payments of interest. The maximum length of time over which the Companies are 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 16 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 8.

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

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|-----------------|---------------|---------------|---------------------------|
| | 2003 | 2002 | 2001 | 2003 |
| Numerator: | | | | |
| Net income (loss) (numerator for basic earnings (loss) per 100 shares) | ¥ 30,312 | ¥ (116,418) | ¥ 15,036 | \$252,600 |
| Effect of dilutive securities: | | | | |
| Convertible debentures | 333 | – | 407 | 2,775 |
| Numerator for diluted earnings (loss) per 100 shares | ¥ 30,645 | ¥ (116,418) | ¥ 15,443 | \$255,375 |
| Denominator: | | | | |
| Denominator for basic earnings (loss) per 100 shares – weighted average shares | 1,493,495,279 | 1,493,990,899 | 1,494,018,855 | |
| Effect of dilutive securities: | | | | |
| Convertible debentures | 123,151,564 | – | 148,869,326 | |
| Denominator for diluted earnings (loss) per 100 shares – adjusted weighted average shares and assumed conversions | 1,616,646,843 | 1,493,990,899 | 1,642,888,181 | |
| | Yen | | | U.S. Dollars |
| Basic earnings (loss) per 100 shares | ¥2,030 | ¥(7,792) | ¥1,006 | \$16.92 |
| Diluted earnings (loss) per 100 shares | ¥1,896 | ¥(7,792) | ¥ 940 | \$15.80 |

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. Convertible debentures were antidilutive for the years ended March 31, 2002. The convertible debentures issued in 1996 with a rate of 0.85% were dilutive for the year ended March 31, 2003.

Recently issued accounting standards

In June 2001, FASB issued Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations*

(“SFAS 143”), which is effective for fiscal years beginning after June 15, 2002. SFAS 143 requires legal obligations associated with the retirement of long-lived assets to be recognized at their fair value at the time that the obligations are incurred. Upon initial recognition of a liability, that cost should be capitalized as part of the related long-lived asset and allocated to expense over the useful life of the asset. The Companies will adopt SFAS 143 on April 1, 2003, and, based on current circumstances, does not believe that the impact of adoption of SFAS 143 will have a material impact on the Company’s financial position or results of operations.

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, 2003 and 2002:

| Available-for-sale securities | | | | | | | | |
|-----------------------------------|-----------|------------------------|-------------------------|------------|----------|------------------------|-------------------------|------------|
| Millions of yen | | | | | | | | |
| 2003 | | | | | 2002 | | | |
| | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Current: | | | | | | | | |
| Corporate bonds | ¥ 7,947 | ¥ 19 | ¥ (360) | ¥ 7,606 | ¥ 6,865 | ¥ 463 | ¥ (251) | ¥ 7,077 |
| Non-current: | | | | | | | | |
| Corporate bonds | ¥ 7,205 | ¥ 252 | ¥ - | ¥ 7,457 | ¥ 11,818 | ¥ 486 | ¥ (477) | ¥ 11,827 |
| Other debt securities | 2 | - | (1) | 1 | 39 | - | (1) | 38 |
| Total debt securities | 7,207 | 252 | (1) | 7,458 | 11,857 | 486 | (478) | 11,865 |
| Marketable equity securities | 124,353 | 17,068 | (28,832) | 112,589 | 161,362 | 30,406 | (27,284) | 164,484 |
| Total | ¥ 131,560 | ¥ 17,320 | ¥ (28,833) | ¥ 120,047 | ¥173,219 | ¥30,892 | ¥(27,762) | ¥176,349 |

| Thousands of U.S. dollars | | | | |
|-----------------------------------|-------------|------------------------|-------------------------|-------------|
| 2003 | | | | |
| | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Current: | | | | |
| Corporate bonds | \$ 66,225 | \$ 158 | \$ (3,000) | \$ 63,383 |
| Non-current: | | | | |
| Corporate bonds | \$ 60,042 | \$ 2,100 | \$ - | \$ 62,142 |
| Other debt securities | 16 | - | (8) | 8 |
| Total debt securities | 60,058 | 2,100 | (8) | 62,150 |
| Marketable equity securities | 1,036,275 | 142,234 | (240,267) | 938,242 |
| Total | \$1,096,333 | \$144,334 | \$(240,275) | \$1,000,392 |

| Held-to-maturity securities | | | | | | | | |
|-----------------------------|----------|------------------------|-------------------------|------------|----------|------------------------|-------------------------|------------|
| Millions of yen | | | | | | | | |
| 2003 | | | | | 2002 | | | |
| | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Current: | | | | | | | | |
| Corporate bonds | ¥ 5,502 | ¥ 59 | ¥ - | ¥ 5,561 | ¥ 56,121 | ¥ 1 | ¥ (2) | ¥ 56,120 |
| Non-current: | | | | | | | | |
| Corporate bonds | ¥ 46,120 | ¥ 173 | ¥ (3,398) | ¥ 42,895 | ¥ 58,484 | ¥ 22 | ¥ (5,878) | ¥ 52,628 |

| Thousands of U.S. dollars | | | | |
|---------------------------|-----------|------------------------|-------------------------|------------|
| 2003 | | | | |
| | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Current: | | | | |
| Corporate bonds | \$45,850 | \$492 | \$ - | \$46,342 |
| Non-current: | | | | |
| Corporate bonds | \$384,333 | \$1,442 | \$(28,317) | \$357,458 |

In addition to the securities listed above, the Companies held trading securities of ¥182 million (\$1,517 thousand) and ¥751 million, which are equal to their fair value, as of March 31, 2003 and 2002, respectively. The net unrealized holding losses on trading securities included in earnings for the years ended March 31, 2003, 2002 and 2001 amounted to ¥5 million (\$42 thousand), ¥75 million and ¥40 million, respectively.

The proceeds from sales of available-for-sale securities amounted to ¥23,984 million (\$199,867 thousand), ¥31,370 million and ¥88,515 million for the years ended March 31, 2003, 2002 and 2001, respectively. Gross realized gains on sales of available-for-sale securities totaled ¥9,356 million (\$77,967 thousand), ¥13,274 million and ¥26,559 million, and gross realized losses totaled ¥846 million (\$7,050 thousand), ¥2,892 million and ¥1,349 million for the years ended March 31, 2003, 2002 and 2001, respectively.

The Company contributed certain available-for-sale securities to an employee retirement benefit trust at fair value of ¥8,746 million (\$72,883 thousand) and recognized a loss of ¥1,611 million (\$13,425 thousand), which is included in loss on investment securities for the year ended March 31, 2003.

The Companies 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 ¥23,699 million (\$197,492 thousand) and ¥77,820 million for the years ended March 31, 2003 and 2002.

