

Financial Results for FY2004 and Prospects for FY2005 (US GAAP Basis)

(Unit: billions of yen)

Operating Results	FY2003 Results	FY2004 Results		Prospects for FY2005	
			Variance		Variance
Total volume of trading transactions (*1)	7,905.6	7,939.4	33.8	8,000.0	60.6
Gross trading profit	409.5	436.1	26.6	485.0	48.9
Selling, general and administrative expenses	-330.0	-344.4	-14.4	-350.0	-5.6
Provision for doubtful accounts	-0.8	-6.3	-5.5	-5.0	1.3
Operating profit (*1)	78.6	85.4	6.8	130.0	44.6
Interest expense, net of interest income	-23.5	-20.2	3.3	-30.0	-9.8
Dividends	7.2	9.0	1.8	7.0	-2.0
Gain (loss) on investment securities	16.1	28.7	12.6	-20.0	-1.7
Gain (loss) on property and equipment	-1.6	-10.5	-9.0		
Other-net	-18.0	-36.5	-18.5		
Income (loss) before income taxes and equity in earnings (losses)	58.9	55.9	-3.0	87.0	31.1
Provision (benefit) for income taxes	-35.6	-33.8	1.8	-47.0	-13.2
Minority interests in consolidated subsidiaries	-3.0	-1.4	1.5	-4.0	-2.6
Equity in earnings (losses) of affiliated companies	14.3	20.7	6.4	24.0	3.3
Net income (loss)	34.6	41.2	6.7	60.0	18.8

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

Revenue (*2)	2,774.2	3,038.7	264.5

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

Adjusted operating profit (*3)	79.4	93.9	14.5	135.0	41.1
Core earnings (*4)	102.2	123.6	21.4	166.0	42.4

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

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

Financial Condition	March 31, 2004	March 31, 2005		March 31, 2006 Prospects	
			Variance		Variance
Total assets	4,254.2	4,208.0	-46.2	4,250.0	42.0
(Current assets)	(2,080.0)	(2,093.4)	13.4	—	—
(Fixed assets)	(2,174.2)	(2,114.6)	-59.6	—	—
Shareholders' equity	393.0	443.2	50.2	490.0	46.8
Interest-bearing debt	2,454.8	2,286.4	-168.4	—	—
Net interest bearing debt	1,969.3	1,823.9	-145.4	1,950.0	126.1
D/E ratio (*5)	5.01 times	4.12 times	-0.89 points	less than 4 times	—

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

Cash Flow	FY2003 Results	FY2004 Results	Increase/Decrease of Consolidated Companies Surplus/Deficit	March 31, 2004		March 31, 2005	
				Results	Results	Variance	Variance
Cash flow by operating activities	201.6	173.8	No. of profit making companies	390	422	32	
Cash flow by investing activities	58.0	46.0	Surplus amount	63.8	92.7	28.9	
Free cash flows	259.5	219.9	No. of loss making companies	112	103	-9	
Cash flow by financing activities	-233.9	-238.1	Deficit amount	-43.4	-51.0	-7.6	
Effect of exchange rate changes	-13.4	-1.3	No. of profit making companies ratio	77.7%	80.4%	2.7 points	
Changes of cash and cash equivalents	12.2	-19.5					

Major Financial Indicators and Financial Yearly Prospects

Major Financial Indicators	FY2003	FY2004	Variance	Financial Yearly Prospects	
				Prospects for FY2005	
1) Foreign Exchange Rate (YEN/USD)	113.07	107.55	(Yen up by 5.52 yen)	1) Foreign Exchange Rate (YEN/USD)	approx. 105 (Yen up by 2.55 yen)
2) Short-term Prime Rate (Japan) (%)	1.375	1.375		2) Short-term Prime Rate (Japan) (%)	1.375
Long-term Prime Rate (Japan) (%)	1.583	1.690		Long-term Prime Rate (Japan) (%)	1.600

