

Shareholders' Guide "Marubeni"

No.123, Winter 2017

Top Message



Financial Results for the Six-month Period ended September 30, 2017

I would like to express my sincere gratitude to our shareholders for your continued support. The following is an overview of the financial results for the six-month period ended September 30, 2017, announced on November 2, and an explanation of progress with the Mid-term Management Plan "Global Challenge 2018".

Fumiya Kokubu
President & CEO

Overview of the Financial Results for the Six-month Period ended September 30, 2017

Substantial Increase in Consolidated Net Profit Achieved

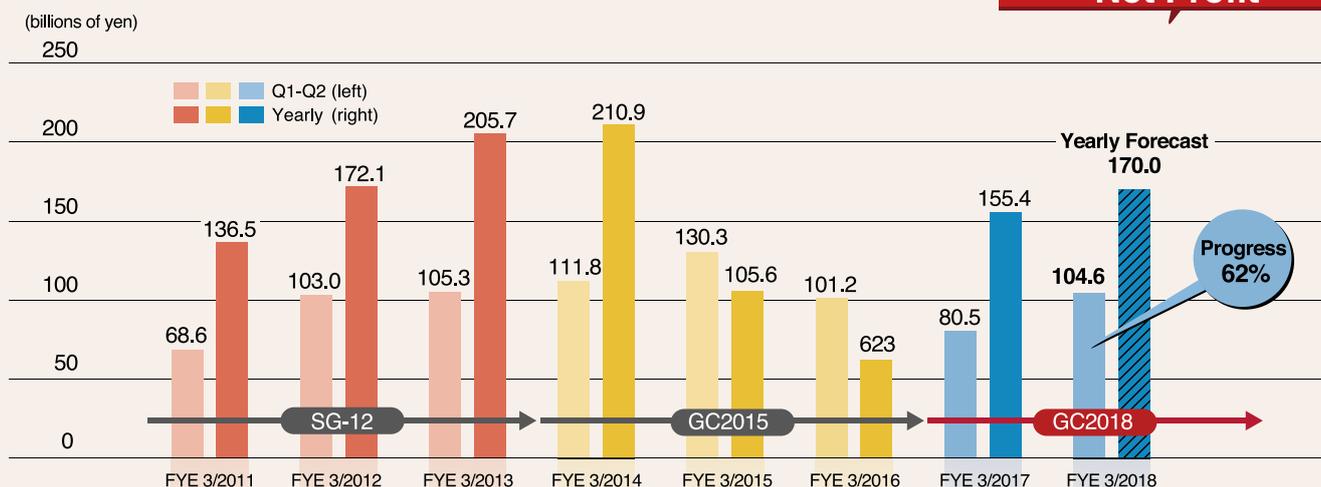
An overview of the business environment in the six-month period ended September 30, 2017 indicates that gradual economic recovery continued in the U.S. as well as other developed countries and that emerging countries such as China showed signs of an economic pickup. As a result, the global economy as a whole saw gradual growth. During the period, the Company benefited from factors that had a positive impact on the financial results, such as increases in copper and coal prices.

In this environment, consolidated net profit in the six-month period ended September 30, 2017 rose sharply by 24.1 billion yen, or 30%, year on year to 104.6 billion yen. Against

the backdrop of the previously mentioned increases in the commodity prices of copper and coal, resource businesses drove the overall profit increase. Excluding one-time losses, profit increased in non-resource businesses as well, and we judge that the Company's earnings power has steadily increased.

We have left the full-year consolidated net profit forecast unchanged at 170.0 billion yen, the level set at the beginning of the fiscal year. Consolidated net profit reached 62% of the forecast in the six-month period ended September 30, 2017, and we are steadily progressing toward achieving the target.

Net Profit



Plan to Improve Cash Flow in the Second Half of the Fiscal Year

I will now discuss cash flow. Operating cash flow was an in-flow of 47.6 billion yen and investing cash flow was an out-flow of 101.5 billion yen in the six-month period ended September 30, 2017, resulting in free cash flow of an out-flow of 53.9 billion yen. This is attributable to an increase in seasonal working capital in operating cash flow and the fact that capital expenditures especially in overseas businesses preceded divestments in investment cash flow.

We have set a full-year target for the fiscal year ending March 31, 2018 of achieving positive free cash flow after payment of dividends of 100.0 billion yen. We plan to achieve the target by accumulating additional profits and by promoting cash collection through measures including recovery of working capital and the sale of assets during the remainder of the fiscal year.