The amortized cost and estimated fair value of debt and marketable equity securities at March 31, 2003 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 | | | |
|---|-------------------------------|------------|---------------------------|-------------|
| | Cost | Fair Value | Cost | Fair Value |
| | Millions of yen | | Thousands of U.S. dollars | |
| Due in one year or less | ¥ 3,643 | ¥ 3,586 | \$ 30,358 | \$ 29,883 |
| Due after one year through five years | 9,882 | 9,708 | 82,350 | 80,900 |
| Due after five years | 1,629 | 1,770 | 13,575 | 14,750 |
| Total debt securities | 15,154 | 15,064 | 126,283 | 125,533 |
| Marketable equity securities | 124,353 | 112,589 | 1,036,275 | 938,242 |
| Total | ¥139,507 | ¥127,653 | \$1,162,558 | \$1,063,775 |

| | Held-to-maturity securities | | | |
|---|-----------------------------|------------|---------------------------|------------|
| | Cost | Fair Value | Cost | Fair Value |
| | Millions of yen | | Thousands of U.S. dollars | |
| Due in one year or less | ¥ 5,502 | ¥ 5,561 | \$ 45,850 | \$ 46,342 |
| Due after one year through five years | 36,785 | 34,819 | 306,541 | 290,158 |
| Due after five years | 9,335 | 8,076 | 77,792 | 67,300 |
| Total | ¥ 51,622 | ¥ 48,456 | \$ 430,183 | \$ 403,800 |

4. Affiliated Companies

Investments in and amounts due from affiliated companies at March 31, 2003 and 2002 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------------|--|----------|---------------------------|
| | 2003 | 2002 | 2003 |
| | Investments in equity securities | ¥271,847 | ¥220,829 |
| Long-term receivables | 92,801 | 63,115 | 773,341 |
| | ¥364,648 | ¥283,944 | \$3,038,733 |

The financial information of affiliated companies at March 31, 2003 and 2002 and for the years ended March 31, 2003, 2002 and 2001, is summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-------------------------|--------------------|------------|---------------------------|
| | 2003 | 2002 | 2003 |
| | Total assets | ¥3,479,882 | ¥4,268,927 |
| Total liabilities | 2,855,211 | 3,686,526 | 23,793,425 |
| Net assets | ¥ 624,671 | ¥ 582,401 | \$5,205,592 |

| | Millions of yen | | | Thousands of U.S. dollars |
|------------------|-----------------|------------|------------|---------------------------|
| | 2003 | 2002 | 2001 | 2003 |
| | Net sales | ¥5,840,322 | ¥4,552,961 | ¥3,084,618 |
| Net income | 58,711 | 2,425 | 43,169 | 489,258 |

The Company's sales to and purchases from affiliated companies for the years ended March 31, 2003, 2002 and 2001 were as follows:

| | Millions of yen | | | Thousands of U.S. dollars |
|-----------------|-----------------|----------|----------|---------------------------|
| | 2003 | 2002 | 2001 | 2003 |
| Sales | ¥458,504 | ¥421,275 | ¥445,241 | \$3,820,867 |
| Purchases | 442,467 | 555,948 | 608,587 | 3,687,225 |

The unamortized balance of the difference between the cost of investment in affiliated companies and the Company's equity in the net assets at the dates of acquisition amounted to ¥8,434 million (\$70,283 thousand) at March 31, 2003. 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 ¥41,162 million (\$343,017 thousand) and ¥26,151 million at March 31, 2003 and 2002, respectively, with corresponding aggregate quoted market values of ¥39,336 million (\$327,800 thousand) and ¥20,340 million.

5. Loans and Allowance for Doubtful Accounts

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

| | Millions of yen | | | Thousands of U.S. dollars |
|------------------------------------|-----------------|----------|----------|---------------------------|
| | 2003 | 2002 | 2001 | 2003 |
| Balance at beginning of year | ¥149,554 | ¥129,726 | ¥142,012 | \$1,246,283 |
| Provision | 5,660 | 43,936 | 37,916 | 47,167 |
| Charge-offs | (7,999) | (19,538) | (51,304) | (66,658) |
| Other | (4,685) | (4,570) | 1,102 | (39,042) |
| Balance at end of year | ¥142,530 | ¥149,554 | ¥129,726 | \$1,187,750 |

At March 31, 2003 and 2002, the recorded investments in loans that are considered to be impaired under SFAS 14 were ¥295,065 million (\$2,458,875 thousand) and ¥307,602 million, respectively, and the allowance for credit losses related to those loans were ¥126,577 million (\$1,054,808 thousand) and ¥130,990 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 ¥300,570 million (\$2,504,750 thousand), ¥269,583 million and ¥214,609 million for the years ended March

31, 2003, 2002 and 2001, respectively. The Companies generally recognize interest income on impaired loans on a cash basis, which was not significant for the years ended March 31, 2003, 2002 and 2001.

The recorded investment in loans on nonaccrual status was ¥131,581 million (\$1,096,508 thousand) at March 31, 2003, and the recorded investment in loans past due of ninety days and still accruing interest was not significant at March 31, 2003.

The aggregated amount of losses on sales of loans was ¥1,790 million (\$14,917 thousand) for the year ended March 31, 2003.

6. Long-Lived Assets and Goodwill

The gross carrying amounts and accumulated amortization of intangible assets as of March 31, 2003 are as follows:

| | Millions of yen | | |
|------------------------------------|-----------------------|--------------------------|----------------|
| | Gross carrying amount | Accumulated amortization | Net book value |
| Amortized intangible assets: | | | |
| Mining and operating rights | ¥32,080 | ¥(10,532) | ¥21,548 |
| Software | 19,361 | (10,611) | 8,750 |
| Additional minimum liability | 4,720 | (1,688) | 3,032 |
| Other | 9,481 | (4,323) | 5,158 |
| Unamortized intangible assets: | | | |
| Land rent rights | 2,953 | – | 2,953 |
| Other | 795 | – | 795 |
| | ¥69,390 | ¥(27,154) | ¥42,236 |

| | Thousands of U.S. dollars | | |
|------------------------------------|---------------------------|--------------------------|------------------|
| | Gross carrying amount | Accumulated amortization | Net book value |
| Amortized intangible assets: | | | |
| Mining and operating rights | \$267,334 | \$(87,767) | \$179,567 |
| Software | 161,342 | (88,425) | 72,917 |
| Additional minimum liability | 39,333 | (14,066) | 25,267 |
| Other | 79,008 | (36,025) | 42,983 |
| Unamortized intangible assets: | | | |
| Land rent rights | 24,608 | - | 24,608 |
| Other | 6,625 | - | 6,625 |
| | \$578,250 | \$(226,283) | \$351,967 |

The amount of the residual value of the amortized intangible assets is not significant.

