

2023.12

Consolidated Financial Results Q3 FYE 3/2024

February 2, 2024 TSE Code: 8002

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01 Key Factors of Q1-Q3 FYE 3/2024

- **Net profit** was **¥371.5bn (-¥92.0bn YOY)** Progress to the FYE 3/2024 full-year forecast (announced on Nov-2-2023) is **83%**
- **Adjusted net profit** was **¥359.0bn (-¥72.0bn YOY)** Progress likewise is **78%**
- Steady progress towards the full-year forecast, despite an YOY decline in profits due to lower commodity prices and a normalization in business environment

Breakdown of adjusted net profit:

- Non-resources ¥240.0bn (-¥20.0bn YOY): Increased in *Power, Food I*, etc., decreased in *Agri Business, Chemicals*, etc.
- Resources ¥112.0bn (-¥47.0bn YOY): Decreased in the coking coal business and others, due to lower commodity prices

- **Core operating cash flow** was **+¥395.0bn (-¥71.7bn YOY)**
- **Shareholders' equity** was **¥3.2tn** (+¥0.3tn from Mar-31-2023), **Net DE ratio** stood at **0.61 times**, a +0.09point increase

| (billion yen) | Q1-Q3 FYE 3/2023 | Q1-Q3 FYE 3/2024 | Change |
|---|------------------|------------------|--------------|
| Net profit | 463.5 | 371.5 | -92.0 (-20%) |
| Adjusted net profit | 431.0 | 359.0 | -72.0 (-17%) |
| Core operating cash flow | +466.7 | +395.0 | -71.7 (-15%) |
| Free cash flow after shareholder distributions (excluding changes in working capital and others) | +461.5 | -66.1 | -527.7 |
| | Mar-31-2023 | Dec-31-2023 | Change |
| Net DE ratio | 0.52 times | 0.61 times | +0.09 points |

* 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

* "Equity attributable to owners of the parent" is described as "shareholders' equity" in this material

02 Full-year Forecast for FYE 3/2024

- Full-year forecasts for **net profit, adjusted net profit, and annual dividend per share: unchanged** from Nov-2-2023
- Net profit forecast includes a **cushion of around ¥20.0bn to prepare for unanticipated losses and others**
- Aim to steadily achieve our performance targets, as well as to further increase adjusted net profit

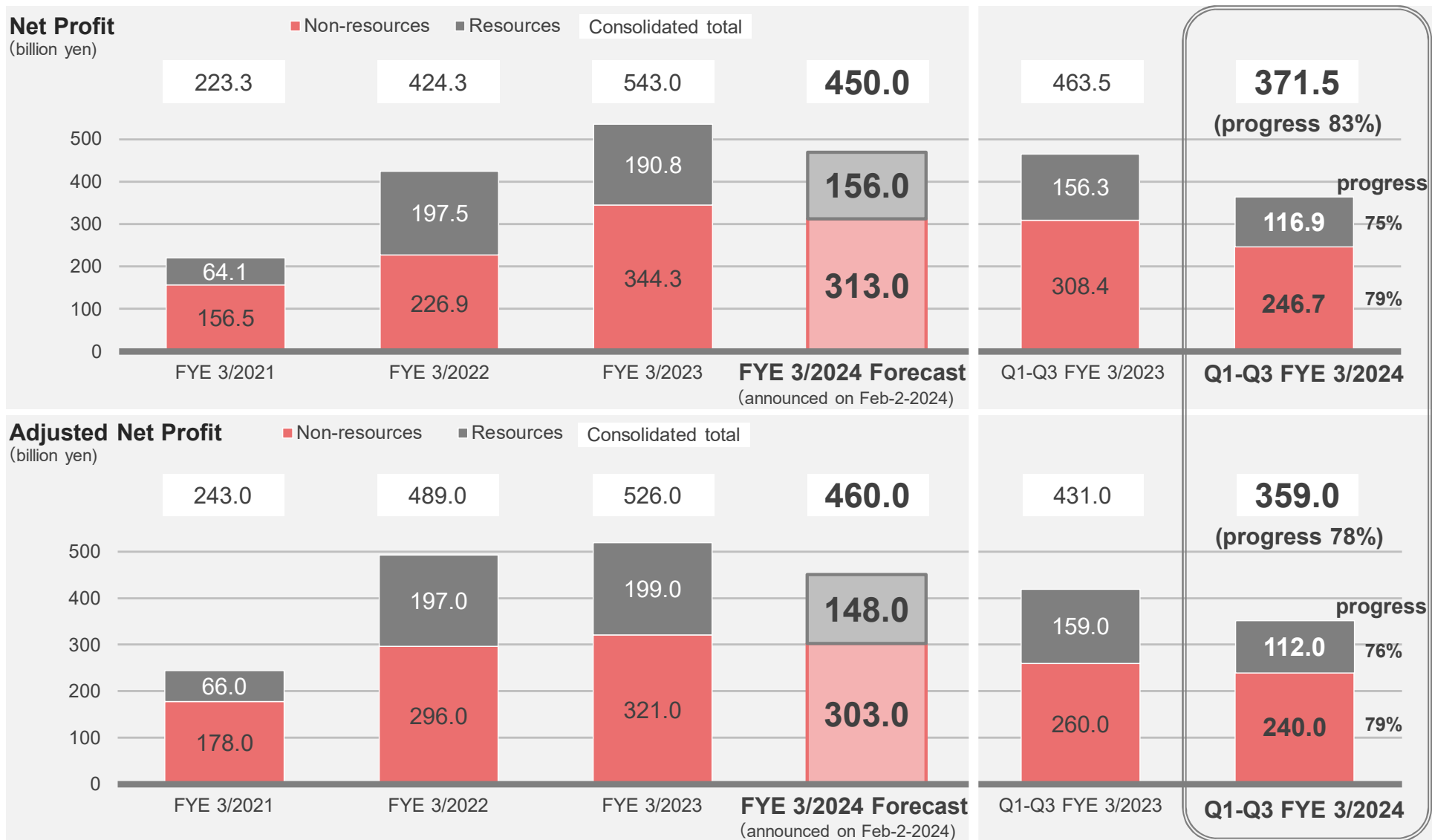
Breakdown of adjusted net profit:

