Financial Section

Eleven-Year Summary

Marubeni Corporation
Years ended March 31

	Millions of Yen	Thousands of U.S. Dollars*		
	2005	**2005**	2004	2003
For the year:				
Revenues:				
Revenues from trading and other activities	**¥2,877,544**	***$26,892,935***	¥2,624,011	¥2,520,531
Commissions on services and trading margins	**161,108**	***1,505,682***	150,158	160,636
Total	**3,038,652**	***28,398,617***	2,774,169	2,681,167
Total volume of trading transactions	**7,939,437**	***74,200,346***	7,905,640	8,793,303
Gross trading profit	**436,055**	***4,075,280***	409,461	424,643
Net income (loss)	**41,247**	***385,486***	34,565	30,312
At year-end:				
Total assets	**4,208,037**	***39,327,449***	4,254,194	4,321,482
Net interest-bearing debt	**1,823,909**	***17,045,879***	1,969,323	2,264,117
Total shareholders' equity	**443,152**	***4,141,607***	392,982	260,051
Amounts per 100 shares (¥/US$):				
Basic earnings (loss)	**2,661**	***24.87***	2,285	2,030
Diluted earnings (loss)	**2,231**	***20.85***	2,016	1,896
Cash dividends	**400**	***3.74***	300	300
Cash flows (for the year):				
Net cash provided by (used in) operating activities	**173,824**	***1,624,523***	201,560	194,788
Net cash provided by (used in) investing activities	**46,043**	***430,308***	57,983	113,241
Net cash (used in) provided by financing activities	**(238,057)**	***(2,224,832)***	(233,938)	(294,001)
Cash and cash equivalents at end of year	**459,194**	***4,291,533***	478,731	466,511
Ratios:				
Return on assets (%)	**1.0**		0.8	0.7
Return on equity (%)	**9.9**		10.6	11.6
Shareholders' equity to total assets (%)	**10.5**		9.2	6.0
Net D/E ratio (times)	**4.1**		5.0	8.7
Consolidation:				
Consolidated subsidiaries	**369**		348	327
Equity-method affiliates	**156**		154	157
Total	**525**		502	484
Number of employees:				
Consolidated	**24,106**		24,417	24,829
Non-consolidated	**3,586**		3,717	3,914
Stock price (Tokyo Stock Exchange) (¥):				
High	**362**		295	151
Low	**223**		106	86

Notes:
1. The presentation of earnings is pursuant to Issue 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent," published by the Financial Accounting Standards Board's Emerging Issues Task Force. Earnings have also been disclosed in accordance with US GAAP since 2003.
2. For the convenience of investors in Japan, the presentation of net sales is consistent with customary accounting practices in Japan. Furthermore, while net sales were disclosed by trading transaction category in prior fiscal years, net sales alone will be presented from the fiscal year ended March 31, 2005.
3. U.S. dollar amounts above and elsewhere in this report are converted from yen, for convenience only, at the prevailing rate of ¥107 to US$1 as of March 31, 2005.

Millions of Yen

2002	2001	2000	1999	1998	1997	1996	1995
¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
8,972,245	9,436,863	10,222,442	11,960,157	13,640,517	¥13,969,977	13,540,560	12,868,962
436,804	479,754	453,496	522,356	534,485	496,550	475,221	460,167
(116,418)	15,036	2,060	(117,729)	17,230	20,113	15,117	10,368
4,805,669	5,320,604	5,584,353	6,511,841	7,388,101	7,550,347	7,644,002	6,844,022
2,712,906	3,089,839	3,328,437	3,966,471	4,432,159	4,555,208	4,403,714	4,079,368
263,895	342,297	324,301	354,017	475,253	512,929	560,589	480,451
(7,792)	1,006	138	(7,880)	1,153	1,346	1,012	694
(7,792)	940	138	(7,880)	1,054	1,289	1,010	694
–	–	–	300	600	600	600	600
198,456	179,305	184,701	232,414	254,221	24,308	107,547	(99,929)
74,504	187,993	257,006	99,101	(58,769)	66,036	(252,345)	(158,296)
(150,104)	(456,125)	(594,878)	(213,321)	(91,879)	(209,412)	267,217	(4,188)
466,642	329,811	405,308	579,366	480,825	373,015	485,844	359,436
–	0.3	0.0	–	0.2	0.3	0.2	0.2
–	4.5	0.6	–	3.5	3.8	2.9	2.3
5.5	6.4	5.8	5.4	6.4	6.8	7.3	7.0
10.3	9.0	10.3	11.2	9.3	8.9	7.9	8.5
354	412	456	488	479	459	436	410
161	186	190	201	214	203	188	164
515	598	646	689	693	662	624	574
28,140	30,956	31,342	–	–	–	–	–
4,234	4,855	5,344	5,844	6,041	6,386	6,702	7,064
262	401	486	345	525	638	602	580
58	200	205	155	177	421	404	415

Management's Discussion and Analysis of Financial Position and Business Results

All statements herein regarding future events reflect the judgment of Marubeni and its consolidated subsidiaries as of March 31, 2005.

1 | Financial Review

(1) Operating Environment

During the fiscal year ended March 31, 2005, the global economy continued to stage a strong recovery, spearheaded by strong economic growth in the United States and China. Fueled by these conditions, demand for energy boomed, causing crude oil prices to jump sharply beginning in the second half of 2004. In the U.S., the economy grew steadily, supported by strong capital investment resulting from higher corporate earnings, as well as by healthy consumer spending. Product prices, meanwhile, remained stable as the Federal Reserve Board cautiously raised interest rates. In contrast, the U.S. current account deficit and fiscal deficit both rose to record-high levels, putting increased downward pressure on the dollar. Europe's modest economic recovery continued, although the gap became more pronounced between nations where consumer spending was robust, like the U.K. and France, and those dependent on exports, such as Germany and Italy. In Asia, economic growth centered on China remained on track. Despite a slowdown in investments in capital goods due to more restrictive government policies, increased exports and consumer spending lifted the annual growth rate for the Chinese economy to 9.5% in 2004, surpassing the previous-year figure. As of December 31, 2004, China's foreign exchange reserves topped $600 billion, sparking renewed calls from around the globe for the country to reform its currency exchange policies. ASEAN nations, Taiwan and Hong Kong all continued to post growth, helped along by a favorable balance of exports and domestic demand, while South Korea's modest export-led recovery also stayed on course. In India, healthy consumer spending was the leading factor behind economic growth. In Russia, as well as Brazil and other South American nations, economic growth was strong atop sharply higher exports, benefiting from rising global demand and soaring prices for primary commodities, as well as growing domestic demand.

In Japan, the economy held to a recovery track during the first half of the fiscal year, supported by higher exports, capital investment and consumer spending. Higher exports reflected economic growth in Asia, and capital investment rose in line with improved corporate cash flows and increased demand for upgrades for plants and equipment, while consumer spending was supported by an upturn in consumer sentiment. Deflationary conditions still lingered, however, as the latter half of the year saw exports and capital investment weaken, impacted by industry-wide cutbacks in electronic component and device production and slower capital goods investments in China, triggering a slowdown in the pace of Japan's economic growth. On the plus side, far-reaching restructuring measures have largely eliminated excess employment, debt, facilities and equipment in the corporate sector, enabling companies to post steady earnings growth in the face of lackluster sales. The positive effects of these trends can be seen in the overall stability of stock prices in Japan.

(2) Operating Results

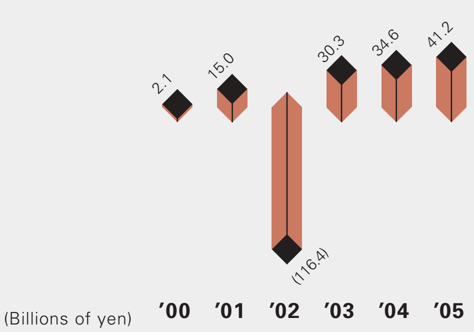
For the fiscal year ended March 31, 2005, Marubeni and its consolidated subsidiaries posted record consolidated net income of ¥41.2 billion, up ¥6.7 billion from the previous record of ¥34.6 billion posted the prior fiscal year. Marubeni's seven commodity-related segments (i.e. Agri-Marine Products, Textile, Forest Products & General Merchandise, Chemicals, Energy, Metals & Mineral Resources, and Transportation & Industrial Machinery) accounted for a total of ¥41.5 billion in income, before the inclusion of loss items.

Gross trading profit was ¥436.1 billion, up ¥26.6 billion. By operating segment, 12 segments posted higher earnings, while two segments saw a decrease in earnings.

Selling, general and administrative (SG&A) expenses rose ¥12.9 billion to ¥342.9 billion. By item, the largest component of this increase was personnel expenses, which climbed ¥4.7 billion to

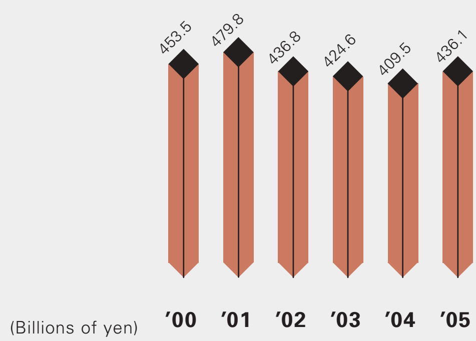
Net Income (Loss)

(Years ended March 31)



Gross Trading Profit

(Years ended March 31)



¥162.5 billion, followed by operational outsourcing costs. The latter increased by ¥6.0 billion to ¥20.7 billion, primarily due to the consolidation of equity-method affiliates.

The provision for doubtful accounts rose ¥5.5 billion to ¥6.3 billion, largely due to an increase in allowances for overseas receivables.

Interest income rose ¥3.0 billion to ¥23.4 billion, mainly as the result of income from overdue interest. Interest expense, meanwhile, improved ¥0.2 billion to ¥43.6 billion, primarily due to lower interest-bearing debt. This improvement came despite additional debt resulting from the consolidation of equity-method affiliates.

Dividend income rose ¥1.8 billion from the previous year to ¥9.0 billion. Of this figure, ¥3.9 billion (¥2.8 billion in Japan, ¥1.1 billion from overseas) was received by the parent company. Domestic consolidated subsidiaries received dividends of ¥0.6 billion, with overseas subsidiaries receiving dividends of ¥4.5 billion.

Impairment loss on investment securities was ¥7.4 billion, an improvement of ¥3.0 billion. This was due mostly to the ¥6.0 billion charge in the previous fiscal year related to the devaluation of shareholdings in Sithe Energies, Inc.

Gain on sales of investment securities was ¥36.1 billion, a year-on-year improvement of ¥9.6 billion. This was mainly attributable to gains on the sale of listed stocks of ¥27.6 billion, an increase of ¥13.5 billion compared to the previous fiscal year.

The loss on property, plant and equipment increased ¥9.0 billion compared with the previous fiscal year to ¥10.5 billion, as gains from the sale of property, plant and equipment at overseas subsidiaries were offset by devaluation losses on factories and facilities, as well as on real estate holdings by the parent company.

Other—net increased by ¥18.5 billion during the year to ¥36.5 billion, and consisted largely of an allowance of ¥21.3 billion for losses accompanying the withdrawal from petrochemical operations in Indonesia.

Equity in earnings of affiliated companies—net was ¥20.7 billion, up ¥6.4 billion, mainly due to a strong performance by Marubeni-Itochu Steel Inc.

(3) Business Results by Operating Segment

Agri-Marine Products transactions increased ¥123.0 billion, or 14.4%, to ¥979.9 billion. The bulk of transactions were related to food distribution and livestock feed. Tracking the increase in food distribution-related transactions, gross trading profit rose ¥9.9 billion, or 16.1%, to ¥71.3 billion. Following Marubeni's selection as a corporate rehabilitation sponsor for Japanese retailer The Daiei, Inc. in March 2005, Marubeni, in May, subscribed in part to a private placement of shares by Daiei valued at ¥18.6 billion.

Textile transactions edged ¥2.4 billion, or 0.7%, higher to ¥355.3 billion, mostly due to an increase in product-driven transactions. Accordingly, gross trading profit rose ¥1.3 billion, or 5.3%, to ¥25.2 billion.

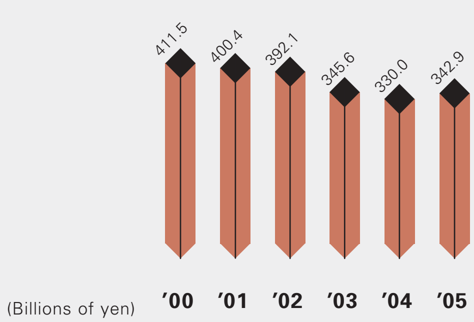
Forest Products & General Merchandise transactions were up ¥20.9 billion, or 2.7%, to ¥792.4 billion. This was due to higher transaction volume for plywood, pulp and wood chips, among other materials. Gross trading profit rose ¥4.6 billion, or 11.0%, to ¥46.6 billion. Alongside increased transactions, gross trading profit benefited from higher profits from a paper-related consolidated operating company and improved wood chip profitability.

Chemicals transactions climbed ¥102.9 billion, or 18.2%, to ¥667.5 billion, reflecting sharply higher transactions for basic chemicals and improved plastic transactions against a backdrop of escalating market prices. Benefiting from these increases and higher profits largely from agrochemical-related businesses, gross trading profit rose ¥1.9 billion, or 7.7%, to ¥26.9 billion.

Energy transactions were ¥1,774.0 billion, a decline of ¥221.1 billion, or 11.1% year on year, attributable to a decrease in petroleum-related transactions. Gross trading profit rose ¥11.3

Selling, General and Administrative Expenses

(Years ended March 31)



billion, or 36.7%, to ¥42.1 billion, mostly the result of higher earnings from projects in which Marubeni holds an equity interest.

Metals & Mineral Resources transactions, buoyed by higher prices for coal, raw materials for steel making, and non-ferrous metals, climbed ¥116.1 billion, or 23.5%, to ¥609.3 billion. Reflecting this growth, gross trading profit climbed ¥3.5 billion, or 29.2%, to ¥15.7 billion.

Transportation & Industrial Machinery transactions edged ¥5.0 billion, or 0.6%, lower to ¥777.6 billion. This decrease stemmed from a decline in aircraft and defense-related transactions, which offset increased transactions related to automobiles and construction machinery. Gross trading profit, however, rose ¥0.3 billion, or 0.6%, to ¥56.1 billion, primarily due to higher profits from industrial machinery-related transactions.

Utility & Infrastructure transactions were up ¥18.3 billion, or 5.1%, to ¥379.3 billion due largely to an increase in overseas IPP business operating companies. Gross trading profit rose ¥2.1 billion, or 10.1%, to ¥22.6 billion due to the growth in transactions.

Plant & Ship transactions declined ¥123.7 billion, or 20.2%, to ¥489.4 billion mainly because of fewer energy and chemical plant transactions. Despite an initial drop reflecting this decline, gross trading profit soared ¥4.5 billion, or 50.9%, to ¥13.3 billion, largely from the consolidation of shipping-related operating companies. In April 2005, Marubeni subsidiary Japan Indonesia Petrochemical Investment Corporation sold financial assets related to its Chandra Asri petrochemical operations to Commerzbank International Trust (Singapore) Ltd. In exchange, a basic

Operating Segment Information

	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	
Trading Transactions	**2005**	**2005**	2004	2003
Agri-Marine Products	**¥ 979,855**	***$ 9,157,523***	¥ 856,810	¥1,023,513
Textile	**355,311**	***3,320,664***	352,864	370,277
Forest Products & General Merchandise	**792,377**	***7,405,393***	771,508	745,776
Chemicals	**667,473**	***6,238,065***	564,526	569,928
Energy	**1,773,951**	***16,578,981***	1,995,014	2,309,753
Metals & Mineral Resources	**609,2744**	***5,694,150***	493,206	442,344
Transportation & Industrial Machinery	**777,592**	***7,267,215***	782,603	776,578
Utility & Infrastructure	**379,343**	***3,545,262***	361,018	421,850
Plant & Ship	**489,437**	***4,574,178***	613,097	736,476
Development & Construction	**196,844**	***1,839,664***	178,748	185,840
Finance & Logistics Business	**21,313**	***199,187***	17,891	37,834
Telecom & Information (IT Business)	**175,848**	***1,643,439***	167,762	386,162
Domestic Branches and Offices	**141,992**	***1,327,028***	159,246	172,935
Overseas Corporate Subsidiaries and Branches	**1,070,212**	***10,001,981***	1,035,614	1,065,367
Corporate and Elimination	**(491,385)**	***(4,592,384)***	(444,267)	(451,330)
Consolidated	**¥7,939,437**	***$74,200,346***	¥7,905,640	¥8,793,303

	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	
Gross Trading Profit	**2005**	**2005**	2004	2003
Agri-Marine Products	**¥ 71,312**	***$ 666,467***	¥ 61,436	¥ 58,559
Textile	**25,174**	***235,271***	23,914	24,494
Forest Products & General Merchandise	**46,612**	***435,626***	42,009	41,242
Chemicals	**26,857**	***251,000***	24,945	29,279
Energy	**42,132**	***393,757***	30,817	29,615
Metals & Mineral Resources	**15,709**	***146,813***	12,163	13,984
Transportation & Industrial Machinery	**56,098**	***524,280***	55,769	54,371
Utility & Infrastructure	**22,646**	***211,645***	20,567	11,832
Plant & Ship	**13,332**	***124,598***	8,836	13,866
Development & Construction	**27,530**	***257,290***	27,909	34,027
Finance & Logistics Business	**5,785**	***54,065***	4,900	6,523
Telecom & Information (IT Business)	**24,483**	***228,813***	19,952	32,559
Domestic Branches and Offices	**4,898**	***45,776***	5,427	6,081
Overseas Corporate Subsidiaries and Branches	**76,517**	***715,112***	73,458	72,827
Corporate and Elimination	**(23,030)**	***(215,233)***	(2,641)	(4,616)
Consolidated	**¥436,055**	***$4,075,280***	¥409,461	¥424,643

Note: Trading transactions have been prepared according to accounting principles generally accepted in Japan.

agreement was reached for the acquisition of shares in P.T. Mushi Pulp and its related operations and assets.

