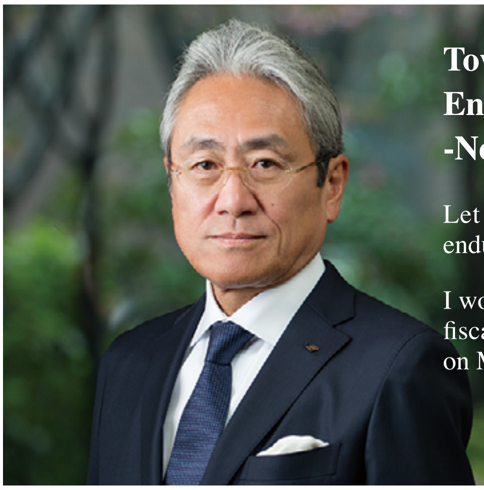
Shareholders' Guide "Marubeni"

No.118, Summer 2015

Top Message



Toward Achieving Further Growth and Enhancing Corporate Value -New Start-

Let me first express my sincere gratitude for your enduring support.

I would now like to explain our financial results for the fiscal year ended March 31, 2015 which we reported on May 8.

Fumiya Kokubu
President & CEO

Overview of Financial Results for the Fiscal Year ended March 31, 2015

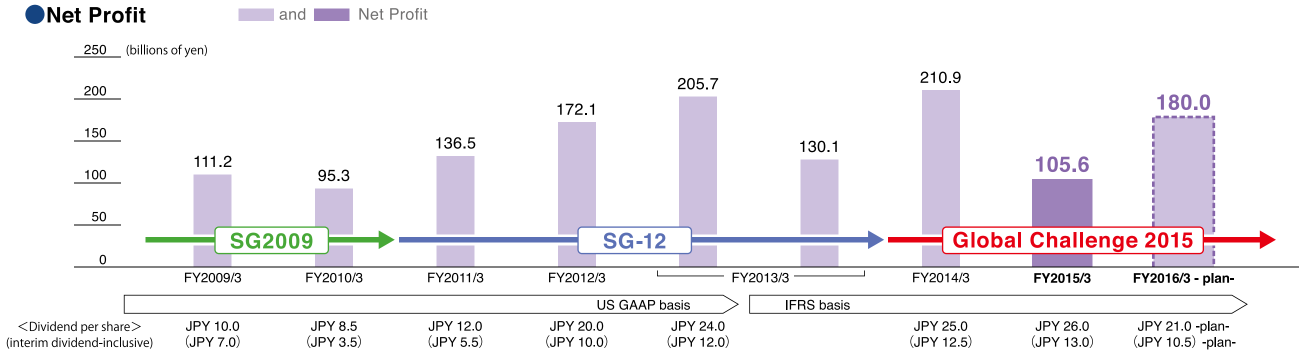
Off to a New Start Dispelling Concerns and Looking Ahead to the Future

In the fiscal year ended March 31, 2015, while the U.S. economy remained on a moderate recovery path against a backdrop of an improved employment situation, the slowdown in the pace of China's economic growth, which heretofore had driven the world economy, has become clear. The impact of that slowdown and other factors have led to a sharp deterioration in resource prices from the latter half of the fiscal year. In particular, the sharp decline in crude oil and copper prices considerably toughened the hostile climate we faced, making for a difficult year for our company.

Consequently, as we announced on January 26, 2015, we recognized an impairment loss on resource projects primarily related oil and gas interests. We also recognized a goodwill impairment loss involving Gavilon after conducting a review of its business plan for the U.S.-based grain and fertilizer distributor. As a result, our consolidated net profit nearly halved, decreasing by 105.3 billion yen year on year, to 105.6 billion yen in the fiscal year ended March 31, 2015.
In regard to our recognition of one-time impairment losses, we take very seriously the significant concern this has caused our shareholders.

On the other hand, I believe that this recognition of our losses fully dispelled the current causes of concern to our business. As a result, we can make a new start going forward and focus on strengthening our earnings foundation and financial base toward further growth and raising our corporate value. Marubeni has truly made a fresh start.