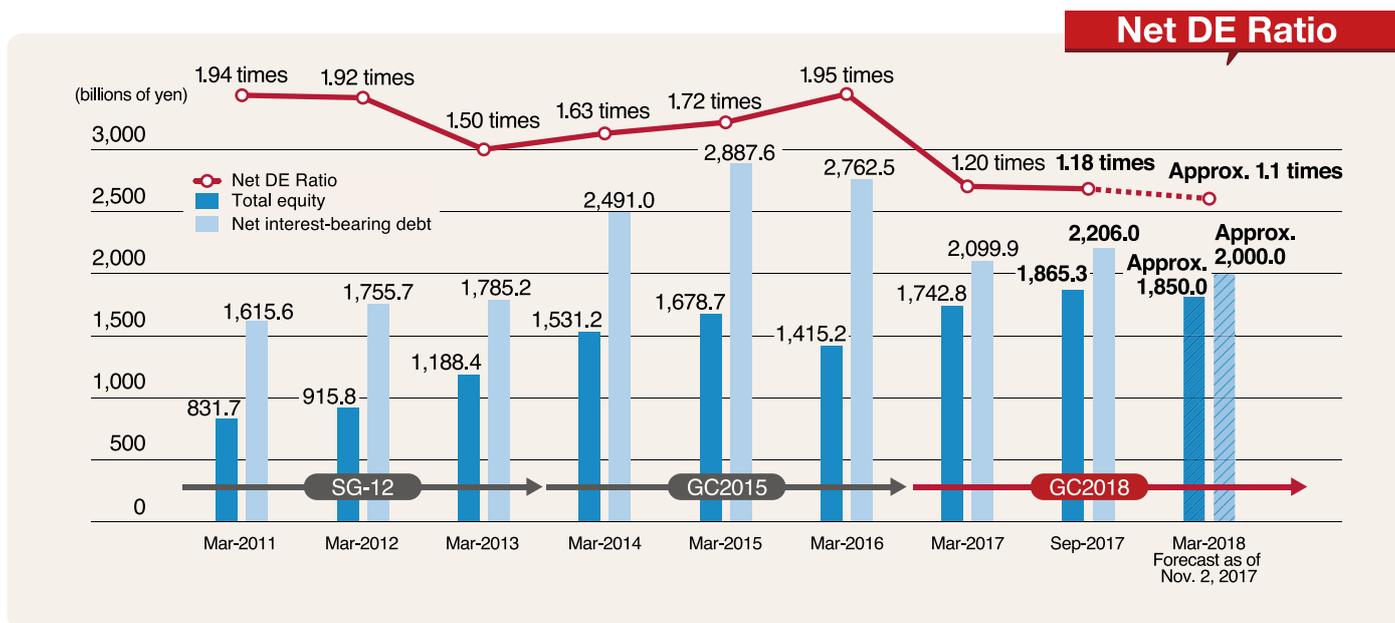
Net Debt-to-Equity Ratio Improvement through Equity Accumulation

Total equity as of September 30, 2017 increased 122.6 billion yen from the end of the previous fiscal year to 1,865.3 billion yen, mainly as a result of profit accumulation. At the same time, net interest-bearing debt increased 106.1 billion yen to 2,206.0 billion yen. The change in net interest-bearing debt occurred against a backdrop of payment of the year-end dividend for the previous fiscal year in addition to the previously mentioned increase in seasonal operating capital and capital expenditures in overseas businesses.

year of improving the net debt-to-equity ratio to 1.1 times by March 31, 2018. We will endeavor to improve the net debt-to-equity ratio by achieving our consolidated net profit and cash flow targets.

In accordance with the policy of "Further reinforcement of our financial foundation" positioned as a key priority in the Mid-term Management Plan "Global Challenge 2018", we intend to undertake continuous improvement in the debt-to-equity ratio even after achieving a ratio of 1.1 times by March 31, 2018, with the aim of achieving a ratio of 0.8 times by March 31, 2021 at the latest.

As a result, the net debt-to-equity ratio improved by 0.02 points from the previous fiscal year-end to 1.18 times. There is no change in the policy set at the beginning of the fiscal

