

# Marubeni America Corporation



## Annual Report 2006

Year ended December 31, 2006

# Branches, Offices & Showrooms

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## **New York Headquarters**

450 Lexington Avenue  
New York, NY 10017  
Phone: (212) 450-0100 Fax: (212) 450-0700

## ***Canton Showroom***

Horkos Machine Tool Center, 8655 Ronda Drive  
Canton, MI 48187  
Phone: (734) 354-7940 Fax: (734) 354-7939  
Mark Ostraff, Sales & Marketing Manager

## ***Novi Showroom***

41135 Vincenti Court  
Novi, MI 48375  
Phone: (248) 888-9200 Fax: (248) 888-0754  
Peter A. Fukuyama, Sales & Marketing Manager

## ***New York Showroom***

Design Link, 1411 Broadway, Unit 2545  
New York, NY 10018  
Phone: (212) 450-0311, Fax: (212) 450-0722  
Tosuke Nakamura, Assistant General Manager

## **Detroit Office**

2000 Town Center, Suite 1390  
Southfield, MI 48075  
Phone: (248) 353-7060 Fax: (248) 353-0649  
Yuji Umeda, General Manager

## **Houston Office**

2800 Post Oak Boulevard, Suite 6000  
Houston, TX 77056  
Phone: (713) 871-5700 Fax: (713) 871-1726  
Tadashi Terada, General Manager

## **Los Angeles Branch**

515 South Figueroa Street, Suite 2000  
Los Angeles, CA 90071  
Phone: (213) 972-2700 Fax: (213) 626-1294  
Yoshinari Ishii, General Manager

## **Omaha Office**

1125 South 103rd Street Suite 475  
Omaha, NE 68124  
Phone: (402) 934-1060 Fax: (402) 934-1063  
Hidefumi Oya, General Manager

## **Portland Office**

1300 SW Fifth Avenue, Suite 2930  
Portland, OR 97201  
Phone: (503) 224-3761 Fax: (503) 295-7943  
Masaaki Higuchi, General Manager

## **Silicon Valley Branch**

3945 Freedom Circle, Suite 1000  
Santa Clara, CA 95054  
Phone: (408) 330-0808 Fax: (408) 330-0807  
Mitsuaki Yamamoto, General Manager

## **Washington DC Office**

1776 I Street NW, Suite 725  
Washington DC 20006  
Phone: (202) 331-1167 Fax: (202) 331-1319  
Tetsuhide Mikamo, General Manager

## **Marubeni America Corporation Web Address**

[www.marubeni-usa.com](http://www.marubeni-usa.com)

## **Marubeni Corporation (parent) Web Address**

[www.marubeni.com](http://www.marubeni.com)

## President's Message

I am very pleased to report that in 2006, Marubeni America Corporation ("MAC") continued to expand its earning power and improve its financial strength, thanks to strong performances by its trading businesses and substantial contributions from its subsidiaries. MAC's balance sheet is quite healthy, as the level of non- or low-performing assets has been significantly reduced. MAC exceeded its initial goals in the first year of its new medium-term strategic plan for fiscal years 2006 and 2007, the "G-Plan," including establishing, by acquisition, two new subsidiary companies, Marubeni Motor Holdings, specializing in commercial automotive financing; and CoActiv Capital Partners, an equipment leasing concern. Such efforts have continued into early 2007 as we acquired two more subsidiary companies—Belterra Corporation, one of the largest industrial conveyor belt distributors in Canada; and Intragrated Resources Holdings, Inc., a paper distribution company—and further merger and acquisition activities are ongoing.

In fiscal year 2007, MAC's focus is ensuring sustainable growth. Since MAC performed so well in 2006, we have raised the bar in 2007 and challenged all business units to meet aggressive financial objectives. To meet them, we must strategically invest in our areas of expertise, properly monitor and grow our new acquisitions, and reinforce and grow our existing companies. Among the areas we will target for new business and investment are distribution/logistics and financial services. This approach, beyond enabling us to meet the "G-Plan" goals, will build the base for continuing MAC's prosperity into the foreseeable future.



However, our financial strength alone cannot sustain MAC's success—we have recommitted ourselves to providing value, service and quality to both our business partners and our communities. By maximizing the synergies among Marubeni Group companies, MAC will stretch farther to create value and to enhance customer service. In our continuing effort to improve quality, MAC will begin an ambitious program of staff education regarding risk management, financial planning, internal control, and compliance. And to demonstrate MAC's appreciation for our surrounding communities, we will renew our commitment to corporate social responsibility.

We look forward to the exciting opportunities and challenges of 2007 and to the continued strength and prosperity of Marubeni America Corporation.

**Michio Kuwahara**

President & Chief Executive Officer

# About Marubeni America Corporation

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Marubeni America Corporation – As a “sogo shosha,” or general trading company, we act as an intermediary, or broker, in all types of trade between enterprises and countries. Unlike many other large businesses, a general trading company has few fixed assets, instead relying on human resources, intensive information gathering and financial resources. We are the largest overseas subsidiary of the Japanese conglomerate, Marubeni Corporation.

While Marubeni America independently trades in a broad range of commodities, agricultural goods, industrial machinery and natural resources, we are more than just brokers. We also act as major financiers and large-scale organizers. We play a vital role in the logistics of transactions, such as the global movement of products. We assume and manage risk involved in transactions and act as business consultants, using our vast trade experience in new business development. We provide many specialized services, including sales support, transportation, insurance, storage, financing and leasing, engineering and construction service, and traffic and logistics planning. We frequently make direct investments in companies inside our core competencies.

Marubeni America’s function as an intermediary enables us to bridge the gap between supply and demand, at times by putting together the suppliers and those seeking their products, and at other times by providing the actual sources of supply or demand. In our efforts to increase trade and to find new directions for it to flow, we construct new plants, often leasing the completed plant to a manufacturer, providing raw materials, and then arranging for the sale of the finished goods.

Marubeni America is headquartered in New York City, with seven other U.S. locations and 38 subsidiary and affiliated companies. We can also access a network of over 110 Marubeni Group offices and 561 associated companies worldwide, all of which provide Marubeni offices and affiliates with up-to-the-minute information on commodities, commerce and finance. Through this network, Marubeni America Corporation is able to facilitate complex projects and transactions.

We appreciate your interest in our company and look forward to assisting you in expanding your present business or in identifying and developing new business opportunities.

### Agri-Marine Products Unit

The Agri-Marine Products Unit buys and exports grain, meat and other foodstuffs from the U.S. for the Japanese and Asian markets; engages in commodities trading through the New York Coffee, Sugar and Cocoa Exchange and the Chicago Board of Trade; and assists Marubeni Corporation in conducting commodity trading with suppliers in North America and Central and South America. For some time now, it has exported wheat, barley, rice, corn, sorghum, soybeans, canola, beef, pork and other foodstuffs to the Japanese and Asian markets from the U.S., while also importing sugar to the U.S. from Central and South America.



#### **At Terminal-5, near Portland, OR, grain arrives by rail, is loaded into silos, then onto ships for export**

The Agri-Marine Products Unit has worked to expand its business, especially in corn and soybeans, by securing its supply base. In 2005, it formed a strategic alliance with the major U.S. grain suppliers when it established the Time Charter Vessel Operation Company with Archer Daniels Midland Company (ADM). It also entered a new supply relationship in Brazil in close cooperation with the Agreenco Group. Similarly, it sought to ensure a safe and stable supply system for meat and other foodstuffs by reinforcing strong links with U.S. and Central and South American suppliers; for example, with Premium Standard Farm in the chilled pork trade, with Jamaican Cane Products Sales in the U.S.-quota sugar trade, and with a Canadian supplier of wheat. The Unit also seeks to increase its trading of non-genetically modified (non-GMO) grain as well as to

promote more organic foods in Japan.

Marubeni America's affiliate, Columbia Grain, Inc. (CGI), exports over 130 million bushels of wheat and barley through its state-of-the-art grain elevator at Terminal-5 in Portland, Oregon. CGI's facility ships about 12-13% of all the wheat and barley exported by the U.S. (For more information, please see CGI's website at [www.columbiagrains.com](http://www.columbiagrains.com).) In anticipation of irregular market conditions across the globe, the Agri-Marine Products Unit is looking to new areas for supplies of grain, including South America.

### Textile Unit

The Textile Unit primarily engages in designing, sourcing, manufacturing and marketing a wide range of textile products that serve both the U.S. and overseas markets. In addition to supplying fabrics to textile converters and finished garments to apparel wholesalers, we also produce and market various raw materials—mainly yarns and fibers—to domestic weavers, knitters, paper producers and carpet manufacturers. Like Marubeni America, many of our customers are market leaders in their fields with well-known brand names.



**We market elegant Globe-Trotter luggage, which has been chosen by British royalty**

The Textile Unit goes well beyond simple buying and selling. Many of the manufacturers we source from are Marubeni subsidiaries in Asia, who work very closely with us in determining market strategy, production planning and future market trends. Recently, we have also entered two markets adjacent to the traditional textile area. First, with a large U.S. cosmetics company, we now collaborate on manufacturing skin care products in Asia. Second, from the famous British luggage maker, Globe-Trotter, we have received distribution rights to market their products in the U.S. These beautifully crafted suitcases are found in high-end specialty stores throughout the country.

Looking ahead, some of our most promising growth areas are in automotive seating and interiors, specialty yarns and fibers, home furnishings, men's and ladies' fabrics, and apparel.

### **Forest Products & General Merchandise Unit**

The Hide, Leather and Synthetic Leather Department exports Canadian and U.S. hides to Asian countries including China, Korea, Taiwan and Japan. It also sells Clarino, one of the most advanced synthetic leathers ever made, in the U.S., Canada, Mexico and South America. For the U.S. market, the Department launched the marketing of flexible, lightweight Tsukihoshi children's shoes for sale at high-end retailers.