Outline of Financial Results for FY2004

Highlights of the FY2004 Financial Results

- Net income reached the highest record of 41.2 billion yen, 6.7 billion yen (19%) above the level of 34.6 billion yen marked last fiscal year.
- Adjusted operating profit was 93.9 billion yen, an increase by 14.5 billion yen, or 18% year-on-year, and core earnings was 123.6 billion yen, also increasing by 21.4 billion yen or 21% compared to the previous year, all of which clearly indicated that Marubeni's earnings power is steadily growing.
- Shareholders' equity increased by 50.2 billion yen compared to the FY2003 year-end to 443.2 billion yen, due to an increase in net income and improvement in unrealized gains (losses) on investment securities.
- Net interest-bearing debt was 1,823.9 billion yen, and reached the FY2005 year-end target of "2,000 billion yen or less" as announced in the "V" PLAN. D/E ratio was 4.12 times, showing an improvement by 0.89 points year-on-year.
- A year-end cash dividend of 4 yen per share will be paid, increased from the initial plan of 3 yen.

Main Items

- 1) Total volume of trading transactions ... 7,939.4 billion yen**
This item increased by 33.8 billion yen year-on-year, including the negative impact of the strong yen of approximately 150 billion yen. All segments excluding Energy, Plant & ship, Domestic branches and offices, and Transportation & industrial machinery, resulted in an increase.
- 2) Gross trading profit ... 436.1 billion yen**
Gross trading profit rose 26.6 billion yen year-on-year. All segments excluding Development & construction and Domestic branches and offices, resulted in an increase.
- 3) Selling, general and administrative expenses ... -344.4 billion yen**
Selling, general and administrative expenses increased by 14.4 billion yen year-on-year. Mainly due to effects of newly included subsidiaries and the transfer of the substitutional portion of employee pension fund liabilities (-1.5 billion yen).

- 4) Provision for doubtful accounts ... -6.3 billion yen**
Provision for doubtful accounts deteriorated by 5.5 billion yen year-on-year due to an increase in allowance for overseas bad debt.
- 5) Interest expense, net of interest income ... -20.2 billion yen**
Interest expense, net of interest income improved by 3.3 billion yen year-on-year.
- 6) Gain (Loss) on investment securities ... 28.7 billion yen**
• Gain (Loss) on sales of investment securities 36.1 billion yen (+9.6 billion yen year-on-year)
• Valuation loss on investment securities -7.4 billion yen (+3.0 billion yen year-on-year)
This item improved due to sales of listed stock, increase in capital gain from sales of stock (IPP, Vodafone, etc.) and the clearance of valuation loss on Sithe Energies' stock, which was booked in the previous year.
- 7) Gain (Loss) on property and equipment ... -10.5 billion yen**
• Gain on sale of property and equipment 8.6 billion yen (+4.7 billion yen year-on-year)
• Loss on sale/valuation loss of property and equipment -19.2 billion yen (-13.7 billion yen year-on-year)
This item deteriorated by 9.0 billion yen year-on-year, owing to such factors as loss from disposal of assets, valuation loss on factories and facilities at subsidiaries, and valuation loss on real estates owned by the Parent.
- 8) Other-net ... -36.5 billion yen**
This item deteriorated from the previous year by 18.5 billion yen, mainly due to provision for loss on the withdrawal from PT. Chandra Asri (-21.3 billion yen).
- 9) Equity in earnings (losses) of affiliated companies ... 20.7 billion yen**
This item increased by 6.4 billion yen year-on-year. Main items are provided below.
Marubeni-Itochu Steel Inc. 9.7 billion yen (+6.6 billion yen year-on-year)
Nippon LP Resources 5.7 billion yen (+3.2 billion yen year-on-year)
Uni-Mar Enerji Yatirimlari 3.3 billion yen (+0.1 billion yen year-on-year)
Thai Cold Rolled Steel 2.0 billion yen (+0.7 billion yen year-on-year)
The Maruetsu -2.5 billion yen (-2.9 billion yen year-on-year)

(Unit: billions of yen)