- Non-resources ¥303.0bn (+¥8.0bn upward revision): in *Power (overseas power generation, wholesale and retail power sales business), Aerospace & Ship, etc.*
- Resources ¥148.0bn (-¥5.0bn downward revision): in oil and gas E&P business, due to lower oil & gas prices

- **Core operating cash flow: +¥530.0bn (unchanged)**
- **Shareholders' equity: around ¥3.2tn, Net DE ratio: around 0.6~0.7 times**

| (billion yen) | FYE 3/2024 forecast announced on | | Change |
|---|---|---|--------------|
| | Nov-2-2023 | Feb-2-2024 | |
| Net profit | 450.0 | 450.0 | ±0.0 |
| Adjusted net profit | 460.0 | 460.0 | ±0.0 |
| Core operating cash flow | +530.0 | +530.0 | ±0.0 |
| Free cash flow after shareholder distributions (excluding changes in working capital and others) | - 50.0 | - 40.0 | +10.0 |
| ROE | around 15% | around 15% | — |
| Net DE ratio | around 0.6~0.7 times | around 0.6~0.7 times | — |
| Dividend per share (annual) | 83 yen interim(paid) 41.5 yen, year-end(forecast) 41.5 yen | 83 yen interim(paid) 41.5 yen, year-end(forecast) 41.5 yen | — |

03 Net Profit and Adjusted Net Profit



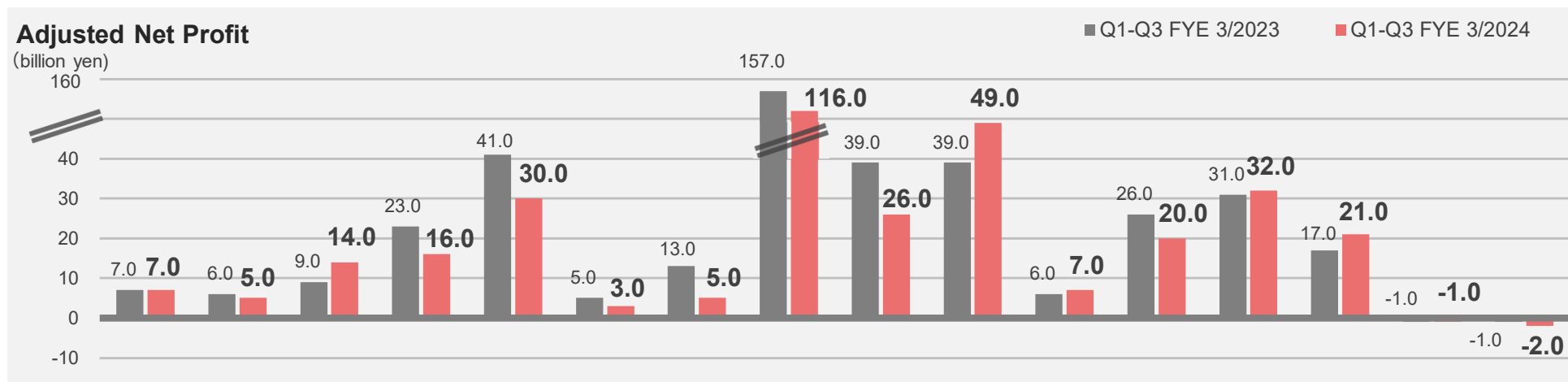
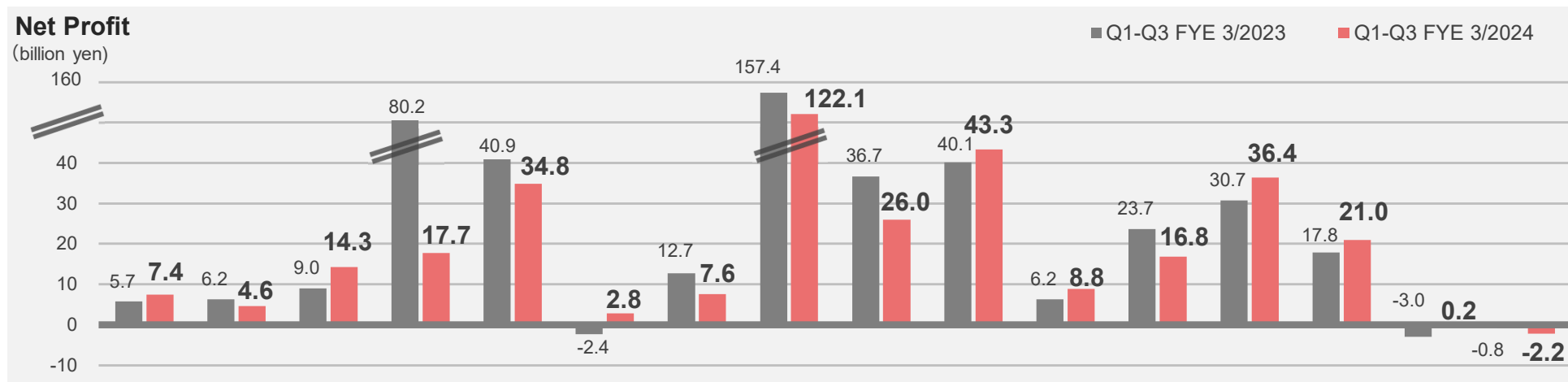
* Resources: Total of "Energy" and "Metals & Mineral Resources" excluding "Steel Products Dept."
 Other: Total of "Next Generation Business Development", "Next Generation Corporate Development" and "Other"
 Non-resources: Other than the above

* Business field information for FYE 3/2023 has been reclassified due to organizational changes

* Progress ratios represent progress against the revised full-year forecast announced on Feb-2-2024

| | (billion yen) | FYE 3/2021 | FYE 3/2022 | FYE 3/2023 | FYE 3/2024 Forecast announced on Feb-2-2024 | FYE 3/2023 Q1-Q3 | FYE 3/2024 Q1-Q3 |
|---------------------|---------------|------------|------------|------------|---|------------------|------------------|
| Net profit | | 2.7 | -0.0 | 7.9 | -19.0 | -1.3 | 7.9 |
| Adjusted net profit | | -1.0 | -4.0 | 6.0 | 9.0 | 12.0 | 7.0 |