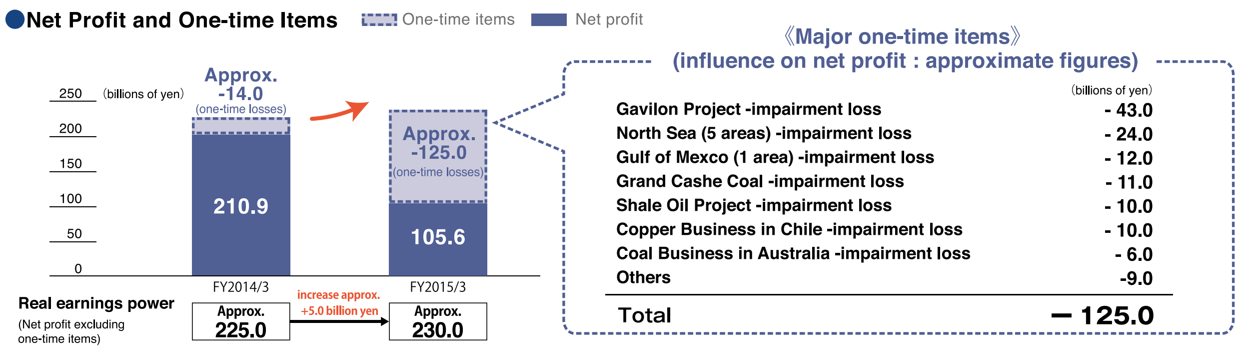
●Net Profit



Actual Earnings Power Rise Mainly from Non-resource Businesses

We compared our financial results and the impact of one-time items, such as the aforementioned impairment losses on resource projects, in the fiscal year ended March 31, 2015 with those of the previous year. In the fiscal year ended March 2014, one-time items detracted from net profit by about 14.0 billion yen on an after-tax basis. In the fiscal year just ended, by comparison, such one-time items detracted from net profit by roughly 125.0 billion yen on an after-tax basis. Adjusted to exclude such one-time items, net profit was about 225.0 billion yen in the fiscal year ended March 2014, and 230.0 billion yen in the fiscal year just ended. On this adjusted basis, net profit was roughly 5.0 billion yen higher in the fiscal year just ended.

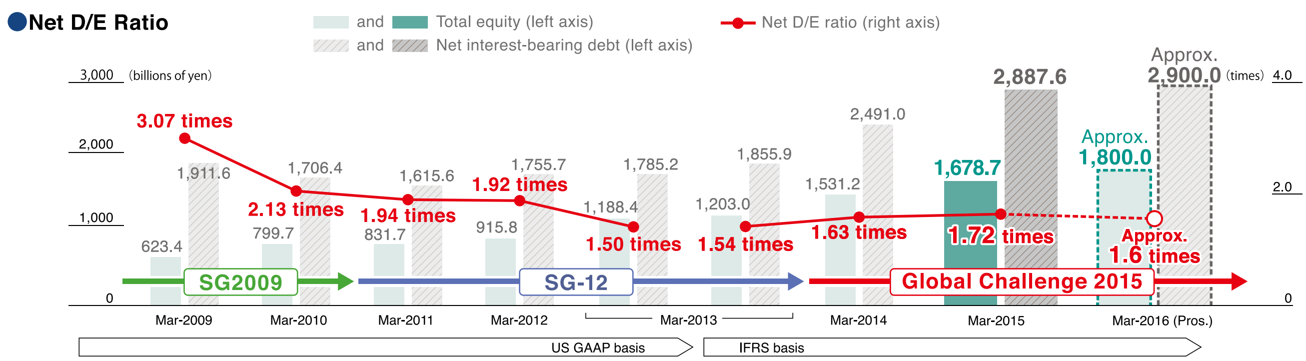
This 5.0 billion yen increase was the net result of a roughly 15.0 billion yen year-on-year decrease in resource businesses' net profits and a 20.0 billion yen increase in net profits of our non-resource businesses. Despite the inevitable decline in resource businesses' profits chiefly owing to market price declines, profits grew steadily in non-resource businesses thanks largely to our group businesses in the machinery, food and other sectors in which we have hitherto had a competitive edge.



Improve and Fortify Financial Base

Turning to our balance sheet, we ended the fiscal year with total equity of 1,678.7 billion yen, a 147.5 billion yen year-on-year increase. The increase was largely attributable to improvement in foreign currency translation adjustments in the wake of yen depreciation and retained earnings growth through accumulation of profits. Our net interest-bearing debt increased by 396.6 billion yen year on year to 2,887.6 billion yen chiefly owing to the steady financing of new investments.

As a result, our net debt/equity ratio reached 1.72 times. Although we failed to achieve our net debt/equity ratio target of 1.6 times due to the recent impairment losses, we remain committed to a basic policy of improving our financial condition and reducing our net debt/equity ratio.



Mid-term Management Plan “Global Challenge 2015” Initiatives

Aim of Structural Reforms

As mentioned above, we are getting off to a fresh start looking ahead to the future in the fiscal year ending March 31, 2016 and are implementing large-scale structural reforms to that end.

Our structural reforms are focused on three priorities.

