

GLOBAL  
CROSSVALUE  
PLATFORM

**Marubeni**

2020.03

Consolidated Financial Results  
FYE 3/2020

May 7, 2020 TSE Code : 8002

## Disclaimer Regarding Forward Looking Statements

This material contains forward-looking statements about the future performance, events or management plans of Marubeni Corporation and its Group companies (the Company) based on the available information, certain assumptions and expectations at the point of disclosure, of which many are beyond the Company's control. These are subject to a number of risks, uncertainties and factors, including, but not limited to, economic and financial conditions, factors that may affect the level of demand and financial performance of the major industries and customers we serve, interest rates and currency fluctuations, availability and cost of funding, fluctuations in commodity and materials prices, political turmoil in certain countries and regions, litigation claims, changes in laws, regulations and tax rules, and other factors. Actual results, performances and achievements may differ materially from those described explicitly or implicitly in the relevant forward-looking statements.

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This material is an English language translation of the materials originally written in Japanese. In case of discrepancies, the Japanese version is authoritative and universally valid.

### (Correction: as of May 27, 2020)

- \* P7 "07Cash Flow Generation and Capital Allocation" New investments, CAPEX and others on the graph for FYE 3/2020 under "Capital Allocation" is corrected as below:

[Before correction] 308.0 [After correction] 317.5

- \* P8 "08New Investments and Divestment" Horizon1 amount for CAPEX and others excluding natural resource investments is corrected as below:

[Before correction] -82.1 [After correction] -91.6

Following the above correction, figures for New Investments + CAPEX and others, CAPEX and others, Total, are corrected accordingly.

### (Notes)

- \* FYE: Fiscal Year Ending/Ended \* Profit attributable to owners of the parent is described as "Net profit".
- \* FYE 3/2021 forecast / Mar-31-2021 forecast: Yearly forecasts announced on May 7, 2020
- \* 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  
From the Q3 of FYE 3/2019, the elements of core operating cash flow have been altered. The figures for the past fiscal years have been revised accordingly.
- \* "New investments, CAPEX and others, Divestment" include investing cash flow items and a part of financing cash flow items
- \* CAPEX and others: additional capital spending to maintain/improve business values of existing projects and others
  
- \* P6 "06 Net Profit and Adjusted Net Profit": Business fields for and before FYE 3/2018 are based on "the organization as of FYE 3/2019", for FYE 3/2019 and FYE 3/2020, based on "the organization as of FYE 3/2020", and for FYE 3/2021, based on "the new organization from FYE 3/2021".  
Business fields  
Resources: "Organization as of FYE 3/2020", "New organization from FYE 3/2021" = the total of "Energy" and "Metals & Mineral Resources" excluding "Steel Products Dept."  
"Organization as of FYE 3/2019" = "Energy & Metals" group excluding "Steel Products" sub-segment  
Other: "Organization as of FYE 3/2020" "New organization from FYE 3/2021" = the total of "Next Generation Business Development" and "Other "  
"Organization as of FYE 3/2019" = "Other" segment  
Non-resources: other than the above
  
- \* P10 "10 Profit by Segment: From the FYE 3/2020, the former operating segments of "Food", "Consumer Products", "Chemical & Forest Products", "Energy & Metals", "Power Business & Plant" and "Transportation & Industrial Machinery" have been reorganized as "Lifestyle", "ICT & Real Estate Business", "Forest Products", "Food", "Agri Business", "Chemicals", "Power Business", "Energy", "Metals & Mineral Resources", "Plant", "Aerospace & Ship", "Finance & Leasing Business", "Construction, Auto & Industrial Machinery" and "Next Generation Business Development".  
In conjunction with these organizational changes, operating segment information for FYE 3/2019 has been reclassified.
  
- \* P11 "11 Profit Forecast by Segment: From the FYE 3/2021, the former operating segments of "Plant" and "Construction, Auto & Industrial Machinery" are renamed as "Infrastructure Project" and "Construction, Industrial Machinery & Mobility" respectively, and parts of "Plant" and "Other" have been incorporated into "Next Generation Business Development", a part of "Next Generation Business Development" has been incorporated into "Other".  
In conjunction with these organizational changes, operating segment information for FYE 3/2020 has been reclassified.  
In addition, the "Power Business, Energy & Metals Group" and the "Machinery, Infrastructure & Financial Business Group" have been reorganized into the "Energy & Metals Group", the "Power Business & Infrastructure Group" and the "Transportation & Industrial Machinery, Financial Business Group".  
In conjunction with these organizational changes, the group to which each segment for FYE 3/2020 belongs has been reclassified.

# 01 FYE 3/2020 Results and FYE 3/2021 Forecasts

(billion yen)

	FYE 3/2019	<b>FYE 3/2020</b>	Variance	(Ref.) FYE 3/2020 Revised forecast as of Mar-25-2020	<b>FYE 3/2021 Forecast*</b>
Net profit (loss)	<b>230.9</b>	<b>(197.5)</b>	<b>-428.3</b>	<b>(190.0)</b>	<b>100.0</b>
Adjusted net profit	<b>256.0</b>	<b>225.0</b>	<b>-31.0</b>	<b>214.0</b>	<b>120.0</b>
One-time items	<b>(25.0)</b>	<b>(422.0)</b>	<b>-397.0</b>	<b>(404.0)</b>	-
Core operating cash flow	<b>+373.2</b>	<b>+363.8</b>	<b>-9.4</b>	-	<b>+240.0</b>
Free cash flow after delivery of shareholder returns	<b>+245.8</b>	<b>+57.3</b>	-	-	<b>+140.0</b>
	Mar-31-2019	<b>Mar-31-2020</b>	Variance	(Ref.) Mar-31-2020 Revised forecast as of Mar-25-2020	<b>Mar-31-2021 Forecast*</b>
Net DE ratio	<b>0.90 times</b>	<b>1.16 times</b>	<b>0.26 points increase</b>	<b>approx.1.2 times</b>	<b>approx. 1.1 times</b>

\*Forecasts for FYE 3/2021 and March 31, 2021 are based on the assumption that although the spread of COVID-19 would peak during the first half of FYE 3/2021 and henceforth gradually end, ample amount of time would be required for the global economy to return to a recovery trend. Specifically, it is assumed that the recovery will be moderate even after the second half of FYE 3/2021 and the impact of economic stagnation will remain until FYE 3/2022. Revisions to the forecasts will be announced promptly when needed depending on the situation of COVID-19.

