

2019.12

Consolidated Financial Results
Q3 FYE 3/2020

Disclaimer Regarding Forward Looking Statements

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(Notes)

- * FYE: Fiscal Year Ending/Ended
- * Profit attributable to owners of the parent is described as *"Net profit"*.
- * FYE 3/2020 Forecast / Mar-31-2020 Forecast: Yearly forecasts announced on February 5, 2020
- * Adjusted net profit: net profit excluding one-time items, shown in an approximate figure. For one-time items, please refer to P3 of *"IR Supplementary Information"*.
- * Core operating cash flow: operating cash flow excluding net increase/decrease in working capital and others
From the Q3 of FYE 3/2019, the elements of core operating cash flow have been altered. The figures for the past fiscal years have been revised accordingly.
- * *"New investments, CAPEX and others, Divestment"* include investing cash flow items and a part of financing cash flow items
- * CAPEX and others: additional capital spending to maintain/improve business values of existing projects and others
- * P4 "03 Net Profit and Adjusted Net Profit": Business fields for and before FYE 3/2018 are based on *"the organization as of FYE 3/2019"*, for FYE 3/2019 and FYE 3/2020, based on *"the new organization reorganized in FYE 3/2020"*.

| | | |
|-----------------|----------------|---|
| Business fields | Resources: | "New organization from FYE 3/2020" = the total of <i>"Energy"</i> and <i>"Metals & Mineral Resources"</i> excluding <i>"Steel Products Dept."</i> |
| | | <i>"Organization as of FYE 3/2019"</i> = <i>"Energy & Metals"</i> group excluding <i>"Steel Products"</i> sub-segment |
| | Other: | "New organization from FYE 3/2020" = the total of <i>"Next Generation Business Development"</i> and <i>"Other"</i> |
| | | <i>"Organization as of FYE 3/2019"</i> = <i>"Other"</i> segment |
| | Non-Resources: | other than the above |

- * P8 "07 Profit by Segment: From the FYE 3/2020, the former operating segments of *"Food"*, *"Consumer Products"*, *"Chemical & Forest Products"*, *"Energy & Metals"*, *"Power Business & Plant"* and *"Transportation & Industrial Machinery"* have been reorganized as *"Lifestyle"*, *"ICT & Real Estate Business"*, *"Forest Products"*, *"Food"*, *"Agri Business"*, *"Chemicals"*, *"Power Business"*, *"Energy"*, *"Metals & Mineral Resources"*, *"Plant"*, *"Aerospace & Ship"*, *"Finance & Leasing Business"*, *"Construction, Auto & Industrial Machinery"* and *"Next Generation Business Development"*.
In conjunction with these organizational changes, operating segment information for FYE 3/2019 has been reclassified.

01 Key Factors of Q1-Q3 FYE 3/2020

(billion yen)

| | Q1-Q3 FYE 3/2019 | Q1-Q3 FYE 3/2020 | Variance | FYE 3/2020 Forecast announced on | |
|--|------------------|--------------------------|-----------------|----------------------------------|------------|
| | | | | Nov-5-2019 | Feb-5-2020 |
| Net profit | 219.6 | 145.6 (progress 73%) | -74.0 (-34%) | 240.0 | 200.0 |
| Adjusted net profit | 190.0 | 174.0 (progress 74%) | -16.0 (-8%) | 242.0 | 234.0 |
| Core operating cash flow | +276.2 | +273.0 (progress 74%) | -3.2 (-1%) | +390.0 | +370.0 |
| Free cash flow after delivery of shareholder returns | +8.3 | +17.4 | - | +100.0 | ±0.0* |

| | Mar-31-2019 | Dec-31-2019 | Variance | Mar-31-2020 Forecast announced on | |
|--------------|-------------|-------------|-------------------------|-----------------------------------|--------------------|
| | | | | Nov-5-2019 | Feb-5-2020 |
| Net DE ratio | 0.90 times | 0.89 times | 0.01 points improvement | approx. 0.8 times | approx. 0.9 times* |

*Including the effects of the additional acquisition of U.S. aircraft leasing company Aircraftle Limited as announced on November 7, 2019.

We anticipate completing the additional acquisition in the first half of 2020, although we cannot assure completion by any particular date.