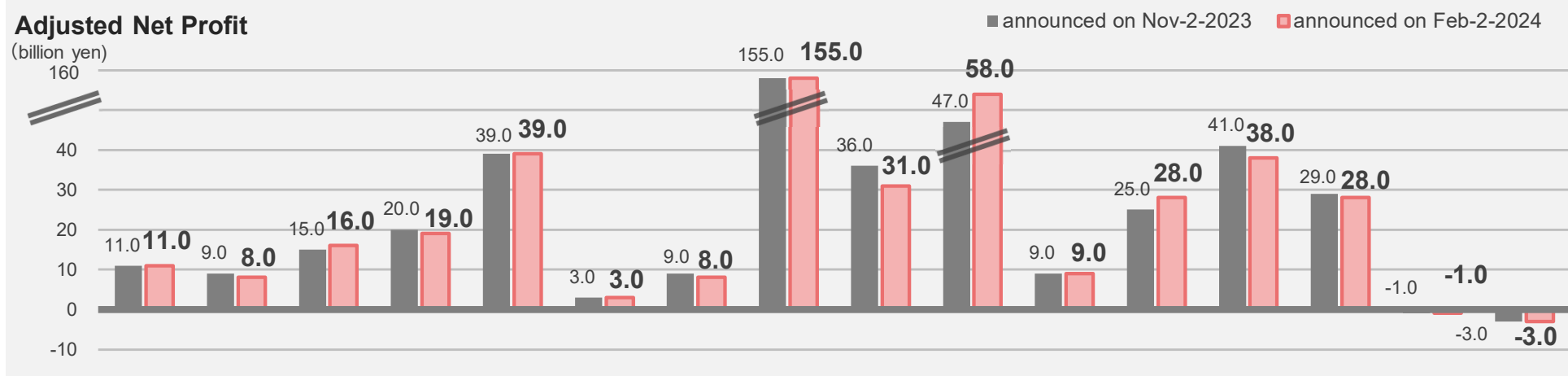
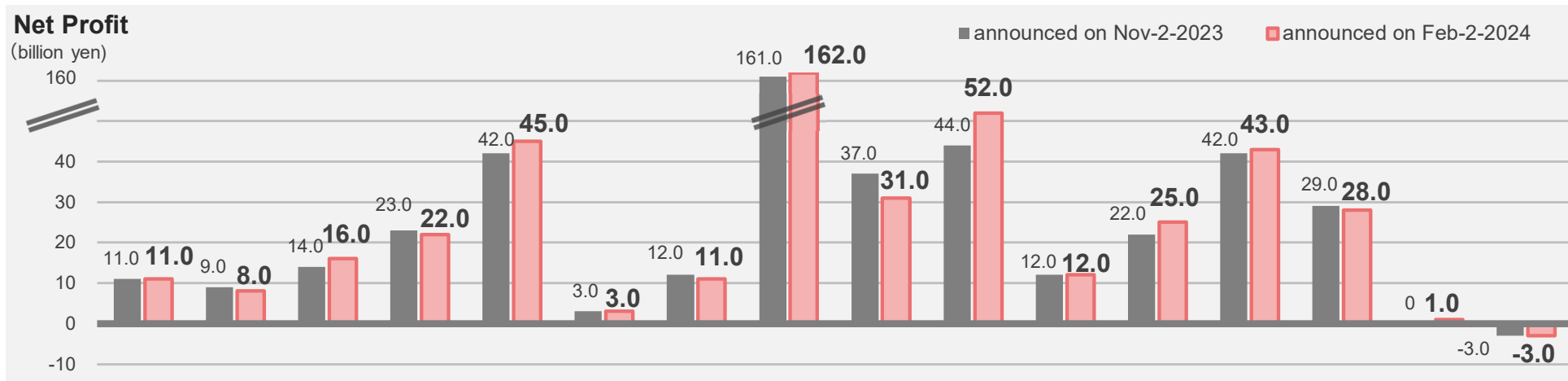
04 Profit by Segment Q1-Q3 FYE 3/2023 vs Q1-Q3 FYE 3/2024



| | | | | | | | | | | | | | | | |
|-------------------|--------------|--------|---------|---------------|-----------------|-----------|----------------------------------|--------|-------|---|------------------|---|---|--------------------------------------|---------------------------------------|
| Lifestyle | IT Solutions | Food I | Food II | Agri Business | Forest Products | Chemicals | Metals & Mineral Resources | Energy | Power | Infrastructure Project | Aerospace & Ship | Finance, Leasing & Real Estate Business | Construction, Industrial Machinery & Mobility | Next Generation Business Development | Next Generation Corporate Development |
| Consumer Products | | | | Materials | | | Energy & Infrastructure Solution | | | Transportation & Industrial Machinery, Financial Business | | | CDIO | | |