The Refractory Department imports the Shinagawa Refractories Company's alumina graphite product for steel-making. Our customers include both integrated and mini mills located throughout North America.

The Rubber Department imports conveyor belts, hoses and condoms from mainly Asian countries, including China, Taiwan, Korea and Japan, and distributes them mostly in North America. Marubeni America's (MAC's) subsidiary, Belterra Corporation, also distributes conveyor belts, mainly in Canada.

Marubeni America's (MAC's) subsidiary, Marubeni Pulp & Paper North America, imports, exports and distributes pulp, wood chip and paper; while Marubeni Business Machines (America) distributes Konica Minolta copiers in

Latin American countries and in the Caribbean; Pan Pacific Fiber collects various waste papers from local markets and sorts, bundles, and ships them worldwide; and Intragrated Resources Holdings sells printing paper to catalog houses and publishers in the U.S. and also provides consulting services.



**These publications buy paper from our subsidiary, Intragrated Resources Holdings**

## Chemicals Unit

The Chemicals Unit handles petrochemicals, plastics, specialty chemicals and electronic materials.

The Petrochemical Department is based in Houston at its industry's center. It trades petrochemical products such as olefins, aromatics, carbon black feedstock, vinyl chloride monomer (VCM) and caustic soda, mainly between the U.S., Central and South America and Asia, to meet the increasing demand in Asia and in the U.S.

The Plastics & Specialty Chemicals Department meets the increasing challenge of satisfying the chemical industry's needs. Marubeni America's (MAC'S) subsidiary, Marubeni Specialty Chemicals Inc. (MSCI), conducts trading and distribution operations. MSCI's three divisions serve various constituencies, including the paper coating, paint, adhesive, packaging, automobile, electronics, fiber optics and plastic compounding industries. MSCI is invested in, and seeks further opportunities to invest in, emerging companies that offer cutting-edge technologies.

The Electronic Materials Department, located in Santa Clara, California, trades materials related to digital products and the semi-conductor industry between the U.S. and Asia, primarily Japan.

The Development Department was established in April 2005 to pursue investments in the fields related to the chemical industry and to create trade synergies among the other three departments.



**Helena's logo and some uses of its products**

## Helena Unit

Marubeni America's (MAC's) subsidiary, Helena Chemical Company (Helena), is one of the largest formulators and distributors of crop inputs and services in the U.S. Helena offers a variety of crop protection products, agricultural chemicals, seed, fertilizer and related products. Its proprietary line of products includes adjuvant, seed treatments, bioscience, nutritional and value-added generics, which are distributed in 12 countries. Helena has four plants which provide toll manufacturing services for its suppliers as well as manufacturing Helena's line of private and proprietary products. The Company has 16 sales divisions, with about 300 sales outlets and more than 2,500 employees. In addition to traditional agricultural products, Helena offers services in turf and ornamental products, forestry, aquatic and vegetation supplies.



**We sell Canada's Alouette Aluminum's ingots throughout North America**

### **Metal, Mineral Resources and Energy Unit**

The Metal, Mineral Resources and Energy Unit is engaged in the import, export, domestic and offshore trade of various non-ferrous metals and ferrous materials and minerals. While its main activities are trading and distribution, it is intensely involved in a variety of high-technology related businesses and venture projects for the compound semiconductor industry. The Unit has three offices strategically positioned in New York, Detroit and in Santa Clara, California, to oversee its businesses, ensuring reliability and flawless service to all its customers. It anticipates further expanding its trade and distribution of existing products, such as copper and aluminum products. In addition, it expects to realize some promising venture projects related to the high-technology industry.

The New York Metals Department specializes in copper tubing for air conditioners, copper strip for submarine cable and cellular base stations, Gallium Arsenide substrates and epi-substrates, Japanese electrical parts and material used for highly technical industries, import and export of aluminum and copper products, trading of aluminum, power and communication cables and wires, and venture funding focusing on the high-technology related industry.

The Detroit Metals Department specializes in aluminum wire rod for the steel industry, aluminum products for the automotive industry, import of aluminum foil, metallic powders for sintered automotive parts, import of hot briquetted iron (HBI) and alternative irons for the steel industry, and import of Super Alloy (Low Carbon Ferro Chrome).

The Silicon Valley Electronic Specialty Products Department specializes in aluminum and glass substrate for hard disc drives (HDDs), polishing pad and slurry for hard disc and semiconductor wafer, compound semiconductor template including Gallium Nitride and Aluminum Nitride, LEDs for 370nm to 1550nm wavelengths, and laser inspection machines and screen printing machines for HDD and semiconductor applications.

### **Transportation, Industrial Machinery & Information Business Unit**

The Transportation, Industrial Machinery & Information Business Unit is extremely broad. Transportation Machinery includes automobiles, commercial trucks, construction machinery, mining equipment, agricultural machinery and aircraft, as well as their spare parts. Industrial Machinery consists of machine tools and parts for automotive and industrial manufacturers. Information is involved in developing and exporting digital products and medical equipment.



**Our Porsche dealership in Huntington, NY**

Marubeni America's functions relative to the machinery products are as follows: import and export of digital products, medical equipment and industrial machine tools for manufacturers; import, export and wholesale of agricultural and construction machinery, mining equipment, cars, commercial trucks and other industrial vehicles and equipment; investment in and operation of a wholesale distributor of machine tools, a wholesale distributor of cars, and retail car dealerships; finance for commercial vehicles; and, finally, investment in and export of military defense products for Japan, along with leasing and sales of aircraft and specialized commercial vehicles.

The Transportation, Industrial Machinery & Information Business Unit is now developing new business with automotive parts manufacturers and is expanding automotive financing.

### **Plant, Utility & Infrastructure Unit**

The Plant Department within the Plant, Utility & Infrastructure Unit is responsible for the development, coordination, logistics, insurance, management, investment in, and financing of plant-related business; for plant and equipment financing; and for import, export and third-country plant and equipment transactions. Notably, it invests in industrial projects on a build-own-operate basis ("BOO") in North America, including with PEMEX, the Mexican state-run oil company. The Plant Department is also involved in operating several industrial companies in various fields and in distributing machinery for the textile industry through Marubeni America's (MAC's) subsidiary, Tekmatex, Inc.

The Utility & Infrastructure Department does business development related to the power industry in North America. It explores new areas of power generation, transmission, and delivery of utility-scale and distributed generation, including Engineering, Procurement and Construction (EPC), development, financing, ownership, and operation and maintenance.

The Utility & Infrastructure Department also partners with North American companies to develop and commercialize new energy technologies and business models in Asia together with MAC's parent company in Japan, Marubeni Corporation. Through its parent, MAC is able to act as a conduit between North America and Japan for new technologies, products, and business models in the power and energy industries. To that end, the Department has established a new line of business focused on distributed power generation (<50 MWs), employing clean, efficient fuel cell technology developed by FuelCell Energy, Inc. It continues to support ongoing GE gas turbine component sales to Hitachi, Ltd. through Marubeni Corporation. It is also developing business for Hitachi H25 gas turbine generators in North America.

For new business development, MAC is aggressively seeking power generation assets for acquisition. Our aim is to add value to the acquired assets using our global experience of EPC and operation and maintenance.



**The Nitrogen this plant sends by pipeline to an offshore oil field maintains its pressure and its production efficiency for PEMEX, the Mexican state-run oil company**

### **Finance, Logistics & New Business Unit (FLNB)**

Marubeni America's (MAC's) Finance, Logistics & New Business Unit (FLNB) has two targets: the equipment leasing business, and pursuing other new business opportunities and investments.

In the leasing sector, MAC has strategically invested in refrigerated transportation, healthcare equipment, and other niche industries in the U.S. since the mid-1990s. Our 2000 acquisition, PLM Trailer Leasing, is a top-tier player specializing in leasing refrigerated trailers to the foodservice industry and is poised to grow with the increasing demand for fresh foods. In 2006, MAC set up CoActiv Capital Partners, a provider of private label leasing service for the healthcare, office technology, and banking industries. We are also co-investing in a railcar leasing company, Midwest Railcar Corporation, along with our parent company, Marubeni Corporation.

MAC also targets growing industries such as healthcare, biotechnology and material sciences. Our specialty is facilitating the bi-directional flow of technology and business between the U.S. and Japan (and other places in Asia). Current activities include private equity investment, partnerships, incubation, joint ventures, technology and product development sponsorships, and marketing and distribution.

Wherever MAC invests, our strategy is to promote growth by connecting the acquisition to the global network of business alliances that we and our parent, Marubeni Corporation, have cultivated. We seek sound opportunities whether in private equity funds, in strategic direct investment, or in middle-market acquisitions.