Development & Construction transactions were up ¥18.1 billion, or 10.1%, to ¥196.8 billion, lifted by an increase in domestic real estate fund brokerage and agency transactions. Gross trading profit dipped ¥0.4 billion, or 1.4%, to ¥27.5 billion, as lower transactions from declining condominium sales and the transfer of domestic construction operations overshadowed higher profits from overseas residential housing operations.

Finance & Logistics Business transactions increased ¥3.4 billion, or 19.1%, to ¥21.3 billion, due to higher fund and logistics-related transactions. Benefiting from higher fund-related transactions, gross trading profit climbed ¥0.9 billion, or 18.1%, to ¥5.8 billion.

Telecom & Information transactions were up ¥8.1 billion from the previous year, or 4.8%, to ¥175.8 billion, the result of higher transactions from communications-related operations. Due to this growth, gross trading profit rose ¥4.5 billion, or 22.7%, to ¥24.5 billion.

Domestic Branches and Offices transactions, impacted by lower transactions related to machinery and the transfer of commercial rights, decreased ¥17.3 billion, or 10.8%, to ¥142.0 billion. Gross trading profit was ¥4.9 billion, a decline of ¥0.5 billion, or 9.7%, compared to the previous year.

Overseas Corporate Subsidiaries and Branches transactions increased ¥34.6 billion, or 3.3% year on year, to ¥1,070.2 billion, mostly due to higher automobile, construction machinery and agrochemical-related transactions in the U.S. Gross trading profit was up ¥3.1 billion, or 4.2%, to ¥76.5 billion, mainly due to higher earnings from agrochemical-related operations in the U.S.

(4) Business Results by Geographic Region

Japan

Trading transactions increased ¥52.1 billion, or 0.8%, to ¥6,977.5 billion, mostly from growth in transactions related to Agri-Marine Products. Operating profit fell ¥16.3 billion, or 32.9%, to ¥33.3 billion, mainly due to a decline in earnings from Utility & Infrastructure and Plant & Ship-related business.

North America

Trading transactions were down ¥405.7 billion, or 28.4%, to ¥1,025.1 billion, hampered mainly by lower Energy-related transactions. Operating profit, however, was buoyed by higher earnings from the same transactions, surging ¥8.2 billion, or 147.2%, to ¥13.8 billion.

Europe

Trading transactions increased ¥38.8 billion, or 10.5%, to ¥407.0 billion, positively influenced primarily by higher transactions from Utility & Infrastructure-related business. Operating profit, meanwhile, increased ¥5.2 billion, or 75.9%, to ¥12.1 billion, largely atop higher earnings from Energy-related transactions.

Asia and Oceania

Trading transactions rose ¥81.1 billion, or 14.4%, to ¥645.9 billion, primarily due to a higher volume of Chemicals and Utility & Infrastructure-related business. This higher transaction volume in Utility & Infrastructure-related business lifted operating profit ¥4.7 billion, or 37.4%, to ¥17.1 billion.

Total Volume of Trading Transactions by Region

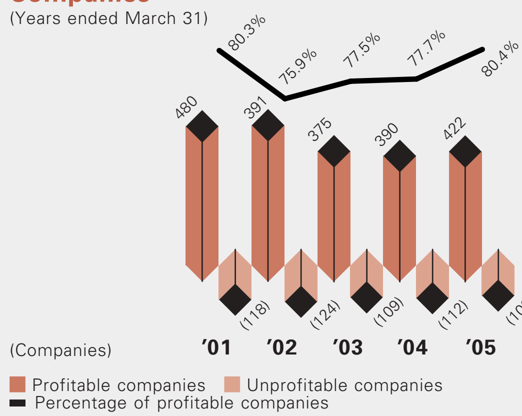
(Years ended March 31)

	Billions of Yen	
	2005	2004
Japan	**¥6,977.5**	¥6,925.4
North America	**1,025.1**	1,430.8
Europe	**407.0**	368.3
Asia & Oceania	**645.9**	564.8
Other Regions	**980.5**	825.4

Note: Trading transactions have been prepared according to accounting principles generally accepted in Japan.

Profitability Comparison of Consolidated Companies

(Years ended March 31)



Other Regions

Trading transactions climbed ¥155.1 billion, or 18.8%, to ¥980.5 billion, boosted mainly by higher Energy and Plant & Ship-related transactions. Operating profit soared ¥5.1 billion, or 103.2%, to ¥10.0 billion, mainly because of higher earnings from Plant & Ship transactions.

Please note that figures for trading transactions and operating profit have been prepared according to accounting principles generally accepted in Japan.

(5) Business Results from Principal Consolidated Subsidiaries and Affiliates

In terms of the operating results of consolidated subsidiaries in the fiscal year ended March 31, 2005, out of 369 consolidated subsidiaries (131 domestic, 238 overseas) and 156 affiliates (47 domestic, 109 overseas), 422 companies were profitable. The percentage of companies achieving profitability was 80.4%, an improvement of 2.7 percentage points compared to 77.7% in the previous fiscal year, and exceeded 80% for the first time in four fiscal years.

The 422 profitable companies generated a total profit of ¥92.7 billion, ¥28.9 billion more than the ¥63.8 billion in profit posted a year earlier. In contrast, the 103 unprofitable companies generated a total loss of ¥51.0 billion, up ¥7.6 billion from the loss of ¥43.4 billion recorded a year ago. The end-result was a net profit of ¥41.7 billion, more than double the ¥20.4 billion in net profit posted in the previous fiscal year.

2 | Liquidity and Funding Sources

(1) Financial Position

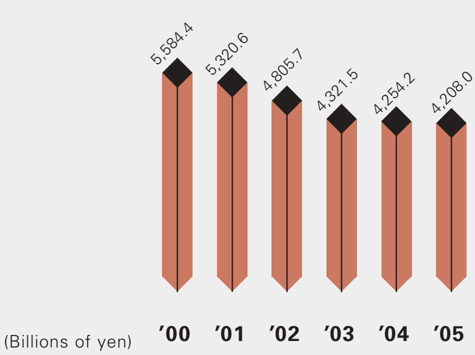
Consolidated total assets declined ¥46.2 billion to ¥4,208.0 billion. Marubeni enacted a review of underperforming transactions and sold assets, resulting in fewer notes and accounts receivable—trade. These sales offset an increase primarily in property, plant and equipment from investment mainly in new energy projects overseas.

Total shareholders' equity rose ¥50.2 billion to ¥443.2 billion. In addition to an increase in net income to ¥41.2 billion, there was an ¥11.7 billion improvement in net unrealized gain on investment securities due mostly to a recovery in the stock market.

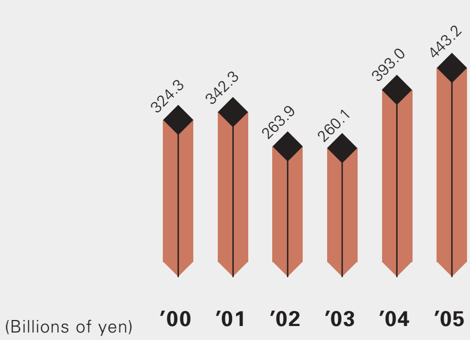
Consolidated interest-bearing debt declined ¥168.4 billion to ¥2,286.4 billion. Net interest-bearing debt, after deduction of cash and cash equivalents, fell ¥145.4 billion to ¥1,823.9 billion. As a result, the net D/E ratio improved 0.89 of a point to 4.12 times, from 5.01 times at the previous fiscal year-end. With this performance, the Company effectively achieved ahead of schedule the "V" PLAN objectives targeted for completion by the close of the current fiscal year, namely net interest-bearing debt of ¥2 trillion or less, and a net D/E ratio of between 4 to 5 times.

* Net interest-bearing debt is calculated as the sum of interest-bearing debt (including short-term loans, long-term debt and commercial paper) and corporate bonds (including convertible bonds), minus cash deposits.

Total Assets
(At March 31)



Shareholders' Equity
(At March 31)



(2) Liquidity

Marubeni and its consolidated subsidiaries maintain a sufficient level of liquidity mainly through cash and deposits and the establishment of credit facilities.

As of March 31, 2005, cash and deposits totaled ¥462.5 billion. Details regarding credit facilities are as follows:

- *Parent company*
  — ¥415.0 billion from a syndicate of major and regional Japanese banks (short term: ¥215.0 billion, long term: ¥200.0 billion)

- *Overseas finance subsidiary*
  — US$35 million from a major Japanese bank (short term)

- *Marubeni Corporation, Marubeni America Corporation, Marubeni Europe plc, and Marubeni Finance Holland B.V.*
  — These four companies have available credit facilities (short term) totaling US$380 million, secured mainly through major European and U.S. banks.

In addition to these credit facilities, the Company holds highly liquid marketable securities. In all, these assets provide sufficient liquidity to cover short-term loans and the current portion of long-term debt, which totaled ¥659.1 billion as of March 31, 2005.

(3) Fund Procurement

The fundamental policy of Marubeni and its consolidated subsidiaries is to maintain an optimal mix of funding in line with the requirements of its asset portfolio. The goal is to sustain a stable level of liquidity while trimming financing costs. Funding sources included indirect procurement from banks, life insurers and other financial institutions, and direct procurement through the issuance of bonds, commercial paper and other means.

Marubeni has established the following programs to procure funds directly from capital markets.

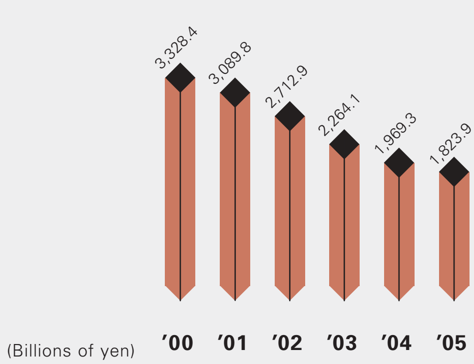
- Shelf registration for the public sale of ordinary bonds in Japan: ¥500.0 billion

- Commercial paper program
  — Marubeni Europe plc (U.K.): US$300 million; Marubeni International Finance p.l.c. (U.K.): US$900 million

- Euro Medium-term Note Program
  — Parent company: US$2 billion
  — Four-company joint program (Marubeni America Corporation, Marubeni Europe plc; Marubeni International Finance p.l.c., Marubeni Finance Holland B.V.): US$5.0 billion

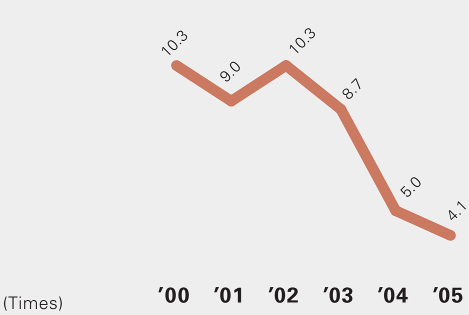
Net Interest-Bearing Debt

(At March 31)



Net D/E Ratio

(At March 31)



To aid in procuring funds from capital markets, Marubeni has acquired credit ratings from Moody's Investors Service (Moody's), Standard & Poor's (S&P), Rating and Investment Information, Inc. (R&I), and Japan Credit Rating Agency, Ltd. (JCR).

In December 2004, R&I upgraded Marubeni's long-term rating from BB+ to BBB-, and upgraded its short-term rating from a-3 to a-2. In January 2005, JCR upgraded Marubeni's long-term rating from BBB+ to A-, and its short-term rating from J-2 to J-1. Similarly, in March 2005, S&P upgraded the Company's long-term rating from BB- to BB. In May, Moody's upgraded Marubeni's long-term rating from Ba2 to Baa3, and its short-term rating from Not-Prime to Prime-3.

Marubeni remains committed to conducting portfolio management, enhancing risk management and taking other actions needed to raise its profitability and credit ratings even higher.

(4) Cash Flows

Net cash provided by operating activities was ¥173.8 billion, or ¥27.7 billion less than a year earlier. Net cash provided by investing activities was ¥46.0 billion, owing to the sales and redemptions of marketable and investment securities, and the collection of loans receivable. The result was free cash inflow for the year of ¥219.9 billion. Net cash used in financing activities was ¥238.1 billion, as free cash inflow was used for the repayment of short-term loans and long-term debt. Cash and cash equivalents at the fiscal year-end amounted to ¥459.2 billion, or ¥19.5 billion lower than at the previous fiscal year-end.

3 | Risk Information

(1) Risks Regarding Overall Marubeni Operations

a. Impact of the Japanese and global economies on Marubeni and its consolidated subsidiaries

Marubeni and its consolidated subsidiaries are active in Japan and over 70 other countries as a general trading company, and conduct an array of commercial and investment activities over a wide range of industries and fields. Examples include the production and procurement of natural resources and other primary commodities, as well as the manufacture and sale of finished goods. As a result, the Marubeni Group is impacted by the economic conditions prevailing in Japan and other countries where it has operations, as well as by the state of the global economy as a whole. Worsening economic conditions on either of these fronts could adversely affect the operating activities, performance and financial position of Marubeni and its consolidated subsidiaries.

b. Credit risks regarding business partners

Marubeni and its consolidated subsidiaries extend credit to business partners in the form of accounts receivables, advances, loans, guarantees and other means. The incurrence of credit risk due to the inability of business partners to fulfill their credit obligations could negatively impact the Company's business results and financial position.

To ward off credit risks, Marubeni and its consolidated subsidiaries conduct extensive risk management at the credit screening stage. Nevertheless, Marubeni can offer no guarantee that these measures will be sufficient to avoid credit risks. In preparation for the incurrence of possible losses when credit risk becomes apparent, Marubeni and its consolidated subsidiaries establish allowances for doubtful accounts based on the estimated amount of the loss, the business partner's creditworthiness, collateral value and other set factors. In the event of such losses, however, the Company cannot guarantee that actual losses will not exceed these established allowances.

c. Risk of breach of contract by business partners

As part of sales activities, Marubeni and its consolidated subsidiaries conclude merchandise supply, subcontracting, operational outsourcing, and other types of contracts with business partners. A breach of contract by these business partners could adversely affect the Company's business results and financial condition.

d. Investment risk

Marubeni and its consolidated subsidiaries, both independently and in collaboration with other companies, establish new companies and purchase existing enterprises in the course of their business operations. Most of these business investments are of minimal liquidity and require sizeable amounts of capital. Marubeni or its consolidated subsidiaries may be unable to withdraw from such businesses in an optimal manner or timeframe, which could inevitably require the commitment of an additional expenditure of capital.

