

## Financial Results for FY2002 and Prospects for FY2003 (US GAAP Basis)

Marubeni Corporation

Operating Results	FY2001	FY2002		FY2003 Prospects	
			Variance		Variance
		(unit: billions of yen)			
Total volume of trading transactions	8,972.2	8,793.3	-178.9	8,200.0	-593.3
<b>Gross trading profit</b>	436.8	424.6	-12.2	420.0	-4.6
Selling, general and administrative expenses	-392.1	-345.6	46.5	-335.0	10.6
Provision for doubtful accounts	-43.9	-5.7	38.3	-8.0	-2.3
<b>Operating profit</b>	0.8	73.4	72.6	77.0	3.6
Interest expense, net of interest income	-29.5	-23.5	6.0	-26.0	-2.5
Dividends	7.5	6.8	-0.7	5.0	-1.8
Gain (Loss) on investment securities	-83.8	-12.7	71.1	-10.0	13.5
Gain (Loss) on property and equipment	-43.6	8.5	52.1		
Other-net	-16.5	-19.3	-2.8		
<b>Income (loss) before income taxes and equity in earnings (losses)</b>	-165.2	33.2	198.3	46.0	12.8
Provision (benefit) for income taxes	67.7	-16.3	-84.0	-26.0	-9.7
Equity in earnings (losses) of affiliated companies	-18.9	13.4	32.4	13.0	-0.4
<b>Net income (loss)</b>	-116.4	30.3	146.7	33.0	2.7
<b>Core earnings(*1)</b>	56.1	101.3	45.2	103.0	1.7

(\*1) Core earnings=Adjusted operating profit (excluding restructuring cost) + Dividend income ± Equity in earnings (excluding restructuring cost)

Financial Condition	March 31, 2002	March 31, 2003		March 31, 2004	
			Variance		Variance
<b>Total assets</b>	4,805.7	4,321.5	-484.2	4,200.0	-121.5
(Current assets)	(2,487.6)	(2,202.1)	(-285.5)	-	-
(Fixed assets)	(2,318.1)	(2,119.4)	(-198.7)	-	-
<b>Shareholders' equity</b>	263.9	260.1	-3.8	290.0	+29.9
<b>Interest-bearing debt</b>	3,184.9	2,745.0	-439.9	2,550.0	-195.0
<b>Net interest-bearing debt</b>	2,712.9	2,264.1	-448.8	2,200.0	-64.1
<b>D/E ratio(*2)</b>	10.28 times	8.71 times	-1.57 points	7.59 times	-1.12 points

(\*2) D/E ratio is calculated based on net interest-bearing debt.

Cash Flows	FY2001	FY2002	
Cash provided by operating activities	198.4	194.8	
Cash provided by investing activities	74.5	113.2	
<b>Free cash flows</b>	273.0	308.0	
Cash used in financing activities	-150.1	-294.0	
Effect of exchange rate changes	14.0	-14.2	
<b>(Decrease) increase in cash and cash equivalents</b>	136.8	-0.1	

## Outline of Financial Results for FY2002

## ◆ Major Financial Indicators

	FY2001	FY2002	Change
1) Foreign Exchange Rate (YEN/USD)	125.14	121.95	(Yen up by 3.19 yen per USD)
2) Short-term Prime Rate (Japan)	1.375%	1.375%	
Long-term Prime Rate (Japan)	1.801%	1.793%	(0.008% down)

## ◆ Outline

In the first half of FY2002, the U.S. economy witnessed moderate gains in consumer spending, but the second half of the year was adversely influenced by falling stock prices and a drop off in improved employment rates, resulting in business and consumer sentiment worsening, seeing the economy decelerate. This situation was exacerbated by heightening of international tension surrounding Iraq also serving to slow down progress in the early part of 2003.

In Japan, strength in exports led to a bottoming in the economic. However, this favourable trend came to an end in the autumn when both export and production figures peaked, leading the economy as a whole to dip slightly.

Japanese financial markets fared little better, as the Nikkei Stock Average at the end of March 2003 constituted a 21-year low against a backdrop of ongoing deflation.

In spite of revaluation losses on listed investment securities and losses related to a pension trust fund of -27.4 billion, and revaluation losses on unlisted investment securities of -3.5 billion, which adds up to -30.9 billion, Marubeni succeeded in taking net income up 146.7 billion over the previous year, to 30.3 billion yen. Key factors here were the continued strong performance of the company's six commodity-related segments and the improved profits in other areas that resulted from the November 2001 unveiling of the '@ction21 "A" PLAN'.

Core earnings rose 45.2 billion over the previous year to come to 101.3 billion yen.

## ◆ Main Items

1) Total Volume of Trading Transactions... 8,793.3 billion yen  
Although total volume of trading transactions fell 178.9 billion over the previous year's total, due to the transfer of iron and steel businesses to Marubeni-Itochu Steel Inc. decreased by approximately 365.0 billion, in real terms, however, the year witnessed Marubeni pushing total volume of trading transactions up to approximately 186.0 billion yen.  
By segment, year-on-year change was predominantly accounted for largely by rises in total transactions of 135.8 billion, and 112.8 billion in Plant & Ship and Energy segments respectively, and a drop of 81.0 billion in the IT Business segment. The increasing strength of the yen resulted in declining approximately 5 billion yen.

2) Gross Trading Profit... 424.6 billion yen  
Gross trading profit fell by 12.2 billion over the previous year. However, approximately 18.5 billion of this decrease was due to the above mentioned transfer of iron and steel businesses to Marubeni-Itochu Steel Inc, and withdrawal from loss-generating business areas also resulted in a further approximate 10.0 billion drop. As such, the actual year-on-year change in real terms was positive, with gross trading profit calculated in this manner rising approx. 16.0 billion yen.  
By segment, this year-on-year change was primarily accounted for by growth of 3.6 billion, 1.9 billion and 1.8 billion in the gross trading profits of the Plant & Ship, Transportation and Industrial Machinery, and Development and Construction segments respectively.