**A refrigerated trailer for lease from our subsidiary, PLM Trailer Leasing**

# Subsidiaries

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<b>Belterra Corporation</b>	Industrial conveyor belt, hose, other material and service Distributor 1638 Fosters Way Delta, BC, V3M 6S6, CANADA Phone: (604) 540-1950 Fax: (604) 540-4214 <a href="http://www.belterra.ca">www.belterra.ca</a> Contact Person: Katsunori Matsuda ( <a href="mailto:matsuda@belterra.ca">matsuda@belterra.ca</a> )
<b>CoActiv Capital Partners LLC</b>	Leasing Providing vendor lease program, small ticket leasing and servicing in the U.S. 655 Business Center Drive, Horshman, PA 19044 Phone: (267) 960-4000 Fax: (267) 960-4090 <a href="http://www.coactivcapital.com">www.coactivcapital.com</a> Contact Person: Kenji Funaki ( <a href="mailto:Funaki-k@marubeni.com">Funaki-k@marubeni.com</a> )
<b>Helena Chemical Company</b>	Agricultural chemicals, seeds, fertilizers and related services Distributor of agricultural chemicals, seeds, fertilizer and related services throughout North America 225 Shilling Blvd., Suite 300, Collierville, TN 38017 Phone: (901) 761-0050 Fax: (901) 683-2960 <a href="http://www.helenachemical.com">www.helenachemical.com</a> Contact Person: Troy Traxler, Jr. ( <a href="mailto:TraxlerT@HelenaChemical.com">TraxlerT@HelenaChemical.com</a> ) Other Locations: Nationwide
<b>Intragrated Resources Holdings, Inc.</b>	Printing & writing paper Paper distributor and printing consulting 300 Atlantic Street, Stamford, CT 06901 Phone: (203) 658-1200 Fax: (203) 658-1299 <a href="http://www.atclayton.com">www.atclayton.com</a> Contact Person: Hiroshi Kashima ( <a href="mailto:hkashima@atclayton.com">hkashima@atclayton.com</a> )
<b>MAC-ROX, Inc.</b>	Iron oxide production Marubeni America's mezzanine company in a partnership, AMROX 450 Lexington Avenue, New York, NY 10017 Phone: (212) 450-0446 Fax: (212) 450-0755 Contact Person: Toshiaki Natori ( <a href="mailto:natori-t@marubeni.com">natori-t@marubeni.com</a> )
<b>MAC Trailer Leasing, LLC</b>	Refrigerated trailer leasing dba PLM Trailer Leasing 100 Paragon Drive, Montvale, NJ 07645 Phone: (201) 505-0011 Fax: (201) 334-5199 <a href="http://www.plmtrailer.com">www.plmtrailer.com</a> Contact Person: Robert A. Sukovich ( <a href="mailto:rsukovich@plmtrailer.com">rsukovich@plmtrailer.com</a> )
<b>MARCOP II, Inc.</b>	Pulverized coal injection Marubeni America's mezzanine company for partnerships engaged in the pulverized coal business 450 Lexington Avenue, New York, NY 10017 Phone: (212) 450-0446 Fax: (212) 450-0755 Contact Person: Toshiaki Natori ( <a href="mailto:natori-t@marubeni.com">natori-t@marubeni.com</a> )

<b>Marubeni Canada Ltd.</b>	<p>Machinery, energy, agriculture &amp; marine products, chemicals, metals, and mineral resources</p> <p>Importer / exporter and distribution of above materials</p> <p>Suite 1630, Bentall Centre, 505 Burrard Street, Vancouver, BC V7X 1E53</p> <p>Phone: (604) 443-3800 Fax: (604) 681-0498</p> <p>Contact Person: Vinh Le (le-v@marubeni.com)</p> <p>Other Locations: Toronto, Canada</p>
<b>Marubeni Montreal Sporting Club Corporation</b>	<p>Real estate</p> <p>Involved with the sports club Midtown Le Sporting Club Sanctuaire in Montreal, Canada</p> <p>‰ Marubeni America Corporation, 450 Lexington Ave., New York, NY 10017</p> <p>Phone: (212) 450-0515 Fax: (212) 450-0157</p> <p>Contact Person: Patrick Gilligan (gilligan-p@marubeni.com)</p>
<b>Marubeni Motor Holdings, Inc.</b>	<p>Holding company of auto leasing / financing group</p> <p>Investing in auto leasing / financial companies</p> <p>450 Lexington Ave., New York , NY 10017</p> <p>Phone: (212) 450-0676 Fax: (212) 450-0755</p> <p>Contact Person: Munekazu Kawashima (Kawashima-MNKZ@marubeni.com)</p>
<b>Marubeni Specialty Chemicals Inc.</b>	<p>Specialty chemical and plastic products</p> <p>Import, export, toll-manufacture and distribution of specialty chemicals and plastics for paper, automotive materials, agriculture, medical devices and others</p> <p>10 Bank Street, Suite 740, White Plains, NY 10606</p> <p>Phone: (914) 428-8900 Fax: (914) 428-8859 www.chemdot.com</p> <p>Contact Person: Paul Lupo (Lupo-P@marubeni-usa.com)</p>
<b>Marubeni Pulp &amp; Paper North America</b>	<p>Forest products</p> <p>International trading of forest products (pulp, paper &amp; wood chips)</p> <p>450 Lexington Avenue, New York, NY 10017</p> <p>Phone: (212) 450-0190 Fax: (212) 450-0199</p> <p>Contact Person: Koji Yamanaka (Yamanaka-K@marubeni.com)</p> <p>Other Locations: Torrance, CA, Appleton, WI, Vancouver, Canada (Marubeni Pulp &amp; Paper Canada Ltd.)</p>
<b>Tekmatex, Inc.</b>	<p>Textile, converting, industrial machinery and plant</p> <p>Distribution (sales, technical service, parts supply), procurement, solution</p> <p>3601 Performance Road, Charlotte, NC 28214</p> <p>Phone: (704) 394-5131 Fax: (704) 393-5008 www.tekmatex.com</p> <p>Contact Person: Yuji Wada (wada-y@tekmatex.com)</p>

# Consolidated Balance Sheets

Marubeni America Corporation  
At December 31, 2005 and 2006  
(In Thousands)

	2006	2005
<b>Assets</b>		
Current assets:		
Cash and cash equivalents . . . . .	\$ 156,497	\$ 193,630
Short-term investments . . . . .	288	394
Accounts and notes receivable – customers, net of allowance for doubtful accounts of \$ 3,845 in 2006 and \$2,952 in 2005 . . . . .	320,600	225,203
Receivables from parent and affiliates . . . . .	374,069	215,342
Inventory . . . . .	505,117	494,869
Advance payments to suppliers . . . . .	151,072	119,220
Other current assets . . . . .	90,881	177,546
Assets held for sale . . . . .	–	856,298
Total current assets . . . . .	<b>1,598,524</b>	<b>2,282,502</b>
Investments and long-term receivables:		
Investments:		
Affiliated companies, at equity . . . . .	60,514	52,615
Other . . . . .	69,410	61,971
Long-term accounts, notes and advances receivable –customers, net of allowance for doubtful accounts of \$361 in 2006 and \$498 in 2005 . . . . .	109,852	12,452
Total investments and long-term receivables . . . . .	<b>239,776</b>	<b>127,038</b>
Due from parent and affiliates . . . . .	59,245	49,743
Property, plant, equipment and leasehold improvements, at cost, less accumulated depreciation and amortization of \$163,092 in 2006 and \$195,001 in 2005 . . . . .	268,169	258,179
Deferred income taxes . . . . .	7,245	–
Goodwill . . . . .	34,746	31,698
Intangible assets and other, net . . . . .	7,488	25,834
Total assets . . . . .	<b>\$2,215,193</b>	<b>\$2,774,994</b>

See accompanying notes.

	2006	2005
<b>Liabilities and shareholder's equity</b>		
Current liabilities:		
Short-term loans . . . . .	\$ 134,742	\$ 20,992
Acceptances payable to banks . . . . .	6,509	6,771
Accounts payable . . . . .	403,414	396,645
Advance payments from customers . . . . .	172,411	138,673
Payables to parent and affiliates . . . . .	319,795	220,811
Accrued expenses and other . . . . .	177,891	263,482
Deferred income taxes . . . . .	3,309	16,483
Long-term debt due within one year . . . . .	80,201	192,317
Liabilities of business held for sale . . . . .	-	646,693
Total current liabilities . . . . .	<b>1,298,272</b>	1,902,867
Long-term debt . . . . .	<b>360,524</b>	275,398
Due to parent and affiliates . . . . .	-	7,700
Deferred income taxes . . . . .	-	58,333
Other non-current liabilities . . . . .	<b>69,755</b>	49,038
Minority interests . . . . .	<b>46,311</b>	58,764
Commitments and contingencies		
Shareholder's equity:		
Common stock, without par value; 5,000 shares authorized, 3,533 and 3,440 shares issued and outstanding as of December 2006 and 2005, respectively. . . . .	<b>353,273</b>	344,000
Additional paid-in capital . . . . .	<b>19,999</b>	24,183
Retained earnings . . . . .	<b>87,162</b>	54,276
Accumulated other comprehensive (loss) income . . . . .	<b>(20,103)</b>	435
Total shareholder's equity . . . . .	<b>440,331</b>	422,894
Total liabilities and shareholder's equity . . . . .	<b>\$ 2,215,193</b>	<b>\$ 2,774,994</b>

# Consolidated Statements of Income

Marubeni America Corporation  
At December 31, 2005 and 2006  
(In Thousands)

	2006	2005
Revenues (total volume of trading transactions: \$8,213,060 in 2006 and \$7,321,254 in 2005) . . . . .	<b>\$2,532,540</b>	\$2,420,911
Cost of revenues . . . . .	<b>1,992,744</b>	1,914,813
Gross trading profit . . . . .	<b>539,796</b>	506,098
Equity in net income of affiliated companies . . . . .	<b>8,490</b>	9,148
	<b>548,286</b>	515,246
Interest expense – net of interest income of \$21,703 in 2006 and \$20,166 in 2005 . . .	<b>14,629</b>	10,759
Other expense – net . . . . .	<b>29,953</b>	28,815
Selling, general and administrative expenses . . . . .	<b>442,518</b>	425,835
	<b>487,100</b>	465,409
Income from continuing operations before provision for income taxes . . . . .	<b>61,186</b>	49,837
Provision for income taxes . . . . .	<b>28,300</b>	12,316
Net income from continuing operations . . . . .	<b>32,886</b>	37,521
Discontinued operations:		
Loss on disposal of discontinued operations, net of tax benefit of \$15,743 in 2005 . .	–	(24,728)
Income from operations of discontinued operations, net of tax provision of \$9,027 in 2005 . . . . .	–	14,178
Total loss from discontinued operations . . . . .	–	(10,550)
Net income . . . . .	<b>\$ 32,886</b>	\$26,971