The first is strengthening business organizations. By splitting business organizations into smaller units, we aimed to strengthen our front-line operations. Additionally, atop these subdivided business organizations, we have newly established business groups as its highest-level organizational units headed by Group CEOs. By understanding and sharing management policies and challenges, the Group CEOs can nimbly manage their groups.

The second priority is accelerating overseas business development. By changing our chain of command, management through figures and so forth, we aim to strengthen and expand our overseas businesses.

The third priority is upgrading risk management. We plan to assign Corporate Staff Group personnel to the Planning & Strategy Department in each business group and upgrade front-line risk management in conjunction with our adoption of a group-based organizational structure.

Under this new organizational structure, all executives and employees will make a concerted effort to foster Marubeni’s growth.

See "Special Feature : Structural Reforms" for details (p. 6)

New Investments Supporting Sustainable Growth

Under the Mid-Term Management Plan “Global Challenge 2015” (GC2015), which got underway in April 2013, we planned new investments totaling around 1.1 trillion yen over a three-year period as a measure to ensure sustainable future growth. In the GC2015 plan's first two years, we invested about 900.0 billion yen, including roughly 370.0 billion yen in the fiscal year ended March 31, 2015 plus some 530.0 billion yen in the fiscal year ended March 31, 2014.

I will now discuss our latest investments by business group in the fiscal year ended March 31, 2015. First of all, in our resource businesses we made incremental investments in the Roy Hill iron ore mine in Australia and Antucoya copper mine in Chile according to the progress of each project.

In non-resource businesses, the Machinery Group's investments included the promotion of the Sur Independent Power Project in Oman, acquisition of an equity stake in Portuguese water utility company AGS (Administração e Gestão de Sistemas de Salubridade), promotion of FPSO* chartering businesses in Brazil and Ghana, participation in a natural gas-fired power plant in the U.S., and solar power generation projects in Kisozaki in Mie Prefecture as well as Oita Prefecture in Japan. Regarding the Food, Lifestyle, Forest Products, ICT & Realty Group’s activities, in the U.S., we acquired the Eastern Fish Company, a seafood distributor, and invested in agricultural material retailing operations. Thus, we are making steady progress in fortifying our earnings foundation.

* FPSO: Floating Production Storage & Offloading system

Roy Hill Iron Ore Project
(Australia)

Power Generation Assets
(Oman)

Products of Eastern Fish Company
(US)

New Investment Plan under "Global Challenge 2015"

		FY2014/3 Yearly	FY2015/3 Yearly	Major Projects (FY2015/3)	GC2015 Total (actual)	GC2015 New Investment Plan
Natural Resource-related Group		Approx. 185.0 billion yen	Approx. 140.0 billion yen	・Roy Hill Iron Ore Project (Australia) ・Antucoya Copper Mine (Chile)	Approx. **325.0 billion yen**	Approx. **40%**
Non-Natural Resources	Machinery Group	Approx. 270.0 billion yen	Approx. 180.0 billion yen	・Power Generation Assets (Oman) ・AGS Water Business (Portugal) ・FPSO Vessel Chartering Business (Brazil/Ghana) ・Natural Gas-fired Power Generation (US) ・Solar Power Generation Business (Japan)	Approx. **450.0 billion yen**	Approx. **60%**
	Food, Lifestyle, Forest Products, ICT & Realty Group	Approx. 75.0 billion yen	Approx. 50.0 billion yen	・Eastern Fish Company (US) ・Agricultural Retailer Business (US)	Approx. **125.0 billion yen**	
Total		Approx. 530.0 billion yen	Approx. 370.0 billion yen		Approx. **900.0 billion yen**	3 year total Approx. **1,100.0 billion yen**

* In addition to the above, acquisition of Gavilon of approximately US$ 2.7 billion has been completed.

Toward Achieving Positive Free Cash Flow

Going forward, we plan to aggressively undertake new investments, while rigorously screening for projects in which to invest. As a result, the total amount of new investments may exceed the 1.1 trillion yen target in our three-year management plan, GC2015.

Meanwhile, however, we aim to achieve positive cash flow in the fiscal year ending March 31, 2016. Therefore, if investments exceed the target, we will recoup existing investments and reallocate assets.

So far, we have not necessarily insisted on achieving positive cash flow while the GC2015 was in effect. However, we have changed our policy in light of the impairment losses and major earning forecast revision. We will thoroughly control our cash flow by setting interest-bearing debt limits for each business group to facilitate recoupment of existing investments and asset reallocation as well as accelerating operating working capital efficiency. Only then will we firmly undertake new investment projects which would be screened rigorously. That said, we will not shift our basic stance of taking on new business challenges in the future.

