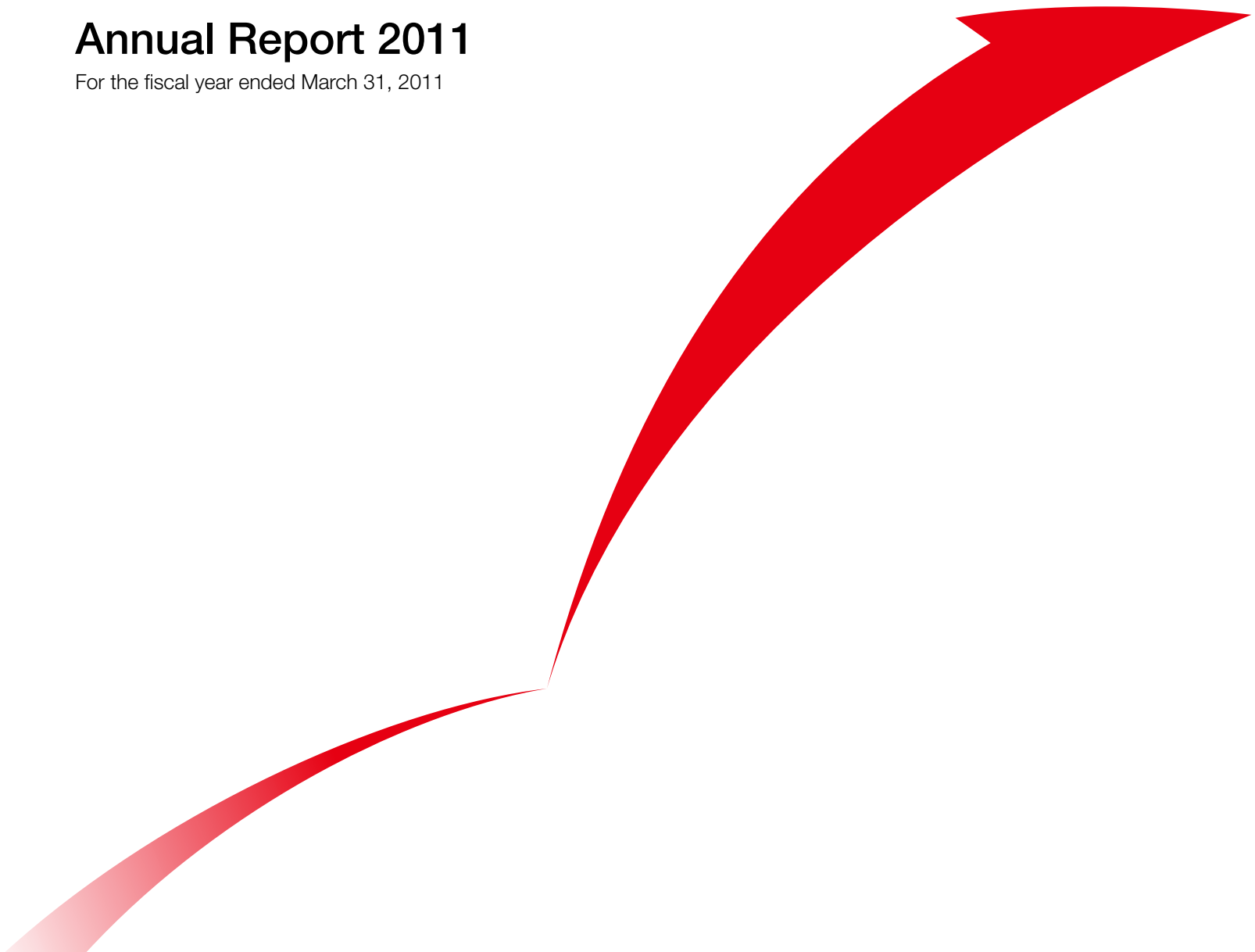


# Becoming a Stronger **Marubeni**

**Annual Report 2011**

For the fiscal year ended March 31, 2011



The impact of the Great East Japan Earthquake that struck on March 11, 2011, left a deep and lasting impact not only on northeastern Japan but the entire nation. On behalf of Marubeni, I would like to offer my sincerest condolences to those residing in or with ties to the region that was directly affected by this terrible disaster. In the wake of the earthquake and tsunami, we have heard from many associates in and outside of Japan seeking to confirm our safety and offer words of encouragement. Your concern and caring in this time of need have been greatly appreciated.