*See accompanying notes.*

# Consolidated Statements of Shareholder's Equity

Marubeni America Corporation  
At December 31, 2005 and 2006  
(In Thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2004	\$344,000	\$ 24,183	\$ 27,305	\$ (7,455)	\$ 388,033
Comprehensive income:					
Net income			26,971		26,971
Other comprehensive income:					
Unrealized losses on available-for-sale securities, net of income tax				(443)	(443)
Change in fair value of derivative financial instruments, net of income tax				8,753	8,753
Translation adjustment				446	446
Unfunded pension losses, net of income tax				(866)	(866)
Other comprehensive income					7,890
Comprehensive income					34,861
Balance at December 31, 2005	344,000	24,183	54,276	435	422,894
Comprehensive income:					
Net income			32,886		32,886
Other comprehensive income:					
Unrealized gains on available-for-sale securities, net of income tax				3,468	3,468
Change in fair value of derivative financial instruments, net of income tax				(1,573)	(1,573)
Translation adjustment				77	77
Unfunded pension losses, net of income tax				455	455
Other comprehensive income					2,427
Comprehensive income					35,313
Issuance of 93 shares of common stock	9,273				9,273
Loss on sale of investments to parent		(4,184)			(4,184)
Cumulative effect of change in accounting principle in accordance with the transition adjustment, net of tax, under SFAS No. 158 (Notes 11 & 12)				(22,965)	(22,965)
Balance at December 31, 2006	\$353,273	\$ 19,999	\$ 87,162	\$ (20,103)	\$ 440,331
				2006	2005
Disclosure of reclassification amount:					
Unrealized gains arising during the year				\$ 3,504	\$ 721
Less reclassification adjustment for gains included in net income				(36)	(1,164)
Net unrealized gains (losses) on available-for-sale securities				\$ 3,468	\$ (443)

See accompanying notes.

# Consolidated Statements of Cash Flows

Marubeni America Corporation  
At December 31, 2005 and 2006  
(In Thousands)

	2006	2005
<b>Cash flows from operating activities</b>		
Net income . . . . .	\$ 32,886	\$ 26,971
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization . . . . .	32,824	82,185
Deferred income taxes . . . . .	(54,700)	3,900
Bad debt expense and other noncash charges . . . . .	37,633	52,884
Net gain on sale of investments and businesses . . . . .	(7,526)	(2,752)
Net gain on sale of property, plant and equipment . . . . .	(2,010)	(149)
Equity in net income of affiliated companies . . . . .	(8,490)	(10,784)
Changes in operating assets and liabilities:		
Accounts and notes receivable – customers and affiliates . . . . .	(218,238)	22,219
Inventory . . . . .	(4,064)	(64,317)
Prepaid expenses and other . . . . .	50,362	(37,675)
Accounts payable – customers and affiliates . . . . .	54,029	27,117
Other liabilities . . . . .	(3,599)	32,150
Net cash (used in) provided by operating activities . . . . .	(90,893)	131,749
<b>Cash flows from investing activities</b>		
Net (increase) decrease in investments . . . . .	(8,657)	6,661
Net increase in short-term notes receivable . . . . .	(43,902)	(44,738)
Increase in long-term accounts, notes and advances receivable – customers and affiliates . . . . .	(58,306)	(21,932)
Collection of long-term accounts, notes and advances receivable – customers and affiliates . . . . .	37,105	40,253
Acquisition of property, plant, equipment and leasehold improvements . . . . .	(87,478)	(239,391)
Proceeds from sale of property, plant and equipment . . . . .	6,278	73,728
Proceeds from sale of investments . . . . .	202,958	–
Acquisitions of business assets . . . . .	(35,418)	(4,789)
Net cash provided by (used in) investing activities . . . . .	12,580	(190,208)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans . . . . .	92,689	(3,183)
Long-term borrowings . . . . .	148,327	174,799
Repayments of long-term debt to third parties and affiliates . . . . .	(223,403)	(237,327)
Net cash provided by (used in) financing activities . . . . .	17,613	(65,711)
Net decrease in cash and cash equivalents . . . . .	(60,700)	(124,170)
Cash and cash equivalents – beginning of year . . . . .	217,197	341,367
Cash and cash equivalents – end of year . . . . .	\$ 156,497	\$ 217,197
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the year for:		
Interest . . . . .	\$ 40,736	\$ 68,903
Income taxes . . . . .	\$ 90,256	\$ 2,978

See accompanying notes.

## Notes to Consolidated Financial Statements

Marubeni America Corporation  
At December 31, 2005 and 2006  
(In Thousands)

### 1 | Summary of Significant Accounting Policies

#### Basis of Presentation

The accompanying consolidated financial statements include the accounts of Marubeni America Corporation and all of its majority-owned subsidiaries (collectively, the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

The equity method of accounting is used for investments in companies in which the Company has an interest of 50% or less and for which the Company has significant influence over operating and financial policies.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Revenue Recognition and Total Volume of Transactions

The Company conducts export, import and domestic and offshore trading of a wide variety of industrial, agricultural and consumer products and also is involved in the related production process from planning, investment and research and development to production, distribution and marketing.

Transactions to which the Company is a party take many forms depending upon local practice, preferences of the parties and legal considerations. Such transactions consist of sales in which the Company acts as principal and transactions in which the Company acts as agent.

Although the Company legally acts as a principal, certain transactions are reported net, as commissions, when the margins thereon are in substance considered commissions in accordance with the consensus reached in the Financial Accounting Standards Board ("FASB") Emerging Issue Task Force Issue 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent*. When the Company is not the primary obligor and does not have 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 disclosed in the accompanying consolidated statements of income, includes the sales value of all transactions in which the Company participates, regardless of the form of such transaction.

In acting as principal, the Company recognizes revenue 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 the goods is transferred to the customer. In acting as agent, the Company recognizes commissions when contracted services are fully rendered to the customers.

#### Shipping and Handling Costs

Shipping and handling costs are included in cost of revenues in the accompanying consolidated statements of income.

#### Cash and Cash Equivalents

The Company considers all highly liquid financial instruments with a maturity of three months or less when purchased to be cash equivalents.

#### Sales of Accounts Receivable

The Company enters into transactions to sell certain of its trade accounts receivable and retains a subordinated interest and servicing rights. Gains or losses on the sale of receivables are based on the carrying value of the assets sold, allocated in proportion to their fair value. Retained interests are carried at fair value and are included in other current assets in the accompanying consolidated balance sheets. The Company generally estimates fair value based on the present value of expected future cash flows of the underlying receivables less management's best estimates of uncollectible accounts receivable. The Company maintains an allowance for doubtful accounts receivable based upon the collectibility of all trade receivables. The allowance is reviewed regularly and adjusted for accounts deemed uncollectible by the Company. Expenses and losses associated with the program are included in other expense – net in the accompanying consolidated statements of income.

## Notes to Consolidated Financial Statements

Marubeni America Corporation  
At December 31, 2005 and 2006  
(In Thousands)

### Inventory

Inventory consists of commodities and merchandise and is valued at the lower of cost or market. Cost is based principally on either the first-in, first-out method, specific identification, or average unit prices.

### Investment in Equity Securities

The Company has investments in marketable equity securities which are classified as available-for-sale securities and cost-method investments. Investments classified as available-for-sale are carried at fair value, with the unrealized gains and losses, net of tax, reported as other comprehensive income within shareholder's equity. The cost-method investments are stated at cost, adjusted for any declines in value judged to be other-than-temporary. The cost of securities sold is based on the weighted-average method. The fair value of the Company's cost-method investments is not readily determinable.

### Investment in Direct Financing Leases and Operating Leases

The investment in direct financing leases consists of the minimum lease payments and the unguaranteed residual value, less unearned income. Unearned income from direct financing leases is credited to income based upon a constant periodic rate of return on the net investment in the lease. Current portion of the investment in direct financing leases is included in accounts and notes receivable – customers, and non-current portion of the investment in direct financing leases is included in long-term accounts, notes and advances receivable – customers in the accompanying consolidated balance sheets.

Rental revenue on operating leases is recognized on a straight-line basis over the related lease terms. Expenses, including depreciation and repairs, are charged against income as incurred.

### Depreciation and Amortization

Property, plant, equipment and leasehold improvements are stated at cost. Depreciation of property, plant and equipment (including equipment leased to others) is computed using the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is provided on the straight-line method over the terms of the related leases.

During 2006, a review of the depreciation policy for trailers was conducted and resulted in a change in estimated useful life and residual value. Effective January 1, 2006, trailer rental equipment under operating leases is depreciated over their useful lives of 15 years with a residual value of \$3. For 2005, trailers were depreciated on a straight-line basis over the estimated useful life of 12 years with a 20% residual value. The effect of the change is not material to the accompanying consolidated statements of income. Depreciation of trailer rental equipment under operating leases is charged against cost of revenues in the accompanying consolidated statements of income.

Leased property under capital leases, which consists of trailers, is recorded at its inception at the lower of fair value of the leased property or the present value of the minimum lease payments, with an equivalent liability categorized as obligations under capital leases. Leased property under capital leases is depreciated on the same basis as rental equipment and any finance charges are amortized over the lease term. Depreciation of leased property under capital leases is charged against cost of revenues in the accompanying consolidated statements of income.

### Allowance for Doubtful Accounts

The Company estimates allowances for doubtful accounts based upon historical payment patterns, aging of accounts receivable and actual write-off history, as well as assessment of customers' creditworthiness. Changes in the financial condition of customers could have an effect on the allowance balance required and a related charge or credit to earnings.

### Impairment of Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such a review indicates that the carrying amount of an asset exceeds the sum of its expected future cash flows, on an undiscounted basis and without interest charges, the asset's carrying value is written down to fair value. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

The Company assessed the recoverability of the carrying value of certain fixed assets, which resulted in impairment

## Notes to Consolidated Financial Statements

Marubeni America Corporation  
At December 31, 2005 and 2006  
(In Thousands)

losses of \$3,806 and \$496 in 2006 and 2005, respectively. These losses reflect the amounts by which the carrying values exceed their fair values determined by estimated future discounted cash flows. The impairment loss is included in other expense – net in the accompanying consolidated statements of income.