## 02 One-time Items – in Contrast with Forecasts as of Mar-25-2020

(billion yen)

Items	One-time loss on consolidated net profit (after tax)	
	Forecast as of Mar-25-2020	<b>FYE 3/2020 actual</b>
Total Q1-Q3 FYE 3/2020	<b>Approx. -29.0</b>	<b>Approx. -29.0</b>
Q4 FYE 3/2020	<b>Approx. -375.0</b>	<b>Approx. -394.0</b>
Oil and gas E&P	<b>Approx. -145.0</b>	<b>-131.3</b>
Impairment loss on oil and gas E&P in the US Gulf of Mexico	Approx. -80.0	-76.2
Impairment loss and reversal of deferred tax assets on oil and gas E&P in the UK North Sea	Approx. -65.0	-55.1
US Grain Business	<b>Approx. -100.0</b>	<b>-98.2</b>
Impairment loss on grain business in Gaviion	Approx. -80.0	-78.3
Impairment loss on grain export business on the US West Coast	Approx. -20.0	-19.9
Impairment loss on Chilean copper mining business	<b>Approx. -60.0</b>	<b>-60.3</b>
Impairment losses on overseas power business and infrastructure related business	<b>Approx. -40.0</b>	<b>-45.7</b>
Impairment loss on Aircastle	—	<b>-39.2</b>
Others	<b>Approx. -30.0</b>	<b>Approx. -19.0</b>
Total FYE 3/2020	<b>Approx. -404.0</b>	<b>Approx. -422.0</b>

\*As some figures are displayed as approximate numbers, the total may differ from the sum of individual numbers.

## 03 Key Factors of FYE 3/2020 and FYE 3/2021 Forecasts

### Key Factors of FYE 3/2020

#### Net loss amounted ¥-197.5bn, with a ¥-428.3bn decrease year on year

Breakdown of a ¥-428.3 net profit decrease

- Decrease in adjusted net profit: ¥-31.0bn (-12%)  
(Non-resources: ¥-24.0bn decrease – Despite the profit increase in *Food, Aerospace & Ship*, etc., profit decreased mainly in *Power Business, Forest Products, Chemicals*, etc.  
Resources: ¥-8.0bn decrease – Profit increase in *Metals & Mineral Resources* was more than offset by profit decrease in *Energy*.)
- Profit decline regarding one-time items: ¥-397.0bn [FYE 3/2019: ¥-25.0bn → FYE 3/2020: ¥-422.0bn]  
(One-time losses for FYE 3/2020 were posted in view of deteriorated business environment due to the global spread of COVID-19 and the slump in oil prices, etc.)

#### Net DE ratio stood at 1.16 times, increased 0.26 points from the previous fiscal year-end

- Core operating cash flow: ¥+363.8bn, a ¥-9.4bn decrease year on year
- Free cash flow after delivery of shareholder returns: ¥+57.3bn

#### Year-end dividend to be ¥17.5 per share, resulting the annual dividend to increase by ¥1 from the previous fiscal year to ¥35 per share

### Forecasts for FYE 3/2021

Net profit: ¥100.0bn

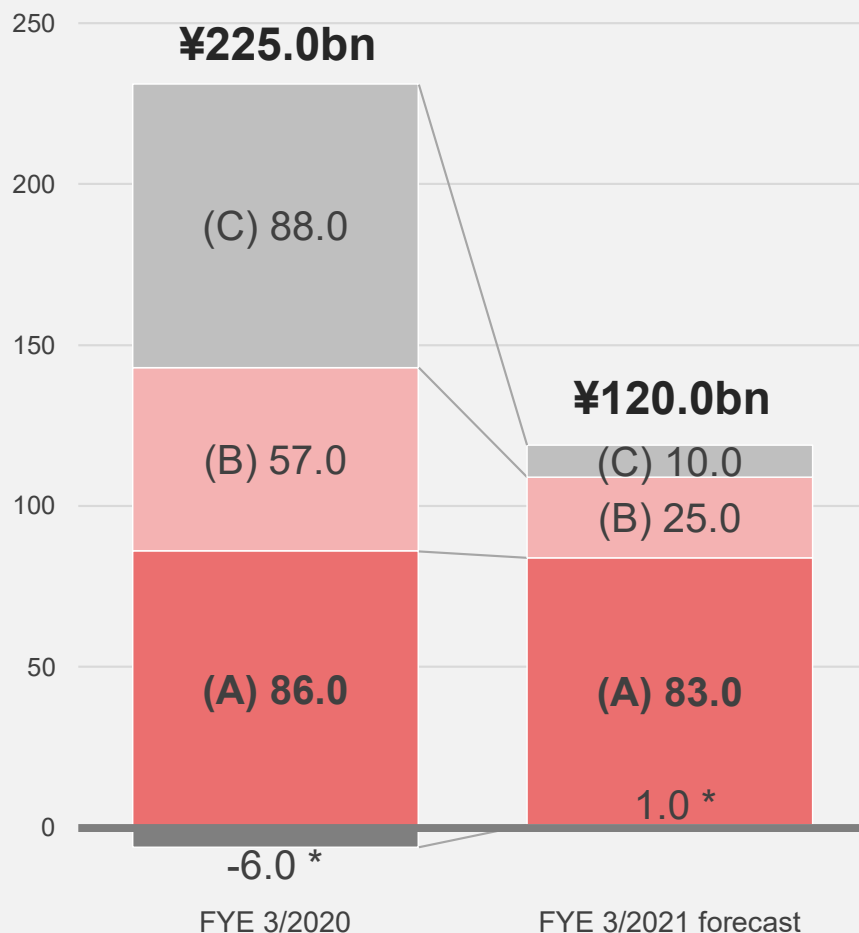
Net DE ratio: approx. 1.1 times

Annual dividend: ¥15 per share set as the minimum, a ¥20 decrease from FYE 3/2020

\*Forecasts for FYE 3/2021 and March 31, 2021 are based on the assumption that although the spread of COVID-19 would peak during the first half of FYE 3/2021 and henceforth gradually end, ample amount of time would be required for the global economy to return to a recovery trend. Specifically, it is assumed that the recovery will be moderate even after the second half of FYE 3/2021 and the impact of economic stagnation will remain until FYE 3/2022. Revisions to the forecasts will be announced promptly when needed depending on the situation of COVID-19.