If excluding the above-mentioned effects, the forecast for the free cash flow after delivery of shareholder returns (FYE 3/2020) is to increase by about +120.0 billion yen and that for the net DE ratio (Mar-31-2020) is to decrease by about 0.06 times. From the next page onwards, the figures are displayed on the same assumptions as above.

01 Key Factors of Q1-Q3 FYE 3/2020

Key Factors of Q1-Q3 FYE 3/2020

Net profit amounted ¥145.6bn, with a ¥-74.0bn (-34%) decrease year on year

Breakdown of a ¥-74.0bn net profit decrease

- Decrease in adjusted net profit: ¥-16.0bn (-8%)
(Non-resources: ¥-21.0bn decrease in *Power Business*, *Forest Products*, *Agri-business*, etc.
Resources: ¥+7.0bn increase in *Metals & Mineral Resources*)
- Profit decline regarding one-time items: ¥-58.0bn 【Q1-Q3 FYE 3/2019: ¥+29.0bn → Q1-Q3 FYE 3/2020: ¥-29.0bn】
Main items are;
>non-recurrence of a valuation gain recognized in the year-earlier period on consolidation of Arteria Networks as a subsidiary
>impairment losses in the oil and gas development business

Net DE ratio stood at 0.89 times, improved 0.01 points from the previous fiscal year-end

- Core operating cash flow: ¥+273.0bn, a ¥-3.2bn decrease year on year
- Free cash flow after delivery of shareholder returns: ¥+17.4bn