### Goodwill and Intangible Assets

Goodwill represents the excess of purchase price over the fair value of acquired companies or businesses. The Company tests goodwill for impairment using the two-step processes at least annually. The first step is a screen for potential impairment, while the second step measures the amount of impairment, if any. The Company applies the discounted cash flow valuation model to determine the fair value of each of the reporting units. As a result of annual impairment testing, the Company did not recognize any goodwill impairment during 2005 except for the impairment recognized in discontinued operations as part of the sale of Carlisle Leasing LLC (“Carlisle”) (see Note 2). During 2006, the Company recognized a goodwill impairment of \$2,798 due to changing market conditions affecting the future cash flows of the reporting units which originally generated the goodwill.

Intangible assets represent non-compete agreements, which are amortized on a straight-line basis over the term of the agreements.

### Derivatives and Hedging Activities

The Company uses derivative financial instruments for purposes of hedging exposures to fluctuations in interest rates, foreign currency exchange rates and commodity prices. The Company does not hold or issue derivative financial instruments for trading purposes. The Company recognizes derivative instruments on the consolidated balance sheet at fair value. Changes in the fair value of those instruments are reported in earnings or other comprehensive income depending on the use of the derivative and whether it qualifies for hedge accounting.

Accounting for gains and losses associated with changes in the fair value of the derivative and the effect on the consolidated financial statements will depend on the transaction’s hedge designation and whether the hedge is highly

effective in achieving offsetting changes in the fair value of cash flows or the asset or liability hedged. Gains and losses related to qualifying hedges or firm commitments or anticipated transactions are deferred and recognized in earnings or as adjustments of carrying amounts when the hedged transaction occurs.

The Company enters into interest rate only and cross-currency interest rate swap agreements to hedge its exposure to foreign currency exchange rate and/or interest rate risks. Interest rate swap contracts generally represent the contractual exchange of fixed and floating rate payments of a single currency, based on a notional amount and an interest reference rate. Interest rate swap agreements mature at the time the related receivables and debt mature and effectively manage the Company’s interest rate exposure. Cross-currency interest rate swap agreements hedge the Company’s exposure to both interest and foreign exchange rate risks. Cross-currency swap contracts generally represent the contractual exchange of fixed and floating rate payments between two currencies. The cross-currency interest rate swap agreements mature at the time the related debt matures, and effectively manage the Company’s foreign exchange and interest rate exposures. The differential to be paid or received on interest rate swaps is recognized as an adjustment to interest expense. Gains and losses on hedges of existing assets or liabilities are included in the carrying amounts of those assets or liabilities and are ultimately recognized in earnings.

### Environmental Costs

Liabilities are recorded when environmental assessments are probable, and the cost can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company’s commitment to a plan of action based on the then known facts.

### Statements of Cash Flows

The Company enters into numerous transactions involving the purchase and sale of securities and other investments and the borrowing and repayment of short-term loans. These amounts have been netted for the purposes of the accompanying consolidated statements of cash flows.

## Notes to Consolidated Financial Statements

Marubeni America Corporation  
At December 31, 2005 and 2006  
(In Thousands)

### Vendor Rebates

The Company applies the guidance pursuant to the Emerging Issues Task Force Issue No. 02-16, *Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor*. Accordingly, all vendor rebates are recognized as a reduction to cost of revenues as inventories are sold. As a result, some portion of the vendor rebates based on purchases remains in inventory at year-end. The Company estimates that \$15,137 and \$13,007 of vendor rebates for purchases in 2006 and 2005, respectively, relate to inventories still on hand, therefore reducing inventory by these amounts at December 31, 2006 and 2005.

### Reclassification

Certain amounts in the prior year have been reclassified to conform with the current year's presentation.

### Change in Accounting

In September 2006, the FASB issued FASB Statement No. 158, *Employers Accounting for Defined Benefit Pensions*

*and Other Postretirement* ("SFAS No. 158"). SFAS No. 158 requires plan sponsors of defined benefit pension and other postretirement benefit plans to recognize the funded status of these plans in the statement of financial position, measure the fair value of plan assets and benefit obligations as of the date of the fiscal year-end statement of financial position, and provide additional disclosures. On December 31, 2006, the Company adopted the recognition and disclosure provisions of SFAS No. 158. The effect of adopting SFAS No. 158 on the Company's financial condition at December 31, 2006 has been included in the accompanying consolidated financial statements. SFAS No. 158's provisions regarding the change in the measurement date of these plans are effective for the year ending December 31, 2008. The Company will adopt the measurement date provision in fiscal 2008. See Note 11 for further discussion of the effect of adopting SFAS No. 158 on the Company's consolidated financial statements.

## Notes to Consolidated Financial Statements

Marubeni America Corporation  
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(In Thousands)

### 2 | Discontinued Operations

The Company had a wholly-owned subsidiary, Carlisle, whose activities included leasing refrigerated marine containers and generator sets both domestically and internationally. In October 2005, the Company initiated a plan to sell Carlisle and on January 30, 2006, the Company sold Carlisle. The Company received cash proceeds of approximately \$215,000. A loss of \$40,000, including goodwill impairment, was recognized to write down this operation to its net realizable value. The fair value less costs to sell

Carlisle have been reclassified to assets and liabilities held for sale in the accompanying consolidated balance sheets. Operating results of Carlisle, net of applicable income taxes, are included in income from discontinued operations in the accompanying consolidated statements of income, and loss on sale of Carlisle, net of applicable income taxes, is included in the loss on disposal of discontinued operations in the accompanying consolidated statements of income.

Major components of this operation included in the consolidated balance sheets at December 31, 2005 are as follows:

	2005
<b>Assets held for sale</b>	
Cash and cash equivalents .....	\$ 23,567
Accounts receivable, less allowance for doubtful accounts of \$2,929 in 2005 .....	17,213
Inventory .....	15,953
Property, plant and equipment .....	581,200
Long-term accounts and notes receivable .....	153,257
Other assets .....	65,108
Total assets held for sale .....	<u>\$ 856,298</u>
<b>Liabilities of business held for sale</b>	
Short-term debt .....	\$ 58,798
Accounts payable .....	7,358
Long-term debt .....	534,000
Other liabilities .....	46,537
Total liabilities of business held for sale .....	<u>\$ 646,693</u>

Revenues and (loss) income from the discontinued operations are as follows:

	2005
Revenues .....	<u>\$ 148,511</u>
Loss on disposal of discontinued operations, net of tax benefit .....	\$ (24,728)
Income from operations of discontinued operations, net of tax provision .....	14,178
Total loss from discontinued operations .....	<u>\$ (10,550)</u>

## Notes to Consolidated Financial Statements

Marubeni America Corporation  
At December 31, 2005 and 2006  
(In Thousands)

### 3 | Related Party Transaction

The Company is a wholly-owned subsidiary of Marubeni Corporation (the "Parent"), a Japanese corporation which operates in Japan and, either directly or through subsidiaries and affiliates, throughout the world.

Substantial portions of the total volume of transactions result from transactions to which the Parent or affiliates are parties. The terms of these transactions are mutually agreed upon between the parties. For the years ended December 31, 2006 and 2005, the total volume of these transactions with the Parent or affiliates was approximately \$3,080,000 and \$2,746,000, respectively.

The Company serves as a treasury center to certain affiliates whereby these affiliates will deposit their excess cash with the Company. The balance of cash that the Company receives from non-consolidated affiliates is included in payables to parent and affiliates in the consolidated balance sheets. The change in this balance is included in operating activities in the statements of cash flows. Included in

### 4 | Concentration of Credit Risk

The financial instruments which potentially subject the Company to significant concentrations of credit risk consist principally of trade accounts receivable, investments and loans and notes receivable.

Potential concentrations of credit risk are limited as the

### 5 | Long-Term Accounts, Notes and Advances Receivable

Long-term accounts, notes and advances receivable at December 31, 2006 mature at various dates. A substantial portion of such long-term receivables is collateralized by

operating cash flows for 2006 and 2005 were cash inflows of \$55,337 and cash outflows of \$23,199, respectively.

At December 31, 2006 and 2005, the Company was contingently liable for drafts discounted of approximately \$99,000 and \$264,000, respectively, substantially all of which were drawn on the Parent.

In March 2006, the Company acquired an additional 49% of Marubeni Canada, Ltd. ("MCL") from the Parent and, in exchange, issued 93 common shares of the Company to the Parent. As a result of such acquisition, the Company owns 100% of MCL.

In December 2006, the Company sold to the Parent its 70.62% interest in Columbia Grain, Inc., which owns and operates a grain elevator facility in Oregon. The net of the cash consideration received less its carrying value, net of the related income taxes, was charged to additional paid-in capital since the transaction was between entities under common control.

Company has a large domestic and international customer base extending across many different industries. The Company's policy is to review a customer's financial condition prior to extending credit and, in certain circumstances, to require collateral.

mortgages on capital equipment or the assignment of certain other interests.

## Notes to Consolidated Financial Statements

Marubeni America Corporation  
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(In Thousands)

### 6 | Short-Term Loans and Long-Term Debt

At December 31, 2006 and 2005, short-term loans consist of notes payable to banks.

Long-term debt consists of the following:

	2006	2005
Notes payable to banks and financial institutions . . . . .	\$ 440,725	\$ 429,615
Industrial Development Revenue Bonds . . . . .	–	38,100
	<b>440,725</b>	<b>467,715</b>
Less:		
Long-term debt due within one year . . . . .	<b>80,201</b>	192,317
Long-term debt due after one year . . . . .	<b>\$ 360,524</b>	<b>\$ 275,398</b>

The Company has many long-term financing agreements with numerous banks, other financial institutions and private placement investors at both fixed and floating interest rates. The Parent guarantees long-term debt of approximately \$265,000. The range of interest rates at December 31, 2006 and 2005 under these agreements were from 2.36% to 8.50%. The Company has secured and unsecured credit lines with banks with an aggregate borrowing limit of \$245,000 as of December 31, 2006. Amounts outstanding

under these lines totaled \$29,000 and zero as of December 31, 2006 and 2005, respectively. Several of such agreements with banks totaling approximately \$84,000 are secured by receivables and other assets.