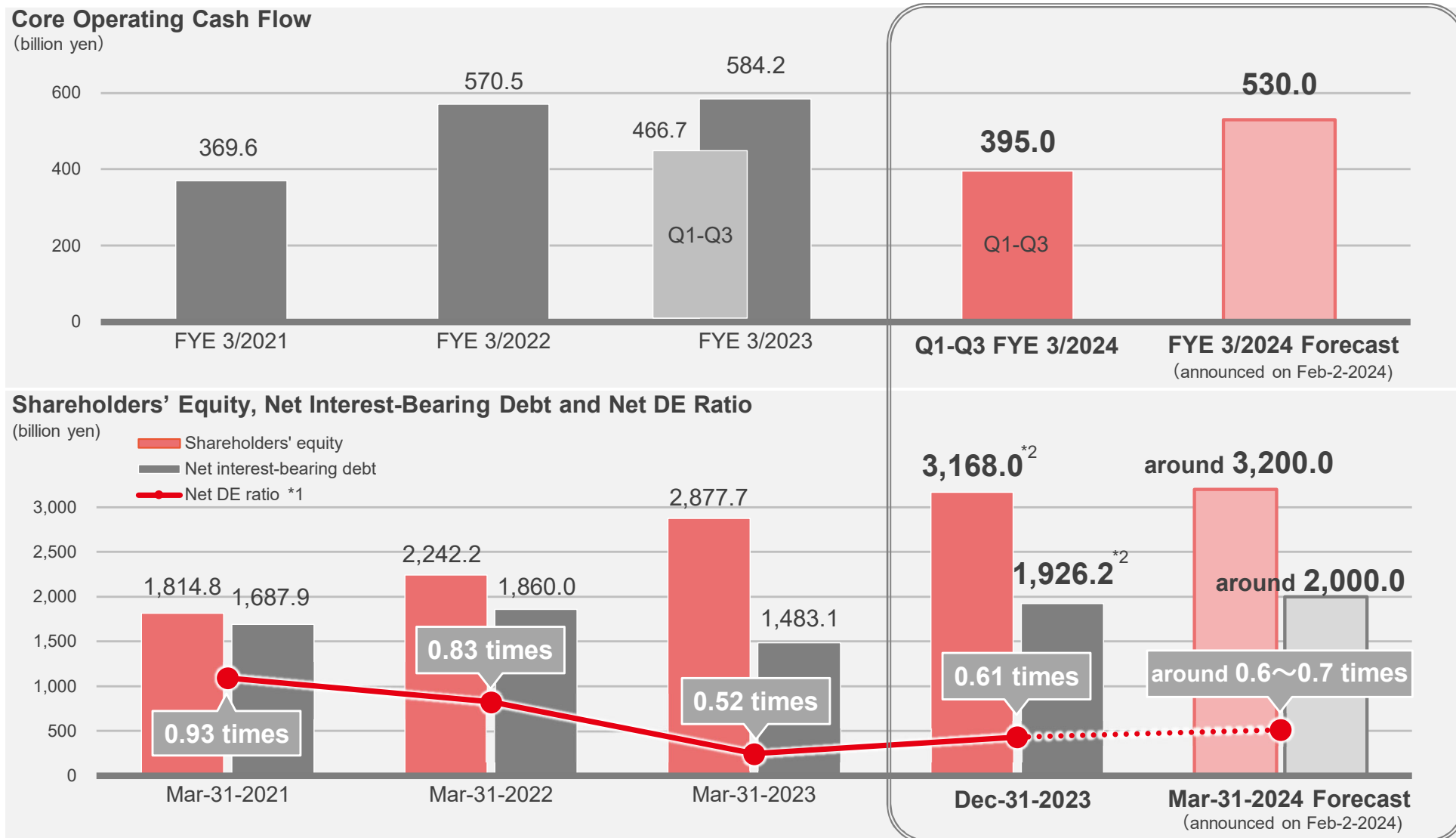
* Operating segment information for FYE 3/2023 has been reclassified due to organizational changes. Please refer to P2 of "IR Supplementary Information" for the details

05 Profit Forecast by Segment announced on Nov-2-2023 vs Feb-2-2024



| | | | | | | | | | | | | | | | |
|-------------------|--------------|--------|---------|---------------|-----------------|-----------|----------------------------------|--------|-------|---|------------------|---|---|--------------------------------------|---------------------------------------|
| Lifestyle | IT Solutions | Food I | Food II | Agri Business | Forest Products | Chemicals | Metals & Mineral Resources | Energy | Power | Infrastructure Project | Aerospace & Ship | Finance, Leasing & Real Estate Business | Construction, Industrial Machinery & Mobility | Next Generation Business Development | Next Generation Corporate Development |
| Consumer Products | | | | Materials | | | Energy & Infrastructure Solution | | | Transportation & Industrial Machinery, Financial Business | | | CDIO | | |