A decline in the value of these investments or the necessity of additional expenditures of capital could adversely affect the Company's business results and financial condition. In an effort to prevent the occurrence of risks associated with investments and other activities, Marubeni and its consolidated subsidiaries conduct extensive risk management, including checking new investments to determine whether expected returns are commensurate with the risks involved. Nevertheless, the Marubeni Group can offer no guarantee that these measures will be sufficient to avoid these risks.

e. Concentrated risk exposure

As part of commercial and investment activities, Marubeni and its consolidated subsidiaries are concentrated in specific investment targets, markets and regions, such as plant-related business, real-estate business in Japan, and sales activities in Indonesia and the Philippines. As a result, lackluster performance by these investment targets, or a deteriorating operating environment in these markets or regions, could adversely affect the business results and financial condition of Marubeni and its consolidated subsidiaries.

f. Ability to procure funds and procurement cost

Marubeni and its consolidated subsidiaries engage in fund procurement with an emphasis on maintaining an optimal mix of funding in line with the requirements of their respective asset portfolios and ensuring liquidity. However, significant disruptions in major global capital markets, or a sharp downgrade in the credit ratings of Marubeni and its consolidated subsidiaries by ratings agencies, could constrain fund procurement or lead to an increase in fund procurement cost, which may adversely affect the business results and financial condition of Marubeni and its consolidated subsidiaries.

g. Fluctuations in the price of goods and merchandise

Because Marubeni and its consolidated subsidiaries handle a variety of merchandise, changes in their respective market conditions can adversely affect business performance. To mitigate the risk of fluctuations in market conditions for certain merchandise, contracts and scheduled contracts, Marubeni and its consolidated subsidiaries enter into commodity futures and forward contracts. However, the Company cannot guarantee that these hedge transactions will completely cover its exposure in these areas.

h. Impairment of real estate, machinery and equipment, and other property, plant and equipment

Marubeni and its consolidated subsidiaries hold real estate, machinery and equipment, and other property, plant and equipment for sale and lease to other parties as well as for their own use. A decline in the intrinsic value of these assets could force the Marubeni Group to book impairment losses. Marubeni and its consolidated subsidiaries apply accounting principles generally accepted in the United States (US GAAP) in an effort to enact suitable impairment measures for property, plant and equipment. A dramatic decline in asset value could nonetheless have a negative impact on the Marubeni Group's business results and financial position.

i. Fluctuations in foreign currency exchange rates

Marubeni and its consolidated subsidiaries conduct transactions under a variety of currencies and terms, which exposes Marubeni's business results to fluctuations in currency exchange rates. To mitigate the risk of exchange rate fluctuations associated with transactions, receivables and liabilities denominated in foreign currencies, Marubeni and its consolidated subsidiaries enter into forward-exchange contracts and other derivative transactions. However, the Company cannot guarantee that these hedge transactions will completely cover its exposure in these areas.

j. Fluctuations in interest rates

Marubeni and its consolidated subsidiaries procure necessary funds from financial institutions, the issuance of bonds and other means from capital markets. Further, net interest-bearing debt is procured at fixed interest rates and variable interest rates. While the interest risk of the majority of the operating assets held by Marubeni and its consolidated subsidiaries offset the interest rate risk associated with debt, changes in market interest rates could adversely affect the Company's earnings. Through asset-liability management, Marubeni and its consolidated subsidiaries utilize interest rate swaps and other agreements to mitigate the risk of interest rate fluctuations. However, the Company cannot guarantee that these hedge transactions will completely cover its exposure in this area.

k. Gains and losses from marketable debt and equity securities

To strengthen business relationships and for other purposes, Marubeni and its consolidated subsidiaries invest in marketable debt securities, marketable equity securities and other types of securities. At the time of purchase, these securities are classified as trading, held-to-maturity, or available-for-sale securities, in accordance with Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities, published by the Financial Accounting Standards Board (FASB) of the United States.

Trading and available-for-sale securities held by Marubeni and its consolidated subsidiaries carry the risk of fluctuations in original value due to changes in fair value. The posting of losses on the devaluation of these securities at low points in fair value may adversely affect the business results and financial condition of Marubeni and its consolidated subsidiaries.

l. Laws and regulations

In the course of operations, Marubeni and its consolidated subsidiaries are subject to a broad range of laws and regulations both in Japan and other applicable countries. Changes in or unanticipated interpretations of these laws and regulations could increase the obligations pertaining to legal and regulatory compliance placed on Marubeni and its consolidated subsidiaries. Accordingly, changes or altered interpretations of laws and regulations may result in punitive measures, including the interruption of Marubeni's operating activities, lower the Company's credibility or cause the occurrence of other circumstances that could adversely impact the Company's business results or financial conditions.

m. Significant litigation

In the course of business activities in Japan and overseas, Marubeni and its consolidated subsidiaries may be party to litigation, disputes and other legal proceedings. When party to such litigation, predicting the outcome is impossible given the inherent uncertainty of these matters. The Company cannot guarantee that such litigation will not adversely affect the business results and financial condition of Marubeni and its consolidated subsidiaries.

n. Other risks inherent and related to overall Marubeni operations

Negligence on the part of employees charged with executing business operations, and malfunctions pertaining to computer systems supporting business activities are among the other risks that may adversely affect the business results and financial condition of Marubeni and its consolidated subsidiaries.

(2) Risk Management

Marubeni and its consolidated subsidiaries operate an integrated decision-making process, which is deployed when assessing the provision of credit facilities, investments and other key matters on a case-by-case basis. When investigating new business opportunities and other important projects, the Marubeni Group is obligated to report regularly to the Corporate Management Committee and similar management bodies, and this duty is reflected in related decision-making. In this way, the Marubeni Group seeks to circumvent risks by enhancing risk management on a case-by-case basis.

With a view to mitigating risk company-wide, the Marubeni Group has an integrated risk management system in place to ascertain a range of quantifiable or measurable risks. Examples include market, credit and investment risks associated with specific countries, business formats, and customers. In this integrated system, fundamental risk management policies and internal regulations are formulated to ensure proper decision-making and monitoring of these risks. Likewise, organizations, management systems, management options and systems infrastructure are also kept in place for executing these policies and regulations.

For compliance risk and other difficult to quantify or immeasurable risks, the Marubeni Group strives to prevent these risks systemically by enhancing corporate governance, putting internal control systems in place and bolstering its compliance structure.

Nevertheless, numerous risks can arise during the course of the wide-ranging operations of Marubeni and its consolidated subsidiaries. Moreover, the risk management framework operated by the Marubeni Group may be unable to prevent the occurrence of a variety of risks that carry the possibility of future occurrence. As a result, the Marubeni Group cannot guarantee its ability to completely manage such risks.

(3) The New Medium-term Management Plan

Marubeni and its consolidated subsidiaries embarked on a three-year medium-term management plan, the "V" PLAN, from April 2003. With the goal of improving Marubeni's financial position and strengthening its earnings base, the plan aims to achieve consolidated net income of ¥50.0 billion, consolidated net interest-bearing debt of ¥2 trillion or less, and a net D/E ratio of 5 times or less by the fiscal year ending March 31, 2006. However, these objectives were prepared based on certain assumptions, hypotheses and projections regarding the persistence of certain economic conditions, industry trends, and other concerns. A number of unknown and uncontrollable factors could prevent the Company from achieving these objectives.

(4) Uncertainty Regarding Financial Condition and Changes in Operating Results

Factors that have caused the performance and financial condition of Marubeni and its consolidated subsidiaries to fluctuate in the past include the following items: gains and losses on the sale of real estate and devaluation losses pertaining to real estate;

realized gains and losses and devaluation losses associated with marketable and investment securities; allowances for bad debt, and losses stemming from the realignment of Marubeni Group companies. To improve their financial position, Marubeni and its consolidated subsidiaries have taken steps to reduce total assets and net interest-bearing debt, reduce or establish allowances for underperforming and unprofitable assets, pare down expenses, shift resources to high-growth fields, and minimize exposure to high-risk assets. While Marubeni and its consolidated subsidiaries are confident that substantial progress has been made in enhancing their financial positions, there is no guarantee that greater losses will not be posted in the future.

4 | Significant Estimates

Marubeni prepares its consolidated financial statements in accordance with accounting principles generally accepted and recognized in the United States. In preparing important accounting policies and these statements, certain accounting estimates and assumptions are utilized as needed when calculating assets and liabilities as of the fiscal year-end, the disclosure of contingent assets and liabilities, and earnings and expenses incurred during the year. In determining accounting estimates and assumptions, management makes what it believes to be a reasonable inference of these amounts based on past experience and on a case-by-case basis. Estimates and assumptions made in this way have an inherent degree of uncertainty, and actual results could differ from those estimates. Management considers the following estimates and assumptions will have a material impact on the Company's consolidated financial statements.

Allowances for doubtful accounts

When evaluating credit risk associated with accounts receivable, notes receivable, loans receivable, and other receivables, Marubeni and its consolidated subsidiaries classify such according to latent risk carried by the obligor or geographical region concerned. Based on this classification, an allowance is established for a given receivable considered as a loss, posted at an amount equal to the current value of the receivables (projected cash flow minus the initial effective interest rate), or the fair value of the asset as collateral. Projected cash flow and fair value as collateral are estimated based on the most accurate credit information available from specialists regarding the past payment history of each applicable obligor or region. For general receivables not covered above, allowances are calculated based on the historical rate of default for each risk category. The historical rate of default is determined by specialists, based on past experience in each applicable risk area.

While Marubeni believes these estimates to be reasonable, unexpected changes and other factors could significantly impact the Company's consolidated financial statements.

Valuation of marketable securities

In accordance with Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities, published by the FASB, Marubeni and its consolidated subsidiaries classify securities as trading, held-to-maturity, or available-for-sale.

Held-to-maturity securities are stated at amortized cost, adjusted for amortization of premiums and accretion of discounts to maturity. Available-for-sale securities are carried at fair value with the unrealized gains and losses, net of taxes, reported in accumulated other comprehensive loss in shareholders' equity. For held-to-maturity and available-for-sale securities, declines in value judged other than temporary are posted as devaluation losses.

Declines in the value of marketable securities judged other than temporary are determined by examining the length of time that market value remains below book value and the percent decline in value. For securities without market quotations, a comprehensive examination of the possibility of recovery—based on projected business results—net assets and other measures of the percent decline in actual value, are used to make this determination.

While Marubeni believes these estimates to be reasonable, unforeseeable changes to the assumptions used could result in a higher-than-expected loss, which could significantly impact the Company's consolidated financial statements.

Loss on long-lived assets

Projected cash flows are utilized when determining devaluation losses for long-lived assets held by Marubeni and its consolidated subsidiaries. Projected cash flows are estimated based on a pre-established set of criteria.

While Marubeni believes these estimates to be reasonable, unforeseeable changes to the terms and criteria used could result in a reassessment of projected cash flows, which could significantly impact the Company's consolidated financial statements.

Deferred tax assets

In their financial statements and for tax purposes, Marubeni and its consolidated subsidiaries post transitional differences and losses carried forward as deferred tax assets. Regarding transitional differences and losses carried forward lowered due to future tax changes, a valuation allowance is posted for the portion for which realization is deemed unlikely, with deferred tax assets reduced accordingly. The projected amount of future tax to be collected is estimated based on future applicable income taxes and tax strategies.

While Marubeni believes these estimates to be reasonable, unforeseeable changes to the terms and criteria used could result in a reassessment of the projected amount of tax to be collected, which could significantly impact the Company's consolidated financial statements.

Retirement benefit expenses

Marubeni and its consolidated subsidiaries utilize actuarial pension accounting based on pre-established criteria to calculate severance pay and pension obligations for regular employees. These pre-established criteria include the discount rate, the retirement rate, the mortality rate, the rate of salary increase, and the rate of expected return on pension assets.

While Marubeni believes these estimates to be reasonable, unforeseeable changes to the criteria used could significantly impact the Company's consolidated financial statements.

New accounting standards

In March 2004, the Financial Accounting Standards Board issued FASB Emerging Issue Task Force Issue 04-2, "Whether Mineral Rights Are Tangible or Intangible Assets" (EITF 04-2). In this regard, the FASB also issued FASB Staff Position (FSP) No. 141-1 and No. 142-1, which amend SFAS 141 and 142.

Pursuant to EITF 04-2 and FSP 141-1 and 142-1, all mining rights, which were previously classified as intangible assets, have been reclassified under "Mining rights" and "Accumulated depreciation" under "Property, plant and equipment, at cost" in the consolidated balance sheets.

5 | Off-balance sheet arrangements and contractual obligations

Marubeni 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 ¥96,806 million, including ¥42,183 million to affiliated companies, as of March 31, 2005, net of the amount secured by guarantees issued to the Company by other parties of ¥17,246 million. In the year ended March 31, 2004, these figures were ¥180,230 million, ¥110,557 million and ¥19,507 million, respectively.

6 | Significant Policies

Marubeni launched a three-year medium-term management plan, the "V" PLAN, in April 2003. The management policies formulated in the "V" PLAN aim to forge the Company into a resilient group possessing the top operational units and business portfolio in the industry. The ultimate goal is to strengthen the Company's earnings base and improve its financial position primarily through stronger portfolio management and by placing renewed emphasis on risk-return profiles. Currently, Marubeni is redoubling efforts to achieve the objectives of the "V" PLAN in the run-up to its scheduled conclusion in the fiscal year ending March 31, 2006.

From an economic, environmental and social perspective, the Marubeni Group recognizes that the support of its diverse stakeholders is crucial to conducting its business activities. Accordingly, the Group pursues activities in a manner that will mutually benefit and satisfy its customers, business partners, shareholders, employees and the local communities where it operates. At the same time, the Group implements sound management that gives due concern to protecting the natural environment, with the goal of developing a stable and sustainable base for Group operations. From a qualitative standpoint as well, the Group continues to promote stronger corporate governance and CSR activities, in parallel with renewed efforts to ensure well-equipped internal control systems and bolster the Group's compliance structure. Through these actions, the Marubeni Group is moving ahead with initiatives designed to maintain management transparency and maximize corporate value.

By the fiscal year ending March 31, 2006, the "V" PLAN targets consolidated net income of ¥50.0 billion, consolidated net interest-bearing debt of ¥2 trillion or less, and a net debt-to-equity ratio of 5 times or less.

7 | Outlook

Looking at the economic environment facing the Marubeni Group, the United States and China are expected to continue to enact more stringent economic policies amid rising prices for primary commodities. The impact of policies centered on these two countries will likely cause a slowdown in economies worldwide, leading to a more stable, if subdued, pace of global economic growth.

In the U.S., interest rates are expected to continue to climb as rising raw materials prices trigger stronger inflationary pressures. In response, growth in consumer spending and capital investment is projected to weaken, as the economy turns the corner toward a more stable growth pace. In Europe, the modest economic recovery under way is expected to remain on course. In Asia, while China's high rate of growth is forecast to continue, growth in capital goods investments will most likely be restrained by the impact of more restrictive government policies. The result will likely be a decline in the overall pace of growth in the region. In Japan, meanwhile, forecasts call for brisk exports and capital investment in light of stable global economic growth, as well as the anticipated end of production cutbacks in electronic components and devices by mid-2005. However, with no major improvements in Japan's employment and personal income picture in sight, no full-scale recovery in consumer spending appears forthcoming. As a result, economic growth is expected to remain modest for the foreseeable future.

In this context, Marubeni is managing its progress on the qualitative and quantitative targets laid out in the "V" PLAN, the three-year medium-term management plan launched in April 2003, in the run-up to the plan's scheduled completion at the end of the current fiscal year. Focused on ensuring the successful achievement of plan objectives, all Marubeni directors and regular employees are united in an effort to cement the foundations that will give Marubeni the resilient structure required to attain sustainable growth in the future, as well as realize a broader earnings base. Regarding the outlook for consolidated net income for the fiscal year ending March 31, 2006, the "V" PLAN target of ¥50.0 billion has been raised to ¥60.0 billion, since completion of the "V" PLAN is expected to yield steady improvements in profitability not only in natural resource-related fields, which are currently benefiting from favorable market conditions, but also in food, pulp and paper, overseas IPP business and other areas. Marubeni's earnings base will also be boosted further by a total of around ¥100.0 billion in new investments and financing scheduled to be implemented during the current fiscal year.

The Marubeni Group is concentrating resources in fields where it has clear advantages, as well as in fields that hold promise for future growth. In doing so, strong, decisive management is essential. With food distribution, pulp and paper, electronic materials, natural resource development, overseas IPP business and new applied technology fields all positioned as priority business areas, the Marubeni Group will continue to act decisively to bolster its presence in each of these key domains.