The amortization expense of intangible assets was ¥7,263 million (\$60,525 thousand) for the year ended March 31, 2003. The estimated amortization expense for the next five years is as follows:

| For the year ending March 31 | Millions of yen | Thousands of U.S. dollars |
|------------------------------|-----------------|---------------------------|
| 2004 | ¥6,196 | \$51,633 |
| 2005 | 5,335 | 44,458 |
| 2006 | 3,817 | 31,808 |
| 2007 | 2,698 | 22,483 |
| 2008 | 1,826 | 15,217 |

The changes in the carrying amount of goodwill for the year ended March 31, 2003, are as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|-----------------|---------------------------|
| Balance at beginning of year | ¥17,393 | \$144,941 |
| Goodwill acquired during the year | 8,555 | 71,292 |
| Impairment losses | (2,050) | (17,083) |
| Effect of exchange rate and other | (345) | (2,875) |
| Balance at end of year | ¥23,553 | \$196,275 |

As a result of decreases in the estimated future cash flows due to the worsened business circumstance and conditions and changes in the operating styles, the companies recognized impairment losses of ¥2,050 million (\$17,083 thousand) in the Transportation and industrial machinery and Chemical segments

of ¥200 million (\$1,667 thousand) and ¥1,850 million (\$15,417 thousand), respectively, for the year ended March 31, 2003. The fair value of the reporting unit was estimated using the expected present value of future cash flows.

The reconciliation of net income (loss) and earnings (loss) per 100 shares from reported amounts to amounts adjusted for amortization made in the prior years is as follows:

| | Millions of yen | | | Thousands of U.S. dollars | | |
|---|-----------------|------------|---------|---------------------------|-------------|-----------|
| | 2003 | 2002 | 2001 | 2003 | 2002 | 2001 |
| Reported net income (loss) | ¥30,312 | ¥(116,418) | ¥15,036 | \$252,600 | \$(970,150) | \$125,300 |
| Add back: Goodwill amortization | - | 1,613 | 802 | - | 13,442 | 6,683 |
| Adjusted net income (loss) | ¥30,312 | ¥(114,805) | ¥15,838 | \$252,600 | \$(956,708) | \$131,983 |
| | Yen | | | U.S. dollars | | |
| | 2003 | 2002 | 2001 | 2003 | 2002 | 2001 |
| Basic earnings-per-share: | | | | | | |
| Reported earnings (loss) per 100 shares ... | ¥ 2,030 | ¥ (7,792) | ¥ 1,006 | \$ 16.92 | \$ (64.93) | \$ 8.38 |
| Goodwill amortization | - | 108 | 54 | - | 0.90 | 0.45 |
| Adjusted earnings (loss) per 100 shares ... | ¥ 2,030 | ¥ (7,684) | ¥ 1,060 | \$ 16.92 | \$ (64.03) | \$ 8.83 |

| | Yen | | | U.S. dollars | | |
|---|---------|-----------|-------|--------------|------------|---------|
| | 2003 | 2002 | 2001 | 2003 | 2002 | 2001 |
| Diluted earnings-per-share: | | | | | | |
| Reported earnings (loss) per 100 shares ... | ¥ 1,896 | ¥ (7,792) | ¥ 940 | \$ 15.80 | \$ (64.93) | \$ 7.83 |
| Goodwill amortization | - | 108 | 49 | - | 0.90 | 0.41 |
| Adjusted earnings (loss) per 100 shares ... | ¥ 1,896 | ¥ (7,684) | ¥ 989 | \$ 15.80 | \$ (64.03) | \$ 8.24 |

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, which is included in gain (loss) on property and

equipment on the consolidated statement of operations, for the year ended March 31, 2002. The segment affected by the impairment losses was primarily Development and construction. The amount of impairment losses for the year ended March 31, 2003 was immaterial.

7. Pledged Assets

The following table summarizes assets pledged as collateral for the Company's obligations at March 31, 2003 and 2002:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|-----------------|---------------------------|
| | 2003 | 2002 | 2003 |
| Time deposits | ¥ 1,164 | ¥ 1,419 | \$ 9,700 |
| Investment securities, securities and other investments and investments in affiliated companies | 94,073 | 164,106 | 783,942 |
| Notes, loans and accounts receivable – trade (current and non-current) | 22,357 | 37,080 | 186,308 |
| Inventories | 26,683 | 28,184 | 222,358 |
| Property leased to others, net of accumulated depreciation | 20,179 | 19,794 | 168,158 |
| Property and equipment, net of accumulated depreciation | 139,910 | 177,209 | 1,165,917 |
| Other assets | 3,937 | 8,682 | 32,809 |
| | ¥308,303 | ¥436,474 | \$2,569,192 |

The obligations secured by such collateral were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------------------|-----------------|-----------------|---------------------------|
| | 2003 | 2002 | 2003 |
| Short-term loans | ¥19,444 | ¥26,641 | \$162,033 |
| Other current assets | 3,760 | - | 31,333 |
| Long-term debt | 56,581 | 116,114 | 471,508 |
| Financial guarantees | - | 24,794 | - |
| Guarantees of contracts, etc. | 7,546 | 8,174 | 62,884 |
| | ¥87,331 | ¥175,723 | \$727,758 |

In addition, acceptances payable at March 31, 2003 and 2002 were secured by trust receipts on inventories, the standard terms of which provide that the proceeds from the sales of any such collateral be delivered to the respective bank to be applied against outstanding acceptances. However, the Companies 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 Companies and no such rights have been exercised.

8. Short-Term Loans and Long-Term Debt

Short-term loans at March 31, 2003 and 2002 consisted of:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|-----------------|---------------------------|
| | 2003 | 2002 | 2003 |
| Short-term loans from banks and others | ¥548,439 | ¥719,254 | \$4,570,325 |
| Commercial paper | 12,700 | - | 105,833 |
| | ¥561,139 | ¥719,254 | \$4,676,158 |

The weighted average interest rates on short-term loans outstanding at March 31, 2003 and 2002 were 0.63% and 0.60%, respectively.