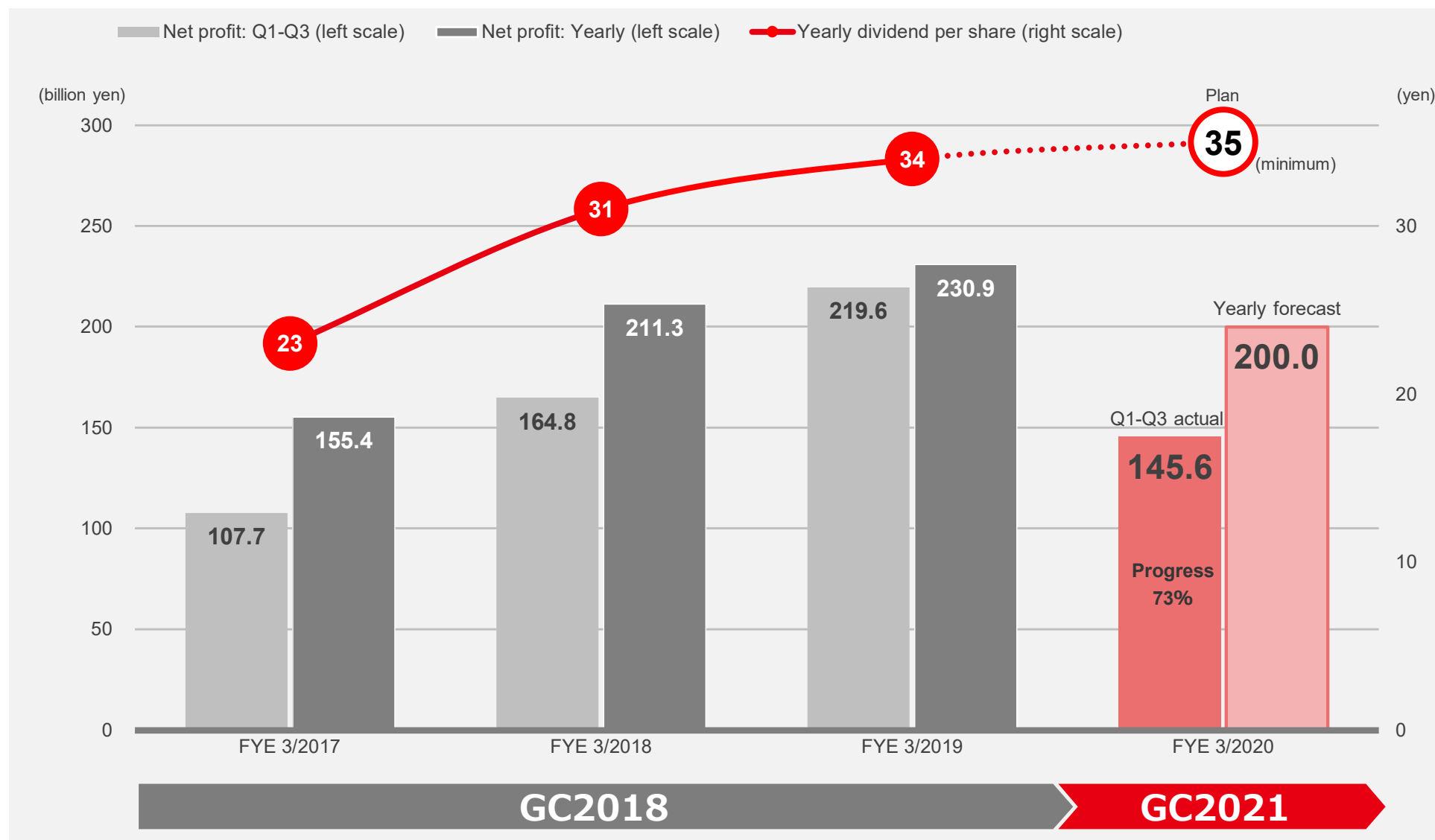
Forecasts for FYE 3/2020

Net profit: ¥200.0bn (revised)

