Condensed Transcript of Question and Answer Session at Briefing for the Third Quarter Results of Fiscal Year Ending March 31, 2016 and the New Mid-term Management Plan

Date: February 8, 2016 (Monday)

Location: Marubeni Corporation Tokyo Head Office

Main Questions and Answers

Financial results

Risk of additional impairment losses in current fiscal year

- In the first three quarters of the current fiscal year, we booked impairment losses of roughly ¥72 billion (after tax) against resource businesses, mainly oil and gas interests.
- With resource prices falling further and remaining highly volatile since the end of the third quarter, we need to be cautious heading into fiscal year-end.

Details of impairment tests at end of third quarter

- At the end of December, we assessed impairment indicators on all resource projects. As a result of these assessments, we recorded impairment losses, mainly on oil and gas interests.
- As a result of the assessments, other resource projects, including iron ore mines at which we have been cutting costs since last year, were not impaired as of the end of December.

Future equity contributions and recent development costs for oil and gas upstream projects

- Equity contributions to oil and gas upstream projects have already peaked.
- Development costs have recently been decreasing in the wake of oil prices' decline.

Gavilon

- We are considering various measures, including additional cost-cutting, initiatives to boost grain consolidation operations' profits, which vary by area, measures to improve asset efficiency and reinforcement of management system.
- We believe the business itself has substantial growth potential. We expect Gavilon to contribute to earnings as one of our core agricultural businesses.

Consolidated net profit forecast for fourth-quarter

- We are forecasting fourth-quarter consolidated net profit of ¥58.2 billion. We expect income tax expense to decrease in the fourth quarter.

New Mid-term Management plan (GC2018)

Attainability of ¥250 billion consolidated net profit target for fiscal year ending March 2019

- Attainability hinges on whether non-resource businesses achieve their minimum consolidated net profit target of ¥230 billion.
- For the current fiscal year, we expect non-resource businesses to earn consolidated net profits (excluding one-time items) of about ¥190 billion. They would have to increase their net profits by about ¥40 billion by over the next three fiscal years. We believe we can achieve such profit growth by upgrading existing businesses and strengthening platform businesses (including through M&A).
- As a minimum target, we specifically aim to increase agricultural businesses (grain consolidation/sales, agricultural materials sales), infrastructure businesses (IPPs with PPAs, water and sewage, PPPs), transportation machinery businesses (retail financing, leasing, after-market parts sales) and other non-resource businesses' consolidated net profits by about ¥10 billion each.

New investments' contribution to profit growth (roughly ¥40 billion of incremental net profits) in non-resource businesses

- Profit growth in non-resource businesses will be driven predominantly by upgrading existing businesses and strengthening platform businesses (including through M&A). Some investments are immediately accretive to net profits.

Rationale behind ¥1 trillion target for new investments and itemization of cash flows

- We set the new investment target in pursuit of growth based on an underlying assumption of positive free cash flow after dividends.
- Cash flows may vary from one fiscal year to the next but on an annual basis, we are projecting around ¥300 billion of positive operating cash flow, roughly ¥200 billion of inflows from recoupment of existing investments and roughly ¥200 billion of outflows for capex and dividends, giving us around ¥300 billion of net cash flow available to fund investments.

Intentions regarding net interest-bearing debt reduction

- We are targeting a net debt/equity ratio of 1.3. We will maintain financial discipline.

- We aim to maximize operating cash flow while investing in pursuit of growth to the extent that promising investment opportunities are available to us, subject to the constraint of positive free cash flow after dividends.

Transportation & Industrial Machinery Group's current status and future outlook

- Profits have been growing, driven largely by the U.S. automotive retail finance business and aircraft leasing business.
- Going forward, we intend to focus on scaling up existing businesses and on retail finance and leasing operations in ASEAN and developed economies, including the U.S.

Divestment of non-core businesses

- We believe we must act expeditiously to exit non-core businesses.
- During the CG2018 plan's term, the pace at which we exit from non-core businesses will partly depend on the size of losses incurred in the process.

Financing environment

- The financing environment has recently been changing. We believe the current environment warrants more caution than before.
- We set our net debt/equity ratio target of 1.3 and our target of positive free cash flow after dividends based on recognition that more caution is now warranted.

Dividend policy

- Our basic policy is to set dividend amounts in accord with our consolidated dividend payout ratio target.