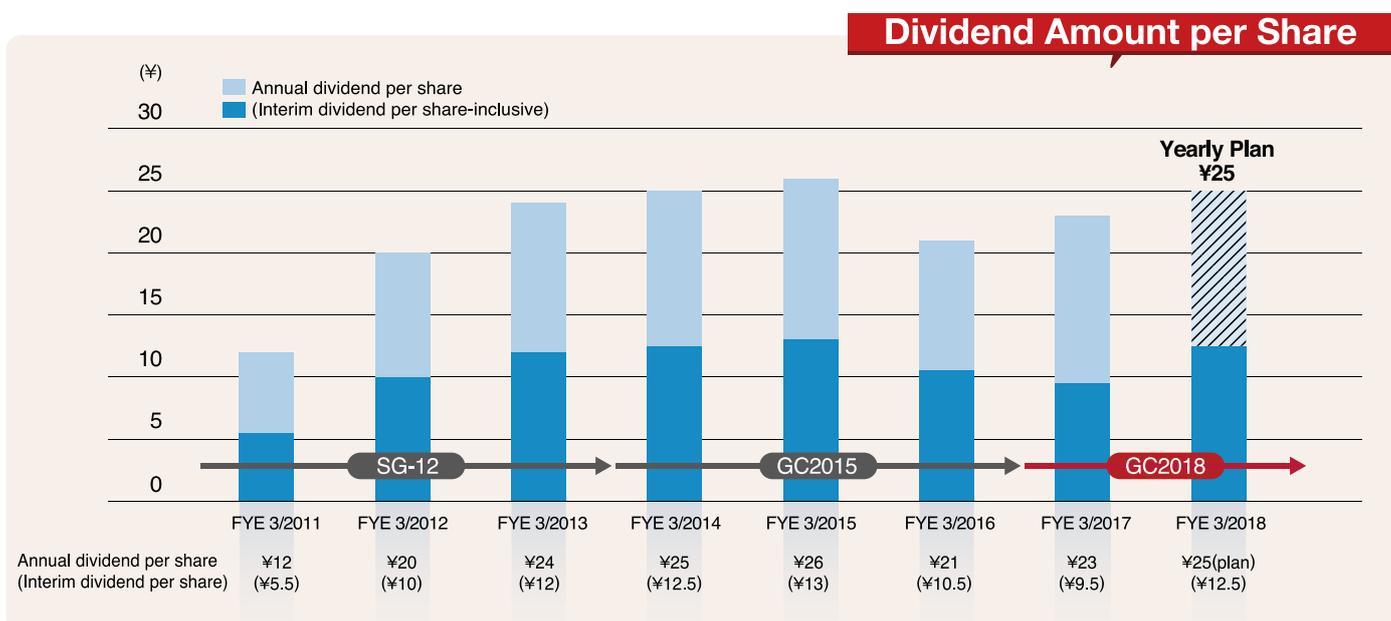


Interim Dividend Set at 12.5 Yen per Share

The Company has adopted the concept of linking dividends to the financial results of each fiscal year and has a basic policy of determining specific dividend amounts while maintaining a consolidated dividend payout ratio of 25% or higher. Since we anticipate consolidated net profit of 170.0 billion yen in the fiscal year ending March 31, 2018, in accordance with the above basic policy, we plan to pay an annual dividend of 25 yen per share, in line with the dividend forecast at the beginning of the period. We set the interim dividend at 12.5 yen per share, as per the dividend forecast,

and will commence payment on December 1.

The Company will utilize retained earnings (internal reserves) after payment of dividends to build a strong financial base in accordance with the policy "Further reinforcement of our financial foundation." We will also allocate internal reserves to investment in growth sectors to realize an "Evolving business strategy," another key priority in the Mid-term Management Plan, and enhance corporate value.



Progress with the Mid-term Management Plan "Global Challenge 2018"

The fiscal year ending March 31, 2018 marks the midpoint of the "Global Challenge 2018", the three-year mid-term management plan launched in the fiscal year ended March 31, 2017. We judge that we are making steady progress in preparation for the final year of the plan, as indicated by the restoration of consolidated net profit to the 100.0 billion yen mark in the six-month period ended September 30, 2017, following a decline below this level in the previous fiscal year.

At the same time, the business environment is at its major turning point, changing at an increasingly rapid pace. The nature of globalism and the financial environment have changed dramatically. The wave of the information

technology revolution, which has been called the fourth industrial revolution, is a representative example of a profound transformation, as exemplified by the Internet of Things (IoT), Big Data and such.

As discussed in the Special Feature of this newsletter, to respond to this digital transformation, the Company established the IoT-Big Data Strategy Department in April of this year. The purpose of the new department is to optimize existing businesses and generate new businesses that will create new value by utilizing leading-edge technologies such as the IoT and artificial intelligence (AI). I invite you to read through this interesting Special Feature.

Please see P.5-8



Here, I am pleased to report on a major milestone reached in a Marubeni business project. In the six-month period ended September 30, 2017, Roy Hill, an Australian iron ore miner, reached its nameplate production capacity, which we have been developing since acquiring an interest in the project in 2012. Marubeni will contribute to the steel industry in Japan and all of Asia through the stable supply of high-quality iron ore produced in this project.

Overview of the Roy Hill Iron Ore Project

Location:	Pilbara region of Western Australia
Total resources:	Approx. 2.3 billion tons
Start of production:	2014
Annual production capacity:	55 million tons
Marubeni's equity interest:	15%



Railway transporting Roy Hill iron ore



This concludes my explanation of business conditions at Marubeni. We will steadily and surely achieve the targets in "Global Challenge 2018" by continuing to undertake "Further reinforcement of our financial foundation" and "Evolving business strategy," the key priorities set forth in the plan.

I request the continued support of our shareholders in the coming years.

Fumiya Kokubu
President & CEO