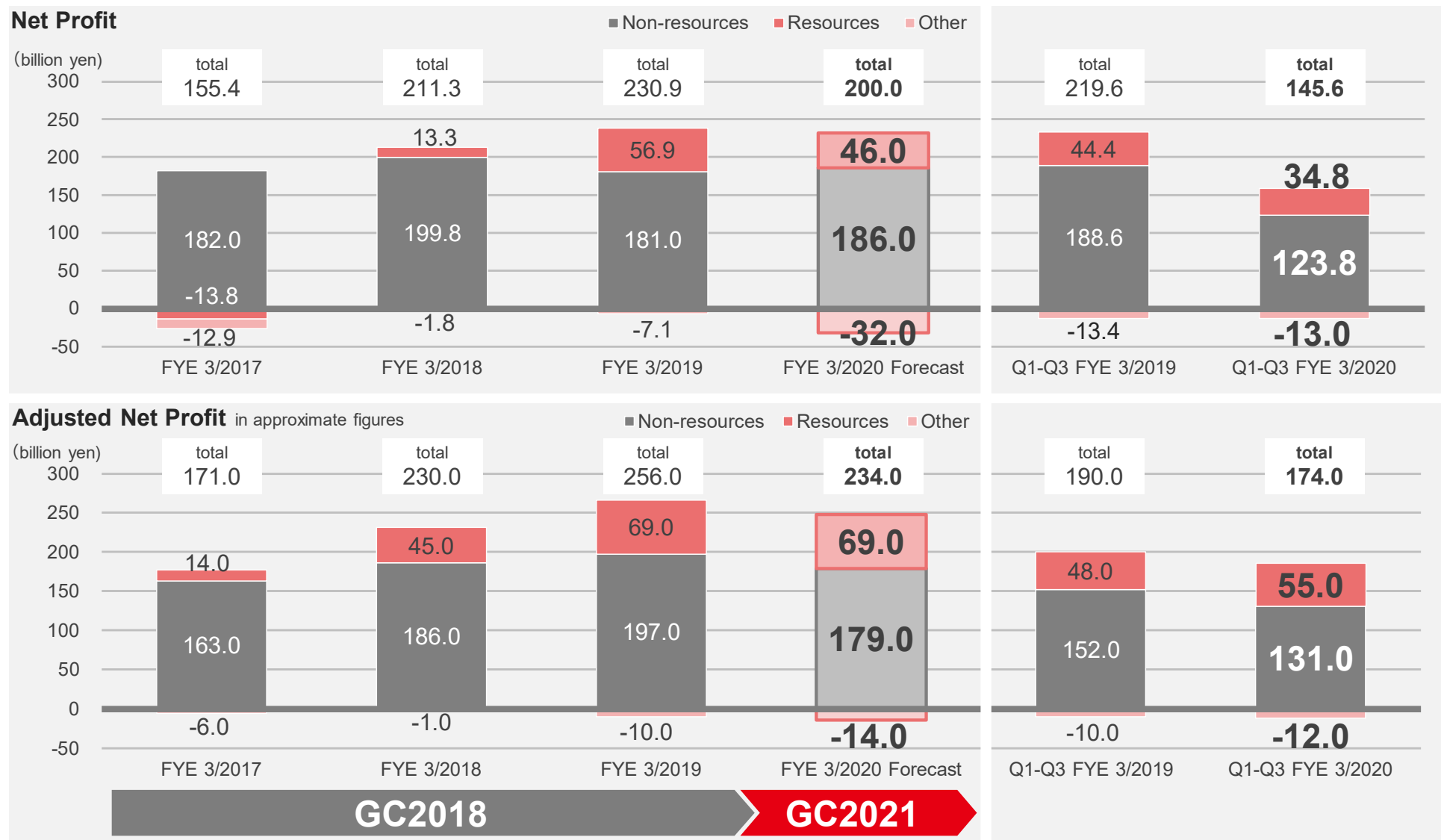
Net DE ratio: approx. 0.9 times (revised)