## 04 Impact of COVID-19 on Earnings Structure – Adjusted Net Profit

(billion yen,  
in approximate figures)



### (A) Stable Earnings-Type Business & Lifeline-Related Business 86.0 → 83.0 (-3.0)

Stable earning-type businesses including IPP with PPA (power business) and infrastructure business (water, gas), etc., and the businesses essential to daily life such as agriculture and food related businesses are expected to contribute at the same level as FYE 3/2020

### (B) Trade Business 57.0 → 25.0 (-32.0)

Trade businesses such as *Chemicals*, *Energy* and others that support all industries are expected to maintain a certain level of contribution to earnings, although the trading volume decreases due to the influence of COVID-19

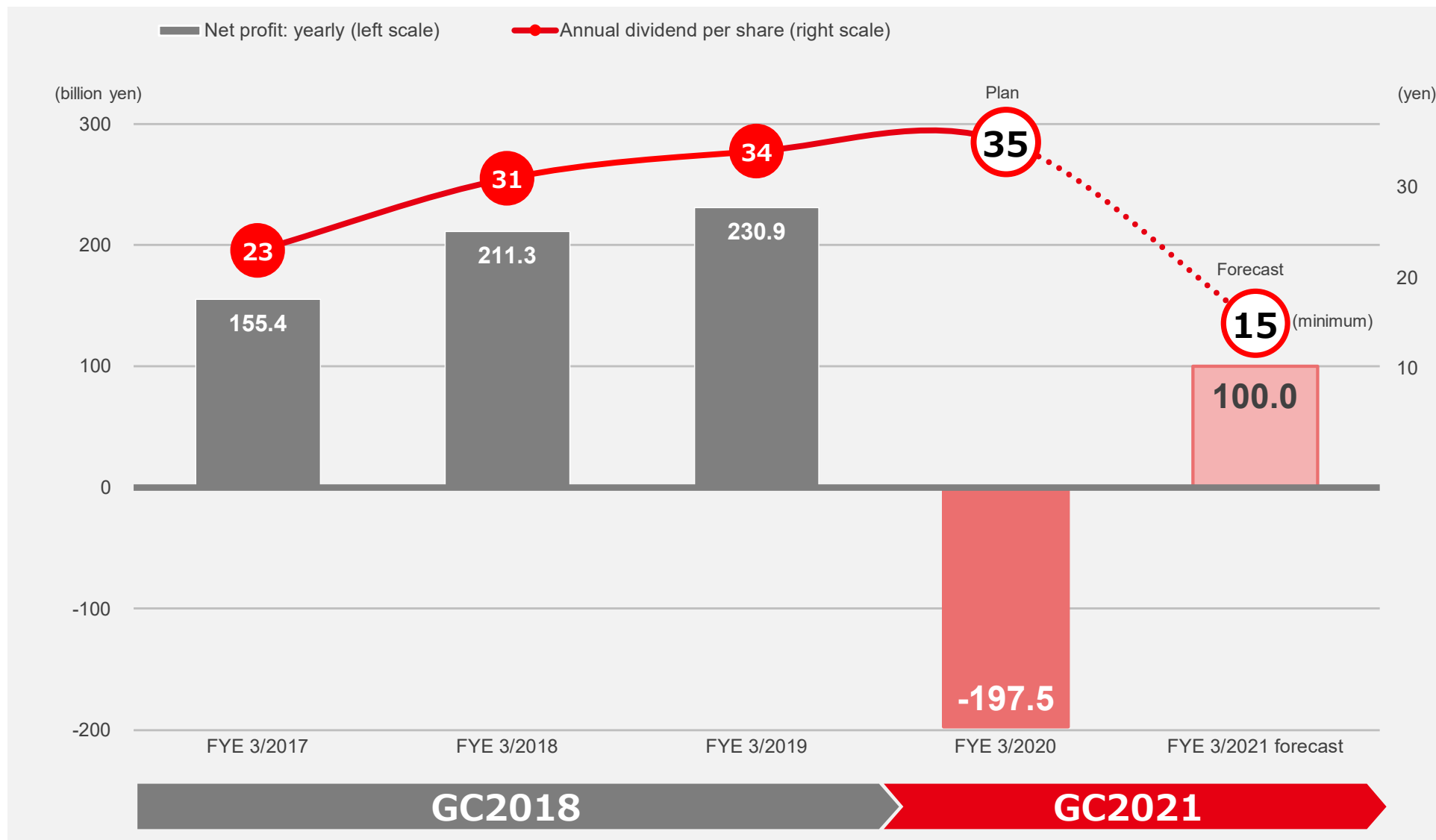
### (C) Businesses Compositely Affected by Influence of COVID-19 Including Commodity Prices 88.0 → 10.0 (-78.0)

*Finance & Leasing Business*, transportation (*Aerospace & Ship*, *Construction*, *Industrial Machinery & Mobility*), etc. (-37.0)  
Oil and gas E&P, iron ore, coal, copper mining, etc. (-41.0)