Consolidated Balance Sheets

Marubeni Corporation
At March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars *(Note 1)*
ASSETS	**2005**	2004	**2005**
Current assets:			
Cash and cash equivalents *(Notes 2 and 16)*	**¥ 459,194**	¥ 478,731	**$ 4,291,533**
Time deposits *(Notes 7 and 16)*	**3,256**	6,753	**30,430**
Investment securities *(Notes 2, 3, 7 and 16)*:			
Marketable equity securities	**3,997**	3,387	**37,355**
Other	**28,949**	6,058	**270,551**
Notes and accounts receivable – trade *(Notes 5 and 7)*:			
Notes receivable	**101,298**	98,227	**946,710**
Accounts receivable	**783,001**	764,545	**7,317,766**
Due from affiliated companies	**94,453**	106,391	**882,738**
Allowance for doubtful accounts	**(24,620)**	(26,949)	**(230,093)**
Inventories *(Notes 2 and 7)*	**376,480**	398,617	**3,518,505**
Advance payments to suppliers	**83,529**	85,490	**780,645**
Deferred income taxes *(Note 10)*	**43,483**	32,862	**406,383**
Prepaid expenses and other current assets	**140,332**	125,852	**1,311,515**
Total current assets	**2,093,352**	2,079,964	**19,564,038**
Investments and long-term receivables:			
Affiliated companies *(Notes 2, 4 and 7)*	**325,380**	337,451	**3,040,935**
Securities and other investments *(Notes 2, 3, 7 and 16)*:			
Marketable equity securities	**207,610**	178,290	**1,940,280**
Other	**276,318**	307,575	**2,582,411**
Notes, loans and accounts receivable – trade, net of unearned interest, less allowance for doubtful accounts of ¥84,696 million ($791,551 thousand) in 2005 and ¥93,865 million in 2004 *(Notes 2, 5, 7 and 16)*	**186,096**	206,184	**1,739,215**
Property leased to others, at cost, less accumulated depreciation of ¥69,835 million ($652,664 thousand) in 2005 and ¥55,628 million in 2004 *(Notes 2 and 7)*	**248,338**	256,370	**2,320,916**
Total investments and long-term receivables	**1,243,742**	1,285,870	**11,623,757**
Property, plant and equipment, at cost *(Notes 2 and 7)*:			
Land and land improvements	**178,348**	179,450	**1,666,804**
Buildings	**284,105**	288,668	**2,655,187**
Equipment	**360,024**	322,240	**3,364,710**
Mining rights	**20,611**	18,100	**192,626**
	843,088	808,458	**7,879,327**
Accumulated depreciation	**(310,782)**	(308,944)	**(2,904,505)**
Net property, plant and equipment	**532,306**	499,514	**4,974,822**
Prepaid pension cost *(Note 9)*	**84,709**	105,797	**791,673**
Deferred income taxes *(Note 10)*	**89,284**	118,274	**834,430**
Intangible assets *(Notes 2, 6 and 9)*	**35,548**	35,477	**332,224**
Goodwill *(Notes 2 and 6)*	**27,509**	28,793	**257,093**
Other assets	**101,587**	100,505	**949,412**
Total assets	**¥4,208,037**	¥4,254,194	**$39,327,449**

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2005	2004	Thousands of U.S. Dollars (Note 1) 2005
Current liabilities:			
Short-term loans *(Notes 7, 8 and 16)*	**¥ 344,597**	¥ 474,735	**$ 3,220,533**
Current portion of long-term debt *(Notes 7, 8 and 16)*	**314,501**	328,816	**2,939,262**
Notes and accounts payable – trade:			
Notes and acceptances payable *(Note 7)*	**207,663**	204,574	**1,940,776**
Accounts payable	**650,387**	629,279	**6,078,383**
Due to affiliated companies	**44,817**	44,228	**418,850**
Advance payments received from customers	**80,502**	76,684	**752,355**
Income taxes *(Note 10)*	**13,541**	13,262	**126,551**
Deferred income taxes *(Note 10)*	**3,849**	2,535	**35,972**
Accrued expenses and other current liabilities *(Note 7)*	**222,721**	190,705	**2,081,505**
Total current liabilities	**1,882,578**	1,964,818	**17,594,187**
Long-term debt, less current portion *(Notes 7, 8 and 16)*	**1,813,722**	1,822,473	**16,950,673**
Employees' retirement benefits *(Note 9)*	**9,319**	8,786	**87,093**
Deferred income taxes *(Note 10)*	**18,851**	23,536	**176,178**
Minority interests in consolidated subsidiaries	**40,415**	41,599	**377,711**
Commitments and contingent liabilities *(Note 18)*			
Shareholders' equity *(Note 11)***:**			
Preferred stock *(Note 12)*:			
Class I with no stated value:			
Authorized shares – 100,000,000			
Issued and outstanding shares – 75,500,000 in 2005 and 2004	**37,750**	37,750	**352,804**
(aggregate liquidation preference of ¥75,500 million)			
Class II with no stated value:			
Authorized shares – 100,000,000			
No shares issued and outstanding	**–**	–	**–**
Common stock:			
Authorized shares – 4,300,000,000			
Issued and outstanding shares – 1,494,021,081 in 2005 and 2004	**194,039**	194,039	**1,813,448**
Capital surplus	**125,436**	125,430	**1,172,299**
Retained earnings	**131,195**	94,870	**1,226,121**
Accumulated other comprehensive loss *(Notes 3, 9, 10 and 13)*	**(45,126)**	(59,025)	**(421,738)**
Cost of common stock in treasury – 854,465 shares in 2005 and 714,433 shares in 2004	**(142)**	(82)	**(1,327)**
Total shareholders' equity	**443,152**	392,982	**4,141,607**
Total liabilities and shareholders' equity	**¥4,208,037**	¥4,254,194	**$39,327,449**

See accompanying notes.

Consolidated Statements of Income

Marubeni Corporation
Year ended March 31, 2005, 2004 and 2003

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2005	2004	2003	**2005**
Revenues *(Note 2)*:				
Revenues from trading and other activities	**¥2,877,544**	¥2,624,011	¥2,520,531	**$26,892,935**
Commissions on services and trading margins	**161,108**	150,158	160,636	**1,505,682**
Total	**3,038,652**	2,774,169	2,681,167	**28,398,617**
(Total volume of trading transactions: 2005, ¥7,939,437 million ($74,200,346 thousand) 2004, ¥7,905,640 million 2003, ¥8,793,303 million) *(Notes 2, 4 and 14)*				
Cost of revenues from trading and other activities	**2,602,597**	2,364,708	2,256,524	**24,323,337**
Gross trading profit	**436,055**	409,461	424,643	**4,075,280**
Expenses and other:				
Selling, general and administrative expenses	**342,929**	330,032	345,612	**3,204,944**
Loss on the transfer of the substitutional portion of the employee pension fund liabilities, net of subsidy received of ¥13,405 million ($125,280 thousand) *(Note 9)*	**1,453**	–	–	**13,579**
Provision for doubtful accounts *(Note 5)*	**6,298**	805	5,660	**58,860**
Interest income	**(23,408)**	(20,361)	(26,605)	**(218,766)**
Interest expense	**43,598**	43,835	50,118	**407,458**
Dividend income	**(8,989)**	(7,198)	(6,797)	**(84,009)**
Impairment loss on investment securities *(Note 3)*	**7,438**	10,451	27,083	**69,514**
Gain on sales of investment securities *(Note 3)*	**(36,147)**	(26,528)	(14,351)	**(337,822)**
Loss (gain) on property, plant and equipment *(Note 6)*	**10,549**	1,555	(8,530)	**98,589**
Other – net *(Notes 2 and 15)*	**36,482**	17,970	16,107	**340,952**
Total	**380,203**	350,561	388,297	**3,553,299**
Income before income taxes, minority interests and equity in earnings of affiliated companies	**55,852**	58,900	36,346	**521,981**
Provision (benefit) for income taxes *(Note 10)*:				
Current	**27,230**	20,705	16,931	**254,486**
Deferred	**6,607**	14,913	(657)	**61,748**
	33,837	35,618	16,274	**316,234**
Income before minority interests and equity in earnings of affiliated companies	**22,015**	23,282	20,072	**205,747**
Minority interests	**(1,440)**	(2,988)	(3,180)	**(13,458)**
Equity in earnings of affiliated companies – net (after income tax effects) *(Notes 4 and 10)*	**20,672**	14,271	13,420	**193,197**
Net income	**¥ 41,247**	¥ 34,565	¥ 30,312	**$ 385,486**
Income available to preferred shareholders *(Note 19)*	**¥ 1,510**	¥ 442	¥ –	**$ 14,112**
Net income available to common shareholders	**¥ 39,737**	¥ 34,123	¥ 30,312	**$ 371,374**

	Yen			U.S. Dollars (Note 1)
Basic earnings per 100 common shares *(Note 2)*	**¥2,661**	¥2,285	¥2,030	**$24.87**
Diluted earnings per 100 common shares *(Note 2)*	**¥2,231**	¥2,016	¥1,896	**$20.85**

See accompanying notes.

Consolidated Statements of Changes in Shareholders' Equity

Marubeni Corporation
At March 31, 2005, 2004 and 2003

	Millions of Yen						Thousands of U.S. Dollars (Note 1)	
	2005		2004		2003		**2005**	
Class I preferred stock *(Note 12)*:								
Balance at beginning of year	**¥ 37,750**		¥ –		¥ –		**$ 352,804**	
Stock issued	**–**		37,750		–		**–**	
Balance at end of year	**¥ 37,750**		¥ 37,750		¥ –		**$ 352,804**	
Common stock:								
Balance at beginning of year	**¥194,039**		¥194,039		¥ 194,039		**$1,813,448**	
Balance at end of year	**¥194,039**		¥194,039		¥ 194,039		**$1,813,448**	
Capital surplus:								
Balance at beginning of year	**¥125,430**		¥ 87,765		¥ 216,993		**$1,172,243**	
Transfer to retained earnings *(Note 11)*	**–**		–		(129,228)		**–**	
Excess of proceeds from issuance of preferred stock over the amount assigned to the preferred stock account *(Note 12)*	**–**		37,665		–		**–**	
Gain on sales of treasury stock	**6**		–		–		**56**	
Balance at end of year	**¥125,436**		¥125,430		¥ 87,765		**$1,172,299**	
Retained earnings (accumulated deficit):								
Balance at beginning of year	**¥ 94,870**		¥ 64,786		¥ (94,754)		**$ 886,635**	
Net income	**41,247**	**¥41,247**	34,565	¥34,565	30,312	¥ 30,312	**385,486**	**$385,486**
Cash dividends – common and preferred stocks	**(4,922)**		(4,481)		–		**(46,000)**	
Transfer from capital surplus *(Note 11)*	**–**		–		129,228		**–**	
Balance at end of year	**¥131,195**		¥ 94,870		¥ 64,786		**$1,226,121**	
Accumulated other comprehensive loss *(Note 13)*:								
Balance at beginning of year	**¥ (59,025)**		¥ (86,441)		¥ (52,375)		**$ (551,635)**	
Unrealized gains (losses) on investment securities, net of reclassification *(Note 3)*		**11,734**		43,290		(8,749)		**109,664**
Currency translation adjustments, net of reclassification		**(1,659)**		(15,247)		(20,854)		**(15,505)**
Unrealized gains (losses) on derivatives, net of reclassification		**3,859**		(597)		(4,101)		**36,065**
Minimum pension liability adjustment *(Note 9)*		**(35)**		(30)		(362)		**(327)**
Other comprehensive income (loss), net of tax	**13.899**	**13,899**	27.416	27,416	(34,066)	(34,066)	**129.897**	**129,897**
Comprehensive income (loss)		**¥55,146**		¥61,981		¥ (3,754)		**$515,383**
Balance at end of year	**¥ (45,126)**		¥ (59,025)		¥ (86,441)		**$ (421,738)**	
Cost of common stock in treasury:								
Balance at beginning of year	**¥ (82)**		¥ (98)		¥ (8)		**$ (766)**	
Treasury stock (repurchased) sold	**(60)**		16		(90)		**(561)**	
Balance at end of year	**¥ (142)**		¥ (82)		¥ (98)		**$ (1,327)**	
Disclosure of reclassification amount for the year ended:								
Unrealized gains (losses) on investment securities arising during the period	**¥ 28,315**		¥ 51,762		¥ (19,036)		**$ 264,626**	
Less: reclassification adjustments for (gains) losses included in net income	**(16,581)**		(8,472)		10,287		**(154,962)**	
Net unrealized gains (losses)	**¥ 11,734**		¥ 43,290		¥ (8,749)		**$ 109,664**	
Currency translation adjustments arising during period	**¥ (4,295)**		¥ (17,803)		¥ (27,252)		**$ (40,140)**	
Less: reclassification adjustments for losses included in net income	**2,636**		2,556		6,398		**24,635**	
Net currency translation adjustments	**¥ (1,659)**		¥ (15,247)		¥ (20,854)		**$ (15,505)**	
Unrealized gains (losses) on derivatives arising during the period	**¥ 6,431**		¥ (5)		¥ (4,618)		**$ 60,102**	
Less: reclassification adjustments for (gains) losses included in net income	**(2,572)**		(592)		517		**(24,037)**	
Net unrealized gains (losses) on derivatives	**¥ 3,859**		¥ (597)		¥ (4,101)		**$ 36,065**	

See accompanying notes.

Consolidated Statements of Cash Flows

Marubeni Corporation
Year ended March 31, 2005, 2004 and 2003

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2005	2004	2003	**2005**
Operating activities				
Net income	**¥ 41,247**	¥ 34,565	¥ 30,312	**$ 385,486**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**65,703**	54,261	63,665	**614,047**
Provision for doubtful accounts	**6,298**	805	5,660	**58,860**
Equity in earnings of affiliated companies, less dividends received	**(13,049)**	(598)	(5,555)	**(121,953)**
(Gain) loss on investment securities	**(28,709)**	(16,077)	12,732	**(268,308)**
Loss (gain) on property, plant and equipment	**10,549**	1,555	(8,530)	**98,589**
Deferred income taxes	**6,607**	14,913	(657)	**61,748**
Changes in operating assets and liabilities:				
Notes and accounts receivable	**(4,080)**	57,711	76,603	**(38,131)**
Inventories	**17,561**	(1,102)	15,637	**164,121**
Advance payments to suppliers and prepaid expenses and other assets	**(4,045)**	15,138	(1,062)	**(37,804)**
Prepaid pension cost	**21,088**	7,208	(8,819)	**197,084**
Notes, acceptances and accounts payable	**33,201**	18,839	(13,898)	**310,290**
Advance payments received from customers and accrued expenses and other liabilities	**38,199**	(2,704)	19,155	**357,000**
Income taxes	**1,283**	(637)	3,996	**11,991**
Other	**(18,029)**	17,683	5,549	**(168,497)**
Net cash provided by operating activities	**173,824**	201,560	194,788	**1,624,523**
Investing activities				
Proceeds from sales and redemptions of securities and other investments	**95,459**	106,326	108,092	**892,140**
Purchases of securities and other investments	**(66,356)**	(52,346)	(82,796)	**(620,150)**
Proceeds from sales of property, plant and equipment and property leased to others	**20,849**	15,195	47,783	**194,850**
Purchases of property, plant and equipment and property leased to others	**(65,324)**	(66,478)	(59,663)	**(610,505)**
Collection of loans receivable	**98,813**	131,470	165,363	**923,486**
Loans made to customers	**(35,545)**	(59,127)	(61,523)	**(332,196)**
Other	**(1,853)**	(17,057)	(4,015)	**(17,317)**
Net cash provided by investing activities	**46,043**	57,983	113,241	**430,308**
Financing activities				
Net decrease in short-term loans	**(119,698)**	(173,240)	(53,423)	**(1,118,673)**
Proceeds from long-term debt	**387,677**	458,836	368,218	**3,623,150**
Payments of long-term debt	**(497,929)**	(589,521)	(609,920)	**(4,653,542)**
Cash dividends paid – common and preferred stocks	**(4,922)**	(4,481)	–	**(46,000)**
(Purchase) sale of treasury stock	**(54)**	16	(90)	**(505)**
Proceeds from issuance of preferred stock	**–**	75,415	–	**–**
Other	**(3,131)**	(963)	1,214	**(29,262)**
Net cash used in financing activities	**(238,057)**	(233,938)	(294,001)	**(2,224,832)**
Effect of exchange rate changes on cash and cash equivalents	**(1,347)**	(13,385)	(14,159)	**(12,588)**
Net (decrease) increase in cash and cash equivalents	**(19,537)**	12,220	(131)	**(182,589)**
Cash and cash equivalents at beginning of year	**478,731**	466,511	466,642	**4,474,122**
Cash and cash equivalents at end of year	**¥ 459,194**	¥ 478,731	¥ 466,511	**$ 4,291,533**
Supplemental cash flow information:				
Cash paid during the year for:				
Interest	**¥ 45,045**	¥ 45,071	¥ 52,864	**$ 420,981**
Income taxes	**27,072**	21,149	12,935	**253,009**
Non-cash investing activities:				
Exchange of assets:				
Fair value of assets received	**66**	18,397	30,270	**617**
Carrying value of assets surrendered	**14**	16,665	24,239	**131**
Contribution of securities to employee retirement benefit trusts	**–**	–	8,746	**–**

See accompanying notes.

Notes to Consolidated Financial Statements

Marubeni Corporation
Years ended March 31, 2005 and 2004

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 in 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. 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 goodwill and other intangible assets, (7) accounting for derivative instruments and hedging activities, (8) accounting for sale-leaseback of real estate and other, and (9) accounting for debt issuance costs.

Certain reclassifications have been made in the 2004 and 2003 financial statements to conform to the presentation for 2005.

The translation of Japanese yen amounts into U.S. dollar amounts for the year ended March 31, 2005 is included solely for the convenience of readers outside of Japan and has been made at ¥107 to $1, the exchange rate prevailing on March 31, 2005. 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 all majority owned 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 changes, depending on the price of the new stock issued. The Company recognizes such a change in the price per share in earnings at the time of the sale of stock.

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation 46, *Consolidation of Variable Interest Entities*, an interpretation of ARB No. 51 (FIN 46). In December 2003, the FASB modified FIN 46 to make certain technical corrections and address certain implementation issues that had arisen. FIN 46 provides a new framework for identifying variable interest entities (VIEs) and determining when a company should include the assets, liabilities, noncontrolling interests and results of activities of a VIE in its consolidated financial statements. FIN 46 requires a VIE to be consolidated if a party with an ownership, contractual or other financial interest in the VIE (a variable interest holder) is obligated to absorb a majority of the risk of loss from the VIE's activities, is entitled to receive a majority of the VIE's residual returns (if no party absorbs a majority of the VIE's losses), or both. A variable interest holder that consolidates the VIE is called the primary beneficiary. FIN 46 also requires disclosures about VIEs that the variable interest holder is not required to consolidate but in which it has a significant variable interest.

The Companies applied FIN46 immediately for the Companies' interests in VIEs created after January 31, 2003, and for the Companies' interests in special purpose entities created before February 1, 2003 on October 1, 2003. The provisions of FIN 46, as revised, were adopted as of January 1 2004, for the Companies' interests in all VIEs. The adoption of FIN46 did not have a material impact on the Company's financial positions and results of operations.