Notes payable at December 31, 2006 mature at various dates through 2014. The approximate aggregate maturities of long-term debt are as follows: 2007 – \$80,201; 2008 – \$45,767; 2009 – \$98,589; 2010 – \$65,362; 2011 – \$105,748 and thereafter – \$45,058.

### 7 | Derivatives and Other Financial Instruments

All of the Company's existing derivative positions qualified for hedge accounting under the provisions of Statement of Financial Accounting Standards ("SFAS") No.133, *Accounting for Derivative Instruments and Hedging Activities*, as amended thereafter by SFAS No.138. Cross-currency swap agreements and commodity futures are primarily classified as fair value hedges, while the Company's interest rate swaps and foreign currency forward contract hedges are primarily cash flow hedges.

These financial instruments, along with cash and cash equivalents and accounts and notes receivable, expose the Company to credit risk. In addition, such instruments may at times be concentrated with certain counterparties. However, counterparties are principally large financial institutions, and the creditworthiness of counterparties is subject to continuing review. Consequently, full performance is anticipated.

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

*Cash and cash equivalents:* The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of the instruments.

*Investments in marketable equity securities:* The fair value of marketable equity securities is based on quoted market prices. At December 31, 2006 and 2005, the fair value of these securities was \$7,051 and \$3,109, respectively. It was not practicable to estimate the fair value of the investments other than marketable equity securities without incurring excessive costs. The carrying amount of the portion of the portfolio for which fair value could not be estimated was \$62,647 and \$59,256 at December 31, 2006 and 2005, respectively, and represents the cost of this portion of the portfolio, which management believes approximates the fair value.

## Notes to Consolidated Financial Statements

Marubeni America Corporation  
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(In Thousands)

### *Short-term notes, loans receivable and loans payable:*

The carrying amount of short-term notes, loans receivable and loans payable approximates fair value.

### *Long-term accounts, notes and advances receivable:*

The carrying amount of long-term receivables with floating interest rates approximates fair value. It was not practicable to estimate the fair value of the long-term accounts, notes and advances receivable with fixed rates without

incurring excessive costs.

*Long-term debt:* The carrying amount of long-term loans payable with floating rates approximates fair value. For loans payable with fixed rates, fair value is estimated using discounted cash flow analyses based on the Company's current incremental borrowing rate for similar types of borrowing arrangements.

The following table is a summary of carrying values and fair values of financial instruments at December 31:

	2006		2005	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Investments:</b>				
Available-for-sale securities . . . . .	\$ 6,763	\$ 6,763	\$ 2,715	\$ 2,715
Short-term loans . . . . .	134,742	134,742	20,992	20,992
Long-term debt . . . . .	440,725	441,806	467,715	468,057
<b>Fair Value</b>				
	2006		2005	
<b>Interest rate swap agreements and currency swap agreements:</b>				
Hedging assets . . . . .	\$ -	\$ 666		
Hedging liabilities . . . . .	13,777	13,230		

## 8 | Leased Property under Capital Leases

A subsidiary is involved in various sale-leaseback arrangements. These leasebacks have been accounted for as capital leases.

The following is a summary of the leased property under capital leases as of December 31, 2006 and 2005:

	2006	2005
Leased property under capital leases . . . . .	\$ 4,118	\$ 33,826
Less accumulated amortization . . . . .	82	13,162
	<b>\$ 4,036</b>	<b>\$ 20,664</b>

Obligations under capital leases due within one year are included in accrued expenses and other in the accompanying consolidated balance sheets, and obligations under capital leases due after one year are included in other non-current liabilities in the accompanying consolidated balance sheets.

## Notes to Consolidated Financial Statements

Marubeni America Corporation  
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The following is a summary of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2006:

2007	\$ 616
2008	616
2009	616
2010	616
2011	616
Thereafter	1,700
Total minimum lease payments	4,780
Less amount representing interest	889
Present value of net minimum lease payments	<u>\$ 3,891</u>

The leases that are accounted for as capital leases provide for purchase options that represent a bargain value of the property as compared to the estimated fair market value of the property at the expiration of the lease term.

### 9 | Investment in Direct Financing Leases

The following is a summary of the components of the Company's net investment in direct financing leases at December 31:

	2006	2005
Total minimum lease payments to be received	\$ 92,427	\$ 464
Less unearned income	17,925	148
Net investment in direct financing leases	<u>\$ 74,502</u>	<u>\$ 316</u>

At December 31, 2006, total minimum lease payments are due in the following contractual installments:

2007	\$ 32,007
2008	26,627
2009	18,084
2010	11,333
2011	4,198
Thereafter	178
	<u>\$ 92,427</u>

### 10 | Rental Equipment

The following is a summary of rental equipment as of December 31, 2006 and 2005, which is included under property, plant and equipment and leasehold improvements and excludes the leased property in Note 8:

	2006	2005
Trailers and vehicles, at cost	\$ 157,359	\$ 64,940
Less accumulated depreciation	34,577	11,464
	<u>\$ 122,782</u>	<u>\$ 53,476</u>

## Notes to Consolidated Financial Statements

Marubeni America Corporation  
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(In Thousands)

At December 31, 2006, minimum future revenues from long-term leases are as follows:

2007 . . . . .	\$ 19,701
2008 . . . . .	15,382
2009 . . . . .	10,025
2010 . . . . .	5,484
2011 . . . . .	2,588
Thereafter . . . . .	2,599
	<u>\$ 55,779</u>

### 11 | Pensions

The Company and certain of its domestic subsidiaries have noncontributory pension plans covering substantially all domestic employees. Benefits are based primarily upon years of service and average compensation levels. The

Company's funding policy for the plans is to make the actuarially computed minimum required contributions. The investments of the plans consist primarily of debt and equity securities as well as fixed income securities.

Valuation dates for two of the plans are as of October 31, and valuation date for one plan is as of December 31. Change in projected benefit obligation, change in plan assets and accumulated benefit obligation of the pension plans at 2006 and 2005 are as follows:

	2006	2005
<b>Change in projected benefit obligation</b>		
Projected benefit obligation at beginning of year . . . . .	\$ 172,851	\$150,845
Service cost . . . . .	7,277	6,188
Interest cost . . . . .	10,247	9,330
Actuarial loss . . . . .	15,788	10,897
Benefits paid . . . . .	(5,287)	(4,409)
Projected benefit obligation at end of year	<u>\$ 200,876</u>	<u>\$ 172,851</u>
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year . . . . .	\$ 144,791	\$127,809
Actual return on plan assets . . . . .	20,945	8,203
Employer contribution . . . . .	11,025	13,188
Benefits paid . . . . .	(5,287)	(4,409)
Fair value of plan assets at end of year	<u>\$ 171,474</u>	<u>\$ 144,791</u>
Accumulated benefit obligation at end of year	<u>\$ 176,670</u>	<u>\$ 152,231</u>

## Notes to Consolidated Financial Statements

Marubeni America Corporation  
At December 31, 2005 and 2006  
(In Thousands)

On December 31, 2006, the Company adopted the recognition and disclosure provisions of SFAS No.158. SFAS No. 158 required the Company to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its benefit plans in the December 31, 2006 consolidated balance sheet, with a corresponding adjustment to accumulated other comprehensive income, net of tax. The adjustment to accumulated other comprehensive income at adoption represents the net unrecognized actuarial losses and unrecognized prior service costs, all of which were previously netted against the plan's funded status in the Company's consolidated balance sheets pursuant to the provisions of Statement

of Financial Accounting Standards No.87, Employers' Accounting for Pensions ("SFAS No.87"). These amounts will be subsequently recognized as net periodic pension cost pursuant to the Company's historical accounting policy for amortizing such amounts. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension cost in the same periods will be recognized a component of other comprehensive income. Those amounts will be subsequently recognized as a component of net periodic pension cost on the same basis as the amounts recognized in accumulated other comprehensive income at adoption of SFAS No.158.

The following table shows the calculation of the accrued pension liabilities and prepaid pension cost recognized in the accompanying consolidated balance sheets at December 31, 2006 and 2005, respectively:

	2006	2005
<b>Funded status</b> .....	<b>\$ (29,402)</b>	\$ (28,060)
Unrecognized actuarial loss. ....	-	50,578
Unrecognized prior service cost .....	-	514
Employer contributions between measurement date and fiscal year end .....	<b>1,000</b>	-
(Accrued pension liabilities) prepaid pension cost .....	<b>\$ (28,402)</b>	\$ 23,032

Accrued pension liability is included in other non-current liabilities, and prepaid pension cost is included in intangible assets and other, net in the accompanying consolidated balance sheets.

Amounts recognized in accumulated other comprehensive income in the accompanying consolidated balance sheets at December 31, 2006, are as follows:

Actuarial loss. ....	<b>\$ (53,065)</b>
Prior service cost .....	<b>(375)</b>
Accumulated other comprehensive income .....	<b>(53,440)</b>
Cumulative employer contribution in excess of net periodic pension cost .....	<b>25,038</b>
Net amount recognized in consolidated balance sheet after SFAS No.158. ....	<b>\$ (28,402)</b>

The actuarial loss and prior service cost included in accumulated other comprehensive income and expected to be recognized in net periodic pension cost during the fiscal year ending December 31, 2007 is \$3,917 and \$139, respectively.