Long-term debt at March 31, 2003 and 2002 consisted of:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-------------------|-------------------|------------------------------|
| | 2003 | 2002 | 2003 |
| 4.0% reverse dual currency notes due 2005 | ¥ 12,196 | ¥ 16,491 | \$ 101,633 |
| 2.8% notes due 2002 | - | 37,500 | - |
| 3.0% notes due 2002 | - | 10,000 | - |
| 2.0% notes due 2002 | - | 30,000 | - |
| 2.0% notes due 2003 | 14,500 | 14,500 | 120,833 |
| 2.0% notes due 2003 | 39,376 | 39,541 | 328,133 |
| 2.12% notes due 2004 | 4,600 | 4,900 | 38,333 |
| 1.6% notes due 2002 | - | 32,137 | - |
| 2.0% notes due 2003 | 10,473 | 10,594 | 87,275 |
| 2.0% notes due 2003 | 18,460 | 18,878 | 153,833 |
| 2.5% notes due 2004 | 8,723 | 9,700 | 72,692 |
| 2.3% notes due 2004 | 7,600 | 7,900 | 63,333 |
| 1.5% notes due 2002 | - | 14,100 | - |
| 2.0% notes due 2003 | 27,929 | 28,200 | 232,742 |
| 2.0% notes due 2003 | 23,119 | 23,119 | 192,658 |
| 2.0% notes due 2003 | 4,600 | 4,600 | 38,333 |
| 2.37% notes due 2004 | 3,400 | 4,700 | 28,333 |
| 2.13% notes due 2005 | 5,800 | 8,000 | 48,333 |
| 1.52% notes due 2004 | 10,600 | 11,300 | 88,333 |
| 1.75% notes due 2008 with prepayment options | 4,400 | 5,000 | 36,667 |
| 1.2% notes due 2004 | 8,300 | 8,700 | 69,167 |
| 1.48% notes due 2006 | 3,800 | 4,200 | 31,667 |
| 1.15% notes due 2005 | 36,637 | 37,047 | 305,308 |
| 1.27% notes due 2006 | 7,974 | 10,000 | 66,450 |
| 1.13% notes due 2006 | 28,100 | 28,100 | 234,167 |
| 0.81% notes due 2004 | 27,163 | 28,100 | 226,358 |
| Libor + 0.73% notes due 2007 | 15,578 | 18,484 | 129,817 |
| 0.85% convertible debentures due 2006 | 64,500 | 68,890 | 537,500 |
| Medium-term notes due from 2002 to 2008 principally at rates from 0.1% to 4.4% or at floating rates | 45,083 | 153,098 | 375,692 |
| Loans from government-owned banks and government agencies: | | | |
| Secured, due serially through 2016 principally at rates from 1.1% to 6.7% | 31,552 | 77,909 | 262,933 |
| Unsecured, due serially through 2016 principally at rates from 0.3% to 6.4% | 106,242 | 86,998 | 885,350 |
| Loans principally from banks and insurance companies: | | | |
| Secured, due serially through 2009 principally at rates from 1.5% to 8.0% | 20,939 | 38,205 | 174,492 |
| Unsecured, due serially through 2017 principally at rates from 0.1% to 8.6% | 1,577,877 | 1,556,992 | 13,148,976 |
| Other | 134,992 | 128,619 | 1,124,934 |
| | 2,304,513 | 2,576,502 | 19,204,275 |
| Less current portion | 402,186 | 528,048 | 3,351,550 |
| | ¥1,902,327 | ¥2,048,454 | \$15,852,725 |

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 (\$4.49), and (2) the debentures are redeemable at the option of the Company at prices ranging from 100% to 102% of the principal amounts after March 31, 2003.

During the year ended March 31, 2003, the Company entered into a long-term line of credit arrangement of ¥152,000 million (\$1,266,667 thousand) with a syndicate of certain financial institutions and intends to refinance certain short-term loans and current portion of long-term debt when due. Such short-term loans and current portion of long-term debt totaling to ¥133,527 million (\$1,112,725 thousand) are classified as long-term debt on the consolidated balance sheet at March 31, 2003.

Long-term debt subsequent to March 31, 2003 matures as follows:

| Year ending March 31 | Millions of yen | Thousands of U.S. dollars |
|----------------------|-----------------|---------------------------|
| 2004 | ¥402,186 | \$3,351,550 |
| 2005 | 448,385 | 3,736,542 |
| 2006 | 595,128 | 4,959,400 |
| 2007 | 221,911 | 1,849,258 |
| 2008 | 139,830 | 1,165,250 |
| Thereafter | 497,073 | 4,142,275 |

Certain agreements principally with Government-owned financial institutions provide that earlier repayment may be required if, in the judgment of the lenders, the Company or certain of its subsidiaries have 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 Companies, upon request, submit for the lenders' approval the proposed appropriations of income, including dividends, before such appropriations can be submitted to the shareholders. The Companies 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, 2003 and 2002, the Company contributed ¥22,246 million (\$185,383 thousand) and ¥5,000 million, 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.

For the year ended March 31, 2003, the Company applied to the Japanese government for introduction of a cash balance plan and reduction of retirement benefits for certain employees effective April 1, 2003.

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 |
|---|-----------------|----------|---------------------------|
| | 2003 | 2002 | 2003 |
| Change in projected benefit obligation | | | |
| Projected benefit obligation at beginning of year | ¥252,218 | ¥248,238 | \$2,101,816 |
| Service cost | 8,417 | 10,165 | 70,142 |
| Interest cost | 7,371 | 7,380 | 61,425 |
| Actuarial losses | 19,139 | 2,066 | 159,492 |
| Foreign currency exchange rate changes | (1,221) | 1,599 | (10,175) |
| Benefits paid | (17,779) | (17,511) | (148,158) |
| Plan amendment | (23,877) | 281 | (198,975) |
| Projected benefit obligation at end of year | 244,268 | 252,218 | 2,035,567 |

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------|------------------------------|
| | 2003 | 2002 | 2003 |
| Change in plan assets | | | |
| Fair value of plan assets at beginning of year | 228,890 | 227,623 | 1,907,417 |
| Actual return on plan assets | (11,724) | (8,077) | (97,700) |
| Foreign currency exchange rate changes | (1,102) | 1,567 | (9,183) |
| Employees' contributions | 706 | 787 | 5,883 |
| Employer's contribution | 26,082 | 15,887 | 217,350 |
| Benefits paid | (9,909) | (8,897) | (82,575) |
| Fair value of plan assets at end of year | 232,943 | 228,890 | 1,941,192 |
| Funded status | (11,325) | (23,328) | (94,375) |
| Unrecognized net transition obligation being recognized over 15 years | 622 | 1,243 | 5,183 |
| Unrecognized prior service cost | (18,417) | 5,123 | (153,475) |
| Unrecognized net loss | 138,303 | 101,135 | 1,152,525 |
| Net amount recognized | ¥109,183 | ¥ 84,173 | \$ 909,858 |
| Amounts recognized in the consolidated balance sheet consist of: | | | |
| Prepaid benefit cost – current | ¥ 1,642 | ¥ 859 | \$ 13,683 |
| Prepaid benefit cost – noncurrent | 113,005 | 93,829 | 941,708 |
| Accrued benefit liability | (9,571) | (12,893) | (79,758) |
| Intangible assets | 3,032 | 1,999 | 25,267 |
| Accumulated other comprehensive income, before tax | 1,075 | 379 | 8,958 |
| Net amount recognized | ¥109,183 | ¥ 84,173 | \$ 909,858 |

The components of net pension expense of the Company's and certain subsidiaries' plans for the years ended March 31, 2003, 2002 and 2001 were as follows:

| | Millions of yen | | | Thousands of U.S. dollars |
|--|-----------------|---------|---------|------------------------------|
| | 2003 | 2002 | 2001 | 2003 |
| Service cost – benefits earned during the year | ¥8,417 | ¥10,165 | ¥10,375 | \$70,142 |
| Interest cost on projected benefit obligation | 7,371 | 7,380 | 7,197 | 61,425 |
| Expected return on plan assets | (7,782) | (7,579) | (4,882) | (64,850) |
| Net amortization and deferrals | 4,580 | 5,227 | 5,434 | 38,166 |
| Employees' contributions | (706) | (787) | (899) | (5,883) |
| Net pension expense | ¥11,880 | ¥14,406 | ¥17,225 | \$99,000 |