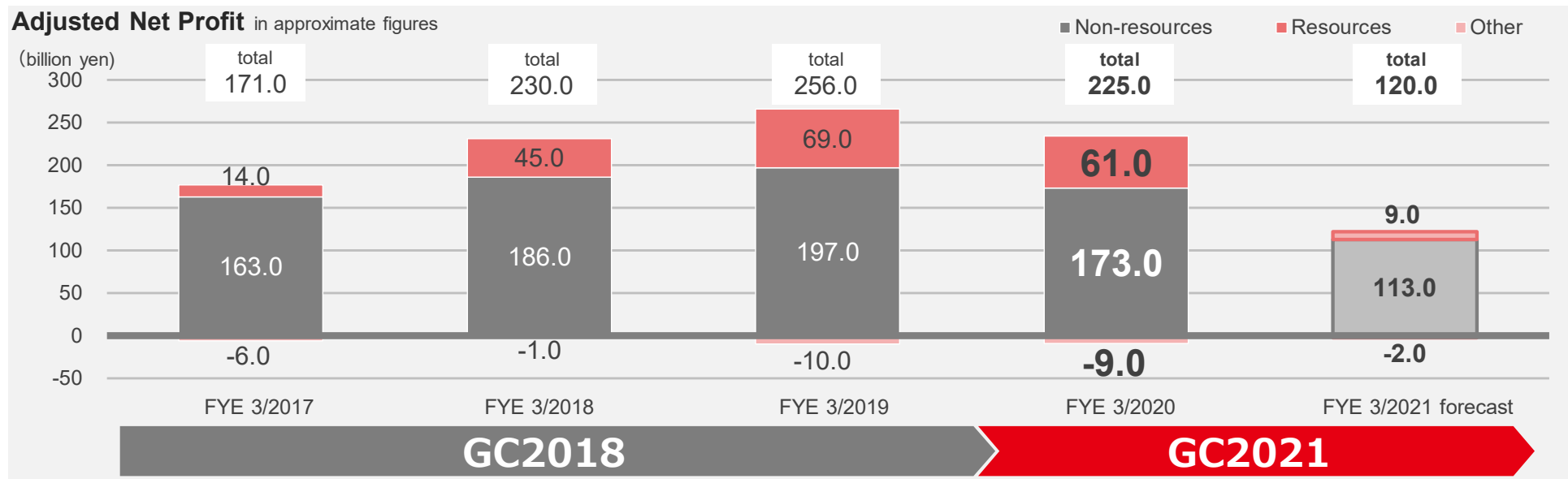
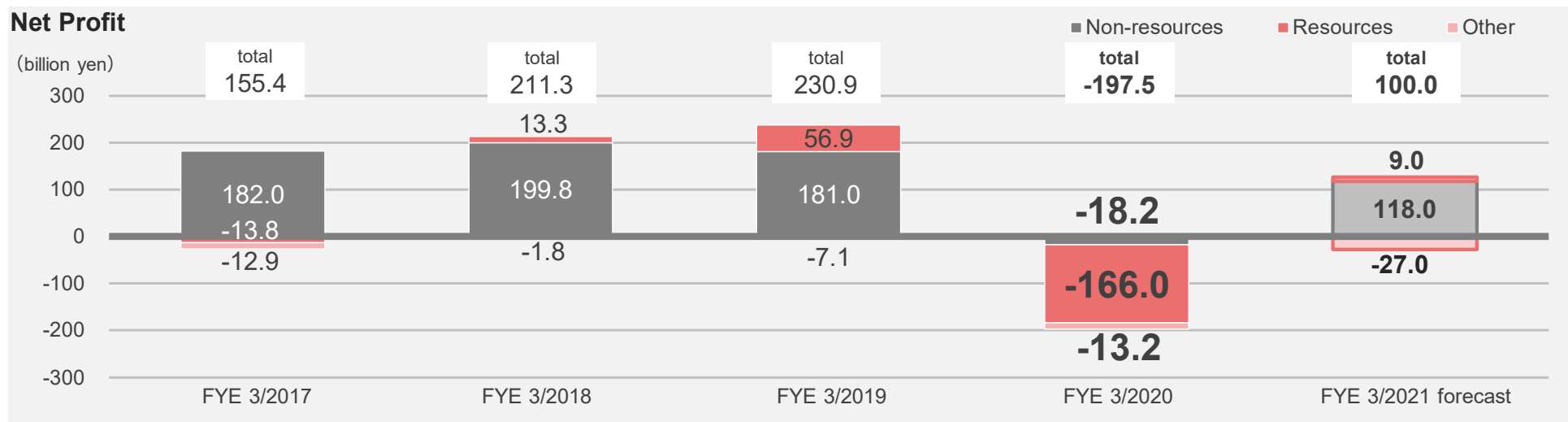
\*Figures for *Other* segment

\*Sum of individual numbers may not accord with the figure for total due to rounding errors.