Certain subsidiaries have been included on the basis of a fiscal year-end on or after December 31, but prior to the parent company's fiscal year-end of March 31. There have been no significant transactions with such subsidiaries during the intervening periods.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Foreign currency translation

Assets and liabilities included in financial statements of foreign subsidiaries and affiliated companies are translated into Japanese yen at the respective year end rates. All income and expenses accounts are translated at the average rates prevailing during the year. The resulting translation adjustments are included in accumulated other comprehensive loss.

Foreign currency-denominated receivables and payables are translated into Japanese yen at the year end rates with the resulting gains and losses recognized in earnings of the year.

Cash equivalents

The Companies consider 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.

Trading securities

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

Available-for-sale securities
Marketable equity securities not classified as trading and debt securities not classified as trading or held-to-maturity are classified as available-for-sale securities and are carried at fair value, with the unrealized gains and losses, net of taxes, reported in accumulated other comprehensive loss in shareholders' equity. The amortized cost of debt securities in this category is adjusted for the amortization of premiums and accretion of discounts to maturity. Such amortization and accretion are included in interest income. Realized gains and losses and declines in fair value judged to be other than temporary on available-for-sale securities are included in gain/loss on sales of investment securities and impairment loss on investment securities, respectively. 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 ¥93,338 million ($872,318 thousand) and ¥106,947 million at March 31, 2005 and 2004, respectively.

Investments
The Companies' investments in affiliated companies (investees over which the Companies have the ability to exercise significant influence) are stated at cost, adjusted for equity in their undistributed earnings or accumulated losses since acquisition. Other investments are primarily non-marketable equity securities and 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 180 days 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. The recorded investments in loans ninety days past due and still accruing interest were not significant at March 31, 2005 and 2004.

Leases
The Company and certain of its subsidiaries lease fixed assets under direct financing leases and operating leases as lessors. Income from direct financing leases is recognized by amortization of unearned income over the lease term at a constant periodic rate of return on the net investment. Operating lease income is recognized over the lease term on a straight-line basis.

The Company and certain of its subsidiaries lease fixed assets under operating leases and capital leases as lessees. For capital lease obligations, interest expense is recognized over the lease term at a constant periodic rate on the lease obligation. Accumulated depreciation of the leased assets is recognized over the lease term on a straight-line basis. Rental expense on operating leases is recognized over the lease term on a straight-line basis.

Depreciation
Depreciation of property, plant 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.

Mining rights
The FASB issued FASB Emerging Issue Task Force Issue 04-2, *Whether Mineral Rights are Tangible or Intangible Assets* (EITF 04-2). In this regard, the FASB also issued FASB Staff Position (FSP) No. 141-1 and 142-1, which amend SFAS 141 and SFAS142. In accordance with EITF 04-2 and FSP No. 141-1 and 142-1, all mining rights, which were previously classified as intangible assets, have been reclassified in Property, plant and equipment in the consolidated balance sheets.

Mining rights are primarily amortized by the unit-of-production method or straight-line method.

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.

Business combinations
In accordance with Statement of Financial Accounting Standards No. 141, *Business Combinations*, the purchase method of accounting is used for all business combinations. The Company separately recognizes and presents acquired intangible assets as goodwill or other intangible assets.

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

Asset retirement obligations
Effective for the year ended March 31, 2004, the Companies adopted Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* (SFAS 143). 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 adoption of SFAS 143 did not have a material impact on the Company's financial positions and results of operations.

Financial instruments with characteristics of both liabilities and equity
Effective for the year ended March 31, 2004, the Companies adopted Statement of Financial Accounting Standards No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* (SFAS 150). SFAS 150 established standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The adoption of SFAS 150 did not have a material impact on the Company's financial positions and results of operations.

Revenue recognition and total volume of trading transactions
The trading transactions undertaken by the Companies take many forms and consist of those in which the Companies act as principal and those in which the Companies act as agent. In agency transactions, payment for goods is made directly by the purchaser to the supplier. The Companies derive revenues from sales of goods, performance of services and commissions on trading transactions.

Although the Companies legally act as a principal, certain transactions are reported net, as commissions, when the margins thereon are in substance considered commissions in accordance with FASB Emerging Issue Task Force Issue 99-19 *Reporting Revenue Gross as a Principal versus Net as an Agent* (EITF 99-19). When the Company is not the primary obligor and do not have general inventory risk, it generally presents the transaction net. The presentation may change according to changes in form or substance of transactions.

The total volume of trading transactions, which is voluntarily disclosed in the statements of income, 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.

The Companies' revenues and commissions are recognized when they are realized or realizable and earned. Revenues and commissions are realized or realizable and earned when the Companies have persuasive evidence of an arrangement, the goods have been delivered or the services have been rendered to the customer, the sales price is fixed or determinable and collection is reasonably assured.

Sale of goods: In acting as a principal, revenue from the sale of goods is recognized 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 addition, if required the implementation testing needs to be fully completed and any future obligations need to be perfunctory and not affect the customer's final acceptance of the arrangement of revenue to be recognized.

Performance of services: Commissions are recognized when the contracted services to the third-party customers are completed. In acting as agent, the Companies recognize commissions when contracted services are fully rendered to the customers.

Long-term and large scale construction arrangements: Revenue is recognized by the completed-contract method unless reasonably dependable estimates of costs and extent of progress can be made, in which case revenue is recognized by the percentage-of-completion method.

Shipping and handling costs are included in cost of revenues.

Other expenses – net
Other expenses – net includes losses incurred in liquidating subsidiaries and affiliated companies of ¥412 million ($3,850 thousand), ¥6,549 million and ¥12,542 million for the years ended March 31, 2005, 2004 and 2003, respectively.
Other expenses – net for the year ended March 31, 2005 also includes a loss on investment in and receivables from P.T. Chandra Asri of ¥21,347 million ($199,505 thousand).

The aggregated amounts of losses on sales of loans, included in other expenses – net were ¥1,023 million and ¥1,790 million for the years ended March 31, 2004 and 2003, respectively. Such amount was not significant for the year ended March 31, 2005.

Derivative instruments and hedging activities
The Companies apply Statement of Financial Accounting Standard No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS138 and SFAS149.

The Companies 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 expenses – net. The Companies expect to reclassify ¥323 million ($3,019 thousand) of net gain on derivative instruments from accumulated other comprehensive income to earnings during the 12 months ending March 31, 2006, due to actual export and import transactions or receipts and payments of interest. The maximum length of time over which the Companies are hedging their 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 24 months.

Earnings per 100 shares of common stock
The computation of basic earnings 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 per 100 shares is based on the weighted average number of shares of common stock outstanding plus any potentially dilutive securities. For additional disclosures regarding convertible debentures and preferred stocks, refer to Notes 8, 11 and 12.

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

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Numerator:				
Net income	**¥ 41,247**	¥ 34,565	¥ 30,312	**$385,486**
Less: Preferred stock dividends	**(1,510)**	(442)	–	**(14,112)**
Net income available to common shareholders (numerator for basic earnings per 100 shares)	**39,737**	34,123	30,312	**371,374**
Effect of dilutive securities:				
Convertible debentures	**323**	323	333	**3,019**
Preferred stock	**1,510**	442	–	**14,112**
Numerator for diluted earnings per 100 shares	**¥ 41,570**	¥ 34,888	¥ 30,645	**$388,505**
Denominator:				
Denominator for basic earnings per 100 shares – weighted average shares	**1,493,231,438**	1,493,219,051	1,493,495,279	
Effect of dilutive securities:				
Convertible debentures	**119,666,048**	119,666,048	123,151,564	
Preferred stock	**250,000,000**	117,406,406	–	
Denominator for diluted earnings per 100 shares – adjusted weighted average shares and assumed conversions	**1,862,897,486**	1,730,291,505	1,616,646,843	

	Yen			U.S. dollars
Earnings per 100 shares of common stock:				
Basic	**¥2,661**	¥2,285	¥2,030	**$24.87**
Diluted	**¥2,231**	¥2,016	¥1,896	**$20.85**

Dividends of Class I preferred stocks are deducted from net income for net income available to common shareholders.

The convertible debentures issued in 1996 with a rate of 0.85% were dilutive for the years ended March 31, 2005, 2004 and 2003. The class I preferred stock issued in 2003 was dilutive for the years ended March 31, 2005 and 2004.

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, 2005 and 2004:

Available-for-sale securities

	Millions of yen							
	2005				2004			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Current:								
Debt securities	**¥ 701**	**¥ 183**	**¥ (2)**	**¥ 882**	¥ 5,509	¥ 80	¥ (104)	¥ 5,485
Non-current:								
Debt securities	**¥ 22,720**	**¥ 501**	**¥ (9)**	**¥ 23,212**	¥ 7,309	¥ 325	¥ –	¥ 7,634
Marketable equity securities	**140,249**	**74,516**	**(7,155)**	**207,610**	121,454	62,829	(5,993)	178,290
Total	**¥162,969**	**¥75,017**	**¥(7,164)**	**¥230,822**	¥128,763	¥63,154	¥(5,993)	¥185,924

	Thousands of U.S. dollars			
	2005			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Current:				
Debt securities	**$ 6,551**	**$ 1,710**	**$ (18)**	**$ 8,243**
Non-current:				
Debt securities	**$ 212,337**	**$ 4,682**	**$ (84)**	**$ 216,935**
Marketable equity securities	**1,310,738**	**696,411**	**(66,869)**	**1,940,280**
Total	**$1,523,075**	**$701,093**	**$(66,953)**	**$2,157,215**

Held-to-maturity securities

	Millions of yen							
	2005				2004			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Current:								
Debt securities	**¥28,067**	**¥191**	**¥(120)**	**¥28,138**	¥ 573	¥ 10	¥ –	¥ 583
Non-current:								
Debt securities	**¥14,300**	**¥816**	**¥ –**	**¥15,116**	¥42,784	¥1,488	¥(150)	¥44,122

	Thousands of U.S. dollars			
	2005			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Current:				
Debt securities	**$262,308**	**$1,785**	**$(1,121)**	**$262,972**
Non-current:				
Debt securities	**$133,645**	**$7,626**	**$ –**	**$141,271**

Debt securities which the Company held at March 31, 2005 and 2004 were mainly corporate bonds.

Management of the Company believes that the unrealized losses above are not other than temporary declines as either the market value has substantially recovered subsequent to the balance sheet date or the duration of decline is less than 9 months.

In addition to the securities listed above, the Companies held trading securities of ¥3,997 million ($37,355 thousand) and ¥3,387 million, at fair value, as of March 31, 2005 and 2004, respectively. The net unrealized holding losses on trading securities included in earnings for the years ended March 31, 2005, 2004 and 2003 amounted to ¥8 million, nil and ¥5 million, respectively.

The proceeds from sales of available-for-sale securities amounted to ¥50,728 million ($474,093 thousand), ¥33,717 million and ¥23,984 million for the years ended March 31, 2005, 2004 and 2003, respectively. Gross realized gains on sales of available-for-sale securities totaled ¥28,611 million ($267,393 thousand), ¥13,945 million and ¥9,356 million, and gross realized losses totaled ¥144 million ($1,346 thousand), ¥179 million and ¥846 million for the years ended March 31, 2005, 2004 and 2003, respectively.

The Company contributed certain available-for-sale securities to an employee retirement benefit trust at fair value of ¥8,746 million and recognized a loss of ¥1,611 million, which is included in gain on sales of investment securities for the year ended March 31, 2003.

The Company wrote down certain marketable investment securities whose decline in value was considered to be other than temporary to their fair value. These write-downs amounted to ¥385 million ($3,598 thousand), ¥197 million and ¥23,699 million for the years ended March 31, 2005, 2004 and 2003.

The amortized cost and estimated fair value of debt and marketable equity securities at March 31, 2005 are summarized by contractual maturity below. Expected maturities may differ from contractual maturities because the issuers of certain securities have the right to prepay obligations without prepayment penalties.

Available-for-sale securities

	Millions of yen		Thousands of U.S. dollars	
	Cost	Fair Value	Cost	Fair Value
Due in one year or less	**¥ 701**	**¥ 882**	**$ 6,551**	**$ 8,243**
Due after one year through five years	**20,921**	**21,233**	**195,523**	**198,439**
Due after five years	**1,799**	**1,979**	**16,814**	**18,496**
Total debt securities	**23,421**	**24,094**	**218,888**	**225,178**
Marketable equity securities	**140,249**	**207,610**	**1,310,738**	**1,940,280**
Total	**¥163,670**	**¥231,704**	**$1,529,626**	**$2,165,458**

Held-to-maturity securities

	Millions of yen		Thousands of U.S. dollars	
	Cost	Fair Value	Cost	Fair Value
Due in one year or less	**¥28,067**	**¥28,138**	**$262,308**	**$262,972**
Due after one year through five years	**14,300**	**15,116**	**133,645**	**141,271**
Total	**¥42,367**	**¥43,254**	**$395,953**	**$404,243**

4 | Affiliated Companies

Investments in and amounts due from affiliated companies at March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Investments in equity securities	**¥262,407**	¥256,404	**$2,452,402**
Long-term receivables	**62,973**	81,047	**588,533**
	¥325,380	¥337,451	**$3,040,935**

The financial information of affiliated companies at March 31, 2005 and 2004 and for the years ended March 31, 2005, 2004 and 2003, is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Total assets	**¥3,096,975**	¥3,166,112	**$28,943,691**
Total liabilities	**2,458,736**	2,525,835	**22,978,841**
Net assets	**¥ 638,239**	¥ 640,277	**$ 5,964,850**

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Total volume of trading transactions	**¥5,353,268**	¥5,680,914	¥5,840,322	**$50,030,542**
Net income	**79,998**	32,753	58,711	**747,645**

The Company's transactions with affiliated companies for the years ended March 31, 2005, 2004 and 2003 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Sale transactions	**¥360,027**	¥319,276	¥458,504	**$3,364,738**
Purchase transactions	**199,210**	158,592	442,467	**1,861,776**

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 ¥9,326 million ($87,159 thousand) and ¥7,221 million at March 31, 2005 and 2004, respectively.

Certain investments in the common stock of affiliated companies are marketable equity securities, which have carrying values of ¥37,325 million ($348,832 thousand) and ¥46,271 million at March 31, 2005 and 2004, respectively, with corresponding aggregate quoted market values of ¥55,908 million ($522,505 thousand) and ¥48,449 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
	2005	2004	2003	**2005**
Balance at beginning of year	**¥120,814**	¥142,530	¥149,554	**$1,129,103**
Provision	**6,298**	805	5,660	**58,860**
Charge-offs	**(18,572)**	(21,096)	(7,999)	**(173,570)**
Other	**776**	(1,425)	(4,685)	**7,252**
Balance at end of year	**¥109,316**	¥120,814	¥142,530	**$1,021,645**

At March 31, 2005 and 2004, the recorded investments in loans that are considered to be impaired under SFAS 114 were ¥185,934 million ($1,737,701 thousand) and ¥264,500 million, respectively, and the allowance for credit losses related to those loans were ¥99,476 million ($929,682 thousand) and ¥111,804 million, respectively. The recorded investment in the impaired loans, net of the valuation allowance, is either secured by collateral or considered collectible based upon various analyses. The average recorded investments in impaired loans were ¥230,778 million ($2,156,804 thousand), ¥283,259 million and ¥300,570 million for the years ended March 31, 2005, 2004 and 2003, respectively. The Companies generally do not accrue for interest on those loans and recognize interest income on a cash basis, which was ¥2,901 million ($27,112 thousand) for the year ended March 31, 2005. Such amounts were not significant for the years ended March 31, 2004 and 2003.

6 | Long-Lived Assets

The gross carrying amounts and accumulated amortization of intangible assets as of March 31, 2005 and 2004 were as follows:

	Millions of yen			
	2005		2004	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Amortized intangible assets:				
Licenses and operating rights	**¥22,124**	**¥ (2,541)**	¥21,605	¥ (3,792)
Software	**11,053**	**(5,243)**	9,002	(2,432)
Additional minimum pension liability	**2,337**	**(725)**	4,675	(2,694)
Other	**11,979**	**(7,069)**	12,919	(7,814)
Intangible assets not subject to amortization:				
Land rent rights	**2,841**	**–**	2,868	–
Other	**792**	**–**	1,140	–
	¥51,126	**¥(15,578)**	¥52,209	¥(16,732)

	Thousands of U.S. dollars	
	2005	
	Gross carrying amount	Accumulated amortization
Amortized intangible assets:		
Licenses and operating rights	**$206,766**	**$ (23,748)**
Software	**103,299**	**(49,000)**
Additional minimum pension liability	**21,841**	**(6,776)**
Other	**111,953**	**(66,065)**
Intangible assets not subject to amortization:		
Land rent rights	**26,552**	**–**
Other	**7,402**	**–**
	$477,813	**$(145,589)**

The amortized intangible assets acquired during the year ended March 31, 2005 totaled to ¥5,337 million ($49,879 thousand) and consisted primarily of operating rights of ¥2,346 million ($21,925 thousand) and software of ¥2,335 million ($21,822 thousand). The weighted-average amortization periods of operating rights and software acquired for the year ended March 31, 2005 are 23 years (straight-line method) and 5 years (straight-line method), respectively.