## Notes to Consolidated Financial Statements

Marubeni America Corporation  
At December 31, 2005 and 2006  
(In Thousands)

The net periodic pension cost for the years ended December 31, 2006 and 2005 consists of the following:

	2006	2005
Service cost . . . . .	\$ 7,277	\$ 6,188
Interest cost . . . . .	10,247	9,330
Expected return on plan assets . . . . .	(11,606)	(9,990)
Amortization of prior service cost . . . . .	139	254
Recognized actuarial loss . . . . .	3,960	3,059
Total net periodic pension cost . . . . .	<b>\$ 10,017</b>	<b>\$ 8,841</b>

The incremental effects of adopting the provisions of SFAS No.158 on the Company's consolidated balance sheet at December 31, 2006, are presented in the following table. The adoption of SFAS No.158 had no effect on the Company's consolidated statement of income for the years ended December 31, 2006 and 2005, and will not affect the Company's operating results in future periods. Had

the Company not been required to adopt SFAS No.158 at December 31, 2006, it would have recognized an additional minimum liability pursuant to the provisions of SFAS No.87. The effect of recognizing the additional minimum liability is included in table below in the column labeled "Prior to adopting SFAS No.158"

	At December 31, 2006		
	Prior to adopting SFAS No.158	Effect of adopting SFAS No.158	As reported at December 31 2006
Prepaid pension cost . . . . .	\$ 25,121	\$ (25,121)	\$ -
Intangible assets (pension) . . . . .	183	(183)	-
Accrued pension liabilities . . . . .	(6,121)	(22,281)	(28,402)
Deferred income taxes . . . . .	2,278	18,107	20,385
Minority interests . . . . .	123	4,371	4,494
Accumulated other comprehensive income . . . . .	3,455	25,106	28,561

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:

	2006	2005
Aggregate projected benefit obligation . . . . .	<b>\$ 193,387</b>	\$ 166,183
Aggregate fair value of plan assets . . . . .	<b>163,468</b>	138,013

## Notes to Consolidated Financial Statements

Marubeni America Corporation  
At December 31, 2005 and 2006  
(In Thousands)

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:

	2006	2005
Aggregate accumulated benefit obligation . . . . .	<b>\$ 42,711</b>	\$ 40,726
Aggregate fair value of plan assets. . . . .	<b>36,590</b>	31,895

Weighted-average assumptions used in the computation of benefit obligations are as follows:

	2006	2005
Assumed discount rate . . . . .	<b>5.90%</b>	6.00%
Rate of increase in compensation levels . . . . .	<b>3.20% - 6.00%</b>	3.20% - 6.00%

Weighted-average assumptions used in the computation of net periodic pension cost are as follows:

	2006	2005
Assumed discount rate . . . . .	<b>6.00%</b>	6.25%
Rate of increase in compensation levels . . . . .	<b>3.20% - 6.00%</b>	3.20% - 6.00%
Expected long-term rate of return on plan assets. . . . .	<b>8.00%</b>	8.00%

To develop the expected long-term rate of return on assets assumption, the Company considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio.

Expected benefit payments for all plans over the next ten years are as follows:

Fiscal year ending:

2007 . . . . .	\$ 5,968
2008 . . . . .	6,621
2009 . . . . .	7,314
2010 . . . . .	8,241
2011 . . . . .	9,279
Five years thereafter . . . . .	63,770
Total . . . . .	<b>\$101,193</b>

The pension plans' investment policy is to actively manage certain asset classes where potential exists to outperform the broader market, as defined by specific benchmarks for each of those asset classes.

## Notes to Consolidated Financial Statements

Marubeni America Corporation  
At December 31, 2005 and 2006  
(In Thousands)

The pension plans' weighted-average asset allocation at December 31, 2006 and 2005, by asset category, are as follows:

Asset Category	2006	2005
Domestic equity securities . . . . .	52%	51%
International equity securities . . . . .	2	2
Debt securities . . . . .	38	37
Real estate . . . . .	6	2
Cash . . . . .	2	8
Total . . . . .	100%	100%

The Company expects to contribute \$8,614 to its pension plans in 2007. No plan assets are expected to be returned to the Company during the fiscal year ending December 31, 2007.

### 12 | Postretirement Benefits

A subsidiary of the Company provides certain medical benefits for retired employees. Employees may become eligible for these benefits upon reaching age 55 while working for the subsidiary and meeting certain service requirements. The Company amended the eligibility requirements of its retiree medical benefit plan effective January 1, 2006. The amendment affected the years of service requirement and the retiree's cost for medical benefit under the plan. In addition, effective January 1, 2007, new employees are no longer eligible to participate in the Company's retiree medical benefit plan.

The subsidiary's Medicare-eligible drug benefit was deemed actuarially equivalent to the Medicare Part D prescription drug benefit offered by the government under the Medicare Prescription Drug, Improvement and Modernization Act of 2003. For the fiscal years ending December 31, 2006 and 2005, the subsidiary elected to take the governmental subsidy offered under the Act and reflect this impact in expense. All calculations are based on recognizing the subsidy.

## Notes to Consolidated Financial Statements

Marubeni America Corporation  
At December 31, 2005 and 2006  
(In Thousands)

The change in the accumulated postretirement benefit obligation as of October 31, 2006 and 2005 and funded status of postretirement benefits at December 31, 2006 and 2005 is as follows:

	2006	2005
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of year . . . . .	\$ 31,651	\$ 30,692
Service cost . . . . .	898	1,746
Interest cost . . . . .	1,310	1,709
Plan participants' contributions . . . . .	214	181
Amendments . . . . .	(11,327)	-
Actuarial loss (gain) . . . . .	2,333	(1,759)
Benefits paid . . . . .	(987)	(918)
Benefit obligation at end of year . . . . .	<u>\$ 24,092</u>	<u>\$ 31,651</u>
<b>Funded status</b>		
Unrecognized actuarial loss . . . . .	-	1,887
Unrecognized transition obligation . . . . .	-	2,420
Employer contributions between measurement date and fiscal year-end . . . . .	207	-
Net amount accrued . . . . .	<u>\$ (23,885)</u>	<u>\$ (27,344)</u>

Accrued postretirement benefit liability is included in other non-current liabilities in the accompanying consolidated balance sheets.

The medical benefit plan's benefits are funded on a cash basis as benefits are paid. No assets have been segregated and restricted to provide medical benefits.

Amounts recognized in accumulated other comprehensive income in the accompanying consolidated balance sheets at December 31, 2006, are as follows:

Actuarial loss . . . . .	\$ (4,012)
Prior service credit . . . . .	8,097
Accumulated other comprehensive income . . . . .	4,085
Cumulative net periodic pension cost in excess of employer contribution . . . . .	(27,970)
Net amount recognized in consolidated balance sheet after SFAS No.158 . . . . .	<u>\$ (23,885)</u>

The actuarial loss and prior service credit included in accumulated other comprehensive income and expected to be recognized in net periodic pension cost during the fiscal year ending December 31, 2007 is \$128 and (\$810), respectively.

## Notes to Consolidated Financial Statements

Marubeni America Corporation  
At December 31, 2005 and 2006  
(In Thousands)

Net periodic postretirement benefit cost included the following:

	2006	2005
Service cost . . . . .	\$ 898	\$ 1,746
Interest cost . . . . .	1,310	1,709
Amortization of prior service cost (credit) . . . . .	(810)	-
Amortization of the unrecognized transition obligation . . . . .	-	355
Recognized actuarial loss . . . . .	112	-
<b>Total postretirement benefit cost . . . . .</b>	<b>\$ 1,510</b>	<b>\$ 3,810</b>

The incremental effects of adopting the provisions of SFAS No.158 on the Company's consolidated balance sheet at December 31, 2006, are presented in the following table.

	Prior to adopting SFAS No.158	2006 Effect of adopting SFAS No.158	As reported at December 31, 2006
Accrued pension liabilities . . . . .	\$ (27,970)	\$ 4,085	\$ (23,885)
Deferred income taxes . . . . .	-	(1,552)	(1,552)
Minority interests . . . . .	-	(392)	(392)
Accumulated other comprehensive income . . . . .	-	(2,141)	(2,141)

Weighted-average assumed discount rates of 6.00% and 6.25% were used for the years ended December 31, 2006 and 2005, respectively, in determining the net postretirement benefit cost. Weighted-average assumed discount rates of 5.9% and 6.00% were used as of December 31, 2006 and 2005, respectively, in determining the postretirement benefit obligation.

The assumed health care cost trend rates related to the medical benefit plan are as follows:

	2006	2005
Health care cost trend rate assumed for next year . . . . .	8.00%	9.00%
Rate to which the cost trend is assumed to decline (the ultimate trend rate) . . . . .	5.25%	5.25%
Year that the rate reaches the ultimate trend rate . . . . .	2011	2011

## Notes to Consolidated Financial Statements

Marubeni America Corporation  
At December 31, 2005 and 2006  
(In Thousands)

Assumed health care cost trend rates have a significant effect on the amounts reported for the medical benefit plan. A 1% increase in the assumed health care cost trend rate would have increased the cost during 2006 of post-retirement benefits by \$431 and the accumulated benefit obligation by \$4,182 at December 31, 2006. A 1% decrease in the assumed health care cost trend rate would have

decreased the cost during 2006 of postretirement benefits by \$341 and the accumulated benefit obligation by \$3,366 at December 31, 2006.

The estimated gross amounts of receipts from the Medicare Part D Prescription drug benefit subsidy are netting with the medical benefit plan's expected benefit payments.

Expected benefit payments for the plan over the next ten years are as follows:

Fiscal year ending:	Gross Expected Benefit Payments	Medicare Subsidy	Net Expected Benefit Payments
2007.....	\$ 787	\$ (63)	\$ 724
2008.....	895	(74)	821
2009.....	1,024	(84)	940
2010.....	1,170	(96)	1,074
2011.....	1,308	(110)	1,198
Five years thereafter.....	8,729	(814)	7,915
Total.....	\$ 13,913	\$ (1,241)	\$ 12,672

### 13 | Defined Contribution Plan

The Company has various defined contribution plans. The Company made contributions to the plans for the years

ended December 31, 2006 and 2005 in the amount of \$2,987 and \$2,774, respectively.