06 Cash Flow Generation/Shareholders' Equity/Net Interest-Bearing Debt

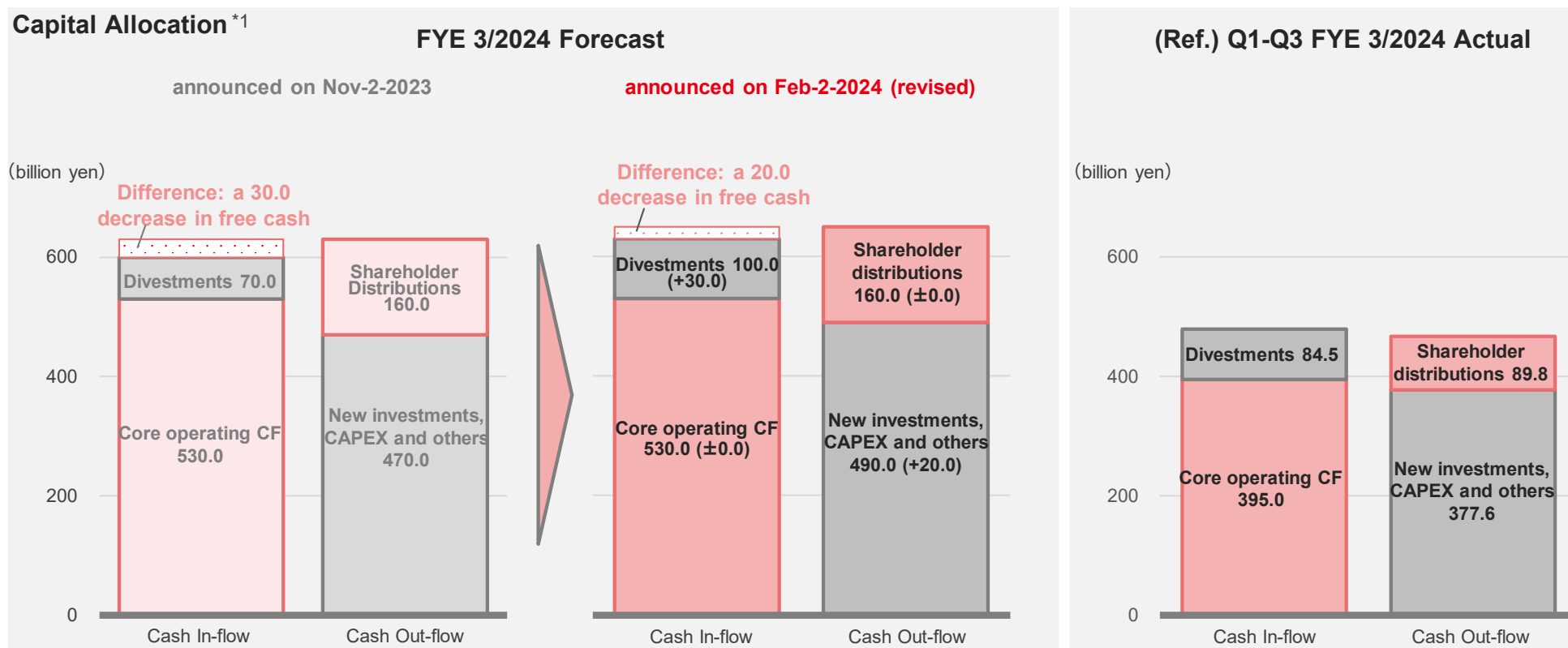


*1 For FYE 3/2023 and beyond, the denominator to calculate net DE ratio has been changed from "total equity" to "shareholders' equity." Net DE ratio for previous fiscal years have been re-presented accordingly

*2 Optional repayment of ¥150.0bn of the perpetual subordinated loan was completed on Aug-16-2023. (Shareholders' equity decreased and net interest-bearing debt increased respectively, by the same amount)

07 Capital Allocation FYE 3/2024 Forecast

- Continue to strive for growth investments aiming at strengthening our earnings base and to enhance shareholder returns, using the core operating cash flow generated by our business and the free cash※, which is the surplus from accumulated management resources
 - ※Forecast for FYE 3/2024-end: approx.¥530.0bn, including funds collected through the sale of Gavilon’s grain business (approx. ¥330.0bn)
- Strategically utilize free cash to maximize corporate value, allocating a portion to debt repayment and the remainder to bolstering growth investments and shareholder returns.



*1 Excluding changes in working capital and others. Figures for shareholder distributions are aggregated in the fiscal year to which the profit i.e. the source of funds is attributed, and are different from cash flow

08 New Investments and Divestments Main Items for Q1-Q3 FYE 3/2024

| (billion yen) | *1 Q1-Q3 FYE 3/2024 | | | | Q1-Q3 FYE 3/2024 Main items | FYE 3/2024 Forecast (announced on Feb-2-2024) | | | | |
|--|------------------------|-----------|-----------|--------|--|--|--------|--------|--------|---|
| | Horizon 1 | Horizon 2 | Horizon 3 | | | | | | | |
| New Investments + CAPEX and others *2 | - 377.6 | - 154.6 | - 132.5 | - 90.5 | | - 490.0 | | | | |
| New Investments | - 212.7 | | | | Horizon 2 <ul style="list-style-type: none"> • TOB of ARTERIA Networks approx. ¥16.0bn *3 • Aircraft surplus parts distributor (DASI, USA) • Automotive aftermarket business (MAIHOU related, USA) • Agri-inputs related business (Helena related, USA) • Agri-inputs related business (Adubos Real related, Brazil) | - 320.0 | | | | |
| | | | | | Horizon 3 <ul style="list-style-type: none"> • Manufacturing and sales of spices and seasonings (Euroma, Netherland) • Manufacturer and supplier of food ingredients and packaged food products (AIG, Vietnam) • Healthcare turnkey solutions provider (Lunatus, UAE) • Manufacturer of medical consumables (One-ject, Indonesia) | | | | | |
| | | | | | Finance Business | | - 28.6 | - 27.2 | - 1.3 | • Aircraft leasing business (Aircastle, USA) |
| | | | | | Stable Earnings-Type Business | | - 22.9 | - 22.9 | - | • Power generation business (renewable energy, etc.) • Overseas water/wastewater services and IWP projects |
| | | | | | Natural Resource Investments | | - 0.5 | - 0.5 | - | |
| CAPEX and others excluding Natural Resource Investments | - 165.0 | | | | • Agri-inputs related business (Helena, USA) *4 | - 170.0 | | | | |
| | | | | | Natural Resource Investments | | - 10.4 | - 0.0 | - 10.4 | |
| Divestments | +84.5 | | | | | +100.0 | | | | |
| Total | - 293.2 | | | | | - 390.0 | | | | |