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 |
|--|-----------------|----------|------------------------------|
| | 2003 | 2002 | 2003 |
| Aggregate projected benefit obligation | ¥243,738 | ¥251,830 | \$2,031,150 |
| Aggregate fair value of plan assets | 232,406 | 228,375 | 1,936,717 |

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 |
|--|-----------------|---------|------------------------------|
| | 2003 | 2002 | 2003 |
| Aggregate accumulated benefit obligation | ¥20,287 | ¥30,635 | \$169,058 |
| Aggregate fair value of plan assets | 10,716 | 17,742 | 89,300 |

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, 2003, 2002 and 2001 were as follows:

| | 2003 | 2002 | 2001 |
|---|------|------|------|
| Discount rates | 2.5% | 3.0% | 3.0% |
| Weighted average rates of increases in future salary levels | 3.3% | 3.3% | 3.4% |
| Expected long-term rates of return on plan assets | 3.0% | 3.0% | 3.5% |

10. Income Taxes

Effective the year ended March 31, 2003, the Company adopted the new the Japanese tax regulations allowing the Company to file a consolidated tax return.

The significant components of deferred tax assets and deferred tax liabilities at March 31, 2003 and 2002 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|-----------------|------------------------------|
| | 2003 | 2002 | 2003 |
| Deferred tax assets: | | | |
| Allowance for doubtful accounts | ¥ 82,985 | ¥101,365 | \$ 691,542 |
| Inventories | 7,468 | 6,924 | 62,233 |
| Investment securities | 52,574 | 37,748 | 438,117 |
| Employees' retirement benefits | 5,892 | 6,432 | 49,100 |
| Unrealized profit | 14,331 | 14,999 | 119,425 |
| Investments in affiliated companies | 20,055 | 32,332 | 167,125 |
| Net operating loss carryforwards | 28,255 | 29,149 | 235,458 |
| Other | 27,432 | 17,266 | 228,600 |
| Total deferred tax assets | 238,992 | 246,215 | 1,991,600 |
| Valuation allowance | (28,284) | (45,371) | (235,700) |
| Net deferred tax assets | 210,708 | 200,844 | 1,755,900 |
| Deferred tax liabilities: | | | |
| Property and equipment | 21,675 | 11,440 | 180,625 |
| Undistributed earnings | 3,923 | 2,797 | 32,692 |
| Other | 6,137 | 6,844 | 51,141 |
| Total deferred tax liabilities | 31,735 | 21,081 | 264,458 |
| Net deferred tax assets | ¥178,973 | ¥179,763 | \$1,491,442 |

The net changes in the valuation allowance for deferred tax assets were ¥17,087 million (\$142,392 thousand) of decrease and ¥22,526 million of increase for the years ended March 31, 2003 and 2002, respectively.

At March 31, 2003, the Company and certain of its subsidiaries have net operating loss carryforwards of ¥116,948 million (\$974,567 thousand), of which ¥103,643 million (\$863,692 thousand) will expire through 2022, and ¥13,305 million (\$110,875 thousand) has no expiration date.

During March 2003, new tax legislation was enacted in Japan which will reduce the Company's and its domestic subsidiaries' statutory income tax rate from 42% to 41% for fiscal years ending after March 31, 2004. Deferred income tax balances have decreased

by ¥4.201 million (\$35,008 thousand) to reflect the revised rates.

Realization of the Company's net deferred tax assets 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 44% (including a temporary surtax of 2%) and 42% for the years ended March 31, 2003 and 2002, respectively. A reconciliation of the statutory income tax rate to the effective income tax rates expressed as a percentage of income (loss) before income taxes and equity in earnings (losses) of affiliated companies is as follows:

| | 2003 | 2002 | 2001 |
|--|--------------|----------------|---------------|
| Statutory income tax rate | 44.0% | (42.0)% | 42.0% |
| Tax effect of subsidiaries' operations | 28.8 | 11.7 | 88.0 |
| Tax effect of permanent differences | 6.5 | 0.2 | 3.4 |
| Difference in tax rates of foreign subsidiaries | (15.1) | (0.8) | (31.5) |
| Tax effect on undistributed earnings of subsidiaries and other | (23.5) | (12.8) | 18.6 |
| Effect of tax rate change | 12.7 | - | - |
| Other | (4.3) | 2.7 | 7.0 |
| Effective income tax rates | 49.1% | (41.0)% | 127.5% |

Total income taxes recognized for the years ended March 31, 2003, 2002 and 2001 are applicable to the following:

| | Millions of yen | | | Thousands of U.S. dollars |
|---|-----------------|-----------|---------|------------------------------|
| | 2003 | 2002 | 2001 | 2003 |
| Income (loss) before income taxes and equity in earnings (losses) of affiliated companies | ¥16,274 | ¥(67,674) | ¥8,526 | \$135,616 |
| Equity in earnings (losses) of affiliated companies | 6,486 | (8,404) | (1,064) | 54,050 |
| Other comprehensive income | (6,403) | 10,693 | 1,570 | (53,358) |
| Total income taxes | ¥16,357 | ¥(65,385) | ¥9,032 | \$136,308 |

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 ¥98,635 million (\$821,958 thousand) and ¥86,646 million at March

31, 2003 and 2002, 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

The amount of retained earnings available for dividends under the Japanese Commercial Code (the "JCC") 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 JCC.

Under the JCC, the amount of increased net assets due to the unrealized gains is deducted from the net assets used in determining retained earnings available for dividends. There was no such an amount included in the retained earnings at March 31, 2003.

The retained earnings available for dividends amounted to ¥5,548 million (\$46,233 thousand) at March 31, 2003.

At the conversion price, 119,666,048 shares of common stock were reserved at March 31, 2003 for conversion of the 0.85% convertible debentures issued in 1996.

Effective October 1, 2001, the Company's shares had no par value, as prescribed by an amendment of the JCC.

The JCC 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. The amounts of additional paid-in capital and the legal reserve were ¥57,478 million (\$478,983 thousand) and zero at March 31, 2003, respectively.

At the June 26, 2002 shareholders' meeting of the Company, the shareholders approved a proposal to eliminate the Company's accumulated deficit of ¥148,072 million (\$1,233,933 thousand) by an adjustment to the additional paid-in capital of ¥129,228 million (\$1,076,900 thousand) and legal reserve ¥18,844 million (\$157,033 thousand), as permitted by the JCC. Since there are no such laws or rules in the United States of America, the accompanying consolidated financial statements reflect the transaction in such a way as permitted under the JCC and recorded in its statutory books. The balance of the consolidated retained earnings (accumulated deficit) at March 31, 2003 would be ¥64,442 million (\$537,017 thousand) had the Company not eliminated the accumulated deficit.