Operating Segments	Gross trading profit			Net income (loss)			Main reasons for increase/decrease
	FY2003	FY2004	Variance	FY2003	FY2004	Variance	
Agri-marine products	61.4	71.3	9.9	7.0	1.2	-5.8	Net income showed a substantial decrease due to posting of extraordinary losses in seafood related subsidiaries, an increase in gross trading profit mainly in food distribution notwithstanding.
Textile	23.9	25.2	1.3	1.8	2.6	0.9	Net income increased due to a rise in gross trading profit mainly from increase in sales of products.
Forest products & general merchandise	42.0	46.6	4.6	6.3	7.5	1.3	Gross trading profit increased complemented by improvement of profitability of woodchip and paper-related transactions. Net income increased, although equity in earnings fell due to deterioration of exchange gain/loss in paper-related transactions.
Chemicals	24.9	26.9	1.9	3.3	4.5	1.2	Net income increased thanks to a rise in gross trading profit due to contribution of such segments as basic chemicals, synthetic resin, and agricultural chemicals, stemming from buoyant petrochemicals market.
Energy	30.8	42.1	11.3	10.1	15.9	5.8	Net income marked a significant increase owing to a rise in gross trading profit from increased concessions in natural resources fields and improvement of profitability.
Metals & mineral resources	12.2	15.7	3.5	4.3	9.8	5.6	Gross trading profit increased largely due to earnings bolstering by soaring prices of coal, steel making raw materials, and non-ferrous metals. In addition, net income remarkably increased owing to a gain in equity in earnings from copper smelter business.
Transportation & industrial machinery	55.8	56.1	0.3	-0.4	0.0	0.5	Net income rose due to an increase in gross trading profit, mainly due to a better performance of industrial machinery related transactions.
Utility & infrastructure	20.6	22.6	2.1	5.1	5.1	0.1	Net income slightly rose stemming from an increase in gross trading profit from overseas IPP business, while equity in earnings decreased.
Plant & ship	8.8	13.3	4.5	-4.5	-13.5	-9.1	Although gross trading profit increased due to the subsidiaries newly classified from affiliates, net income significantly fell due to provision for loss on withdrawal from petrochemicals project in Indonesia.
Development & construction	27.9	27.5	-0.4	-0.2	-11.4	-11.2	Net income showed a substantial drop due to posting of extraordinary losses of the Parent and affiliated companies.
Finance & logistics business	4.9	5.8	0.9	2.5	4.0	1.5	Net income increased owing to a rise in gross trading profit due to an improvement in fund related profits of affiliated companies, and realization of capital gain related to investment funds.
Telecom & information	20.0	24.5	4.5	-7.9	-9.3	-1.4	Net income declined stemming from an increase in restructuring losses of affiliated companies, an improvement in gross trading profit from communication operating business notwithstanding.
Domestic branches & offices	5.4	4.9	-0.5	0.7	-0.5	-1.2	Net income dropped due to posting of extraordinary losses
Overseas corporate subsidiaries & branches	73.5	76.5	3.1	4.8	6.2	1.4	Increase mainly in Marubeni America Corporation
Corporate & elimination	-2.6	-23.0	-20.4	1.7	19.0	17.3	Gross trading profit declined due to revision to USGAAP (reclassification from extraordinary losses). Net income rose due to increase in iron & steel transactions and profit from sales of stocks
Consolidated	409.5	436.1	26.6	34.6	41.2	6.7	

(Reference)

(Iron & steel) (1.0) (1.2) (0.2) (4.0) (11.5) (7.5) (Net income increased compared to the previous year due to increase in equity in earnings coming from favorable condition of affiliated companies)

Outline of FY2005 Prospects

Net income for FY2005 is expected to increase by 18.8 billion yen, or 46% compared to FY2004, to 60.0 billion yen, breaking the record for its highest earnings ever, due to an increase in gross trading profit. (The medium-term management plan "V" PLAN targeted net income of 50 billion yen)

The medium-term management plan "V" PLAN is progressing well, and in order to provide shareholders with profit return, we intend to pay a year-end cash dividend of 6 yen per share.