*1 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

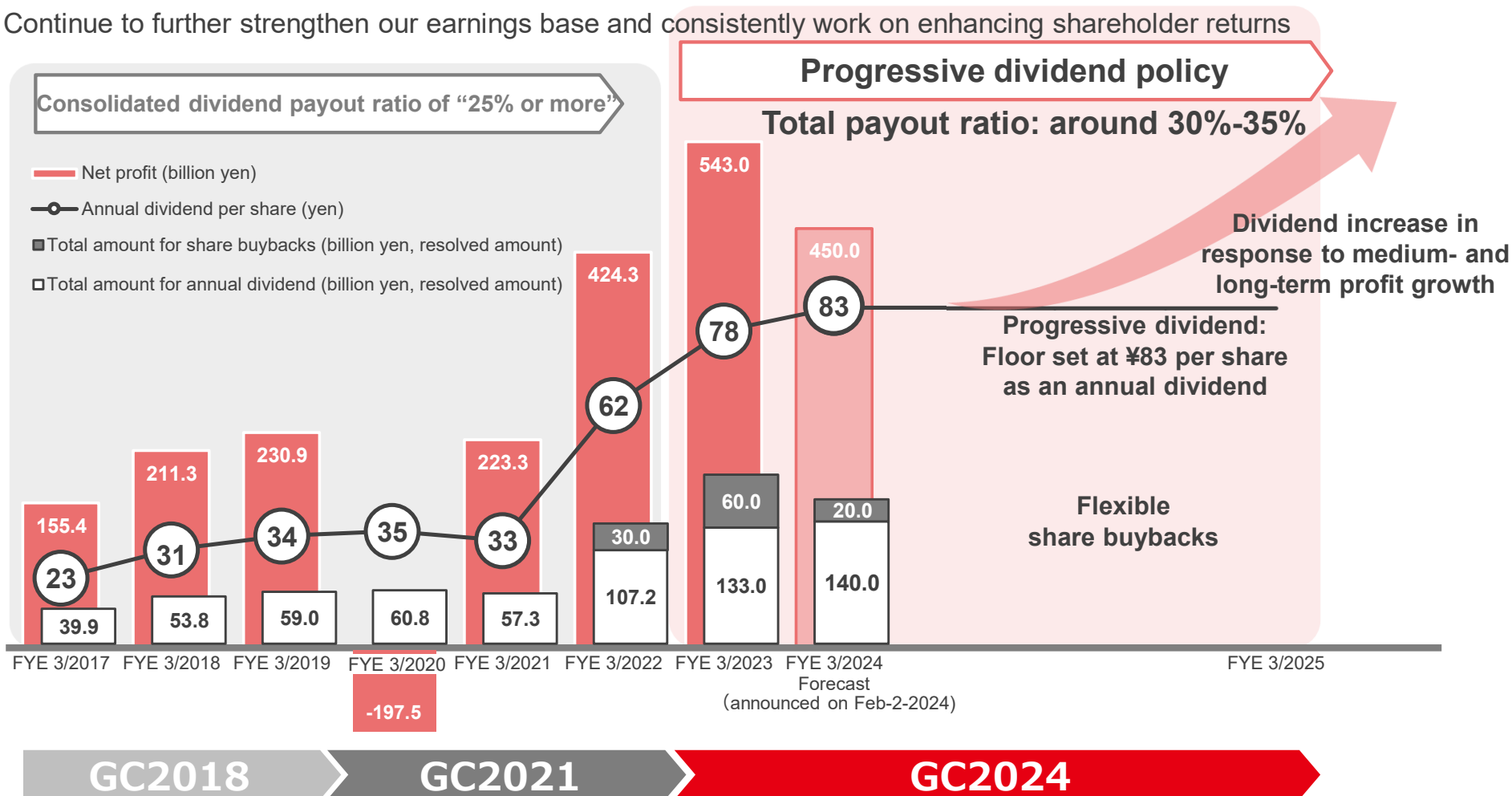
*2 CAPEX and others: additional capital expenditure and others in order to maintain and improve values of existing investments and loans

*3 TOB of ARTERIA Networks: presented as a part of new investment on this material for explanatory convenience. It is actually an additional acquisition of a consolidated subsidiary, and the amount of cash outflow is included in the financing activities on the consolidated statement of cash flows. Net cash used in the investing activities on the consolidated statement of cash flows is -¥276.7bn, the total of new investments for Q1-Q3 FYE 3/2024 is -¥196.2bn. The figures on the above table do not match either of those.

*4 Including approximately -¥48.0bn of short-term agriculture loan which Helena (USA) provided to customers