The extent of the damage caused by the disaster is unprecedented in postwar Japan, and we at Marubeni are harnessing our collective Group strengths to assist in efforts to get the devastated region back on its feet.

As a general trading company, Marubeni has developed a global business that creates new value by establishing ties between countries and ties between people. Even in tough times, the starting point for Marubeni's corporate activities—a commitment to enriching people's daily lives and promoting their happiness—has remained unchanged since the day the Company was founded. We will leverage the insight and collective strengths that the Marubeni Group has cultivated through business over the years to assist recovery efforts in northeastern Japan. Our goal is clear—to help the people who have suffered the worst of this tragic disaster to move on to a better future.

Once again, allow me to offer my sincerest hopes for a swift recovery and revitalization in the areas affected by this disaster.

**Teruo Asada, President and CEO**

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**SPIRIT section**

**FACT section**

This report has two sections. In the SPIRIT section, we talk about the concepts that drive Marubeni and its strengths through features focusing on our businesses, and contributions from Marubeni people. The FACT section presents Marubeni's business results and the consolidated financial statements to show the Company's strengths in figures and graphs.

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### Disclaimer Regarding Forward-Looking Statements

This report contains forward-looking statements about the performance and management plans of Marubeni Corporation and its Group companies based on management's assumptions in light of current information. The following factors may therefore influence actual results: consumer trends in Japan and in major global markets, private capital expenditure, currency fluctuations, notably against the U.S. dollar, materials price changes and political turmoil in certain countries and regions.

# Consolidated Financial Highlights

Marubeni Corporation Years ended March 31

Five-Year Summary	Millions of Yen					Millions of U.S. dollars
	2011.3	2010.3	2009.3	2008.3	2007.3	2011.3
<b>For the year:</b>						
Revenues:						
Revenues from trading and other activities .....	¥3,514,937	¥3,110,736	¥ 3,807,480	¥ 3,958,276	¥3,467,925	\$ 42,349
Commissions on services and trading margins.....	168,912	169,233	194,819	207,950	190,930	2,035
Total.....	3,683,849	3,279,969	4,002,299	4,166,226	3,658,855	44,384
Total volume of trading transactions .....	9,020,468	7,965,055	10,462,067	10,631,616	9,554,943	108,680
Gross trading profit .....	522,152	491,673	644,803	596,916	531,171	6,291
Equity in earnings of affiliated companies—net.....	71,452	28,864	21,973	55,661	44,880	861
Net income attributable to Marubeni .....	136,541	95,312	111,208	147,249	119,349	1,645
Core earnings (Billions of yen) .....	223.7	154.4	245.0	239.6	202.1	2,695
<b>At year-end:</b>						
Total assets.....	¥4,679,089	¥4,586,572	¥ 4,707,309	¥ 5,207,225	¥4,873,304	\$ 56,375
Net interest-bearing debt .....	1,615,634	1,706,397	1,911,607	2,001,977	1,843,445	19,465
Total equity .....	831,730	799,746	623,356	860,581	820,839	10,021
Total Marubeni shareholders' equity .....	773,592	745,297	567,118	779,764	745,454	9,320
<b>Amounts per share (¥, US\$):</b>						
Basic earnings .....	¥ 78.63	¥ 54.89	¥ 64.04	¥ 84.93	¥ 72.41	\$ 0.95
Diluted earnings .....	—	—	—	—	68.85	—
Cash dividends .....	12.00	8.50	10.00	13.00	10.00	0.14
<b>Cash flows (for the year):</b>						
Net cash provided by operating activities .....	¥ 210,044	¥ 280,610	¥ 343,618	¥ 235,290	¥ 152,075	\$ 2,531
Net cash used in investing activities .....	(128,495)	(35,207)	(387,069)	(306,855)	(135,147)	(1,548)
Free cash flow.....	81,549	245,403	(43,451)	(71,565)	16,928	983
Net cash provided by (used in) financing activities.....	(17,010)	(254,655)	257,608	65,865	24,819	(205)
Cash and cash equivalents at end of year .....	616,003	570,789	573,924	402,281	414,952	7,422
<b>Ratios:</b>						
Return on assets (%).....	3.0	2.1	2.2	2.9	2.5	
Return on equity (%) .....	18.0	14.5	16.5	19.3	16.9	
Marubeni shareholders' equity to total assets (%) .....	16.5	16.2	12.0	15.0	15.3	
Net D/E ratio (times).....	1.9	2.1	3.1	2.3	2.3	

Notes: 1. In the recognition of revenue, the Company and its consolidated subsidiaries ("the Companies") generally present transactions as net. This is done both in instances in which the Companies legally act as principal, or when the Companies are not the primary obligor and do not have general inventory risk.