# 05 Net Profit and Annual Dividend

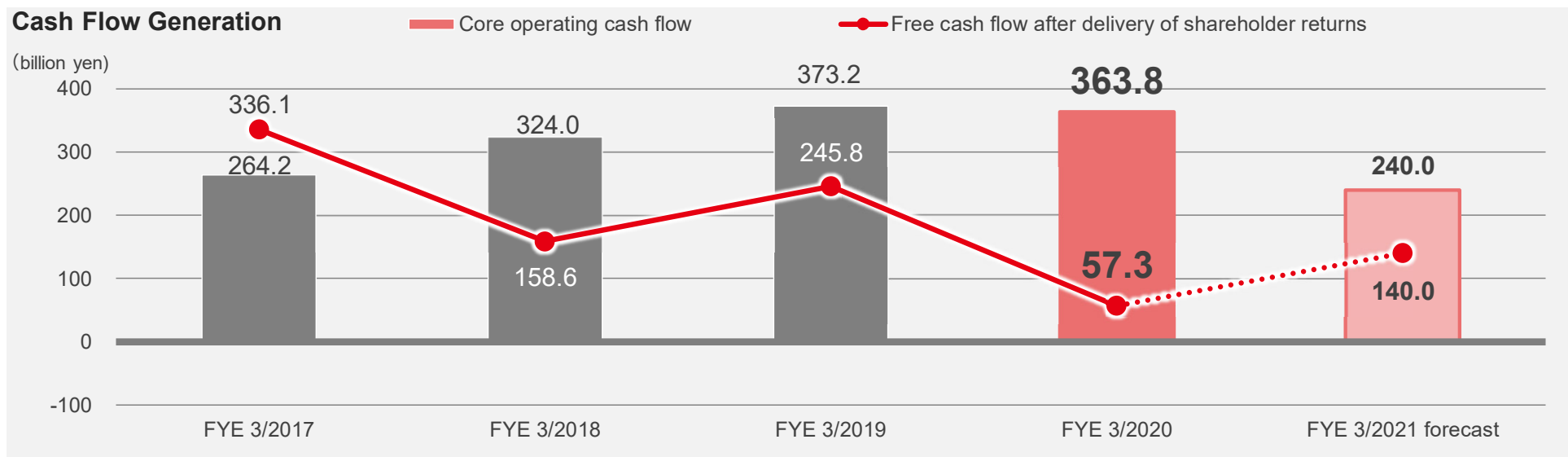


# 06 Net Profit and Adjusted Net Profit

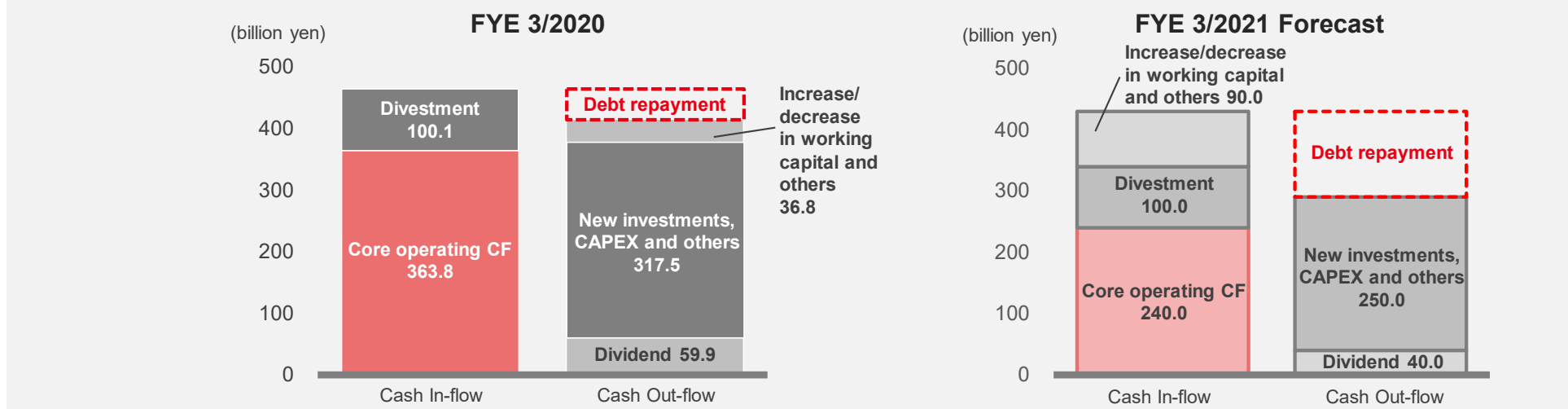




# 07 Cash Flow Generation and Capital Allocation



### Capital Allocation



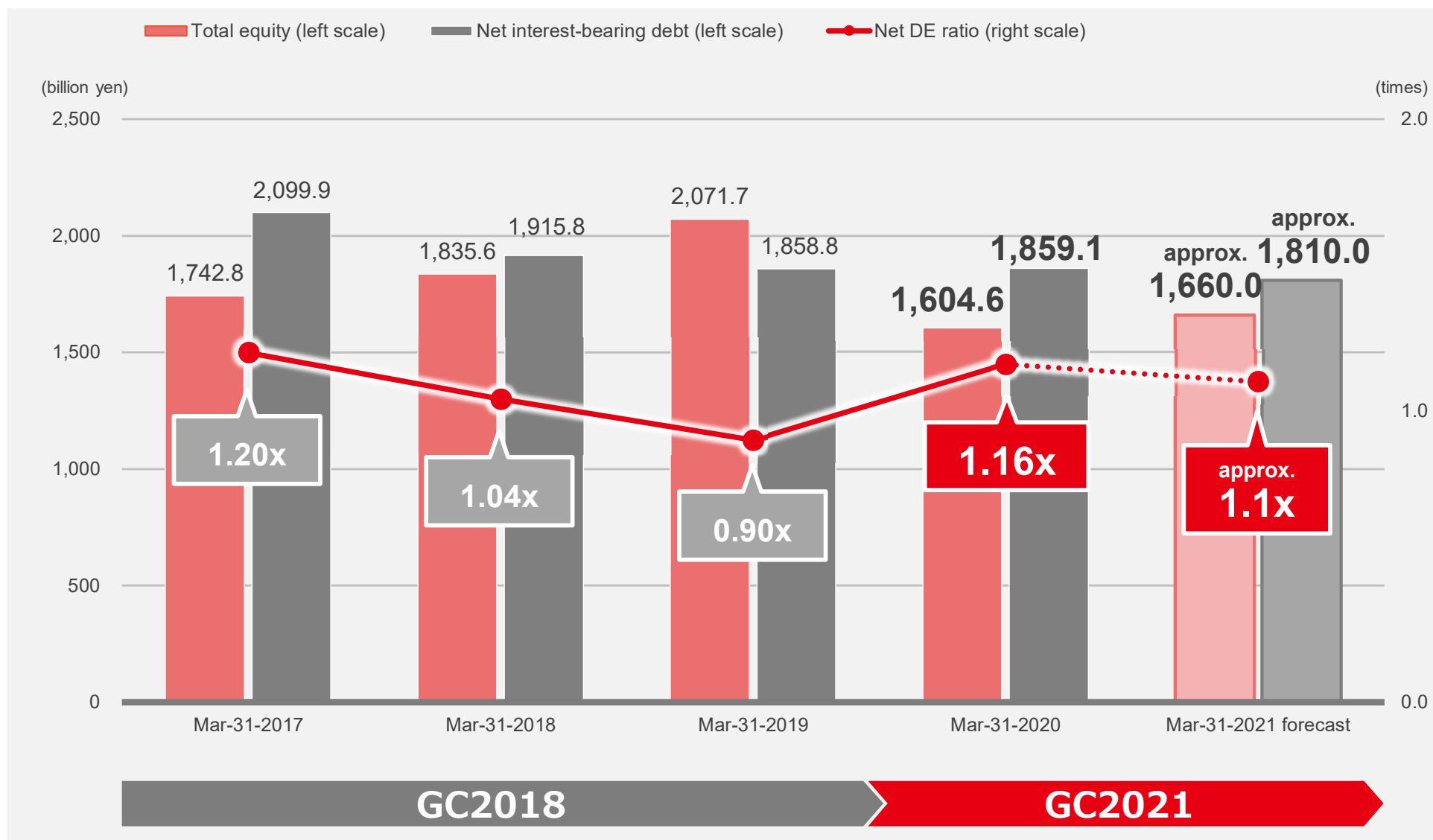
\* Debt repayment: repayment of interest-bearing debt, lease obligations and others

