Condensed Transcript of Question and Answer Session  
Briefing on Consolidated Results for the Q3 of the Fiscal Year Ending March 31, 2019

Date: February 7, 2019 (Thursday)  
Location: Tokyo Head Office of Marubeni Corporation  
Those Present: Nobuhiro Yabe, Managing Executive Officer, CFO  
Hideyoshi Iwane, General Manager, Corporate Accounting Dept.

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Size and details of potential asset value-related losses in Q4 in the grain business and power business
We analyze that at the current level of profitability, net profit of around ¥280.0 billion is achievable if there are no asset value-related losses in Q4. We left the forecast unchanged at ¥230.0 billion because we have built in a loss cushion of just under ¥50.0 billion. Regarding the details of potential asset value-related losses, we plan to consult with a CPA after carefully examining business plans, and to obtain a third-party assessment, so we are not able to predict the amounts at this time.

Risk of impairment of Oil & Gas interests
Our interests in the North Sea became profitable, but our interests in the Gulf of Mexico are still in the red. While concerns have not been eliminated completely, there were no indicators of impairment that would be triggered by price-related factors.

Factors behind the decrease in adjusted net profit of non-resources for Q3 vs. a year-earlier period
One factor is that performance at Helena, which was solid through the first two quarters, slowed from Q3. When farmers have sufficient income, they tend to purchase materials by the end of December to save on taxes, but in 2018, farmers’ income was very low, which resulted in sluggish sales for Helena. Another reason for the slowdown is that weak grain prices discouraged farm production. In addition,
overhead expenses, including labor costs and transport costs, were up from the same period in 2017. This was due to increases in incentive payouts, reflecting strong results in 2017, while gasoline and other costs increased due to a rise in oil prices.

Nevertheless, Helena projects net profit of nearly $200 million for the full year. Moreover, sales of Helena’s private brands, which are a profit driver, have been growing continuously. Even though difficult conditions are expected to continue, we therefore do not think Helena’s profit level will decline. We still see plenty of room for profit to grow as Helena expands sales of its private brands outside the United States.

In businesses aside from Helena, the power business slowed, and adjusted net profit decreased because of several factors: a decrease in periodic income resulting from the divestment of overseas and domestic power generation assets, deteriorating results at some underperforming projects; and a decrease in fee income related to the overseas IPP business. We believe our revenue pipeline, including solar power projects and projects in Indonesia and Vietnam for which we have already signed contracts and received orders, will offset the decrease in profits to a certain extent.

**Impact of U.S.-China trade friction on Food Products sub-segment and outlook**
China gradually began to buy U.S. soybeans around the end of last year, but prior to that, purchases were zero for an extended period. Consequently, trading volume decreased, and profit margins also shrank because of the resulting intensified competition.

Political issues are involved, so the outlook is hard to predict, but any attempts by China to ease the trade friction by increasing purchases of U.S. soybeans could have a positive effect.

**Conditions at the Musi Pulp Project and outlook for pulp prices**
The Musi Pulp Project posted strong results, and we estimate that about two-thirds of the profit increase was attributable to higher prices, with the remaining third due to use of the company’s own pulpwood, which resulted in higher profitability.

In terms of our pulpwood, harvesting of four-year-old trees from the company’s own plantations has begun, but extending the harvesting cycle to six years would lead to further cost reductions. Currently, Musi Pulp purchases about 30% of its pulpwood from outside suppliers, but instead of rushing to fell young trees in order to supply 100% of its own pulpwood, its policy is to maximize medium- and long-term profitability by continuing to purchase from outside suppliers to a certain degree. It plans to continue to purchase externally sourced materials until 2021.

Regarding the outlook for pulp prices, although prices are down from their peak, additional supplies from new and expanded facilities are expected about three years from now, and in our analysis, supply and demand in the market will stay tight in the medium to long term. Therefore, we think prices in three years will be a little higher than they are now.
Backdrop to the strong performance in the Energy sub-segment
In addition to increased profit from oil and gas development projects due to a rise in oil prices, the trading business posted excellent results, including MIECO. We will closely examine the trends of trading business results over the next fiscal year, but we estimate that profit for this fiscal year will be about ¥2.0–3.0 billion higher than what we would anticipate in a continuable level of income.

Reason for improvement in profit of the Roy Hill Iron Ore Project in Q3, and impact of the Vale SA dam accident
Lump ore makes up about 40% of the iron ore produced at Roy Hill. The main factor in the profit improvement is that market prices including the lump ore premium (which is added to the fine ore price) were high in Q3. Profit was not affected by the Vale SA dam collapse (see note).

Note: Roy Hill stores the tailings generated from its process plant in a Tailing Storage Facility (TSF). Unlike the structures of tailings dams that are built across valleys, Roy Hill’s TSF is constructed on flat terrain with all four sides surrounded by embankments. The design, construction and management methods of Roy Hill’s TSF conform to the environmental and safety requirements and regulations of Western Australia. The facility is subject to statutory annual audits as required by regulatory authorities.

Forecast of adjusted net profit in the Metals & Mineral Resources sub-segment
In the forecast of adjusted net profit in the Metals & Mineral Resources sub-segment, we raised the forecast for iron ore and coal related businesses and lowered the forecast for copper and aluminum related businesses, resulting in no net change.

Effect of Brexit on car dealership business in the U.K.
There is no particular effect at this time.

View of adjusted net profit for FYE 3/2020
The forecast for adjusted net profit in FYE 3/2019 is ¥235.0 billion. The adjusted net profit forecast for Q4 alone is about ¥45.0 billion, but we believe this is a somewhat conservative figure.

Adjusted net profit for FYE 3/2020 will depend on resource prices, but we think it will probably be in the range of ¥50.0–60.0 billion for each quarter.

New Mid-Term Management Plan
The announcement of the new mid-term management plan is scheduled for May 2019. In the three months until then we still have more details to discuss, partly because we will have a new president in April. For now, we intend to disclose the numbers for our net profit target.