Yearly dividend: ¥35 per share set as the minimum, a ¥1 increase from FYE 3/2019

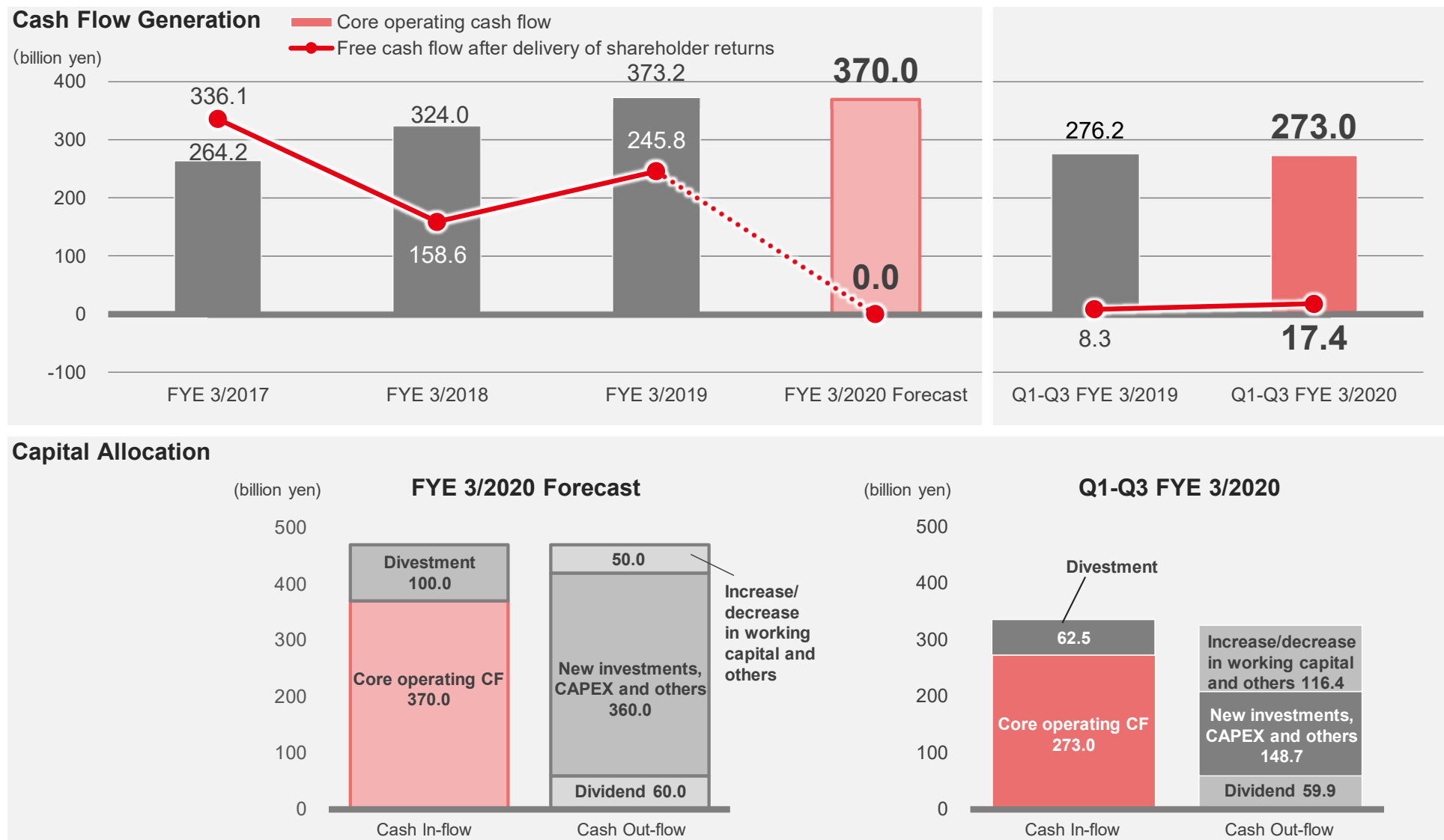
02 Net Profit and Yearly Dividend



03 Net Profit and Adjusted Net Profit