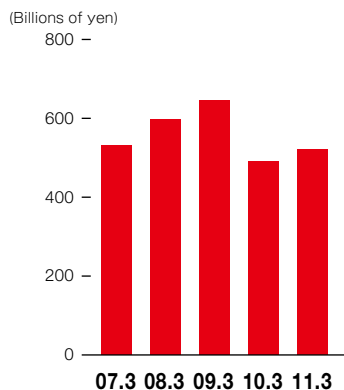
2. For the convenience of investors in Japan, the presentation of total volume of trading transactions is consistent with customary accounting practices in Japan.

3. Core earnings is a management indicator that expresses the earning power of the main business of a general trading house. Core earnings is calculated as follows: Gross trading profit + SGA expenses (excluding restructuring costs up to FY2006) + Interest expense—net + Dividend income + Equity in earnings of affiliated companies—net

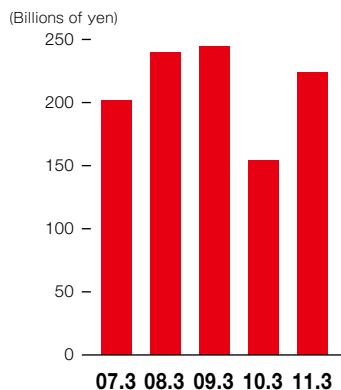
4. U.S. dollar amounts above and elsewhere in this report are converted from yen, for convenience only, at ¥83 to US\$1, the prevailing rate as of March 31, 2011.

5. Although dilutive effects existed for the Company's Class I preferred stock issued in December 2003, the conversion of all preferred stock to shares of common stock was completed on March 19, 2007. Consequently, diluted earnings per share data have been omitted from earnings per share of common stock data since FY2007.

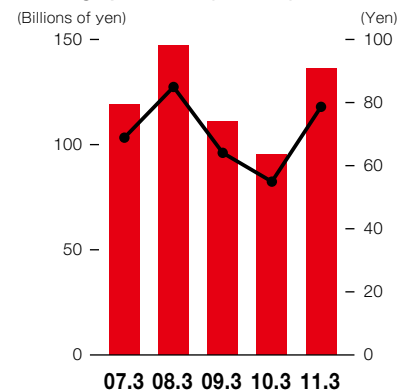
## Gross trading profit



## Core earnings



## Net income attributable to Marubeni/ Earnings per share (diluted\*)



■ Net income attributable to Marubeni (Billions of yen)  
— Earnings per share (diluted\*) (yen)

\* Prior to fiscal year ended March 2008

## Overview of Consolidated Business Performance

### Analysis of Management Results:

#### Total volume of trading transactions

In fiscal 2010, the total volume of trading transactions increased ¥1,055.4 billion (13.3%) from the previous fiscal year to ¥9,020.5 billion under robust economic growth in commodity markets.

#### Gross trading profit

Gross trading profit increased ¥30.5 billion (6.2%) from the previous fiscal year to ¥522.2 billion as profits increased in all segments except for Real Estate Development and Finance, Logistics and IT Business divisions.

#### Equity in earnings of affiliated companies—net

Equity in earnings of affiliated companies—net improved by ¥42.6 billion (148%) year on year to ¥71.5 billion, due to profit increases in copper business in Chile, coal business in Australia, and steel business. Also, an impairment loss on investment to an affiliated retail company posted in the previous fiscal year contributed to the increase.

#### Net income attributable to Marubeni

Net income attributable to Marubeni for fiscal 2010 amounted to ¥136.5 billion, increasing by ¥41.2 billion or 43% year on year, mainly due to profit increases in Metals & Mineral Resources and Food divisions.