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

The amortization expense for intangible assets was ¥5,899 million ($55,131 thousand) and ¥7,021 million for the years ended March 31, 2005 and 2004. 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
2006	¥4,137	$38,664
2007	3,608	33,720
2008	2,702	25,252
2009	2,223	20,776
2010	1,631	15,243

The changes in the carrying amount of goodwill by operating segment for the years ended March 31, 2005 and 2004, are as follows:

	Millions of yen						
	Agri-marine products	Chemicals	Energy	Transportation and industrial machinery	Telecom and information	Overseas corporate subsidiaries	Total
Balance at March 31, 2003	¥ –	¥1,819	¥ –	¥5,332	¥8,103	¥ 8,299	¥23,553
Goodwill acquired during the year	7,371	–	993	–	–	–	8,364
Impairment losses	–	(774)	–	(681)	–	–	(1,455)
Effect of exchange rate and other	–	46	–	(594)	(7)	(1,114)	(1,669)
Balance at March 31, 2004	**7,371**	**1,091**	**993**	**4,057**	**8,096**	**7,185**	**28,793**
Goodwill acquired during the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Impairment losses	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Effect of exchange rate and other	**(78)**	**56**	**(993)**	**(15)**	**–**	**(254)**	**(1,284)**
Balance at March 31, 2005	**¥7,293**	**¥1,147**	**¥ –**	**¥4,042**	**¥8,096**	**¥ 6,931**	**¥27,509**

	Thousands of U.S. dollars						
	Agri-marine products	Chemicals	Energy	Transportation and industrial machinery	Telecom and information	Overseas corporate subsidiaries	Total
Balance at March 31, 2004	**$68,888**	**$10,196**	**$ 9,280**	**$37,916**	**$75,663**	**$67,150**	**$269,093**
Goodwill acquired during the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Impairment losses	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Effect of exchange rate and other	**(729)**	**524**	**(9,280)**	**(140)**	**–**	**(2,375)**	**(12,000)**
Balance at March 31, 2005	**$68,159**	**$10,720**	**$ –**	**$37,776**	**$75,663**	**$64,775**	**$257,093**

As a result of decreases in the estimated future cash flows due to the worsened business circumstance and conditions and changes in the management strategies, the Companies recognized impairment losses on goodwill of ¥1,455 million for the year ended March 31, 2004. There was no impairment loss on goodwill recognized for the year ended March 31, 2005. The fair value of the reporting unit was estimated using the expected present value of future cash flows.

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 facility, real estate and plant in the total amount of ¥13,558 million ($126,710 thousand), which are included in loss on property, plant and equipment on the consolidated statement of income, for the year ended March 31, 2005, based on their fair value. The fair value was primarily estimated using the discounted cashflow method and third-party appraisals. The segments affected by the impairment losses were primarily Forest product and general merchandise of ¥4,251 million ($39,729 thousand), Development and construction of ¥3,664 million ($34,243 thousand), Agri-marine products of ¥2,548 million ($23,813 thousand) and Telecom and information of ¥1,813 million ($16,944 thousand). The amounts of impairment losses for the years ended March 31, 2004 and 2003 were immaterial.

7 | Pledged Assets

The following table summarizes assets pledged as collateral for the Company's obligations at March 31, 2005 and 2004:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Time deposits	**¥ 7,967**	¥ 430	**$ 74,458**
Investment securities, securities and other investments and investments in affiliated companies	**134,882**	159,523	**1,260,579**
Notes, loans and accounts receivable – trade (current and non-current)	**40,977**	35,342	**382,963**
Inventories	**12,543**	23,732	**117,224**
Property, plant and equipment, and property leased to others, net of accumulated depreciation	**256,407**	228,481	**2,396,327**
Other assets	**10,836**	4,877	**101,271**
	¥463,612	¥452,385	**$4,332,822**

The obligations secured by such collateral were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Short-term loans	**¥ 36,157**	¥ 19,566	**$ 337,916**
Other current liabilities	**12,930**	11,906	**120,841**
Long-term debt	**201,470**	184,444	**1,882,897**
Guarantees of contracts, etc.	**10,533**	11,552	**98,439**
	¥261,090	¥227,468	**$2,440,093**

In addition, acceptances payable at March 31, 2005 and 2004 were secured by trust receipts on inventories, the standard terms of which provide that the proceeds from the sales of any such collateral be delivered to the respective bank to be applied against outstanding acceptances. However, the Companies have, in general, followed the practice of paying acceptances on their maturity dates. Given the substantial volume of the 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, 2005 and 2004 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Short-term loans from banks and others	**¥344,597**	¥467,735	**$3,220,533**
Commercial paper	**–**	7,000	**–**
	¥344,597	¥474,735	**$3,220,533**

Long-term debt at March 31, 2005 and 2004 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
4.0% reverse dual currency notes due 2005	**¥ 11,898**	¥ 11,898	**$ 111,196**
2.12% notes due 2004	**–**	4,600	**–**
2.5% notes due 2004	**–**	8,700	**–**
2.3% notes due 2004	**–**	7,600	**–**
2.37% notes due 2004	**–**	3,400	**–**
2.13% notes due 2005	**5,800**	5,800	**54,206**
1.52% notes due 2004	**–**	10,600	**–**
1.75% notes due 2008 with prepayment options	**–**	4,400	**–**
1.2% notes due 2004	**–**	8,300	**–**
1.48% notes due 2006	**3,800**	3,800	**35,514**
1.15% notes due 2005	**36,637**	36,637	**342,402**
1.27% notes due 2006	**7,700**	7,700	**71,963**
1.13% notes due 2006	**28,100**	28,100	**262,617**
0.81% notes due 2004	**–**	27,163	**–**
Libor + 0.73% notes due 2007	**15,578**	15,578	**145,589**
2.0% notes due 2006	**15,000**	15,000	**140,187**
1.91% notes due 2006	**10,000**	10,000	**93,458**
1.27% notes due 2007	**10,000**	10,000	**93,458**
1.11% notes due 2007	**10,000**	10,000	**93,458**
1.43% notes due 2009	**10,000**	–	**93,458**
1.38% notes due 2009	**15,000**	–	**140,187**
0.86% notes due 2007	**10,000**	–	**93,458**
1.28% notes due 2009	**10,000**	–	**93,458**
0.98% notes due 2009	**10,000**	–	**93,458**
0.87% notes due 2010	**20,000**	–	**186,916**

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
1.32% notes due 2012	**¥ 10,000**	¥ –	**$ 93,458**
1.38% notes due 2012	**10,000**	–	**93,458**
1.37% notes due 2015 with prepayment options	**5,000**	–	**46,729**
0.85% convertible debentures due 2006	**64,500**	64,500	**602,804**
Medium-term notes due from 2004 to 2007 principally at rates from 0.5% to 4.6% or at floating rates	**13,572**	21,828	**126,841**
Loans from government-owned banks and government agencies:			
Secured, due serially through 2016 principally at rates from 0.2% to 6.7%	**12,922**	60,049	**120,766**
Unsecured, due serially through 2016 principally at rates from 0.9% to 5.6%	**95,524**	54,511	**892,748**
Loans principally from banks and insurance companies:			
Secured, due serially through 2018 principally at rates from 0.5% to 12.6%	**186,027**	119,875	**1,738,570**
Unsecured, due serially through 2014 principally at rates from 0.2% to 8.0%	**1,313,785**	1,427,061	**12,278,364**
Other	**187,380**	174,189	**1,751,214**
	2,128,223	2,151,289	**19,889,935**
Less current portion	**314,501**	328,816	**2,939,262**
	¥1,813,722	¥1,822,473	**$16,950,673**

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 strengthen the asset liability management and to hedge against exposure to changes in foreign currency exchange rates, the Company and certain of its subsidiaries entered into several interest rate swap agreements, including interest rate and currency swap agreements. 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 ($5.0), and (2) the debentures are redeemable at the option of the Company at price of 100% of the principal amounts after March 31, 2005.

The Company had an unused long-term line of credit arrangement of ¥200,000 million ($1,869,159 thousand) with a syndicate of financial institutions and unused long-term refinance arrangements of ¥100,786 million ($941,925 thousand) with certain financial institutions at March 31, 2005. Of such arrangements, ¥259,591 million ($2,426,084 thousand) was utilized to reclassify short-term loans and long-term debt due within one year to long-term debt on the consolidated balance sheet at March 31, 2005, as the Company had an intention and ability to refinance them when due. The Company had an unused long-term line of credit of ¥152,000 million and reclassified short-term loans and long-term debt due within one year to long-term debt of ¥119,679 million on the consolidated balance sheet at March 31, 2004.

In addition to the above, the Company and certain of its subsidiaries have unused short-term lines of credit of ¥215,000 million ($2,009,346 thousand) and $415 million at March 31, 2005.

Long-term debt subsequent to March 31, 2005 matures as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2006	¥314,501	$2,939,262
2007	404,878	3,783,907
2008	479,744	4,483,589
2009	173,220	1,618,879
2010	212,095	1,982,196
Thereafter	543,785	5,082,102

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 have 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, 2003, the Company amended its welfare pension plan to introduce a cash balance plan and to reduce benefits of certain eligible people, and received approval from the Japanese government on June 5, 2003.

On April 15, 2003 and May 1, 2004, the Marubeni Welfare Pension Fund received approval from the Japanese government to transfer the future and past benefit obligations related to the substitutional portion for the government-defined benefit prescribed by the Welfare Pension Insurance Law of Japan, respectively. On August 25, 2005 the Company transferred them to the government. According to 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*, and Statement of Financial Accounting Standards No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*, the Company accounted for the entire process as a settlement upon completion of the transfer to the Japanese government of the substitutional portion of the future and past benefit obligations and the related plan asset.

During the year ended March 31, 2003, the Company contributed ¥22,246 million to a trust which was established to provide pension benefits and to maintain sound funding status, and is legally segregated from the Company. During the years ended March 31, 2005 and 2004, the Company withdrew cash of ¥15,000 million ($140,187 thousand) and ¥5,000 million from the trust, respectively, since the plan assets exceeded the benefit obligations due to an increase in fair value of plan assets and the transfer of the above benefit obligations.

The measurement date used to determine pension benefit obligations and plan assets was mainly March 31.

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
	2005	2004	**2005**
Change in projected benefit obligation			
Projected benefit obligation at beginning of year	**¥245,034**	¥244,268	**$2,290,037**
Service cost	**6,040**	6,051	**56,449**
Interest cost	**5,838**	6,245	**54,561**
Actuarial (gains) losses	**(97)**	2,987	**(907)**
Foreign currency exchange rate changes	**(491)**	(1,595)	**(4,589)**
Benefits paid	**(10,843)**	(12,522)	**(101,336)**
Plan amendment	**–**	(400)	**–**
Transfer of the substitutional portion of the employee pension fund and other	**(35,990)**	–	**(336,355)**
Projected benefit obligation at end of year	**209,491**	245,034	**1,957,860**
Change in plan assets			
Fair value of plan assets at beginning of year	**251,310**	232,943	**2,348,692**
Actual return on plan assets	**8,653**	29,795	**80,869**
Foreign currency exchange rate changes	**(409)**	(1,374)	**(3,822)**
Employees' contributions	**257**	253	**2,402**
Employer's contribution	**2,327**	3,537	**21,748**
Benefits paid	**(8,809)**	(8,844)	**(82,327)**
Transfer of the substitutional portion of the employee pension fund and other	**(36,521)**	(5,000)	**(341,319)**
Fair value of plan assets at end of year	**216,808**	251,310	**2,026,243**
Funded status	**7,317**	6,276	**68,383**
Unrecognized prior service cost	**(17,242)**	(18,028)	**(161,140)**
Unrecognized net loss	**90,139**	113,583	**842,421**
Net amount recognized	**¥ 80,214**	¥101,831	**$ 749,664**
Amounts recognized in the consolidated balance sheet consist of:			
Prepaid benefit cost – current	**¥ 2,106**	¥ 1,784	**$ 19,683**
Prepaid benefit cost – noncurrent	**84,709**	105,797	**791,673**
Accrued benefit liability	**(9,319)**	(8,786)	**(87,093)**
Intangible assets	**1,612**	1,981	**15,065**
Accumulated other comprehensive income, before tax	**1,106**	1,055	**10,336**
Net amount recognized	**¥ 80,214**	¥101,831	**$ 749,664**

The accumulated benefit obligation for all defined benefit pension plans was ¥201,629 million ($1,884,383 thousand) and ¥235,303 million at March 31, 2005 and 2004, respectively.

The changes in minimum liability included in other comprehensive income, excluding tax effect, were ¥55 million ($514 thousand) and ¥43 million of losses for the years ended March 31, 2005 and 2004, respectively.

The components of net pension expense of the Company's and certain subsidiaries' plans for the years ended March 31, 2005, 2004 and 2003 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Service cost – benefits earned during the year	**¥ 6,040**	¥ 6,051	¥ 8,417	**$ 56,449**
Interest cost on projected benefit obligation	**5,838**	6,245	7,371	**54,561**
Expected return on plan assets	**(6,763)**	(8,214)	(7,782)	**(63,206)**
Net amortization and deferrals	**4,724**	5,799	4,580	**44,150**
Employees' contributions	**(257)**	(253)	(706)	**(2,402)**
Net loss on transfer of the substitutional portion of the employee pension fund liabilities	**1,453**	–	–	**13,579**
Net pension expense	**¥11,035**	¥ 9,628	¥11,880	**$103,131**

Details of the net loss on the transfer of the substitutional portion of the employee pension fund liabilities is as follows:

	Millions of yen	Thousands of U.S. dollars
Subsidy from government	¥(13,405)	$(125,281)
Settlement loss:		
Derecognition of accrued salary progression	(1,064)	(9,944)
Recognition of unrealized actuarial loss	15,922	148,804
	¥ 1,453	$ 13,579

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
	2005	2004	**2005**
Aggregate projected benefit obligation	**¥33,021**	¥30,455	**$308,607**
Aggregate fair value of plan assets	**21,802**	19,938	**203,757**

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
	2005	2004	**2005**
Aggregate accumulated benefit obligation	**¥21,600**	¥19,834	**$201,869**
Aggregate fair value of plan assets	**12,373**	11,201	**115,636**

The weighted-average assumptions used to determine benefit obligations at March 31, 2005, 2004 and 2003 were as follows:

	2005	2004	2003
Discount rates	**2.5%**	2.5%	2.5%
Rates of increases in future salary levels	**4.7%**	4.8%	3.3%

The weighted-average assumptions used to determine net pension expenses for the years ended March 31, 2005, 2004 and 2003 were as follows:

	2005	2004	2003
Discount rates	**2.5%**	2.5%	3.0%
Rates of increases in future salary levels	**4.8%**	3.3%	3.3%
Expected long-term rates of return on plan assets	**2.7%**	3.0%	3.0%

The expected long-term rates of return are calculated based on the historical returns for certain years adjusted by the target rate of return for the components of the current asset portfolio.

The weighted-average asset allocations of the Company's pension plans at March 31, 2005 and 2004 were as follows:

Asset category	2005	2004
Equity securities	**38.3%**	29.9%
Debt securities	**45.0**	42.6
Other	**16.7**	27.5
Total	**100.0%**	100.0%

Plan assets are generally invested 40%, 50% and 10% in equity securities, debt securities and other. The allocation to foreign equity and debt securities is approximately 30% of the total plan assets.

In making investment decisions, the main objective is to secure the necessary return over the long term to cover pension and retirement allowance liabilities. The primary investment policy is to analyze the risk/return characteristics by asset class and to invest in a diversified portfolio taking into consideration of the correlation between asset classes. The Company sets a policy asset mix with investments in equities, bonds, and alternative investments. Based on this policy, the Company selects multiple investment managers who execute the strategy. When selecting an investment manager, the Company gives consideration to management philosophy and content, investment management policy and investment style, investment control systems including information collection mechanism and decision-making process, compliance systems, investment experience and track record of the investment manager as well as their investment professional in charge of managing pension money.

As a result of the introduction of the cash-balance plan, the performance of certain plan assets is matched with the related pension benefits.

The benefits expected to be paid in the next ten years are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2006	¥ 9,186	$ 85,850
2007	9,741	91,037
2008	10,120	94,579
2009	10,450	97,664
2010	10,760	100,561
2011 – 2015	55,821	521,692
	¥106,078	$991,383

The amount of contributions expected to be paid to the plan during the year ending March 31, 2006 is approximately ¥2,400 million ($22,430 thousand).

10 | Income Taxes

The Company files a consolidated income tax return in Japan.