04 Cash Flow Generation and Capital Allocation



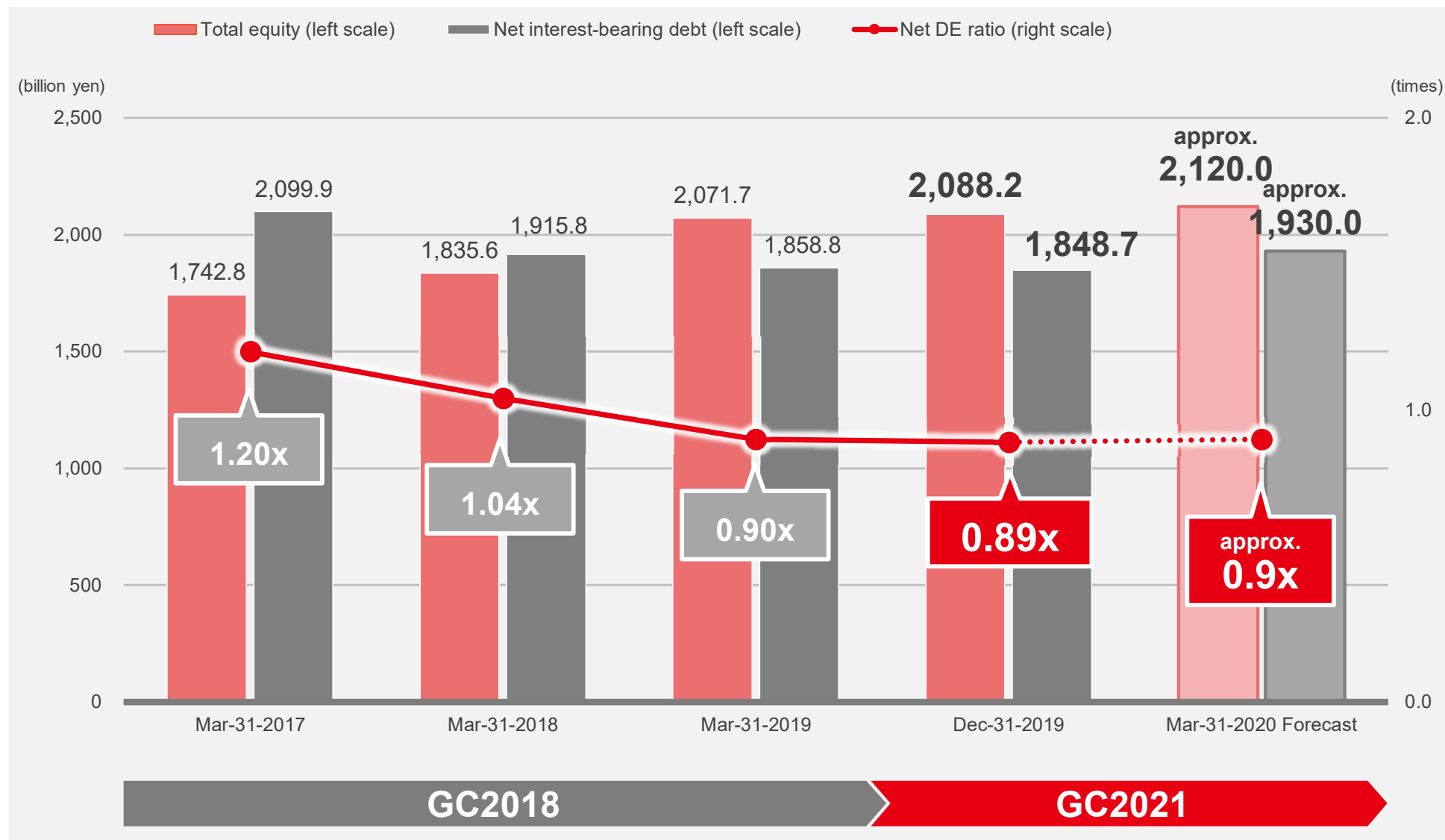
* Debt repayment: repayment of interest-bearing debt, lease obligations and others