### Analysis of Financial Position:

#### Assets, liabilities and total equity

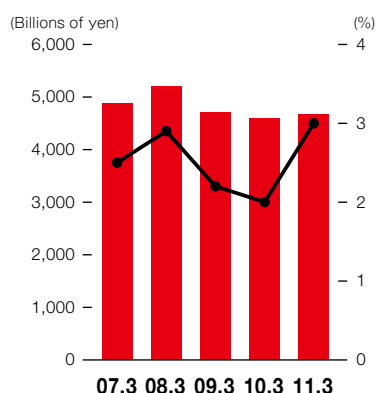
Consolidated total assets increased ¥92.5 billion from the end of the previous fiscal year to ¥4,679.1 billion due mainly to an increase in operating assets. The consolidated net interest-bearing debt declined ¥90.8 billion from the end of the previous fiscal year to ¥1,615.6 billion. Total equity increased ¥32.0 billion from the end of the previous fiscal year to ¥831.7 billion due to positive net income, despite a decrease in accumulated other comprehensive income following the decline in stock prices and the appreciation of the yen. As a result, the consolidated net D/E ratio was 1.94 times.

#### Cash flows

Cash and cash equivalents at the end of fiscal 2010 were ¥616.0 billion, an increase of ¥45.2 billion compared with the end of the previous fiscal year. Free cash flow\* was positive ¥81.5 billion.

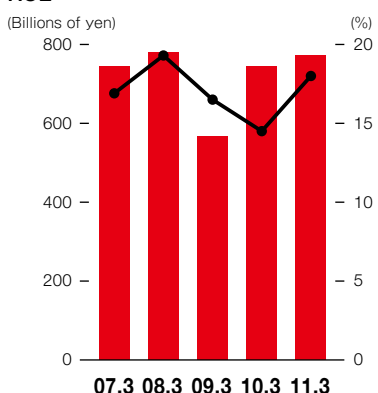
\* Free cash flow = Cash flow from operating activities + Cash flow from financing activities

#### Consolidated total assets/ROA



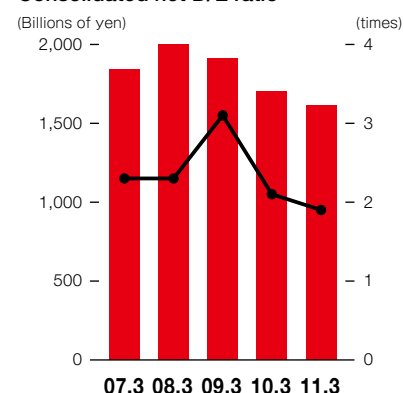
■ Consolidated total assets (Billions of yen)  
— ROA (%)

#### Total Marubeni shareholders' equity/ROE



■ Total Marubeni shareholders' equity (Billions of yen)  
— ROE (%)

#### Consolidated net interest-bearing debt/Consolidated net D/E ratio



■ Consolidated net interest-bearing debt (Billions of yen)  
— Consolidated net D/E ratio (times)

## Marubeni's Company Creed:

“(正) Fairness, (新) Innovation, (和) Harmony”

(formulated in 1949. calligraphy by Shinobu Ichikawa, first president of Marubeni Co., Ltd., now Marubeni Corporation)



## The Marubeni Management Philosophy

(formulated in 2003, revised 2008)

In accordance with the spirit grounded in “Fairness, Innovation and Harmony,” Marubeni Group is proudly committed to contribute to social and economic development and to safeguard global environment by conducting fair and upright corporate activities.

## Marubeni's Corporate Principles

(formulated in 1998)

Marubeni Corporation, as a business enterprise, will actively pursue its business interests through the exercise of fair and legal competition. As a company, Marubeni will also continue to play its part in the enlargement of the global economy, while always striving to enrich the society within which it operates. In order to achieve all the elements of the aforementioned goal, Marubeni is committed to the following six basic principles of business:

1. Conduct Fair and Open Business Activities
2. Develop a Globally-Connected Company
3. Create New Value Through Business Vision
4. Respect and Encourage Individuality and Originality
5. Promote Good Corporate Governance
6. Safeguard Ecological and Cultural Diversity

# SPIRIT section



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## 6 Introductory Dialogue 「A Stronger Marubeni」



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# A Stronger Marubeni

The *sogoshosa* or general trading company is a business model unique to Japan. In striving to further enhance its presence in a host of business fields, Marubeni has driven the evolution of the general trading company, in step with the changing times.

In April 2010, Marubeni launched SG-12, a medium-term management plan that will serve as a roadmap to sustainable growth. In this one-on-one discussion, Kaz Uchida, Professor, Graduate School of Commerce, Waseda University (Waseda Business School), and Marubeni President and CEO Teruo Asada talk in-depth about the Company's strengths and vision, and its quest to become a stronger Marubeni.