Total income taxes recognized for the years ended March 31, 2005, 2004 and 2003 were applicable to the following:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Income before income taxes, minority interests and equity in earnings of affiliated companies	**¥33,837**	¥35,618	¥16,274	**$316,234**
Equity in earnings of affiliated companies	**5,055**	3,746	6,486	**47,243**
Other comprehensive income (loss)	**7,170**	28,902	(6,403)	**67,009**
Total income taxes	**¥46,062**	¥68,266	¥16,357	**$430,486**

Taxes on income applicable to the Company would normally result in a statutory tax rates of approximately 41%, 44% (including a temporary surtax of 2%) and 44% for the years ended March 31, 2005, 2004 and 2003, respectively. A reconciliation of the statutory income tax rates to the effective income tax rates expressed as a percentage of income before income taxes, minority interests and equity in earnings of affiliated companies is as follows:

	2005	2004	2003
Statutory income tax rates	**41.0%**	44.0%	44.0%
Tax effect of subsidiaries' operations	**11.6**	16.3	28.8
Tax effect of permanent differences	**4.8**	2.6	6.5
Difference in tax rates of foreign subsidiaries	**(9.4)**	(9.8)	(15.1)
Tax effect on undistributed earnings of subsidiaries and other	**11.7**	6.0	(23.5)
Effect of tax rate change	**–**	–	12.7
Other	**0.9**	1.4	(8.6)
Effective income tax rates	**60.6%**	60.5%	44.8%

During March 2003, new tax legislation was enacted in Japan which reduced the Company's and its domestic subsidiaries' statutory income tax rate from 42% to 41% for fiscal years ending after March 31, 2004. As a result, deferred income tax balances had decreased by ¥4,201 million, which had been charged to income for the year ended March 31, 2003.

The significant components of deferred tax assets and deferred tax liabilities at March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Deferred tax assets:			
Allowance for doubtful accounts	¥ 78,377	¥ 78,828	$ 732,495
Inventories	9,631	7,422	90,009
Investment securities	10,616	22,145	99,215
Employees' retirement benefits	212	1,635	1,981
Unrealized profit on Intercompany transactions	8,506	9,262	79,495
Investments in affiliated companies	9,904	17,535	92,561
Net operating loss carryforwards	29,959	40,352	279,991
Other	42,138	30,745	393,814
Total deferred tax assets	189,343	207,924	1,769,561
Valuation allowance	(32,725)	(40,974)	(305,841)
Total deferred tax assets – net	156,618	166,950	1,463,720
Deferred tax liabilities:			
Property, plant and equipment	31,940	28,838	298,505
Undistributed earnings	4,557	4,151	42,589
Other	10,054	8,896	93,962
Total deferred tax liabilities	46,551	41,885	435,056
Net deferred tax assets	¥110,067	¥125,065	$1,028,664

The net changes in the valuation allowance for deferred tax assets were ¥8,249 million ($77,093 thousand) of decrease and ¥12,690 million of increase for the years ended March 31, 2005 and 2004, respectively.

At March 31, 2005, certain subsidiaries had net operating loss carryforwards amounting to ¥79,549 million ($743,449 thousand) of which ¥35,273 million ($329,654 thousand) relates to domestic subsidiaries and will expire through 2012. The reminder of ¥44,276 million ($413,795 thousand) relates to foreign subsidiaries, of which ¥38,259 million ($357,561 thousand) will expire through 2024 and ¥6,017 million ($56,234 thousand) has no expiration date.

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 ¥134,116 million ($1,253,421 thousand) and ¥123,004 million at March 31, 2005 and 2004, 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.

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.

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 unrealized gains of ¥36,903 million ($344,888 thousand) at March 31, 2005 are deducted from the net assets used in determining retained earnings available for dividends. The retained earnings available for dividends amounted to ¥25,080 million ($234,393 thousand) at March 31, 2005.

At March 31, 2005, 119,666,048 shares and 219,476,744 shares of common stock were reserved for conversion of the 0.85% convertible debentures issued in 1996 and for conversion of Class I preferred stock issued in 2003, respectively.

Effective October 1, 2001, the par value of the Company's shares was eliminated, 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 ¥95,229 million ($889,991 thousand) and nil at March 31, 2005, 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 by an adjustment to the additional paid-in capital of ¥129,228 million and legal reserve ¥18,844 million, as permitted by the JCC. Since there are no such laws or rules in the United States, the accompanying consolidated financial statements reflect the transaction in such a way as permitted under the JCC and recorded in its statutory books. At March 31, 2005, the amount of the retained earnings would have been ¥1,967 million ($18,383 thousand) had the Company not consummated the aforementioned transaction.

12 | Preferred Stock

The Company is authorized to issue 100 million shares of Class I Preferred Stock and 100 million shares of Class II Preferred Stock. Both classes of preferred stock are non-voting and have equal preference with the Company's common stock for the payment of dividends and the distribution of assets in the event of a liquidation or dissolution of the Company. However, during a period that no preferred dividends are paid preferred shareholders have a voting right per share until preferred dividends are declared. Preferred dividends are non-cumulative and non-participating. Preferred shareholders are entitled to a liquidation distribution at ¥1,000 ($9.35) per share and do not have the right to participate in any further liquidation distributions. The Company may repurchase and hold any classes of preferred stocks, and retire them out of earnings available for distribution to the shareholders.

Class I Preferred Stock

Class I Preferred Stock is convertible into common stock at the option of preferred shareholders during a conversion period. Class I Preferred Stock will be mandatorily converted into common stock on the date immediately following the closing date of the conversion period. At the time of issuance, the Board of Directors will determine the issue price, annual dividend (not exceed ¥100 per share), and conversion terms, including a conversion period.

On December 16, 2003, the Company issued 75.5 million shares of Class I Preferred Stock at ¥1,000 per share or ¥75,500 million in aggregate. The Company allocated ¥37,750 million to preferred stock with the remainder, net of issuance costs, recognized as capital surplus based on the JCC and the decision of the Board of Directors of the Company. The annual dividend is ¥20 ($0.19) per share. At the option of the shareholders, Class I Preferred Stock is convertible into common stock during the period from September 1, 2006 to December 12, 2013 at the conversion price, which is initially the average market closing price of the common stock of the Company traded on the Tokyo Stock Exchange (the "TSE") for the 30 business days starting from the 45th business day prior to the starting day of the conversion period, but not less than ¥50 ($0.47). The conversion price will then be reset annually on September 1 of each year from 2007 to 2013 if there is a decline in the market price of the Company's common stock, but not less than 70% of the initial conversion price or ¥50 ($0.47), whichever higher. Class I Preferred Stock shares which are not converted at the option of the shareholders will be mandatorily converted into common stock on December 13, 2013, at the conversion price determined based on the average market closing price of the common stock traded on the TSE for the 30 business days starting from the 45th business day prior to the date of mandatory conversion.

Class II Preferred Stock

Class II Preferred Stock is redeemable at the option of the Company. At the time of issuance, the Board of Directors will determine the issue price, annual dividend (not exceed ¥100 per share), and redemption terms, including a redemption price.

No shares of the Class II Preferred Stock were issued and outstanding at March 31, 2005.

13 | 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, 2005, 2004 and 2003 was as follows:

	Millions of yen		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
2005			
Unrealized gains on investment securities arising during period	**¥ 42,562**	**¥(14,247)**	**¥ 28,315**
Less: reclassification adjustments for gains included in net income	**(28,082)**	**11,501**	**(16,581)**
Net unrealized gains	**14,480**	**(2,746)**	**11,734**
Currency translation adjustments arising during period	**(2,531)**	**(1,764)**	**(4,295)**
Less: reclassification adjustments for losses included in net income	**2,993**	**(357)**	**2,636**
Net currency translation adjustments	**462**	**(2,121)**	**(1,659)**
Unrealized gains on derivatives arising during the period	**10,512**	**(4,081)**	**6,431**
Less: reclassification adjustments for gains included in net income	**(4,330)**	**1,758**	**(2,572)**
Net unrealized gains on derivatives	**6,182**	**(2,323)**	**3,859**
Minimum pension liability adjustment	**(55)**	**20**	**(35)**
Other comprehensive income	**¥ 21,069**	**¥ (7,170)**	**¥ 13,899**

	Thousands of U.S. dollars		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
2005			
Unrealized gains on investment securities arising during period	**$ 397,776**	**$(133,150)**	**$ 264,626**
Less: reclassification adjustments for gains included in net income	**(262,449)**	**107,487**	**(154,962)**
Net unrealized gains	**135,327**	**(25,663)**	**109,664**
Currency translation adjustments arising during period	**(23,654)**	**(16,486)**	**(40,140)**
Less: reclassification adjustments for losses included in net income	**27,972**	**(3,337)**	**24,635**
Net currency translation adjustments	**4,318**	**(19,823)**	**(15,505)**
Unrealized gains on derivatives arising during the period	**98,243**	**(38,140)**	**60,103**
Less: reclassification adjustments for gains included in net income	**(40,467)**	**16,429**	**(24,038)**
Net unrealized gains on derivatives	**57,776**	**(21,711)**	**36,065**
Minimum pension liability adjustment	**(514)**	**187**	**(327)**
Other comprehensive income	**$ 196,907**	**$ (67,010)**	**$ 129,897**

	Millions of yen		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
2004			
Unrealized gains on investment securities arising during period	¥ 87,826	¥(36,064)	¥ 51,762
Less: reclassification adjustments for gains included in net income	(14,350)	5,878	(8,472)
Net unrealized gains	73,476	(30,186)	43,290
Currency translation adjustments arising during period	(19,714)	1,911	(17,803)
Less: reclassification adjustments for losses included in net income	3,238	(682)	2,556
Net currency translation adjustments	(16,476)	1,229	(15,247)
Unrealized losses on derivatives arising during the period	361	(366)	(5)
Less: reclassification adjustments for gains included in net income	(1,000)	408	(592)
Net unrealized losses on derivatives	(639)	42	(597)
Minimum pension liability adjustment	(43)	13	(30)
Other comprehensive income	¥ 56,318	¥(28,902)	¥ 27,416

	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 losses 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 losses 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 losses 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)

The accumulated balance of each component of accumulated other comprehensive losses at March 31, 2005, 2004 and 2003 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, 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)
Change in the period	43,290	(15,247)	(597)	(30)	27,416
Balance at March 31, 2004	34,927	(87,927)	(5,413)	(612)	(59,025)
Change in the period	**11,734**	**(1,659)**	**3,859**	**(35)**	**13,899**
Balance at March 31, 2005	**¥46,661**	**¥(89,586)**	**¥(1,554)**	**¥(647)**	**¥(45,126)**

	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, 2004	**$326,420**	**$(821,747)**	**$(50,588)**	**$(5,720)**	**$(551,635)**
Change in the period	**109,664**	**(15,505)**	**36,065**	**(327)**	**129,897**
Balance at March 31, 2005	**$436,084**	**$(837,252)**	**$(14,523)**	**$(6,047)**	**$(421,738)**

14 | 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. These segments are outlined as follows:

Agri-marine products: This group produces, and sells and distributes varieties of foods such as agricultural and sea-food products, processed food and beverages, raw materials and fodder and manure 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.
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.
Chemicals: This group handles a wide variety of goods ranging from basic materials to leading-edge finished products for bio technology industries for sale in Japan and internationally. Especially, this group focuses on furthering bolster efficient operations in electric materials, basic chemicals, resin industries in China.
Energy: This group focuses on products related to energy such as oil and gas. 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.
Transportation and industrial machinery: This group imports and exports airplanes, defense-related equipment, aerospace-related equipment, vehicles, construction equipment, agro-industrial equipment, environmental and industrial equipment, personal computers and related products, and medical equipment 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 handles projects and machinery related to steel, cement, petrochemical, fertilizer, oil refinery and gas, sells and holds new and old vessels and related materials, and operates the ship chartering business, domestically and internationally.
Development and construction: This group develops and sells condominiums, rents and leases commercial buildings and invests in and manages real estate funds and trusts in Japan, and also develops housing and residence outside of Japan.
Finance and logistics business: This group invests in and manages investment funds and trades financial instruments. It also operates a forwarding business, renders logistics related consultations and invests in infrastructure projects for logistics. In addition, this group acts as an agent in the insurance business.
Telecom and information: This group is engaged in information technology-related businesses such as: IP network infrastructures; overseas communication facilities; citizen identification-related business; cellular phones; wholesale and cable and BS/CS broadcasting; IC tag and radio frequency identification (RFID); ASP/ISP, etc., both domestically and internationally.
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, 2005, 2004 and 2003, were as follows:

Millions of yen

Year ended March 31, 2005	Agri-marine products	Textile	Forest products and general merchandise	Chemicals	Energy	Metals and mineral resources	Transportation and industrial machinery	Utility and infrastructure
Total volume of trading transactions:								
Outside customers	**¥961,434**	**¥352,094**	**¥752,093**	**¥638,752**	**¥1,772,710**	**¥579,913**	**¥730,779**	**¥379,289**
Inter-segment	**18,421**	**3,217**	**40,284**	**28,721**	**1,241**	**29,361**	**46,813**	**54**
Total	**¥979,855**	**¥355,311**	**¥792,377**	**¥667,473**	**¥1,773,951**	**¥609,274**	**¥777,592**	**¥379,343**
Gross trading profit	**¥ 71,312**	**¥ 25,174**	**¥ 46,612**	**¥ 26,857**	**¥ 42,132**	**¥ 15,709**	**¥ 56,098**	**¥ 22,646**
Segment net income (loss)	**¥ 1,169**	**¥ 2,612**	**¥ 7,520**	**¥ 4,513**	**¥ 15,888**	**¥ 9,813**	**¥ 24**	**¥ 5,140**
Segment assets	**¥398,517**	**¥119,807**	**¥317,678**	**¥167,157**	**¥ 390,939**	**¥195,110**	**¥294,118**	**¥392,192**
Depreciation and amortization	**¥ 6,006**	**¥ 216**	**¥ 4,250**	**¥ 1,087**	**¥ 8,716**	**¥ 3,367**	**¥ 2,925**	**¥ 9,121**
Expenditures for segment assets	**¥ 6,428**	**¥ 253**	**¥ 2,514**	**¥ 812**	**¥ 9,281**	**¥ 8,624**	**¥ 1,586**	**¥ 9,853**

Millions of yen

Year ended March 31, 2005	Plant and ship	Development and construction	Finance and logistics business	Telecom and information	Domestic branches and offices	Overseas corporate subsidiaries and branches	Corporate and elimination	Consolidated
Total volume of trading transactions:								
Outside customers	**¥488,223**	**¥196,330**	**¥ 16,951**	**¥172,695**	**¥126,492**	**¥ 768,864**	**¥ 2,818**	**¥7,939,437**
Inter-segment	**1,214**	**514**	**4,362**	**3,153**	**15,500**	**301,348**	**(494,203)**	**–**
Total	**¥489,437**	**¥196,844**	**¥ 21,313**	**¥175,848**	**¥141,992**	**¥1,070,212**	**¥(491,385)**	**¥7,939,437**
Gross trading profit	**¥ 13,332**	**¥ 27,530**	**¥ 5,785**	**¥ 24,483**	**¥ 4,898**	**¥ 76,517**	**¥ (23,030)**	**¥ 436,055**
Segment net income (loss)	**¥ (13,519)**	**¥ (11,362)**	**¥ 4,047**	**¥ (9,314)**	**¥ (493)**	**¥ 6,187**	**¥ 19,022**	**¥ 41,247**
Segment assets	**¥338,715**	**¥317,692**	**¥128,760**	**¥137,758**	**¥ 52,844**	**¥ 435,506**	**¥ 521,244**	**¥4,208,037**
Depreciation and amortization	**¥ 1,958**	**¥ 2,274**	**¥ 260**	**¥ 4,524**	**¥ 164**	**¥ 9,462**	**¥ 11,373**	**¥ 65,703**
Expenditures for segment assets	**¥ 2,149**	**¥ 874**	**¥ 28**	**¥ 3,898**	**¥ 20**	**¥ 18,527**	**¥ 477**	**¥ 65,324**

Thousands of U.S. dollars

Year ended March 31, 2005	Agri-marine products	Textile	Forest products and general merchandise	Chemicals	Energy	Metals and mineral resources	Transportation and industrial machinery	Utility and infrastructure
Total volume of trading transactions:								
Outside customers	**$8,985,364**	**$3,290,598**	**$7,028,907**	**$5,969,645**	**$16,567,383**	**$5,419,748**	**$6,829,710**	**$3,544,757**
Inter-segment	**172,159**	**30,066**	**376,486**	**268,420**	**11,598**	**274,402**	**437,505**	**505**
Total	**$9,157,523**	**$3,320,664**	**$7,405,393**	**$6,238,065**	**$16,578,981**	**$5,694,150**	**$7,267,215**	**$3,545,262**
Gross trading profit	**$ 666,467**	**$ 235,271**	**$ 435,626**	**$ 251,000**	**$ 393,757**	**$ 146,813**	**$ 524,280**	**$ 211,645**
Segment net income (loss)	**$ 10,925**	**$ 24,411**	**$ 70,280**	**$ 42,178**	**$ 148,486**	**$ 91,710**	**$ 224**	**$ 48,037**
Segment assets	**$3,724,458**	**$1,119,692**	**$2,968,953**	**$1,562,215**	**$ 3,653,636**	**$1,823,458**	**$2,748,766**	**$3,665,346**
Depreciation and amortization	**$ 56,131**	**$ 2,019**	**$ 39,720**	**$ 10,159**	**$ 81,458**	**$ 31,467**	**$ 27,336**	**$ 85,243**
Expenditures for segment assets	**$ 60,075**	**$ 2,364**	**$ 23,495**	**$ 7,589**	**$ 86,738**	**$ 80,598**	**$ 14,822**	**$ 92,084**