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, 2003, 2002 and 2001 was as follows:

| | Millions of yen | | |
|--|-------------------|--------------------------|-------------------|
| | Before-tax amount | Tax (expense) or benefit | Net-of-tax amount |
| 2003 | | | |
| Unrealized losses on investment securities arising during period | ¥(32,115) | ¥13,079 | ¥(19,036) |
| Less: reclassification adjustments for income included in net income | 17,438 | (7,151) | 10,287 |
| Net unrealized loss | (14,677) | 5,928 | (8,749) |
| Currency translation adjustments arising during period | (26,053) | (1,199) | (27,252) |
| Less: reclassification adjustments for income included in net income | 7,050 | (652) | 6,398 |
| Net currency translation adjustments | (19,003) | (1,851) | (20,854) |
| Unrealized losses on derivatives arising during the period | (6,966) | 2,348 | (4,618) |
| Less: reclassification adjustments for income included in net income | 873 | (356) | 517 |
| Net unrealized losses on derivatives | (6,093) | 1,992 | (4,101) |
| Minimum pension liability adjustment | (696) | 334 | (362) |
| Other comprehensive loss | ¥(40,469) | ¥6,403 | ¥(34,066) |

| | Thousands of U.S. dollars | | |
|--|---------------------------|-----------------------------|----------------------|
| | Before-tax amount | Tax (expense) or benefit | Net-of-tax amount |
| 2003 | | | |
| Unrealized losses on investment securities arising during period | \$(267,625) | \$108,992 | \$(158,633) |
| Less: reclassification adjustments for income included in net income | 145,317 | (59,592) | 85,725 |
| Net unrealized loss | (122,308) | 49,400 | (72,908) |
| Currency translation adjustments arising during period | (217,108) | (9,992) | (227,100) |
| Less: reclassification adjustments for income included in net income | 58,750 | (5,433) | 53,317 |
| Net currency translation adjustments | (158,358) | (15,425) | (173,783) |
| Unrealized losses on derivatives arising during the period | (58,050) | 19,567 | (38,483) |
| Less: reclassification adjustments for income included in net income | 7,275 | (2,967) | 4,308 |
| Net unrealized losses on derivatives | (50,775) | 16,600 | (34,175) |
| Minimum pension liability adjustment | (5,800) | 2,783 | (3,017) |
| Other comprehensive loss | \$(337,241) | \$53,358 | \$(283,883) |

| | Millions of yen | | |
|--|----------------------|-----------------------------|----------------------|
| | Before-tax amount | Tax (expense) or benefit | Net-of-tax amount |
| 2002 | | | |
| 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 adjustments 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 |

| | Millions of yen | | |
|--|----------------------|-----------------------------|----------------------|
| | Before-tax amount | Tax (expense) or benefit | Net-of-tax amount |
| 2001 | | | |
| 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 |

The accumulated balance of each component of accumulated other comprehensive loss at March 31, 2003, 2002 and 2001 was as follows:

| | Millions of yen | | | | |
|---------------------------------|--|----------------------------------|----------------------------------|--------------------------------------|--|
| | 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, 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 | (14,242) | (75,963) | - | (193) | (90,398) |
| Change in the period | 14,628 | 24,137 | (715) | (27) | 38,023 |
| Balance at March 31, 2002 | 386 | (51,826) | (715) | (220) | (52,375) |
| Change in the period | (8,749) | (20,854) | (4,101) | (362) | (34,066) |
| Balance at March 31, 2003 | ¥(8,363) | ¥(72,680) | ¥(4,816) | ¥(582) | ¥(86,441) |

| | Thousands of U.S. dollars | | | | |
|---------------------------------|--|----------------------------------|----------------------------------|--------------------------------------|--|
| | 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, 2002 | \$ 3,216 | \$(431,884) | \$(5,958) | \$(1,833) | \$(436,459) |
| Change in the period | (72,908) | (173,783) | (34,175) | (3,017) | (283,883) |
| Balance at March 31, 2003 | \$(69,692) | \$(605,667) | \$(40,133) | \$(4,850) | \$(720,342) |

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 facilities; 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 provides construction, installation and supplies 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.

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, such as retail 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 information technology and bio technology industries for sale in Japan and internationally. Especially, this group focuses on furthering bolster efficient operations in electric materials, retail, resource development and environmental area.

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

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 project finance, non-bank financial services and the insurance business while it invests in infrastructure projects for logistics and operates a forwarding and a third party logistics business, improving efficiency in logistics operations through supply chain management.

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, 2003, 2002 and 2001, were as follows:

| Year ended March 31, 2003 | Millions of yen | | | | | | | |
|---------------------------------------|-----------------|----------------------------|----------------|---|------------|------------------------------|-----------|---|
| | 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 | ¥381,758 | ¥421,743 | ¥732,978 | ¥753,677 | ¥2,308,904 | ¥414,473 | ¥547,563 | ¥705,421 |
| Inter-segment | 4,404 | 107 | 3,498 | 22,901 | 849 | 27,871 | 22,365 | 40,355 |
| Total | ¥386,162 | ¥421,850 | ¥736,476 | ¥776,578 | ¥2,309,753 | ¥442,344 | ¥569,928 | ¥745,776 |
| Gross trading profit | ¥ 32,559 | ¥ 11,832 | ¥ 13,866 | ¥ 54,371 | ¥ 29,615 | ¥ 13,984 | ¥ 29,279 | ¥ 41,242 |
| Segment net income (loss) | ¥ (7,990) | ¥ 4,508 | ¥ 1,277 | ¥ 3,567 | ¥ 6,556 | ¥ 1,923 | ¥ 2,063 | ¥ 4,868 |
| Segment assets | ¥245,103 | ¥232,197 | ¥392,244 | ¥292,581 | ¥ 348,338 | ¥157,820 | ¥147,420 | ¥299,009 |
| Depreciation and amortization | ¥ 4,452 | ¥ 2,977 | ¥ 283 | ¥ 1,791 | ¥ 5,452 | ¥ 2,477 | ¥ 4,320 | ¥ 3,323 |
| Expenditures for segment assets | ¥ 2,868 | ¥ 2,641 | ¥ 582 | ¥ 1,375 | ¥ 5,507 | ¥ 1,153 | ¥ 2,418 | ¥ 3,851 |