## 08 New Investments and Divestment Main Items for FYE 3/2020

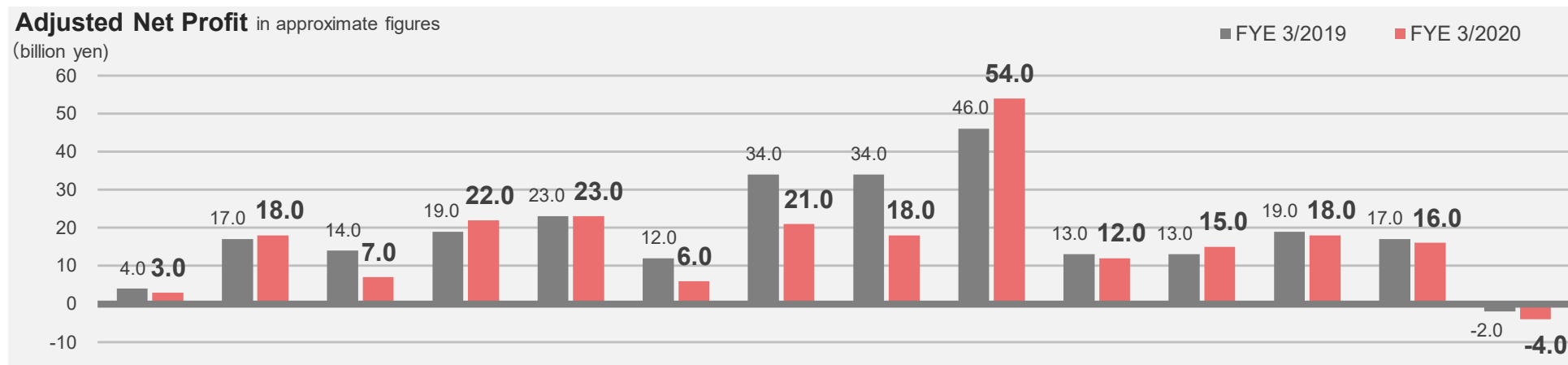
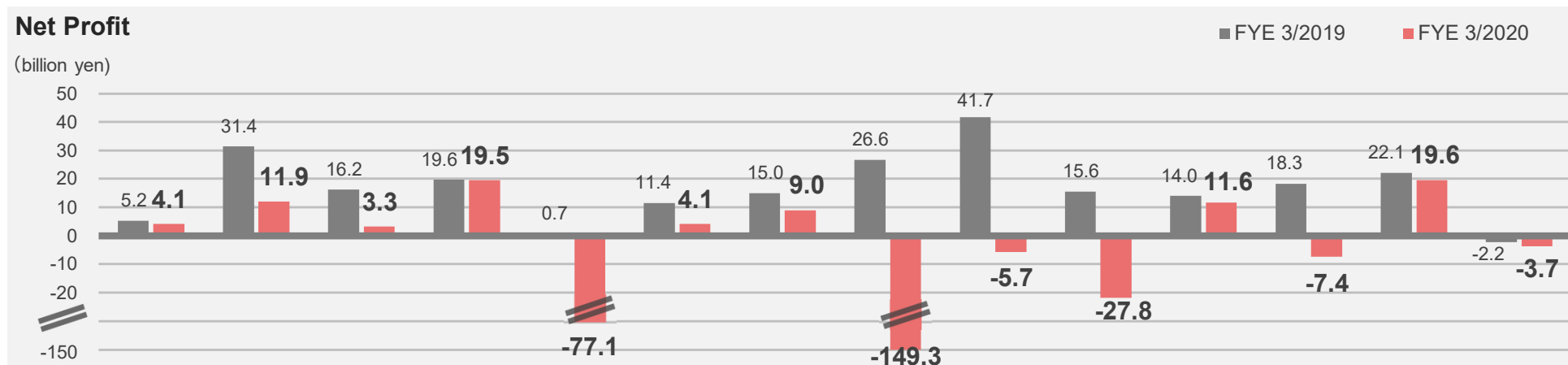
		FYE 3/2020			FYE 3/2020 Main Item	(billion yen)
		Horizon 1	Horizon 2	Horizon 3		FYE 3/2021 Forecast
New Investments + CAPEX and others		-317.5	-93.5	-201.6	-22.3	-250.0
New Investments	Distribution Business	-59.1		-41.7	-17.4	-150.0
	Finance Business	-137.5		-132.6	-4.9	
	Stable Earnings-Type Business	-15.2		-15.2	-	
	Natural Resource Investments	-		-	-	
CAPEX and others	excluding Natural Resource Investments	-91.6	-91.6			-90.0
	Natural Resource Investments	-14.1	-2.0	-12.1		-10.0
Divestment		+100.1				+100.0
Total		-217.4				-150.0