05 New Investments and Divestment Main Items for Q1-Q3 FYE 3/2020

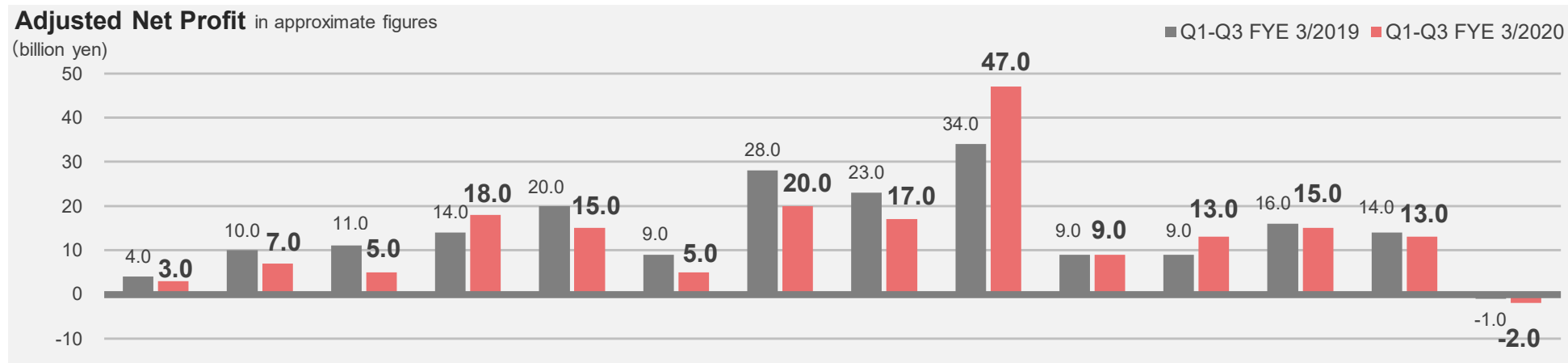
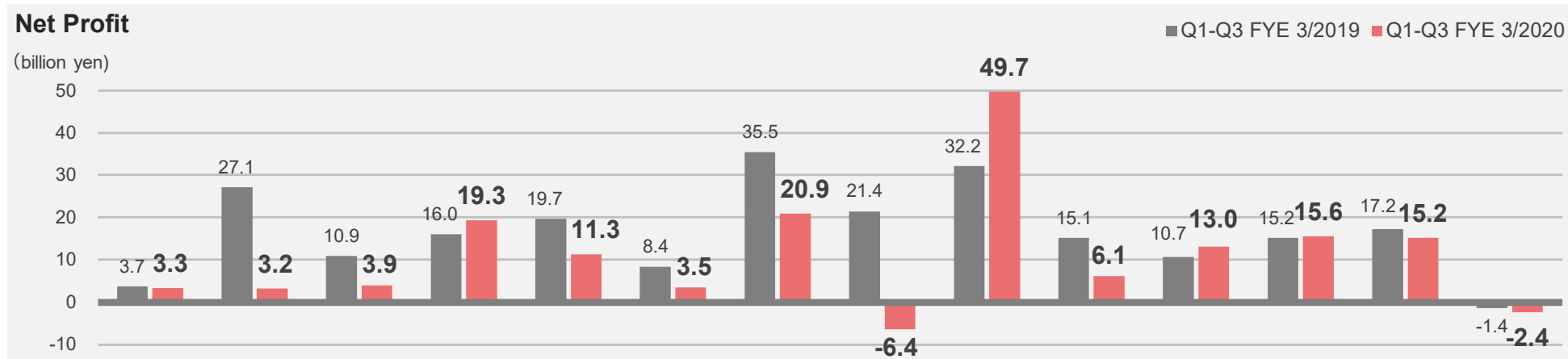
| | | FYE 3/2020 Q1-Q3 | | | | FYE 3/2020 Main Item | FYE 3/2020 Forecast |
|------------------------------------|---|---------------------|-----------|-----------|-------|---|------------------------|
| | | Horizon 1 | Horizon 2 | Horizon 3 | | | |
| New Investments + CAPEX and others | | -148.7 | -81.9 | -53.7 | -13.0 | | -360.0 |
| New Invest- ments | Distribution Business | -58.5 | -37.3 | -27.8 | -9.5 | •Additional interest acquisition in a feed additives distributor (Olympus Holding (Orffa), Netherland, 60%→80%) •Additional investment in beef processing and sales business (Creekstone Farms, USA) •Agri-input retailer (Adubos Real, Brazil) •Additional interest aquisition in a distributor for construction machinery (TEMSA, Turkey, 49%→90%) | -250.0 |
| | Finance Business | | -9.0 | -5.4 | -3.6 | | |
| | Stable Earnings-Type Business | | -12.2 | -12.2 | - | •Additional interest acquisition in water service businesses (AGS, Portugal/Brazil, 50%→100%) •Overseas power generation business | |
| | Natural Resource Investments | | - | - | - | | |
| CAPEX and others | excluding Natural Resource Investments | -90.2 | -80.3 | | | •Agri-input related business (Helena, USA) | -95.0 |
| | Natural Resource Investments | | -9.8 | -1.6 | -8.3 | | -15.0 |
| Divestment | | +62.5 | | | | •PPP business in Australia •Domestic retail business (SOTETSU ROSEN) •Overseas power generation business | +100.0 |
| Total | | -86.1 | | | | | -260.0 |