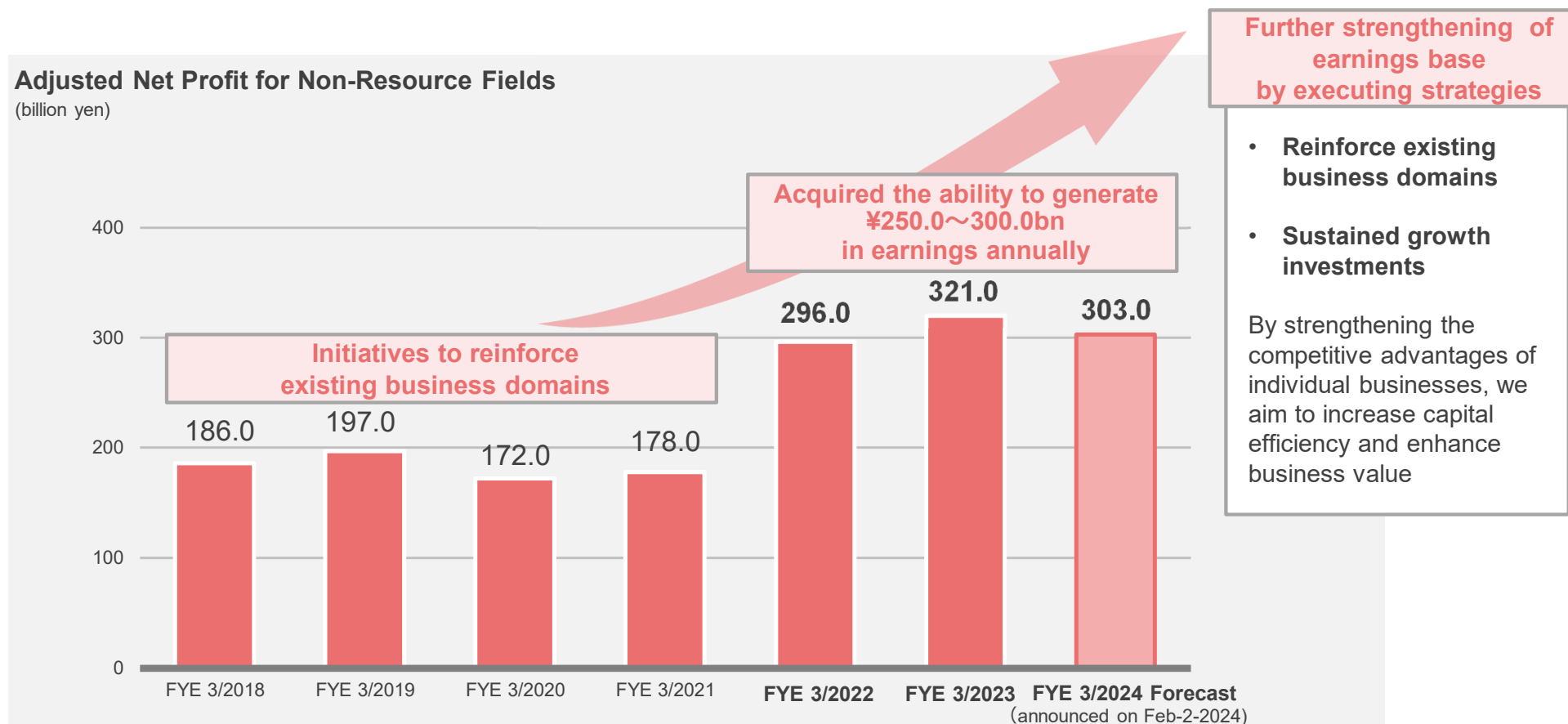
09 Shareholder Returns

- Under the GC2024, the Company adopts a progressive dividend policy ensuring that dividends will not decrease, and conducts flexible share buybacks targeting a total payout ratio of around 30%-35%
- The forecast for the annual dividend per share for FYE 3/2024 is ¥83 (unchanged). With the dividend and the share buyback of ¥20.0bn announced in November 2023, the total payout ratio for FYE 3/2024 is projected to be approx. 35%
- Continue to further strengthen our earnings base and consistently work on enhancing shareholder returns



10 Adjusted Net Profit Growth in Non-Resource Fields

- FYE 3/2024 full-year forecast for **adjusted net profit for the non-resource fields is ¥303.0bn**. Expected to achieve **around ¥300.0bn for the third consecutive year**
- Growth investments are continued to be allocated mainly to the existing business domains centered on the non-resource fields with our competitive advantages. Simultaneously investments to new business domains will be enhanced to establish future earnings pillars



11 Growth Investments during the GC2024 Period (FYE 3/2023-FYE 3/2025)

- Growth investments under the GC2024 are progressing smoothly. Two-year cumulative amount (FYE 3/2023-FYE 3/2024) is forecast to be approx. ¥740.0bn against the three-year cumulative plan of ¥1,000.0bn. Aiming at the ROE target of 15%, investment projects are rigorously selected
- Our investment pipeline is rich in projects, and the three-year cumulative amount is expected to exceed ¥1,000.0bn. We will continue executing growth strategies in each business domain while maintaining financial and investment discipline

| GC2024 Basic Policy for Growth Investments (Three-year cumulative plan: ¥1,000.0bn +α) | | Growth Investment (billion yen, shown in an approximate figure) | | | Major Business Fields | Major Initiatives (FYE 3/2023-FYE 3/2024) | |
|--|---|--|---------------------|----------------|---|--|---|
| | | FYE 3/2023 actual | FYE 3/2024 forecast | Two-year total | | | |
| Horizon 1 Improvement of existing businesses Horizon 2 Pursuit of strategies in existing business domains | Enhancing the earnings base by selectively investing in areas with high profitability based on the company's competitive advantages ¥800.0-900.0bn | Non-resources | | | Lifeline-related (Food, Agri-input, etc.) Power, Infrastructure (Renewables, Environmental Infrastructure, etc.) Machinery, Finance & Leasing Business (Transportation Machinery, Fleet Management, etc.) | <ul style="list-style-type: none"> Enhancement of competitiveness and expansion of operating locations in the agri businesses Increase in processing capacity and improvement of manufacturing efficiency at Creekstone, in USA Strengthening of specialty (functionality) product businesses Power generation business (renewable energy, etc.) Overseas water/wastewater services and IWP projects Enhancement through acquisition of the US aircraft surplus parts distributor Expansion of the US automotive aftermarket business Capital increase in the US aircraft leasing business, Aircraftle | |
| | | | 200.0 | 310.0 | | | 510.0 |
| Resources | 15.0 | | 75.0 | 90.0 | | | Resources (Expansion Investments, etc.) |
| Horizon 3 White Space | Investing in core businesses of the future. Targets to be rigorously selected ¥100.0-200.0bn | | 35.0 | 105.0 | 140.0 | Next Generation Business Development, Next Generation Corporate Development Approaches to new business domains based on existing businesses (New Energy, etc.) | <ul style="list-style-type: none"> Investment in a healthcare turnkey solutions provider in UAE Investment in the manufacturing and sales business of Vietnamese food ingredients and packaged food products Consolidation of manufacturing and sales business of spices and seasonings in Netherlands |
| | | Total | 250.0 | 490.0 | 740.0 | | |

12 Markets and Commodity Volumes

| Markets | | FYE 3/2023 Q1-Q3 Ave. | FYE 3/2024 Q1-Q3 Ave. | Change | FYE 3/2023 Full-year | FYE 3/2024 Full-year Assumption for the Forecast announced on | | Sensitivity to *3 Net Profit |
|-------------------|---|--------------------------|-------------------------------------|--------------------------------|-------------------------|--|----------------------------------|---------------------------------|
| | | | | | | Nov-2-2023 | Feb-2-2024 | |
| Oil | WTI (USD/bbl) | 94 | 78 | - 16 | 90 | 81 | 76 (Q4: 70) | approx. JPY0.3bn/[USD1/bbl]*4 |
| Copper | LME (USD/ton) *1 | 8,632 | 8,383 | - 249 | 8,667 | 8,505 | 8,412 (Q4: 8,500) | approx. JPY1.3bn/[USD100/ton] |
| Interest Rate | JPY TIBOR 3 months (%) | 0.062 | 0.072 | + 0.010 points | 0.065 | 0.1 | 0.1 (Q4: 0.1) | |
| | USD SOFR 3 months (%) | 2.793 | 5.292 | + 2.499 points | 3.289 | 5.3 | 5.3 (Q4: 5.3) | |
| Currency | USD/JPY Term Average (yen) | 136.51 | 143.29 | JPY depreciation by 6.78yen | 135.47 | 140 | 143 (Q4: 143) | approx. JPY1.6bn/[JPY1/USD] |
| | USD/JPY Term-end (yen) | Mar-31-2023 133.53 | Dec-31-2023 141.83 | JPY depreciation by 8.30yen | Mar-31-2023 133.53 | Mar-31-2024 135 | Mar-31-2024 140 | |
| Commodity Volumes | | FYE 3/2023 Q1-Q3 | FYE 3/2024 Q1-Q3 | Change | FYE 3/2023 Full-year | FYE 3/2024 Initial Plan | | |
| Oil, Gas | Equity Production Volume (K boe/day) *2 | 12 | 10 | - 2 | 12 | 11 | | |
| Copper | Equity Sales Volume (K ton) | 91 | 96 | + 5 | 124 | | | |
| Coking Coal | Equity Sales Volume (K ton) | 4,547 | 4,479 | - 68 | 5,780 | | | |