\*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

# 09 Net DE Ratio

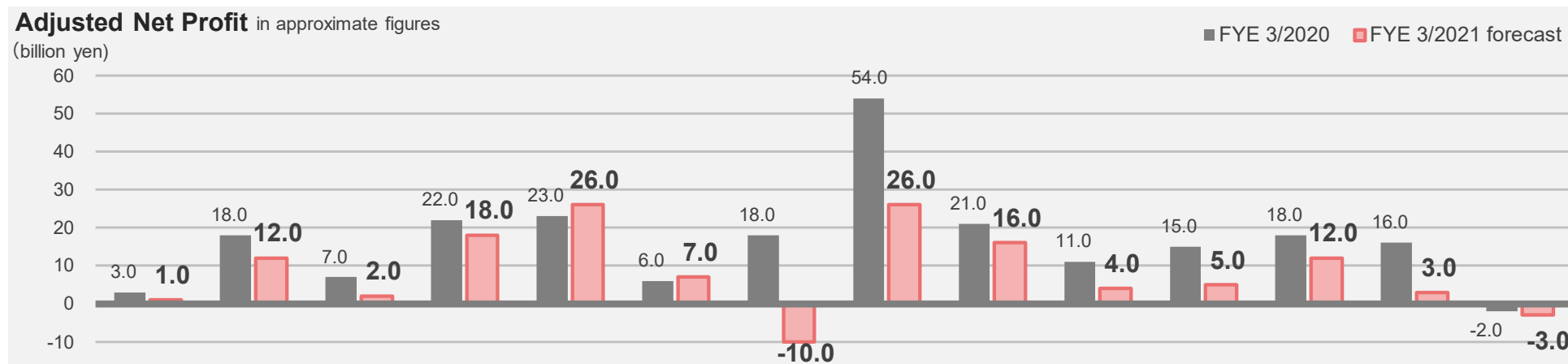
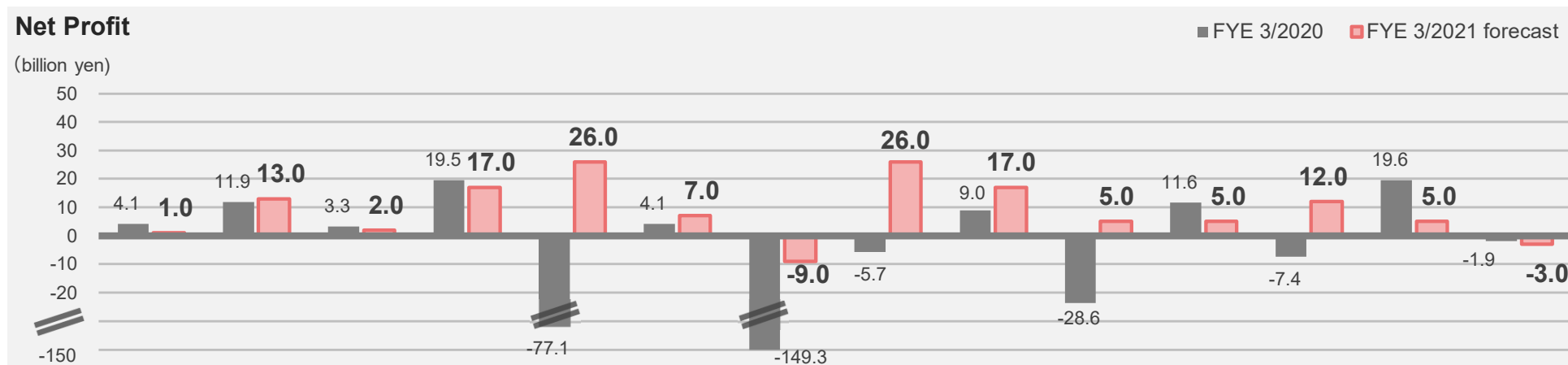


# 10 Profit by Segment FYE 3/2020 vs FYE 3/2019



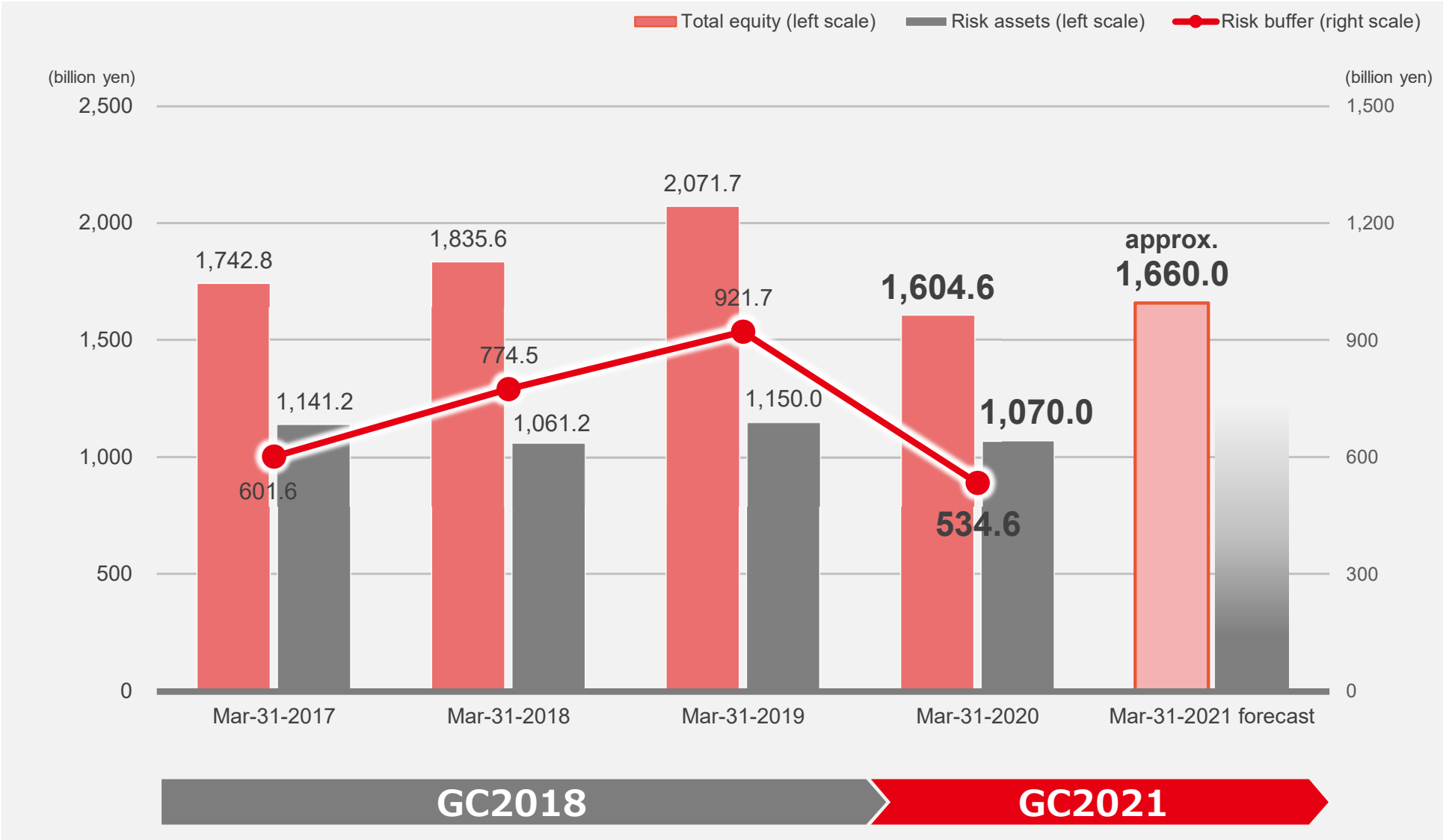
Lifestyle	ICT & Real Estate Business	Forest Products	Food	Agri Business	Chemicals	Power Business	Energy	Metals & Mineral Resources	Plant	Aerospace & Ship	Finance & Leasing Business	Construction, Auto & Industrial Machinery	Next Generation Business Development
Consumer Products			Food, Agriculture & Chemicals			Power Business, Energy & Metals			Machinery, Infrastructure & Financial Business				