On Earnings Forecasts for Fiscal Year ending March 31, 2016

Next, I would like to explain our consolidated earnings forecast for fiscal year ending March 31, 2016.

First of all, we recognize that the current business environment will remain uncertain in the future in view of resource prices and economic conditions in Japan and overseas. Particularly, we believe that there is a strong possibility that the resource price slump will continue for the foreseeable future.
Under these circumstances, we are forced to concede that meeting the consolidated net profit target of 250.0 – 300.0 billion yen in the fiscal year ending March 31, 2016, the final year of the GC2015 plan, will be difficult. Based on this severe business environment, we revised our consolidated net profit forecast to 180.0 billion yen after closely re-examining our earlier estimates. Although net profit in our resource businesses rose primarily in reaction the impairment losses in the previous fiscal year, we expect to face a continued uphill battle in this area given sluggish resource prices. However, our non-resource businesses are projected to become a driver for the entire company's earnings due to prospects of a continuation of the high level of earnings contribution by Power Projects, Transportation Machinery and Food segments.

Meanwhile, with respect to our balance sheet, we forecast consolidated net interest-bearing debt of 2.9 trillion yen and total equity of 1.8 trillion yen for the fiscal year ending March 31, 2016. Consequently, our net debt/equity ratio is projected to improve to approximately 1.6 times. While we continue to finance new investments, we plan to fortify our financial structure and exercise financial discipline.

On Dividends

As for dividends, our annual dividend for the fiscal year ended March 31, 2015 remained unchanged from our initial forecast of 26 yen per share (year-end dividend: 13 yen) as we explained when we revised our earnings results forecast in January 26, 2015.

For the current fiscal year, we initially planned to potentially raise our dividend payout ratio once we had confirmed that we were on track toward achieving our GC2015 plan's targets, but we now expect to fall short of that profit target for the current fiscal year due to the aforementioned plunge in resource prices.

For the time being, we expect the business environment surrounding our company to remain uncertain considering the continued resource price slump. Under these circumstances, we have decided to hold off raising our dividend payout ratio and plan to distribute an annual dividend of 21 yen per share, which represents a consolidated payout ratio of 20% or more, the same as in the past for the current fiscal year.

We would like to announce our new payout ratio policy in the next medium-term management plan that will get underway from the fiscal year ending March 31, 2017. Furthermore, we would like to raise our annual dividend above 21 yen even in the fiscal year ending March 31, 2016, by having our earnings exceed our target of 180.0 billion yen.

Toward Further Growth and the Improvement of Corporate Value

Given the persistent uncertainties surrounding our business environment, we believe that it is vital that we thoroughly strengthen our corporate structure. Specifically, it is imperative that we fortify our earnings foundation and financial base.

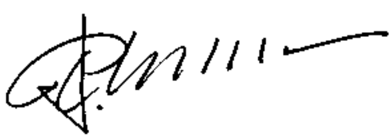
To strengthen our earnings foundation, it is crucial that we raise the earnings level of our existing businesses as well as finance new investments. We will thus carefully re-examine the state of our existing business investments and projects and promptly devise new necessary measures. Regarding our trading business, we plan to thoroughly improve working capital efficiency. Through these steps, we will strive to upgrade existing assets this year.

As for fortification of our financial base, as mentioned above, we will aim to turn our free cash flow positive. Meanwhile, we will leverage proceeds from the recoupment of existing investments and the capital generated from a review of working capital and so forth and use that capital to boldly finance new investments.

Through the steady implementation of these measures and an eye on the future, the Marubeni Group seeks to achieve further growth and development. At the same time, by enhancing our corporate value, we intend to contribute to our shareholders and all other stakeholders.

I would like to thank you for your continued support and guidance.

President & CEO



Special Feature : Marubeni's New Organizational Structure

–Structural Reforms–

Toward Further Growth and Improvement of Corporate Value

Marubeni has implemented structural reforms to support its fresh start that began on April 1, 2015.

These are the most significant structural reforms since the adoption of the business division system in the fiscal year ended March 31, 2001. Through these reforms, Marubeni aims to achieve further growth and raise its corporate value.

The structural reforms are focused on the three following priorities.

PRIORITY 1 Strengthening Business Organizations

The first priority is to strengthen business organizations. To promote our business strategies more nimbly and effectively, we split our 12 business organizations into 18 divisions. Additionally, atop these divisions, we have established five Business Groups as their highest-level organizational units.

Based on this reform, each head of division will focus on strengthening front-line business operations by being closer to and increasing their involvement in actual operations than their predecessors.