3) Selling, General and Administrative Expenses... 345.6 billion yen  
Selling, general and administrative expenses fell by a total of 46.5 billion during the fiscal year. One factor was the careful attention paid to cost-reduction initiatives, which were responsible for approx. 20.0 billion of the drop (including 3.5 billion which was attributable to exchange rate fluctuations, for a net value of approx. 16.5 billion). Others included a fall of approx. 15.0 billion brought by the transfer of iron and steel businesses already mentioned, and a further saving of approx. 15.0 billion made possible by strategic withdrawals from unprofitable areas.

## Financial Prospects for FY2003

## ◆ Major Financial Indicators (Assumptions)

1) Foreign Exchange Rate (YEN/USD)	approx. 120 yen	(Yen up by 1.95 yen per USD)
2) Short-term Prime Rate (Japan)	1.375%	(Same as previous year)
Long-term Prime Rate (Japan)	1.4%	(0.393% down)

## ◆ Outline

During FY2003, consumer spending and capital investments are predicted to bounce back in the U.S. as a consequence of the prompt finish to the war in Iraq, allowing the U.S. economy to commence a gentle recovery. A similar path is likely to be followed by the Asian economy on the back of a renewed growth in exports to the U.S.

A recovery in consumer spending in the Japanese economy is uncertain, but owing to increased exports to both the U.S. and other Asian countries, this will tie into a steady economic uplift. However, the deflated economy still continues, leading the recovery of economy to be rather weak.

Against this operating backdrop, Marubeni has started a new three-year medium-term management plan, the "V" PLAN. Under the auspices of this new guiding influence, the company will continue to reduce risk assets and replace them with superior assets. These moves will play an important role in efforts to increase profit margins, and management predicts consolidated net income to increase 2.7 billion over the current year's figure to come to 33.0 billion yen.

## ◆ Main Items

4) Provision for Doubtful Accounts... 5.7 billion yen  
Marubeni made a significant provision for doubtful accounts when it brought an end to the "A" PLAN in the previous fiscal year. Accordingly, similar provisions made during the current fiscal year fell in comparison by 38.3 billion yen.

5) Interest Expense-net... -23.5 billion yen  
Decrease in Interest-bearing debt and a fall in interest rates resulted in a 6.0 billion yen improvement compared to the previous fiscal year.

6) Loss on Investment Securities... -12.7 billion yen  
Although gains on exchanges and sales of equity securities were recognized, due to the worsening stock market conditions, revaluation losses of listed equity securities, mainly related to bank stocks (23.3 billion) and losses related to a pension trust fund, summed up to 30.9 billion. Thus, the total loss on investment securities came to 12.7 billion yen.

7) Gain on Property and Equipment... 8.5 billion yen  
Gain on property and equipment for the year was 8.5 billion yen due to the sale of company-owned property.

8) Other-net... -19.3 billion yen  
Losses accompanying the reorganization of affiliated companies (-12.5 billion) and exchange rate losses brought on by the increased strength of the yen (-5.3 billion) resulted in a loss of 19.3 billion yen. On the other hand, compared to the previous year, although there was a decrease in liquidation losses of subsidiaries and affiliated companies, due to a substantial aggravation of foreign exchange loss caused by strong yen, there was a decrease by 2.8 billion yen.

9) Equity in Earnings (Losses) of Affiliated Companies... 13.4 billion yen  
Equity in earnings (losses) of affiliated companies improved 32.4 billion yen over the previous year's figure due to the recording in that year of significant appraisal losses accompanying the early conclusion of the "A" PLAN.

10) Net Income (Loss)... 30.3 billion yen  
Net income climbed 146.7 billion yen, over the previous year.

11) Shareholders' Equity ... 260.1 billion yen  
Although Marubeni recorded net income of 30.3 billion for the year, the appreciated yen resulted in a downward shift in currency translation adjustments of some 20.9 billion and unrealized losses on investment securities of 8.7 billion. As a result, shareholders' equity at the end of the year was down 3.8 billion yen over the same time the previous year.

12) Net Interest-bearing debt... 2,264.1 billion yen  
Accounts receivable and inventories were cut back in an attempt to improve efficiency in the use of assets. Simultaneously, sales and redemption of investment securities let Marubeni cut year-end net interest-bearing debt down 448.8 billion yen.

## ◆ Main Items

1) Operating Profit ... 77.0 billion yen  
Total volume of trading transactions is expected to decrease by 593.3 billion due to sales of certain subsidiaries and review of low profit transactions. Gross trading profit is seen to go down by 4.6 billion due to sales of certain businesses of approximately 19.0 billion yen. Selling, general and administrative expenses is expected to decrease by 10.6 billion as a consequence of sales of certain businesses.  
Provision for doubtful accounts expects an increase by 2.3 billion to 8.0 billion.  
As a result, operating profit is forecast to increase 3.6 billion for the current fiscal year, to 77.0 billion yen.

2) Net Income... 33.0 billion yen  
Financial expenditures look set to increase, however, this rise is expected to be outweighed by improvements in other gains and losses, to yield a 2.7 billion increase to 33.0 billion yen.

3) Net Interest-bearing debt... 2,200 billion yen or less  
Net interest-bearing debt are continuously reduced through collection of receivables and sales of certain businesses etc., thus, considering uncertain factors such as foreign exchange rate etc., Marubeni predicts net interest-bearing debt to come to 2,200 billion yen or less.