Condensed Transcript of Question and Answer Session
Briefing on Consolidated Results for the Second Quarter of Fiscal Year Ending March 31, 2018

Date: November 7, 2017 (Tuesday)

Location: Nihonbashi Mitsui Hall

Those Present:

Fumiya Kokubu, President and CEO

Nobuhiro Yabe, Managing Executive Officer, CFO

Hideyoshi Iwane, General Manager, Corporate Accounting Dept.

Note Regarding Forward-Looking Statements

Forward-looking statements in this document, including results forecasts, are based on information available to the Company at the date of publication, as well as certain assumptions the Company judges to be reasonable. Various factors could cause actual results to differ materially from those discussed in forward-looking statements.

Cushion factored into the consolidated net profit forecast of ¥170 billion

A cushion of ¥20 billion was factored into the original forecast, and we plan to maintain that as a minimum. Excluding the cushion, we expect to surpass the ¥170 billion figure by a substantial amount. We would like to consider our handling of the cushion after confirming third-quarter results.

Thoughts on assets with impairment risk and dividends if impairment losses occur

If anything is at risk of impairment, it is our oil and gas related assets. As the crude oil futures market is now backwardation markets, we want to ascertain how third-party organizations are setting their long-term price outlooks. This is why we want to confirm third-quarter results before considering our handling of the cushion. That said, at this time we believe that our consolidated net profit forecast of ¥170 billion will be achievable even if impairment losses do arise, and on this basis we will be able to pay the dividend as originally forecast.

Breakdown of cash flows for the full fiscal year

We anticipate positive free cash flow after dividends in the range of positive ¥100 billion for FYE 3/2018.

That is based on roughly positive ¥250 billion in operating cash flow and ¥100 billion in cash used in investing activities (about negative ¥150 billion in new investments, negative ¥100 billion in capital expenditures and positive ¥150 billion from divesting existing investments), plus payment of dividends. These figures are unchanged from our original forecast.

Working capital was negative through the first half of the fiscal year because of seasonal factors, but we expect to recover that in the second half of FYE 3/2018. Both investments and divestment were lower than expected, but by controlling the balance between the two, we will achieve ¥100 billion in positive free cash flow after dividends.

Future investment policy

We are currently determining our future vision for each segment, but our policy will be to make the necessary investments to realize that vision, even if those investments are in new business areas. We will not make investments simply to capture quick profit, but will continue to actively make strategic investments.

Synergy and profit scale expected in new investments

Three of our most recent investments are a beef production and sales business in the United States, an apparel planning, manufacturing and sales business in Turkey, and a feed additive distribution business in the Netherlands. The current profit scale of each of these businesses is roughly ¥1 billion. However, we plan to increase profit in ways such as using the Marubeni Group's existing networks to expand the markets for the products of these new investments.

Non-resource businesses in which profit growth is expected in FYE 3/2019

Machinery-related businesses are steady and resilient to downturns.

In Transportation & Industrial Machinery, our aircraft, construction machinery and industrial machinery businesses are gaining traction. Our automotive business has recently been solid, including financing, but we need to accommodate changing business models, such as the shift toward electric vehicles.

In Forest Products, the Musi Pulp Project in Indonesia is progressing on schedule, backed by favorable market conditions.

Agri-Input is a focus area. Despite tough conditions at U.S. farms, Helena Chemical has been generating solid profit. Progress on collaboration between Gavilon's fertilizer business and Helena Chemical is also ongoing.

Food, including livestock, is showing progress, with a foundation beginning to take shape.

Measures to address apparent volatility of profit in non-resources, such as grains and chemical products

Even though these are all trading businesses, they are each qualitatively different. Trading of chemical products and energy-related products such as naphtha is subject to market fluctuations, but profit is relatively stable when viewed over a five- or ten-year period. In grain trading, we focused on expanding business volume. The increased complexity of transactions that accompanies volume expansion exposes us to operational risks, so we are currently shifting our emphasis from quantity to quality.

Gavilon's net profit outlook and the likelihood of achieving it

Gavilon's U.S. grain origination business remains on track to achieve the original forecast. The Ag-trading business also has little downside risk as we have reduced our positions considerably. In the Global-Ag business, operations in Brazil struggled in the first half, and will have difficulty catching up in the second half as well. Gavilon could exceed the forecast if performance in U.S. grain origination and other businesses is strong in the third quarter, but we are lowering the full-year forecast for Gavilon's grain operations to ¥9 billion from the original forecast of ¥10 billion.

Business environment and results of operational improvements at Gavilon, and background of deterioration of Columbia Grain (CGI) from a year earlier

The grain storage capacity of U.S. farms has increased, and we can no longer count on grain being released in conjunction with time, so Gavilon's business environment is not as favorable as it was before the acquisition. We are seeing some improvement in costs, but will need to screen assets in the U.S. more rigorously going forward.

At CGI, performance was impacted by a drought in the first half, and we do not think it will be able to make up for the effects of that in results for the full year.

Outlook for the Musi Pulp Project in Indonesia

Efforts to improve costs by bringing lumber procurement in-house are making steady progress. The project has been making a yearly loss in the region of ¥6 billion to ¥10 billion until now, but if current market conditions continue, it could become profitable earlier than planned.

Outlook for oil and gas development projects (will they be profitable assuming a crude oil price of $50 per barrel?)

Assuming that crude prices remain at $50 per barrel, it will be difficult to turn a profit on an overall basis.

Reason the revised forecast for Metals & Mineral Resources is only ¥1 billion more than the original forecast

Our second-half price assumptions for coal, copper and iron ore are based on recent market prices. For coal, we took into account that the price of pulverized coal injection (PCI) coal, which accounts for a relatively large share of our equity coal, has been falling since the first half of the period in comparison to hard coking coal. In copper, the Centinela Copper Mine was mining in a high-grade phase in the first half, but is now planning to transit to a low-grade phase in the second half. Because of this and other factors, we do not expect copper profit to grow in the second half relative to the first half. In iron ore, our assumed prices in the second half are lower than the first-half prices. As for the profit at the Roy Hill Iron ore mine, the business itself is turning a profit.