**Kaz Uchida,**  
Professor, Graduate School of Commerce,  
Waseda University (Waseda Business School)

**Teruo Asada,**  
President and CEO

# What Are Marubeni's Strengths?

Highlighting Distinctive Strengths in the Fields of Natural Resources, Infrastructure, the Environment, and Essential Living Commodities

**Uchida:** I understand that Marubeni is operating under a medium-term management plan called SG-12.

**Asada:** That's correct. We unveiled SG-12 as a three-year medium-term management plan in April 2010, and it is now in its second year. The plan's basic policy, and the motivation behind measures inspired by it, is to build strong earnings and a solid financial base to become a "Stronger Marubeni" that challenges sustainable growth beyond all our stakeholders' expectations, even in this turbulent world economy. Four measures that are particular points of focus are a top management-led human resources strategy, priority allocation of management resources, to accelerate business in overseas markets, and strengthen our financial base and upgrade risk management.

(See p. 40 for details regarding SG-12.)

**Uchida:** The plan names natural resources, infrastructure, the environment, and essential living commodities as key fields for the priority allocation of management resources, right? Why have you focused on these four fields in particular?

**Asada:** First, since medium- to long-term demand is expected to increase in natural resources, the stable supply of natural resources will be critical to the sustainable growth of the global economy going forward. In infrastructure, the future will continue to hold many business opportunities, especially in emerging economies. Given Marubeni's strengths based on its wealth of experience over the years, both of these fields are indispensable. In essential living commodities, as living standards improve in China, ASEAN countries, and other emerging economies, this trend is forecasted to trigger massive growth in demand for consumer goods. Marubeni has long enjoyed advantages in

essential living commodities, so this field is one where we hope to expand further. Finally, there is the environment. A new range of needs, which translates into a stream of new business opportunities, is expected to accompany rising environmental awareness and ever tighter environmental regulations. At the same time, the environment is intimately linked to the other three fields as well. These are the reasons why we chose these four priority business fields for priority allocation of management resources.

**Uchida:** What are the representative businesses Marubeni is pursuing in each field?

## Priority Business Fields : Natural Resources

**Asada:** In natural resources, our representative projects would probably be the Esperanza and El Tesoro copper mines in Chile, where we acquired 30% interests following a total investment, including development costs, of about US\$1.9 billion in 2008.

**Uchida:** I would think an investment project of that magnitude must have had a major impact both within and outside of Marubeni.

**Asada:** As a resource, copper is an important base metal essential to electrical cables, electrical devices, automobiles and other products, and is considered by some to be the "vein and artery of industry." Chile is the world's largest copper producer, accounting for roughly one-third of all the world's copper, and about 40% of Japan's own copper imports. The Esperanza copper mine, which Marubeni operates in collaboration with Antofagasta PLC, began operating near the end of 2010. January 2011 saw the first shipment of copper concentrates from the mine to Japan. If things

## Kaz Uchida

Professor, Graduate School of Commerce, Waseda University (Waseda Business School)

Background: Born in 1951. After graduating with a degree in electronic engineering from the University of Tokyo in 1974, joined Japan Airlines (JAL). While working, earned his MBA from Keio University. Joined The Boston Consulting Group (BCG) in 1985, becoming Vice President (Partner) in 1991 and Senior Vice President in 1999. Worked as the head of BCG Japan office from June 2000 to December 2004. Was named one of the world's top 25 most influential consultants in Consulting Magazine (2006). Assumed current post as professor in April 2006.



## Striving for Sustainable Growth as a “Partner that Performs Beyond Expectations”

go smoothly, once full-scale operations begin, we project that the mine will produce an average of 700,000 tons of copper concentrates and 230,000 ounces of gold per year over the next decade. Full production at Esperanza will raise Marubeni’s share of total payable copper production to 125,000 tons. This figure is equivalent to around 10% of Japan’s annual copper demand, and will put Marubeni in the top class among Japanese trading companies.

**Uchida:** I’ve heard that one point behind the success of this project is Marubeni’s great partnership with Antofagasta, Chile’s largest private-sector company in copper. How did you come to form this alliance with Antofagasta?