*Horizon 1: improvement of existing businesses, Horizon 2: pursuit of strategies in existing business domains, Horizon 3: new business models and growth domains currently not yet focused on

06 Net DE Ratio

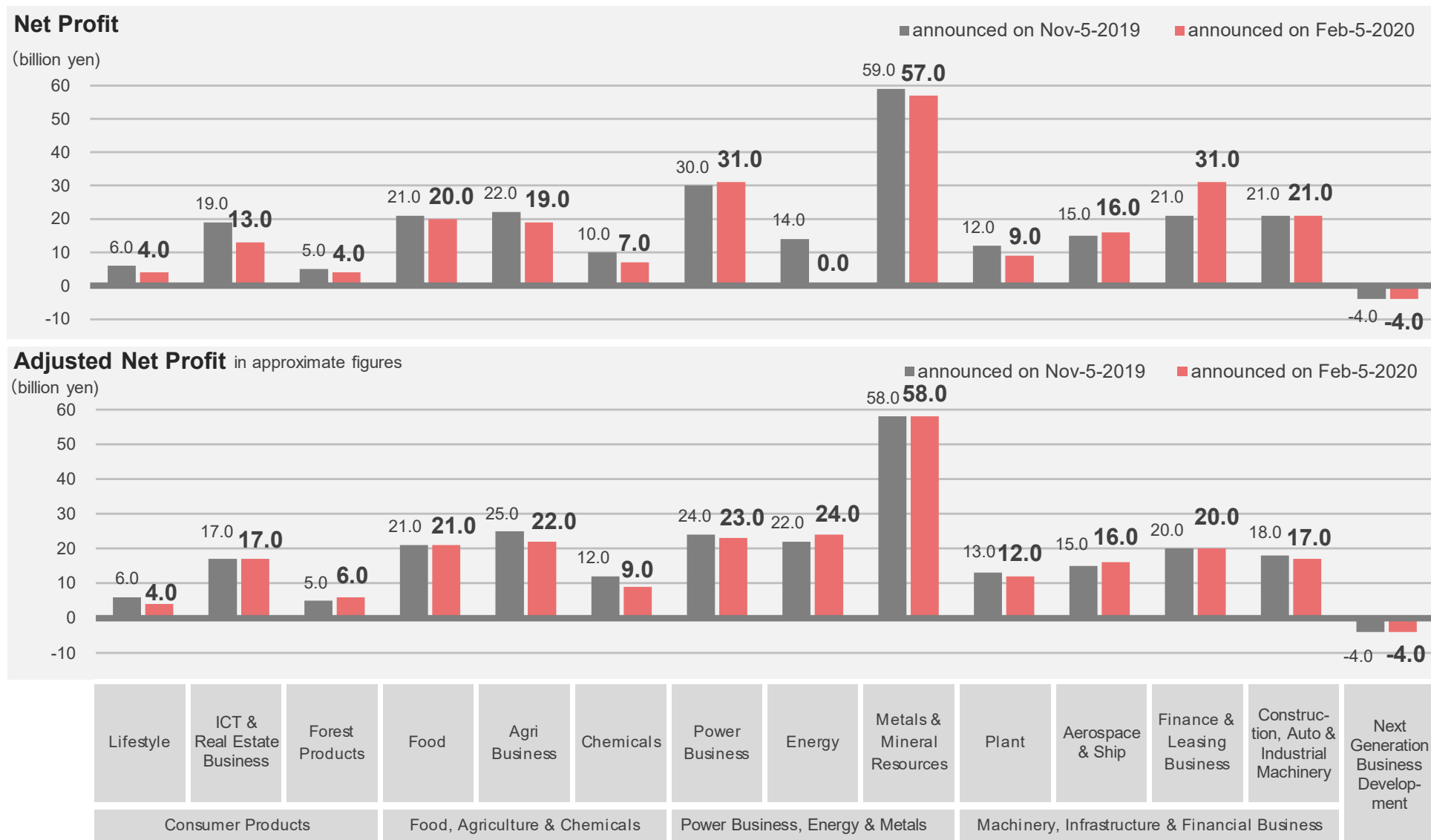


07 Profit by Segment Q1-Q3 FYE 3/2020 vs Q1-Q3 FYE 3/2019



| | | | | | | | | | | | | | |
|-------------------|----------------------------|-----------------|-------------------------------|---------------|-----------|---------------------------------|--------|----------------------------|--|------------------|----------------------------|---|--------------------------------------|
| Lifestyle | ICT & Real Estate Business | Forest Products | Food | Agri Business | Chemicals | Power Business | Energy | Metals & Mineral Resources | Plant | Aerospace & Ship | Finance & Leasing Business | Construction, Auto & Industrial Machinery | Next Generation Business Development |
| Consumer Products | | | Food, Agriculture & Chemicals | | | Power Business, Energy & Metals | | | Machinery, Infrastructure & Financial Business | | | | |

08 Profit Forecast by Segment announced on Feb-5-20 vs Nov-5-2019



09 Financial Indicators and Commodity Volumes

| Financial Indicator | | FYE 3/2019 Q1-Q3 Avg. | FYE 3/2020 Q1-Q3 Avg. | Variance | FYE 3/2019 Yearly | FYE 3/2020 Yearly Assumption as of | | Sensitivity to *4 Yearly Net Profit |
|---------------------|--------------------|--------------------------|--------------------------|-----------------------------|-----------------------|------------------------------------|--------------------|--|
| | | | | | | Nov-5-2019 | Feb-5-2020 | |
| Oil | WTI (USD/bbl) | 66 | 58 | - 8 | 63 | 58 | 58 | approx. JPY0.4bn/[USD1/bbl]*5 |
| Copper | LME (USD/ton) *1 | 6,459 | 5,977 | - 482 | 6,369 | 5,950 | 6,050 | approx. JPY1.0bn/[USD100/ton] |
| Interest Rate | JPY TIBOR 3mo (%) | 0.069 | 0.068 | down 0.001 points | 0.069 | 0.1 | 0.1 | |
| | USD LIBOR 3mo (%) | 2.434 | 2.207 | down 0.227 points | 2.497 | 2.1 | 2.1 | |
| Currency | Term Average (yen) | 111.14 | 108.67 | JPY appreciation by 2.47yen | 110.91 | 107 | 109 | approx. JPY1.2bn/[JPY1/USD] |
| | Term-end (yen) | - | Dec-31-2019 109.56 | JPY appreciation by 1.43yen | Mar-31-2019 110.99 | Mar-31-2020 107 | Mar-31-2020 109 | |

| Commodity Volume | | FYE 3/2018 Yearly | FYE 3/2019 Yearly | FYE 3/2020 Plan |
|------------------|--|----------------------|----------------------|--------------------|
| Oil, Gas | Equity Production Volume (K boe/day) | 28 | 30 | 29 |
| | Upper: [Oil & Gas Development] *2 Lower: [Total] *3 | 33 | 34 | 33 |
| Copper | Equity Sales Volume (K ton) | 121 | 133 | |
| Coking Coal | Equity Sales Volume (K ton) | 6,170 | 5,668 | |

*1 March-to-November average for Q1-Q3s, March-to-February average for FYE 3/2020 yearly

*2 Total of Oil & Gas Development at Gulf of Mexico (USA), North Sea (UK), Indian Sea

*3 Total of equity volume based on production sharing contracts on the consolidated basis, including above Oil & Gas Development

*4 Sensitivity to the yearly forecast announced on May 9, 2019

*5 Sensitivity in Oil & Gas Development