Condensed Transcript of Question and Answer Session

Briefing on Revision of Consolidated Results Forecast for Fiscal Year Ended March 31, 2016

Date: April 18, 2016
Location: Marubeni Corporation Tokyo Head Office
Those Present: Nobuhiro Yabe, Managing Executive Officer, CFO
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General Manager, Corporate Accounting Dept.

Main Questions and Answers

<u>Downward Revision</u>

Details of impairment loss in resource businesses

- In one of the copper mines in Chile, we are going to recognize an impairment loss, in this Q4, on most of the premium at the time of the acquisition, having set the long-term prices at approximately $3/pound.
- In the iron ore business in Australia, we will take an impairment charge based on short-term prices of approximately $40/ton and long-term prices of approximately $50/ton.
- The impairment loss in the oil and gas business is due to revision of the outlook for oil prices, and reflects the additional costs and impact of development delays at a project in the U.S. Gulf of Mexico. We have set long-term prices at around $70 a barrel and are going to recognize the impairment loss.
- Besides one-time items, a key factor in the downward revision in resource businesses was deterioration in trade and other businesses reflecting the market conditions.

Effect of impairment of resource projects on improvement in depreciation expenses in FYE 3/2017

- Depreciation expenses are expected to decrease by a total of about ¥3.0 billion (before taxes) in the impaired copper, iron ore, and oil and gas businesses.

Provision for losses on overseas plant projects, etc.

- The provision for losses on overseas plant projects was essentially due to completion risk. The impairment loss on an overseas power project is to be recognized in a project without a long-term power purchase agreement.

Effect on non-consolidated profit available for dividends

- In FYE 3/2016, non-consolidated profit available for dividends is expected to be more than ¥200 billion as a result of dividends from subsidiaries to the parent company, so there are no concerns about funds for dividends.

Effect on financial results due to delay in Marubeni Rail Transport Inc. share transfer

- The postponement of the extraordinary gain until FYE 3/2017 will be on the non-consolidated financial statements, and will have no effect on consolidated results for FYE 3/2016.

Non-Resource Businesses

Net profit excluding one-time items

- Core earnings in non-resource businesses in FYE 3/2016 are now projected to be ¥180.0 billion. That is down ¥10.0 billion from the ¥190.0 billion we had projected at the time of the third-quarter earnings announcement.

Unfavorable factors and additional impairment risk at Gavilon

- We are projecting results to be about ¥4.0 billion less compared with the forecast at the time of the third-quarter earnings announcement.
- The weakening of the Brazilian real and low freight rates have hurt the competitiveness of U.S. grains compared with grains from South America. In addition, grain prices are slumping, and farmers have made capital investments that give them more control over the prices at which they sell. These and other factors are pressuring margins. Improvements are also needed in costs and the efficiency of grain elevators.
- While we cannot rule out the possibility of impairment losses if the current income level continues for some years, we aim to reduce the risk of additional impairment by showing an improvement trend.

Mid-Term Management Plan

Objectives of the mid-term management plan

- At this time, there is no change in our profit target for FYE 3/2019, the last year of the mid-term management plan.
- Due to these impairment losses, the net debt/equity ratio at the end of FYE 3/2016 is expected to be higher than the forecast of approximately 1.7 times. We will place top priority on restoring the ratio back to our original forecast of approximately 1.7 times through measures such as collecting proceeds from asset sales. We will also take various measures to achieve the mid-term management plan target of approximately 1.3 times at the end of FYE 3/2019.

Cash flow management

- Operating cash flow will be lower than expected if there is a delay in the recovery of commodity prices, but in that case, we will cut back on new investments to maintain positive free cash flow.

Dividends

Reasoning behind maintaining annual dividends at ¥21 per share

- We maintained the dividend forecast for FYE 3/2016 after taking various factors into consideration, including that the announcement was made after the ex-dividend date in March, in addition to the fact that the losses are non-recurring and based on valuation.

Other

Impact of the stronger yen

- The strengthening of the yen will not have a significant impact on impairment losses or other profit and loss items. However, currency translation adjustments on the balance sheet will change because of exchange differences on translation of foreign operations.