| Year ended March 31, 2003 | Millions of yen | | | | | | | |
|---------------------------------------|----------------------|----------|------------------------------|--------------------------------|-------------------------------|--|---------------------------|--------------|
| | 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 | ¥1,006,979 | ¥366,742 | ¥185,346 | ¥ 32,479 | ¥158,639 | ¥ 771,859 | ¥ 4,742 | ¥8,793,303 |
| Inter-segment | 16,534 | 3,535 | 494 | 5,355 | 14,296 | 293,508 | (456,072) | - |
| Total | ¥1,023,513 | ¥370,277 | ¥185,840 | ¥ 37,834 | ¥172,935 | ¥1,065,367 | ¥(451,330) | ¥8,793,303 |
| Gross trading profit | ¥ 58,559 | ¥ 24,494 | ¥ 34,027 | ¥ 6,523 | ¥ 6,081 | ¥ 72,827 | ¥ (4,616) | ¥ 424,643 |
| Segment net income (loss) | ¥ 7,066 | ¥ 1,934 | ¥ (205) | ¥ 3,344 | ¥ 836 | ¥ 4,943 | ¥ (4,378) | ¥ 30,312 |
| Segment assets | ¥ 347,483 | ¥123,868 | ¥376,963 | ¥169,504 | ¥ 60,764 | ¥ 491,371 | ¥ 636,817 | ¥4,321,482 |
| Depreciation and amortization | ¥ 5,206 | ¥ 378 | ¥ 3,411 | ¥ 12,000 | ¥ 197 | ¥ 9,561 | ¥ 7,837 | ¥ 63,665 |
| Expenditures for segment assets | ¥ 8,710 | ¥ 199 | ¥ 2,072 | ¥ 7,475 | ¥ 117 | ¥ 14,521 | ¥ 6,174 | ¥ 59,663 |

| Year ended March 31, 2003 | Thousands of U.S. dollars | | | | | | | |
|---------------------------------------|---------------------------|----------------------------|----------------|---|--------------|------------------------------|-------------|---|
| | 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 | \$3,181,317 | \$3,514,525 | \$6,108,150 | \$6,280,642 | \$19,240,866 | \$3,453,942 | \$4,563,025 | \$5,878,508 |
| Inter-segment | 36,700 | 892 | 29,150 | 190,841 | 7,075 | 232,258 | 186,375 | 336,292 |
| Total | \$3,218,017 | \$3,515,417 | \$6,137,300 | \$6,471,483 | \$19,247,941 | \$3,686,200 | \$4,749,400 | \$6,214,800 |
| Gross trading profit | \$ 271,325 | \$ 98,600 | \$ 115,550 | \$ 453,092 | \$ 246,792 | \$ 116,533 | \$ 243,992 | \$ 343,683 |
| Segment net income (loss) | \$ (66,584) | \$ 37,566 | \$ 10,642 | \$ 29,725 | \$ 54,633 | \$ 16,025 | \$ 17,192 | \$ 40,566 |
| Segment assets | \$2,042,525 | \$1,934,975 | \$3,268,700 | \$2,438,175 | \$ 2,902,817 | \$1,315,167 | \$1,228,500 | \$2,491,742 |
| Depreciation and amortization | \$ 37,100 | \$ 24,808 | \$ 2,358 | \$ 14,925 | \$ 45,433 | \$ 20,642 | \$ 36,000 | \$ 27,692 |
| Expenditures for segment assets | \$ 23,900 | \$ 22,008 | \$ 4,850 | \$ 11,458 | \$ 45,892 | \$ 9,608 | \$ 20,150 | \$ 32,092 |

| Year ended March 31, 2003 | Thousands of U.S. dollars | | | | | | | |
|---------------------------------------|---------------------------|-------------|------------------------------|--------------------------------|-------------------------------|--|---------------------------|--------------|
| | 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 | \$8,391,492 | \$3,056,184 | \$1,544,550 | \$ 270,658 | \$1,321,992 | \$6,432,158 | \$ 39,516 | \$73,277,525 |
| Inter-segment | 137,783 | 29,458 | 4,117 | 44,625 | 119,133 | 2,445,900 | (3,800,599) | - |
| Total | \$8,529,275 | \$3,085,642 | \$1,548,667 | \$ 315,283 | \$1,441,125 | \$8,878,058 | \$(3,761,083) | \$73,277,525 |
| Gross trading profit | \$ 487,992 | \$ 204,117 | \$ 283,558 | \$ 54,358 | \$ 50,675 | \$ 606,892 | \$ (38,467) | \$ 3,538,692 |
| Segment net income (loss) | \$ 58,883 | \$ 16,117 | \$ (1,708) | \$ 27,867 | \$ 6,967 | \$ 41,192 | \$ (36,483) | \$ 252,600 |
| Segment assets | \$2,895,692 | \$1,032,233 | \$3,141,358 | \$1,412,533 | \$ 506,367 | \$4,094,758 | \$ 5,306,808 | \$36,012,350 |
| Depreciation and amortization | \$ 43,383 | \$ 3,150 | \$ 28,425 | \$ 100,000 | \$ 1,642 | \$ 79,675 | \$ 65,309 | \$ 530,542 |
| Expenditures for segment assets | \$ 72,583 | \$ 1,658 | \$ 17,267 | \$ 62,292 | \$ 976 | \$ 121,008 | \$ 51,450 | \$ 497,192 |

| Millions of yen | | | | | | | | |
|---------------------------------------|-------------|----------------------------|----------------|---|------------|------------------------------|-----------|---|
| Year ended March 31, 2002 | 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 |

| Millions of yen | | | | | | | | |
|---------------------------------------|----------------------|----------|------------------------------|--------------------------------|-------------------------------|--|---------------------------|--------------|
| | 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 |

| Millions of yen | | | | | | | | |
|---------------------------------------|-------------|----------------------------|----------------|---|------------|------------------------------|----------------|-----------|
| Year ended March 31, 2001 | 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 |

| 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 |

Effective April 1, 2001, the finance and logistics business segment was created. The respective amounts for the years ended March 31, 2001 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 |
|--------------------------------|-------------------|------------|------------|---------------------------|
| | 2003 | 2002 | 2001 | 2003 |
| Japan | ¥5,864,552 | ¥6,075,145 | ¥6,780,133 | \$48,871,267 |
| United States of America | 1,341,698 | 1,340,796 | 1,091,601 | 11,180,817 |
| United Kingdom | 271,730 | 182,915 | 143,767 | 2,264,416 |
| Other | 1,315,323 | 1,373,389 | 1,421,362 | 10,961,025 |
| Total | ¥8,793,303 | ¥8,972,245 | ¥9,436,863 | \$73,277,525 |

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 |
|--------------------------------|-----------------|----------|----------|---------------------------|
| | 2003 | 2002 | 2001 | 2003 |
| Japan | ¥491,188 | ¥515,992 | ¥571,326 | \$4,093,233 |
| United States of America | 99,318 | 135,495 | 127,608 | 827,650 |
| Australia | 25,712 | 28,748 | 26,903 | 214,267 |
| Other | 45,984 | 81,420 | 109,044 | 383,200 |
| Total | ¥662,202 | ¥761,655 | ¥834,881 | \$5,518,350 |

Total volumes of trading transactions with external customers by product for the years ended March 31, 2003, 2002 and 2001, were as follows:

| Product | Millions of yen | | | Thousands of U.S. dollars |
|---|-------------------|------------|------------|---------------------------|
| | 2003 | 2002 | 2001 | 2003 |
| Machinery | ¥2,494,041 | ¥2,279,414 | ¥2,360,973 | \$20,783,675 |
| Energy | 2,396,933 | 2,308,831 | 1,988,217 | 19,974,441 |
| Metals | 502,251 | 874,196 | 1,326,967 | 4,185,425 |
| Chemicals | 910,187 | 863,307 | 909,064 | 7,584,892 |
| Forest products and general merchandise | 807,806 | 819,288 | 901,502 | 6,731,717 |
| Agri-marine products | 1,063,732 | 1,112,431 | 1,139,875 | 8,864,433 |
| Textile | 425,279 | 520,043 | 587,368 | 3,543,992 |
| Development and construction | 193,074 | 194,735 | 222,897 | 1,608,950 |
| Total | ¥8,793,303 | ¥8,972,245 | ¥9,436,863 | \$73,277,525 |

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 ¥5,331 million (\$44,425 thousand) of loss for the year ended March 31, 2003 and ¥6,153 million and ¥4,645 million of gains for the years ended March 31,

2002 and 2001, respectively. Net foreign currency transaction gains and losses include translation gains and losses resulting from remeasuring the financial statements of certain subsidiaries in highly inflationary economies into Japanese yen.