Furthermore, we installed a "Group CEO" in each Business Group. By understanding and sharing management policies and challenges, each Group CEO that heads their business group can rapidly manage it through such means as investing and financing strategically, upgrading existing assets, entering new business domains while exiting existing ones and improving of cash flow.

【Business Group】

Food & Consumer Products Group

- Grain Div.
- Food Products Div.
- Lifestyle Div.
- ICT & Logistics Div.
- Insurance & Real Estate Business Div.

Mitsuru Akiyoshi
Group CEO

Chemical & Forest Products Group

- Helena Business Div.
- Chemical Products Div.
- Forest Products Div.

Ichiro Takahara
Group CEO

Energy & Metals Group

- Energy Div. - I
- Energy Div. - II
- Steel Products Div.
- Metals & Mineral Resources Div.

Shinji Kawai
Group CEO

Power Projects & Plant Group

- Power Projects Div.
- Energy & Environment Infrastructure Div.
- Plant Div.

Shigeru Yamazoe
Group CEO

Transportation & Industrial Machinery Group

- Aerospace & Ship Div.
- Automotive & Leasing Div.
- Construction & Industrial Machinery Div.

Kaoru Iwasa
Group CEO

PRIORITY 2 Accelerating Overseas Business Development

The second priority is accelerating overseas business development.

We have changed our chain of command, management through figures, and other systems to strengthen and expand our overseas operations. In the past, we had independent business segment abroad referred to as 'Overseas Corporate Subsidiaries & Branches'. However, this has been divided into business segments according to business domain that are managed by head-office business organizations. As a result, we have established a structure in which business organizations at the head office are in charge of the global strategies of each business domain in order to powerfully promote overseas product strategies according to domain.

At the same time, we will develop regional strategies by installing eight Regional CEOs worldwide to connect the business domains to facilitate communication among them.

Market strategies formulated by Regional CEOs will be intensively discussed at the GM Strategy Committee*1 to pursue the creation of new projects and expansion of existing ones overseas.

The key to Marubeni's future growth and leap forward lies in its overseas operations. True, our domestic operations are still vital. However, we believe our ability to convert overseas growth into business for us is the most crucial factor for Marubeni's growth.
Going forward, we will further focus on the types of businesses that are closely tied to local communities overseas that capture surging demand and fully establish Marubeni's image as strong overseas.

*1 GM Strategy Committee or Global Market Strategy Committee: a strategic committee established in accordance with the "Global Challenge 2015" Mid-term Management Plan with the CEO as chairman. The committee makes decisions on activities and policies in areas that have high-growth potential over the medium-to long-term in an effort to fortify and expand the Company's overseas operations.

【Strategic Deployment of Regional CEOs】

PRIORITY 3 Upgrading Risk Management System

The third priority is upgrading risk management.

Specifically, in conjunction with our adoption of a business group system which is mentioned to in the section on PRIORITY 1, we set up a Planning & Strategy Department in each business group. Our purpose is to build a planning and management organization that is able to overview the business groups as a whole and has the ability to get to the core of strategic matters through the leveling of management functions according to group. We plan to assign Corporate Staff Group personnel (administrative division) to the Planning & Strategy Department in each business group and upgrade front-line risk management both in Japan and overseas.

Moreover, we reorganized the Corporate Staff Group into three groups which are headed by a CSO*2, a CFO*3 and a CAO*4, based on each group's function and role. This organization puts forward issues that need to be addressed and is able to work to reinforce our organizing ability.

*2 CSO: Chief Strategy Officer
*3 CFO: Chief Financial Officer
*4 CAO: Chief Administrative Officer

【Corporate Staff Group】

Akira Terakawa, CSO Chief Strategy Officer	Human Resources Dept. Corporate Planning & Strategy Dept. Regional Coordination & Administration Dept. Research Institute

Yukihiko Matsumura, CFO Chief Financial Officer	Corporate Communications Dept. Corporate Accounting Dept. Business Accounting Dept. Finance Dept.

Hikaru Minami, CAO Chief Administrative Officer	General Affairs Dept. Information Strategy Dept. Risk Management Dept. Legal Dept. Compliance Control Dept. Trade Compliance Management Dept.

What Marubeni Aims to Be

What Marubeni is aiming for is growth. We undertook these structural reforms based on the view that reinforcement of our organizational structure was essential to further advancing our growth strategy.

Thus, going forward, we will have each Business Group carry out specific measures aimed at rigorously screening investments, upgrading assets and improving cash flow.
As for our overseas operations, we will boost our competitiveness by merging our product and regional strategies.

Under our new organizational structure, Marubeni stands at a fresh starting line.

All our executives and employees will unite to take on the challenge of furthering the Company’s growth and enhancing its corporate value.

【Aims of Structural Reforms】