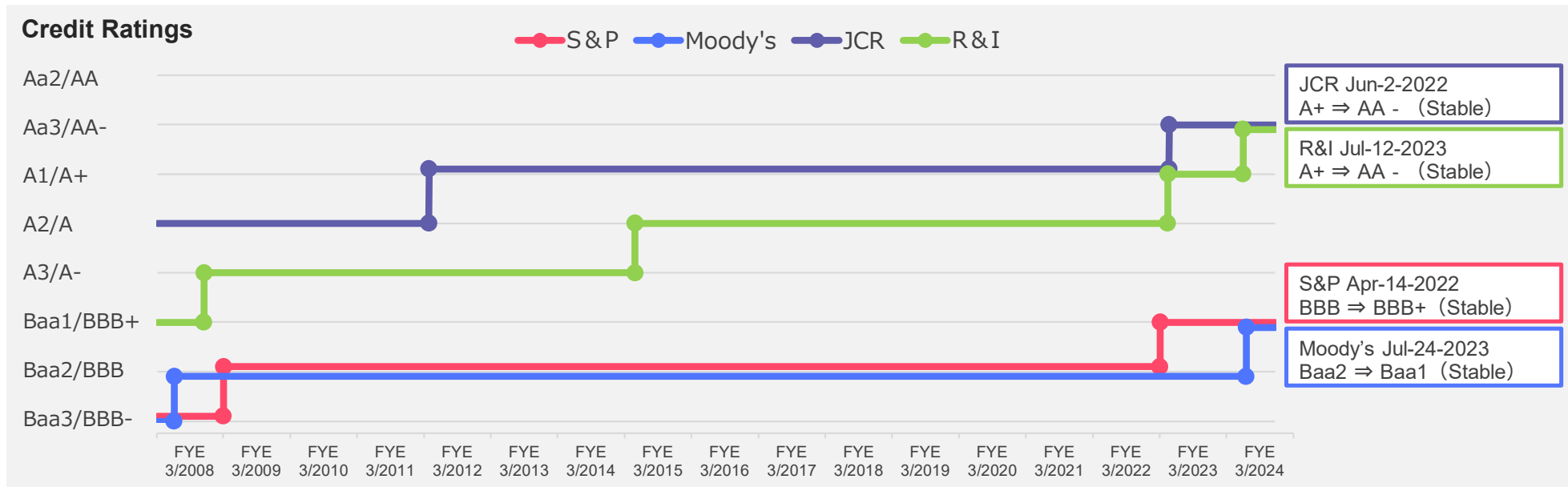
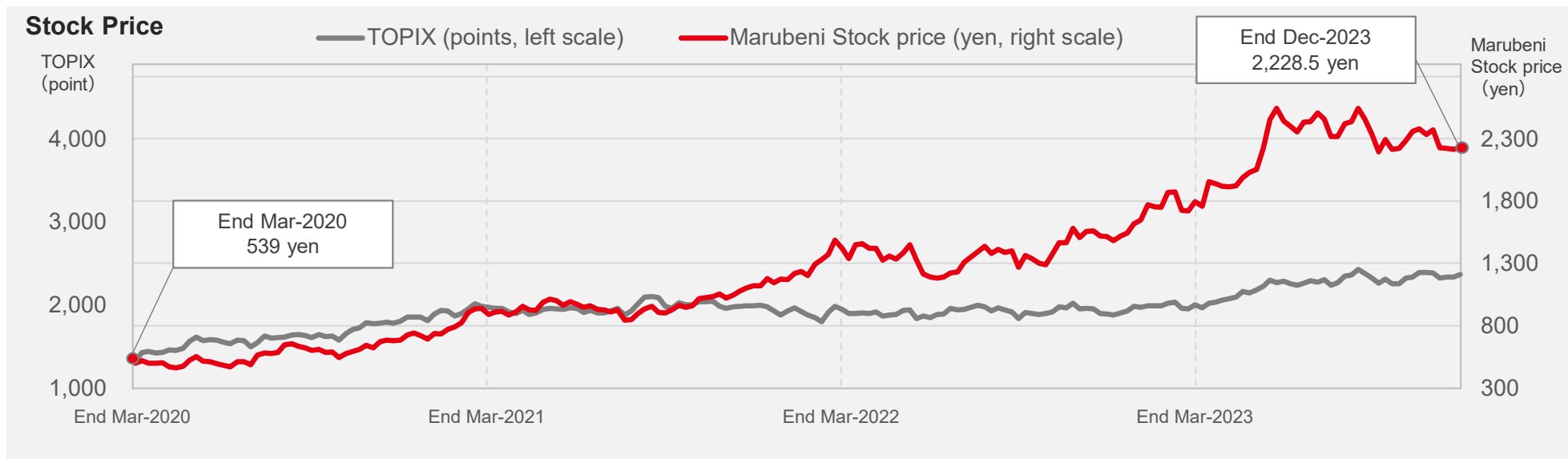
*1 March-to-November average for Q1-Q3, March-to-February average for full-year

*2 Total of oil and gas E&P at Gulf of Mexico (USA), US onshore (USA), and Indian Sea
(According to the revision of the calculation method, as of FYE 3/2023, US onshore projects have been added to the scope of Oil and Gas E&P. Figures for Q1-Q3 FYE 3/2023 are also restated)

*3 Sensitivity to the initial full-year forecast for FYE 3/2024 announced on May-8-2023

*4 Sensitivity to oil prices (WTI and Brent) in Oil and Gas E&P

Ref. Stock Price and Credit Ratings





Global crossvalue platform

Marubeni