# 11 Profit Forecast by Segment FYE 3/2021 Forecasts vs FYE 3/2020 Results



Lifestyle	ICT & Real Estate Business	Forest Products	Food	Agri Business	Chemicals	Energy	Metals & Mineral Resources	Power Business	Infrastructure Project	Aerospace & Ship	Finance & Leasing Business	Construction, Industrial Machinery & Mobility	Next Generation Business Development
Consumer Products			Food, Agriculture & Chemicals			Energy & Metals		Power Business & Infrastructure		Transportation & Industrial Machinery, Financial Business			

# 12 Risk Assets and Risk Buffer



# 13 Financial Indicators and Commodity Volumes

Financial Indicator		FYE 3/2019 Yearly	FYE 3/2020 Yearly	Variance	FYE 3/2021 Yearly Assumption	Sensitivity to *4 Yearly Net Profit
Oil	WTI (USD/bbl)	63	<b>55</b>	- 8	<b>20</b>	approx. JPY0.6bn/[USD1/bbl]*5
Copper	LME (USD/ton) *1	6,369	<b>5,966</b>	- 403	<b>5,000</b>	approx. JPY1.0bn/[USD100/ton]
Interest Rate	JPY TIBOR 3mo (%)	0.069	<b>0.068</b>	down 0.001 points	<b>0.1</b>	
	USD LIBOR 3mo (%)	2.497	<b>2.036</b>	down 0.461 points	<b>0.8</b>	
Currency	USD/JPY Term Average (yen)	110.91	<b>108.74</b>	JPY appreciation by 2.17 yen	<b>110</b>	approx. JPY0.6bn/[JPY1/USD]
	USD/JPY Term-end (yen)	Mar-31-2019 110.99	<b>Mar-31-2020 108.83</b>	JPY appreciation by 2.16 yen	<b>Mar-31-2021 110</b>	
Commodity Volume		FYE 3/2019 Yearly	FYE 3/2020 Yearly	FYE 3/2021 Plan		
Oil, Gas	Equity Production Volume (K boe/day)	30	29	<b>24</b>		
	Upper: [Oil and Gas E&P] *2 Lower: [Total] *3	34	32	<b>28</b>		
Copper	Equity Sales Volume (K ton)	133	140			
Coking Coal	Equity Sales Volume (K ton)	5,668	6,347			

\*1 March-to-February average

\*2 Total of oil and gas E&P at Gulf of Mexico (USA), North Sea (UK), Indian Sea

\*3 Total of equity volume based on production sharing contracts on the consolidated basis, including above Oil and Gas E&P

\*4 Sensitivity to the yearly forecast announced on May 7, 2020

\*5 Sensitivity to oil prices (WTI and Brent) in Oil and Gas E&P

# GC2021

Revision of Medium-Term Management Strategy

GC2021

FYE 3/2020 - FYE 3/2022

\*FYE: Fiscal Year Ending/Ended



# 01 Management's view of the Business Environment

## Downward revision of FYE 3/2020 results

- With the deterioration of the business environment caused by COVID-19 combined with fall of crude oil prices, the value of weaker businesses and assets of concern have been reassessed, removing the risk of future impairment loss.
- Net loss of ¥197.5 billion (including one-time items of ¥422.0 billion)
- Net D/E ratio slipped back to 1.16 times.

## COVID-19 shock

- COVID-19 has stopped the movement of people worldwide, leading to the worst financial crisis since World War II, and the first major one since the 2008 global financial crisis.
- This situation threatens the life and safety of people, possibility of a sustainable society, and may have a huge impact on the economy, society and values of the future.
- An early medical breakthrough is unlikely. Rapid recovery (also called a "V-shaped recovery") of the global economy is extremely difficult, and a worldwide recovery is expected to be sluggish ("L-shaped" recovery timeline). 2021 may also be a year of slow and moderate recovery.

- The safety of Marubeni group's employees worldwide, customer and partner is our top priority.
- Brace for an expected long-lasting impact to our business environment and focus on rebuilding and strengthening our business foundation.

## 02 Basic Policy of GC2021 Management Strategy

### Rebuild and Strengthen Financial Foundation

- As a result of a huge loss in FYE 3/2020, our top priority is to focus on cash flow management in order to rebuild and strengthen our financial foundation.
- Prioritize repayment of debt by accumulating positive free cash flow after delivery of shareholder returns during the GC2021 period and achieve net D/E ratio of around 1.0 times at the end of March 2022.

### Enhancement of Business Strategies

- Maintain the Basic Policy of Management Strategy in GC2021  
“Corporate value enhancement in the medium to long term by strengthening existing business and creating new business models”
- Focus on preserving and improving existing businesses including cost reduction measures and establish sustainable and stronger business foundation.
- Envisage what a post COVID-19 world will look like, including the economy, social issues, growth domains and change of business models; proactively recycle assets and enhance the value of assets.
- Assessment of past business and investment performance to further enhance and strengthen our risk management practices.

## 03 Shareholder Return Policy

- Current dividend policy maintained; Consolidated dividend payout ratio of 25% or more, based on the forecast announced at the beginning of the fiscal year as a minimum.
- The dividend for FYE 3/2021 will be set at ¥15/share (interim dividend of ¥7.5 per share, year-end dividend of ¥7.5 per share) as a minimum.
- Prioritize maintaining and enhancing the value of existing businesses. There will be no share buybacks during the period of the GC2021 medium-term management strategy (FYE 3/2020 – FYE 3/2022)