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. The Company and certain of its subsidiaries also enter into derivative transactions for trading purposes. The Company

has internal regulations regarding positions and loss limits and the actual positions and gains/losses are periodically reported to management. 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 their financial transactions with the counterparties from the departments which execute them. In addition, the Company has as its "middle-office" a "Risk Management Division," 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, 2003.

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, 2003. 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 the assessment of hedge effectiveness were not significant for the year ended March 31, 2003.

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, 2003. 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

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

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

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

Investment securities, securities and other investments: the fair value of marketable equity securities is based on quoted market prices. The carrying amount of the marketable equity securities reflected in the balance sheets represents their fair value. The fair value of investments in debt securities is based on quoted market prices or estimated using discounted cash flow analyses, based on the estimated current rates offered to the issuers for securities with similar terms and remaining maturities. It was not practicable to estimate the fair value of the investments other than marketable equity securities and debt securities without incurring excessive costs. The carrying amount of the portion of the portfolio for which fair value could not be estimated was ¥284,377 million (\$2,369,808 thousand) and ¥319,024 million at March 31, 2003 and 2002, 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.

The carrying amounts and fair value of financial instruments and the derivative instruments at March 31, 2003 and 2002 were as follows (amounts in parentheses represent liabilities):

| | Millions of yen | | | | Millions of U.S. dollars | |
|---|-----------------|-------------|-----------------|-------------|--------------------------|--------------|
| | 2003 | | 2002 | | 2003 | |
| | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value |
| Short-term investments in debt securities | ¥ 13,108 | ¥13,167 | ¥63,198 | ¥63,197 | \$ 109,233 | \$ 109,725 |
| Long-term investments in debt securities | 53,578 | 50,353 | 70,349 | 64,493 | 446,483 | 419,608 |
| Long-term notes, loans and accounts receivable - trade (less allowance for doubtful accounts) | 245,887 | 245,666 | 332,254 | 331,749 | 2,049,058 | 2,047,217 |
| Long-term debt | (2,304,513) | (2,252,911) | (2,576,502) | (2,466,990) | (19,204,275) | (18,774,258) |
| Interest rate swaps | 50,194 | 50,194 | 37,860 | 37,860 | 418,283 | 418,283 |
| Foreign exchange contracts | 290 | 290 | 2,589 | 2,589 | 2,417 | 2,417 |
| Commodity futures and forward contracts and other | (1,367) | (1,367) | 3,790 | 3,790 | (11,392) | (11,392) |

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 ¥17,269 million (\$143,908 thousand), ¥23,440 million and ¥16,450 million for the years ended March 31, 2003, 2002 and 2001, respectively.

At March 31, 2003, the future minimum lease payments payable and rentals receivable under non-cancelable operating leases were as follows:

| Year ending March 31 | Millions of yen | | Thousands of U.S. dollars | |
|----------------------|-----------------|------------|---------------------------|------------|
| | Payable | Receivable | Payable | Receivable |
| 2004 | ¥10,073 | ¥14,262 | \$83,942 | \$118,850 |
| 2005 | 8,148 | 12,671 | 67,900 | 105,592 |
| 2006 | 6,173 | 9,912 | 51,442 | 82,600 |
| 2007 | 3,950 | 7,481 | 32,917 | 62,342 |
| 2008 | 3,310 | 5,239 | 27,583 | 43,658 |
| Thereafter | 17,080 | 7,008 | 142,333 | 58,400 |

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, 2003.

In fiscal 2002, the Company sold to a third party the buildings and property of Osaka headquarters and Nagoya branch for ¥12,500 million (\$104,167 thousand) and ¥2,900 million (\$24,167 thousand), respectively, and leased back these facilities. The lease terms are 10 years and 2 years, respectively. The Company does not have continuing involvement under the sale-leaseback transactions.

The Company had commitments to make additional investments or loans in aggregate amounts of approximately ¥18,000 million (\$150,000 thousand) and ¥40,000 million at March 31, 2003 and 2002, respectively.

The Company guarantees debt of affiliated companies and third parties in the ordinary course of business. Should the guaranteed parties fail to make payments, the Company would be required to make such payments under these guarantees. The term of the guarantees is basically one year. The related guarantee fees are primarily received quarterly or semi-annually.

Certain of these guarantees were secured by guarantees issued to the Company by other parties. The outstanding balance of guarantees, which approximated the maximum potential payment under these guarantees, was ¥276,431 million (\$2,303,592 thousand), including ¥151,355 million (\$1,261,292 thousand) to affiliated companies, at March 31, 2003, net of the amount secured by guarantees issued to the Company by other parties of ¥21,258 million (\$177,150 thousand). The comparable amounts at March 31, 2002 were ¥382,148 million, ¥220,614 million and ¥27,026 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, 2003 would not have a material effect on the consolidated financial position or results of operations of the Companies.

18. Subsequent Events

At the June 26, 2003 annual meeting, the shareholders approved the payment of a cash dividend of ¥3 per share, aggregating ¥4,480 million (\$37,333 thousand).

On April 15, 2003, the Marubeni Welfare Pension Fund received approval from the Japanese government to transfer the future benefit obligation related to the substitutional portion for the government-defined benefit prescribed by the Welfare Pension Insurance Law of Japan. The Company will account for the entire process upon completion of the transfer to the Japanese government of the substitutional portion of the benefit

obligation and the related plan asset in accordance with the consensus reached by the Emerging Issue Task Force on Issue No. 03-2, *Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities*. The Company expects to complete the transaction in the year ending March 31, 2004, when the related gain or loss will be recognized. The effect of the completion of the transaction has not yet been determined because the amount of the benefit obligation and the related plan assets to be transferred may change.

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, 2003 and 2002, 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, 2003, 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, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, in fiscal 2002 the Company changed its method of accounting for derivative financial instruments and hedging activities and, in fiscal 2003, the Company changed its method of accounting for goodwill.

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 9, 2003
except for paragraph 1 of Note 18, as to which date is
June 26, 2003