**Asada:** As you stated, the presence of an excellent partnership is one key to the success of this project. Marubeni and Antofagasta have worked together on a different project before, where we built a relationship of trust. This past was a major part of what allowed us to forge such a great partnership with Antofagasta on this project, which represents Marubeni’s largest such investment to date. After the Esperanza copper project, we were able to acquire mining interests in the Mirador copper mine in Chile’s Sierra Gorda region. Given this and other accomplishments since, we plan to vigorously promote this partnership with Antofagasta further, now and in the future. Furthermore, we intend to leverage this experience and know-how to develop operations in a wide range of other regions outside of Chile.

**Uchida:** The general trading company business model has evolved from the old commission-based model of the

past to a predominant model of supply chain management. This copper mining project seems to be case in point. However, since it is not possible to form the entire supply chain internally, choosing the right partners is one of the keys to this new business model. What points do you look for when choosing a partner?

**Asada:** Without question, the most important point is whether we can trust one another. There are no particular points beyond that. For example, the kind of partner we can truly trust is one that honestly discloses information pertaining to the project, and one that never fails to consult with us on important matters. The relationship, in other words, is defined by open communication. If a partner cannot build this kind of relationship, then coming together to execute a major project is not possible.

(See p. 26 for details regarding copper mining projects.)

### Priority Business Fields : Infrastructure

**Uchida:** What are your representative projects in infrastructure?

**Asada:** Our representative businesses would be the overseas Independent Power Producer (IPP) and water businesses.

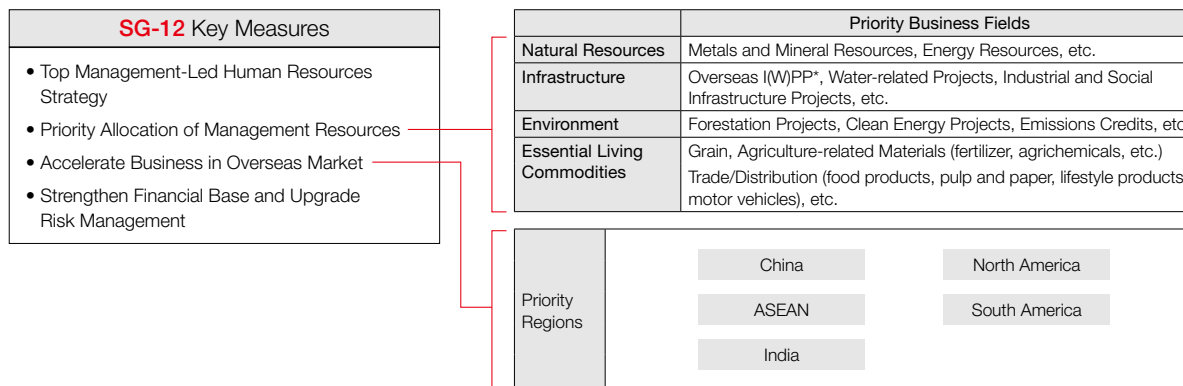
**Uchida:** What specific strengths does Marubeni possess in these businesses?

**Asada:** In the overseas IPP business, Marubeni has power generation assets in 20 countries worldwide, and boasted a net generation capacity of 7.5 GW as of March 31, 2011. This scale is largest among Japanese trading companies. And we are moving to expand our



**SG-12—Marubeni’s Medium-Term Management Plan**

SG-12 Principles
The Marubeni Group, even in this turbulent world economy, will build strong earnings and a solid financial base to become a “Stronger Marubeni” who challenges sustainable growth beyond all our stakeholders’ expectations.



capacity to levels comparable to those of leading Independent Power Producers from the United States and Europe. Marubeni’s strengths include our strong regional network comprising project development bases in Japan, New York, London and Singapore, our extensive expertise in both the EPC\* and O&M\* fields, and our skills in arranging a variety of project finance. We also have a diverse project portfolio in the water business.

**Uchida:** So I take it that Marubeni has also demonstrated strengths in the EPC field?

**Asada:** Marubeni started in the EPC field in the 1960s, when it began delivering and constructing electric power generation facilities for customers overseas. Since then, we have built a long track record working both independently and in partnership with U.S. and European manufacturers, and have established our own methods for project management. We also lead other general trading companies in our achievements as an EPC contractor.

\* EPC is an abbreviation for Engineering, Procurement and Construction, and refers to contracts for the complete delivery and installation of power generation facilities.  
O&M is an abbreviation for Operation and Maintenance, in reference to the operation and maintenance of power generation facilities.  
I(W)PP is an abbreviation for Independent (Water) Power Producer, and refers to electric power wholesalers, some of whom operate water businesses.