### 14 | Income Taxes

Deferred income taxes included in the accompanying consolidated balance sheets reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company has gross deferred tax assets of \$75,000 and \$210,000 at December 31, 2006 and 2005, respectively. The balances of gross deferred tax assets at December 31, 2006 are primar-

ily related to differences in accounting for certain accrued items and at December 31, 2005 are primarily related to net operating loss carryforwards in addition to certain accrued items. At December 31, 2006 and 2005, the Company has gross deferred tax liabilities of \$71,000 and \$285,000, respectively, related primarily to differences in depreciation, investment in partnerships and accounting for inventory.



## Notes to Consolidated Financial Statements

Marubeni America Corporation  
At December 31, 2005 and 2006  
(In Thousands)

The accumulated balance of each component of accumulated other comprehensive income (loss) at December 31, 2006 and 2005 is as follows:

	Unrealized Gain (Loss) on Available-for- Sale Securities	Fair Value of Derivative Financial Instruments	Translation Adjustment	Unfunded Pension Losses	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2004 . . . . .	\$ 1,365	\$ (7,504)	\$ 1,795	\$ (3,111)	\$ (7,455)
Change in 2005 . . . . .	(443)	8,753	446	(866)	7,890
Balance at December 31, 2005 . . . . .	922	1,249	2,241	(3,977)	435
Change in 2006 . . . . .	<b>3,468</b>	<b>(1,573)</b>	<b>77</b>	<b>455</b>	<b>2,427</b>
Cumulative effect of change in accounting principle in accordance with the transition adjustment, net of tax, under SFAS No.158 (Note 1) . . . . .	–	–	–	(22,965)	(22,965)
Balance at December 31, 2006 . . . . .	\$ 4,390	\$ (324)	\$ 2,318	\$ (26,487)	\$ (20,103)

## 16 | Commitments and Contingencies

At December 31, 2006 and 2005, the Company has guaranteed the indebtedness of certain affiliates and third parties amounting to approximately \$46,000 and \$37,000, respectively.

The minimum commitment for the rental of office facilities and equipment under noncancelable operating leases at December 31, 2006 was \$155,914 payable as follows: 2007 – \$45,685; 2008 – \$30,107; 2009 – \$20,216; 2010 – \$15,754 and thereafter – \$44,152. The Company is also responsible for rent escalations based upon increases in real estate taxes and other building operating costs. Total rent expense amounted to approximately \$62,000 and \$60,000 for the years ended December 31, 2006 and 2005, respectively.

During 2005, a subsidiary sold trailers for approximately \$58,000. The subsidiary is leasing back the trailers from the purchasers over a period of eight years and the agreement provides for an early buyout option in five years. In the

normal course of business, it is expected that these leases will run the full term. The subsidiary is accounting for this transaction as an operating lease.

These leases require the subsidiary to pay customary operating and repair expenses. The leases contain renewal options at lease termination and purchase options at fixed percentages of the fair market value of the property at the beginning of each lease. The total rental expense incurred by the subsidiary under these leases and the minimum lease payments required by the leases are included in the minimum commitment schedule above.

As of December 31, 2006 and 2005, the subsidiary of the Company has entered into commitments to purchase components of trailers for approximately \$20,200 and \$2,700, respectively.

The outstanding letters of credit at December 31, 2006 and 2005 are \$6,517 and \$15,218, respectively.

## 17 | Litigation

In the normal course of business, the Company is subject to certain claims and litigation, including unasserted claims. The Company is of the opinion that, based on information

presently available, such legal matters will not have a material adverse effect on the consolidated financial position, results of operations or cash flow of the Company.

## Notes to Consolidated Financial Statements

Marubeni America Corporation  
At December 31, 2005 and 2006  
(In Thousands)

### 18 | Sale of Accounts Receivable

A subsidiary of the Company has an agreement to sell, on an ongoing basis, a pool of receivables to a wholly-owned bankruptcy-remote special purpose funding subsidiary (the "funding subsidiary"). The funding subsidiary is a distinct legal entity that engages in no trade or business in order to make remote the possibility that the entity would enter bankruptcy or other receivership. The subsidiary sells the pool of receivables to the funding subsidiary for a purchase price equal to the fair market value of the pool. The funding subsidiary, subject to certain conditions, sells an undivided fractional ownership interest in the pool of receivables to an unrelated company (the securitization company), for which there are no repurchase agreements. The proceeds received by the funding subsidiary from the sale to the securitization company are immediately remitted to the subsidiary to satisfy the funding subsidiary's obligation to the subsidiary. During 2006 and 2005, in accordance with Statement of Financial Accounting Standards No. 140, *Accounting for Transfers of Servicing of Financial Assets and Extinguishments of Liabilities* ("SFAS No. 140"), the subsidiary recorded losses on the sale of receivables of \$9,513 and \$4,118, respectively.

The estimated fair value of the retained interest was \$51,498 and \$137,610 at December 31, 2006 and 2005, respectively, which is included in other current assets. Based on the nature of the subsidiary's securitization transactions, the two key assumptions used in determining the fair value

of the retained interest are management's estimate of uncollectible accounts receivable and the payment rate which is derived from the average life of the accounts receivable of approximately 60 days. As of December 31, 2006 and 2005, management of the subsidiary estimated uncollectible accounts receivable of \$10,260 and \$9,147, respectively. Total accounts receivable that the subsidiary manages as of December 31, 2006 and 2005 amounted to \$191,388 and \$167,270, respectively.

Credit losses, net of recoveries, during 2006 and 2005 were \$1,088 and \$796, respectively. Any change in management's estimate of uncollectible accounts receivable will have an inversely corresponding impact on the estimate of the fair value of the retained interest.

Additionally, under the terms of the agreement, new receivables are added to the pool as collections reduce previously sold receivables. The subsidiary services, administers and collects the receivables on behalf of the funding subsidiary and the securitization company. The net proceeds from the sale of receivables were used for the reduction of other short-term obligations and are reflected as operating and financing cash flows in the accompanying consolidated statements of cash flows, respectively. The assets derecognized as of December 31, 2006 and 2005 as a result of the securitization totaled \$136,608 and \$69,400, respectively.

### 19 | Sale of Loans Receivable

The Company has an agreement with respect to loan securitization programs, under which the Company originates loans, subject to certain pre-defined underwriting criteria or approvals by the participants, and sells 100% participations or 80% non-recourse participations in such loans to a financial institution pursuant to the respective participation agreements and, simultaneously, sells such loans receivable and their rights under the participation agreements to a wholly-owned, bankruptcy-remote special purpose subsidiary (the SP subsidiary) for a beneficial interest in the SP subsidiary. The SP subsidiary is a distinct legal entity that engages in no trade or business in order to make remote the possibility that the entity would enter bankruptcy or other receivership. In accordance with SFAS No. 140,

the SP subsidiary is not consolidated in the Company's consolidated financial statements. Upon sale of the loans, the Company holds a subordinated retained interest in the loans, which is included in other current assets in the accompanying consolidated balance sheets. Under one of the securitization programs, net proceeds were used for the reduction of short-term obligations and, as a result, the assets derecognized totaled \$56,625 and \$33,783 at December 31, 2006 and 2005, respectively. Under another one of the securitization programs, the assets derecognized by the Company totaled \$19,656 and \$22,197 at December 31, 2006 and 2005, respectively. The financial institution services, administers, and collects the loans on behalf of the SP subsidiary.

## Notes to Consolidated Financial Statements

Marubeni America Corporation  
At December 31, 2005 and 2006  
(In Thousands)

The SP subsidiary guarantees, on a limited basis, the loan participations. Each pool runs from September 1 to August 31 of each and every year that the agreement remains effective. For each pool of loans, the SP subsidiary agrees to pay the financial institution for 100% of the loan loss experienced after the financial institution reaches its

loan loss limit. The loan loss limit assumed by the financial institution is equal to 1% of the aggregate principal amount of loans included in the pool for the year. At December 31, 2006 and 2005, the limit of liability of the SP subsidiary under the guarantee was \$6,476 and \$3,276, respectively.

### 20 | Business Acquisition

During 2006, the Company paid \$35,418 to acquire 64% of Advantage Funding Management Co., Inc., the assets of Partner Equity Capital Company LLC and nine businesses. During 2005, the Company paid \$4,789 to acquire the assets of three businesses. The purchase for the acquisi-

tions was accounted for under the purchase method and the following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the dates of acquisition:

	2006	2005
Inventory . . . . .	\$ 6,184	\$ 2,081
Lease receivables . . . . .	118,082	—
Property, plant and equipment . . . . .	14,972	3,873
Goodwill . . . . .	5,845	—
Intangibles and other assets . . . . .	5,964	948
Other liabilities . . . . .	(11,298)	(889)
Loan payable . . . . .	(104,331)	(1,224)
Net assets acquired	\$ 35,418	\$ 4,789

The Company has not yet obtained all information required to complete the purchase price allocations related to these acquisitions. The final allocations will be completed in 2007.

### 21 | Subsequent Events

In January, 2007, the Company acquired 60 % of Belterra Corporation and 80% of Intragrated Resources Holdings, Inc. ("IRH") for a cash consideration of approximately \$12,000 (CDN) and \$54,700, respectively. Belterra Corporation is an industrial conveyor belt distributor in

Canada, and IRH is the parent company of A.T. Clayton and Co. Inc., a privately owned U.S. paper distributor, and J.S. Eliezer Associates, Inc., a printing production consultant, both of which serve the catalog, direct mail and magazine industries.

## Report of Independent Auditors

The Board of Directors and Shareholder  
Marubeni America Corporation

We have audited the accompanying consolidated balance sheets of Marubeni America Corporation (the "Company") as of December 31, 2006 and 2005, and the related consolidated statements of income, shareholder's equity and cash flows for the years then ended. 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2006 and 2005, and the consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 11 to the consolidated financial statements, effective December 31, 2006, the Company adopted Statement of Financial Accounting Standards No.158.

*Ernst + Young LLP*

February 28, 2007

**Marubeni**  
**America Corporation**

<http://www.marubeni-usa.com>