Thousands of U.S. dollars

Year ended March 31, 2005	Plant and ship	Development and construction	Finance and logistics business	Telecom and information	Domestic branches and offices	Overseas corporate subsidiaries and branches	Corporate and elimination	Consolidated
Total volume of trading transactions:								
Outside customers	**$4,562,832**	**$1,834,860**	**$ 158,421**	**$1,613,972**	**$1,182,168**	**$ 7,185,645**	**$ 26,336**	**$74,200,346**
Inter-segment	**11,346**	**4,804**	**40,766**	**29,467**	**144,860**	**2,816,336**	**(4,618,720)**	**–**
Total	**$4,574,178**	**$1,839,664**	**$ 199,187**	**$1,643,439**	**$1,327,028**	**$10,001,981**	**$(4,592,384)**	**$74,200,346**
Gross trading profit	**$ 124,598**	**$ 257,290**	**$ 54,065**	**$ 228,813**	**$ 45,776**	**$ 715,112**	**$ (215,233)**	**$ 4,075,280**
Segment net income (loss)	**$ (126,346)**	**$ (106,187)**	**$ 37,822**	**$ (87,047)**	**$ (4,607)**	**$ 57,822**	**$ 177,778**	**$ 385,486**
Segment assets	**$3,165,561**	**$2,969,084**	**$1,203,364**	**$1,287,458**	**$ 493,869**	**$ 4,070,150**	**$ 4,871,439**	**$39,327,449**
Depreciation and amortization	**$ 18,299**	**$ 21,252**	**$ 2,430**	**$ 42,280**	**$ 1,533**	**$ 88,430**	**$ 106,290**	**$ 614,047**
Expenditures for segment assets	**$ 20,084**	**$ 8,168**	**$ 262**	**$ 36,430**	**$ 187**	**$ 173,150**	**$ 4,459**	**$ 610,505**

Year ended March 31, 2004	Agri-marine products	Textile	Forest products and general merchandise	Chemicals	Energy	Metals and mineral resources	Transportation and industrial machinery	Utility and infrastructure
	Millions of yen							
Total volume of trading transactions:								
Outside customers	¥848,868	¥349,413	¥733,909	¥538,363	¥1,994,307	¥471,211	¥758,976	¥360,977
Inter-segment	7,942	3,451	37,599	26,163	707	21,995	23,627	41
Total	¥856,810	¥352,864	¥771,508	¥564,526	¥1,995,014	¥493,206	¥782,603	¥361,018
Gross trading profit	¥ 61,436	¥ 23,914	¥ 42,009	¥ 24,945	¥ 30,817	¥ 12,163	¥ 55,769	¥ 20,567
Segment net income (loss)	¥ 6,957	¥ 1,753	¥ 6,253	¥ 3,326	¥ 10,113	¥ 4,258	¥ (448)	¥ 5,068
Segment assets	¥417,735	¥127,045	¥315,720	¥147,118	¥ 319,584	¥180,257	¥306,718	¥409,193
Depreciation and amortization	¥ 6,009	¥ 318	¥ 4,382	¥ 1,209	¥ 10,226	¥ 2,714	¥ 3,536	¥ 4,047
Expenditures for segment assets	¥ 5,946	¥ 141	¥ 2,886	¥ 724	¥ 12,308	¥ 2,907	¥ 1,877	¥ 2,333

Year ended March 31, 2004	Plant and ship	Development and construction	Finance and logistics business	Telecom and information	Domestic branches and offices	Overseas corporate subsidiaries and branches	Corporate and elimination	Consolidated
	Millions of yen							
Total volume of trading transactions:								
Outside customers	¥610,067	¥178,247	¥ 15,872	¥164,605	¥145,796	¥ 729,620	¥ 5,409	¥7,905,640
Inter-segment	3,030	501	2,019	3,157	13,450	305,994	(449,676)	–
Total	¥613,097	¥178,748	¥ 17,891	¥167,762	¥159,246	¥1,035,614	¥(444,267)	¥7,905,640
Gross trading profit	¥ 8,836	¥ 27,909	¥ 4,900	¥ 19,952	¥ 5,427	¥ 73,458	¥ (2,641)	¥ 409,461
Segment net income (loss)	¥ (4,451)	¥ (154)	¥ 2,502	¥ (7,880)	¥ 718	¥ 4,809	¥ 1,741	¥ 34,565
Segment assets	¥343,070	¥330,506	¥144,432	¥144,195	¥ 60,625	¥ 439,013	¥ 568,983	¥4,254,194
Depreciation and amortization	¥ 374	¥ 2,712	¥ 244	¥ 4,900	¥ 184	¥ 9,658	¥ 3,748	¥ 54,261
Expenditures for segment assets	¥ 1,198	¥ 608	¥ 13	¥ 2,295	¥ 56	¥ 31,935	¥ 1,251	¥ 66,478

Year ended March 31, 2003	Agri-marine products	Textile	Forest products and general merchandise	Chemicals	Energy	Metals and mineral resources	Transportation and industrial machinery	Utility and infrastructure
	Millions of yen							
Total volume of trading transactions:								
Outside customers	¥1,006,979	¥366,742	¥705,421	¥547,563	¥2,308,904	¥414,473	¥753,677	¥421,743
Inter-segment	16,534	3,535	40,355	22,365	849	27,871	22,901	107
Total	¥1,023,513	¥370,277	¥745,776	¥569,928	¥2,309,753	¥442,344	¥776,578	¥421,850
Gross trading profit	¥ 58,559	¥ 24,494	¥ 41,242	¥ 29,279	¥ 29,615	¥ 13,984	¥ 54,371	¥ 11,832
Segment net income (loss)	¥ 7,066	¥ 1,934	¥ 4,868	¥ 2,063	¥ 6,556	¥ 1,923	¥ 3,567	¥ 4,508
Segment assets	¥ 347,483	¥123,868	¥299,009	¥147,420	¥ 348,338	¥157,820	¥292,581	¥232,197
Depreciation and amortization	¥ 5,206	¥ 378	¥ 3,323	¥ 4,320	¥ 5,452	¥ 2,477	¥ 1,791	¥ 2,977
Expenditures for segment assets	¥ 8,710	¥ 199	¥ 3,851	¥ 2,418	¥ 5,507	¥ 1,153	¥ 1,375	¥ 2,641

Year ended March 31, 2003	Plant and ship	Development and construction	Finance and logistics business	IT business	Domestic branches and offices	Overseas corporate subsidiaries and branches	Corporate and elimination	Consolidated
	Millions of yen							
Total volume of trading transactions:								
Outside customers	¥732,978	¥185,346	¥ 32,479	¥381,758	¥158,639	¥ 771,859	¥ 4,742	¥8,793,303
Inter-segment	3,498	494	5,355	4,404	14,296	293,508	(456,072)	–
Total	¥736,476	¥185,840	¥ 37,834	¥386,162	¥172,935	¥1,065,367	¥(451,330)	¥8,793,303
Gross trading profit	¥ 13,866	¥ 34,027	¥ 6,523	¥ 32,559	¥ 6,081	¥ 72,827	¥ (4,616)	¥ 424,643
Segment net income (loss)	¥ 1,277	¥ (205)	¥ 3,344	¥ (7,990)	¥ 836	¥ 4,943	¥ (4,378)	¥ 30,312
Segment assets	¥392,244	¥376,963	¥169,504	¥245,103	¥ 60,764	¥ 491,371	¥ 636,817	¥4,321,482
Depreciation and amortization	¥ 283	¥ 3,411	¥ 12,000	¥ 4,452	¥ 197	¥ 9,561	¥ 7,837	¥ 63,665
Expenditures for segment assets	¥ 582	¥ 2,072	¥ 7,475	¥ 2,868	¥ 117	¥ 14,521	¥ 6,174	¥ 59,663

Effective April 1, 2003, the name of the IT segment was changed to the Telecom and information business segment.

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. The principal differences are described in Note 1.

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

Revenues from external customers by country for the year ended March 31, 2005, 2004 and 2003 were as follows:

	Millions of yen			Thousands of U.S. dollars
Country	**2005**	2004	2003	**2005**
Japan	**¥2,235,433**	¥2,074,965	¥2,004,744	**$20,891,897**
United States of America	**404,195**	429,211	406,922	**3,777,523**
United Kingdom	**104,993**	80,427	78,167	**981,243**
Other	**294,031**	189,566	191,334	**2,747,954**
Total	**¥3,038,652**	¥2,774,169	¥2,681,167	**$28,398,617**

Revenues from external customers are attributed to countries based on the location of operations.

Long-lived assets, including property leased to others, by country as of March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
Country	**2005**	2004	**2005**
Japan	**¥481,329**	¥513,060	**$4,498,402**
United States of America	**115,689**	115,985	**1,081,206**
Philippines	**60,604**	67,817	**566,393**
Other	**158,570**	94,499	**1,481,962**
Total	**¥816,192**	¥791,361	**$7,627,963**

Revenues from external customers by product for the years ended March 31, 2005, 2004 and 2003 were as follows:

	Millions of yen			Thousands of U.S. dollars
Product	**2005**	2004	2003	**2005**
Machinery	**¥ 536,028**	¥ 418,960	¥ 431,029	**$ 5,009,607**
Energy	**48,842**	38,300	37,626	**456,467**
Metals	**299,195**	255,300	246,809	**2,796,215**
Chemicals	**696,714**	594,733	557,318	**6,511,346**
Forest products and general merchandise	**334,475**	346,164	337,823	**3,125,935**
Agri-marine products	**662,389**	623,150	546,776	**6,190,552**
Textile	**314,568**	327,246	337,517	**2,939,888**
Development and construction	**146,441**	170,316	186,269	**1,368,607**
Total	**¥3,038,652**	¥2,774,169	¥2,681,167	**$28,398,617**

There is no concentration by customer.

15 | Foreign Currency Transactions

Net foreign currency transaction gains and losses included in other income–net amounted to ¥2,713 million ($25,355 thousand) of gains for the year ended March 31, 2005 and ¥5,087 million and ¥5,331 million of losses for the years ended March 31, 2004 and 2003, 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.

16 | 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 in cooperation with the related departments, 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 and receivables and payables 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 years ended March 31, 2005, 2004 and 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 years ended March 31, 2005, 2004 and 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 years ended March 31, 2005, 2004 and 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 years ended March 31, 2005, 2004 and 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 judgment is required in interpreting market data to develop estimates of fair value. Consequently, the estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange.

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

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

Investment securities, securities and other investments: the fair value of marketable equity securities is based on quoted market prices. The carrying amount of the marketable equity securities reflected in the balance sheets represents their fair value. The fair value of investments in debt securities is based on quoted market prices or estimated using discounted cash flow analyses, based on the estimated current rates offered to the issuers for securities with similar terms and remaining maturities. It was not practicable to estimate the fair value of the investments other than marketable equity securities and debt securities without incurring excessive costs. The carrying amount of the portion of the portfolio for which fair value could not be estimated was ¥238,806 million ($2,231,832 thousand) and ¥257,157 million at March 31, 2005 and 2004, respectively, and represents the cost of this portion of the portfolio, which management believes is not impaired.

Non-marketable securities of ¥167,362 million ($1,564,131 thousand), included in the above at March 31, 2005, included those securities that were not evaluated for impairment because the Company did not identify any events or changes in circumstances that might have had a significant adverse effect on the fair value of those investments, in the amounts of ¥166,742 million ($1,558,336 thousand).

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, 2005 and 2004 were as follows (amounts in parentheses represent liabilities):

	Millions of yen				Thousands of U.S. dollars	
	2005		2004		**2005**	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Short-term investments in debt securities	**¥ 28,949**	**¥ 29,020**	¥ 6,058	¥ 6,068	**$ 270,551**	**$ 271,215**
Long-term investments in debt securities	**37,512**	**38,328**	50,418	51,756	**350,579**	**358,206**
Long-term notes, loans and accounts receivable – trade (less allowance for doubtful accounts)	**186,096**	**186,832**	206,184	205,588	**1,739,215**	**1,746,093**
Long-term debt	**(2,128,223)**	**(2,154,141)**	(2,151,289)	(2,115,799)	**(19,889,935)**	**(20,132,159)**
Derivative instruments – assets:						
Interest rate swap agreements	**22,095**	**22,095**	26,627	26,627	**206,495**	**206,495**
Foreign exchange contracts	**3,411**	**3,411**	2,698	2,698	**31,879**	**31,879**
Commodity futures and forward contracts and other	**76,810**	**76,810**	48,527	48,527	**717,850**	**717,850**
Derivative instruments – liabilities:						
Interest rate swap agreements	**(6,031)**	**(6,031)**	(8,096)	(8,096)	**(56,364)**	**(56,364)**
Foreign exchange contracts	**(2,427)**	**(2,427)**	(5,807)	(5,807)	**(22,682)**	**(22,682)**
Commodity futures and forward contracts and other	**(80,748)**	**(80,748)**	(52,292)	(52,292)	**(754,654)**	**(754,654)**

17 | 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.

18 | Commitments and Contingent Liabilities

Lessor:

The Company and certain of its subsidiaries lease containers, vessels and certain other assets, some of which are classified as direct financing leases. Net investments included in Notes, loans and accounts receivable – trade in the accompanying consolidated balance sheets at March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Total minimum lease payments to be received	**¥ 30,985**	¥ 29,946	**$ 289,579**
Less unearned income	**(10,878)**	(10,577)	**(101,663)**
Net investments in direct financing leases	**¥ 20,107**	¥ 19,369	**$ 187,916**

The total minimum lease payments to be received by year at March 31, 2005 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2006	¥ 3,982	$ 37,215
2007	3,971	37,112
2008	3,709	34,664
2009	3,420	31,963
2010	2,873	26,850
Thereafter	13,030	121,775
Total	¥30,985	$289,579

The Company and certain of its subsidiaries also lease power stations, containers, office buildings and certain other assets under operating leases. The cost and accumulated depreciation of the leased property at March 31, 2005 and 2004 are shown on the accompanying consolidated balance sheets. At March 31, 2005, the future minimum rentals to be received on non-cancelable operating leases were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2006	¥ 32,009	$ 299,150
2007	27,857	260,346
2008	25,120	234,766
2009	22,687	212,028
2010	19,396	181,271
Thereafter	125,561	1,173,467
Total	¥252,630	$2,361,028

Lessee:
The Company and certain of its subsidiaries lease containers, office equipment and certain other assets, some of which are classified as capital leases. At March 31, 2005, the cost and accumulated depreciation of the leased property, included primarily in Property, plant and equipment in the accompanying consolidated balance sheets, are ¥36,304 million ($339,290 thousand) and ¥15,586 million ($145,664 thousand), respectively.

The total future minimum lease payments under capital leases by year together with the capital lease obligations at March 31, 2005 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2006	¥ 7,966	$ 74,449
2007	6,838	63,907
2008	2,683	25,075
2009	1,698	15,869
2010	621	5,804
Thereafter	360	3,363
Total minimum lease payments	20,166	188,467
Less amount representing interest	(1,523)	(14,233)
Capital lease obligation	¥18,643	$174,234

The Company and certain of its subsidiaries also lease containers, communication facility, vessels and certain other assets under operating leases. Rental expense amounted to ¥17,855 million ($166,869 thousand), ¥19,448 million and ¥17,269 million for the years ended March 31, 2005, 2004 and 2003, respectively.

At March 31, 2005, the future minimum rental payments under non-cancelable operating leases were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2006	¥12,044	$112,561
2007	9,478	88,579
2008	8,966	83,794
2009	7,924	74,056
2010	5,588	52,224
Thereafter	21,465	200,608
Total	¥65,465	$611,822

The future minimum rentals to be received under noncancelable subleases corresponding to the above future minimum rental payments were not significant at March 31, 2005.

For the year ended March 31, 2003, the Company sold to a third party the buildings and property of Osaka headquarters and Nagoya branch for ¥12,500 million and ¥2,900 million, 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 ¥53,000 million ($495,327 thousand) and ¥4,000 million at March 31, 2005 and 2004, 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 secondary guarantees issued to the Company by other parties. The outstanding balance of guarantees, which approximated the maximum potential payment under these guarantees, was ¥96,806 million ($904,729 thousand), including ¥42,183 million ($394,234 thousand) to affiliated companies, at March 31, 2005, net of the amount secured by secondary guarantees issued to the Company by other parties of ¥17,246 million ($161,178 thousand). The comparable amounts at March 31, 2004 were ¥180,230 million, ¥110,557 million and ¥19,507 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, 2005 would not have a material effect on the consolidated financial position or results of operations of the Companies.

19 | Subsequent Events

At the June 24, 2005 annual meeting, the shareholders approved the payments of cash dividends of ¥4 ($0.04) per share of common stock or ¥5,973 million ($55,822 thousand) in aggregate and of ¥20 ($0.19) per share of Class I preferred stock issued in 2003 or ¥1,510 million ($14,112 thousand) in aggregate.

Report of Independent Auditors

ERNST & YOUNG

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Report of Independent Auditors

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

We have audited the accompanying consolidated balance sheets of Marubeni Corporation (the "Company") as of March 31, 2005 and 2004, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2005, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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, 2005 and 2004, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2005 in conformity with accounting principles generally accepted in the United States.

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.

Ernst & Young ShinNihon

April 26, 2005
except for paragraph 1 of Note 19, as to which date is
June 24, 2005