**Asada:** When you talk about from an environmental perspective, one tends to think first of promoting renewable energy projects. Naturally, the field of renewable energy, such as wind and geothermal power, is also a focus for us in our IPP business. However, thermal power facilities are comparatively easier to adopt from an operational and price standpoint, and with an improvement in generating efficiency of the machines newly applied, the amount of CO<sub>2</sub> emitted for the same quantity of power has been greatly reduced in recent years. They therefore have a lower impact on the environment than before. Marubeni vigorously promotes this type of low environmental-impact thermal power plant. Another of Marubeni’s strengths in infrastructure, the water business, can also be viewed as an environmental one, if you consider that the treatment of wastewater and re-use of water improves local health and sanitation conditions. In this way, infrastructure and the environment are closely intertwined.

**Priority Business Fields** ..... **Environment**

**Uchida:** With the overseas IPP business, for example, thermal power plants are said to put an additional load on the environment. How do you reconcile this given that the environment is one of Marubeni’s other priority fields?





**Uchida:** I've heard that Marubeni was also quick to enter the water business you just mentioned.

**Asada:** Marubeni was ahead of the pack when we entered the sector in 1997. Right now, our involvement extends to all applicable business fields, from drinking water and wastewater operations and desalination to fully integrated water businesses. The regions where we operate have also expanded to cover Central and South America, China, the Middle East, and Australia.

In the fall of 2010, Marubeni acquired a stake in Aguas Nuevas S.A., Chile's third-largest full-service company in the water business. The start of 2011, meanwhile, saw us invest in Osmoflo Holdings Pty Ltd., a major Australian engineering firm specializing in industrial water treatment. By the end of fiscal 2012, Marubeni will be providing services to 10 million people, and we aim to be among the top 10 names in the water business in the world.

(See p. 34 for details regarding the water business.)

#### Priority Business Fields

#### Essential Living Commodities

**Uchida:** Which business field is your strongest in essential living commodities?

**Asada:** That would be grain. Our transaction volume in this field, if we combine imports and off-shore trade, is about 20 million tons. This scale ranks Marubeni sixth among the world's major players in grain. We also handle 20% of Japan's entire grain trading volume,

ranking Marubeni first among Japanese trading companies. In the grain business, two things are important. The first is to create distribution efficiency by having a range of options worldwide for moving grain from optimal production to optimal consumer markets. The second is having a network that allows you to supply cost competitive grain. Marubeni's grain teams are developing more diverse grain production sites and a framework for procuring grain worldwide. In parallel, the teams are building a diversified global procurement structure to provide a stable supply of internationally competitive grain, not only to Japan, but also to the rest of the world. In 2012, the aim is to expand our transaction volume to approximately 25 million tons.

**Uchida:** What overseas markets in particular have caught Marubeni's attention in grain?

**Asada:** China. It has the world's largest population, is moving towards more Western dietary habits, and has become the world's biggest grain importer. In recent years, Marubeni has entered a comprehensive alliance in the grain distribution sector with Sinograin Oil & Fats Corporation, a member of the Sinograin Group. Among other actions, we reached an agreement with the COFCO Group for exclusive sales rights for wheat exports to Japan, and took a stake in the feed and livestock business of the Shandong Liuhe Group, a farming combine. These alliance partners are each the largest or among the largest of their kind in China, and will contribute greatly to the global strategy our grain teams are promoting.

(See p. 18 for details regarding the grain business.)

# Human Resources Initiatives

No Personnel Development Without Frontline Experience

**Uchida:** As we were just saying, the evolution of the general trading company business model will see a variety of human resource needs emerge. For example, people who can perform a producer-type role by creating and proposing businesses themselves, and people who can build trust relationships with industry-leading partners without always needing to rely on companies under the Marubeni umbrella. It seems that general trading companies will increasingly seek a variety of human resources with highly developed lateral capabilities in order to take on diverse challenges in the future. What are your thoughts on that?

**Asada:** At present, over 80% of Marubeni's consolidated net income comes from overseas-related transactions. As you know, several factors, chief among them a declining population, low birthrates, and a growing elderly population, are causing the Japanese market to contract. For this reason, Marubeni will have to square off against competitors in the global market to a much greater extent than before to make sustainable growth possible. The key to our success or failure here is our people. For a general trading company, there is no greater management resource. To this end, we positioned the pursuit of a "top management-led human resources strategy" as one of the principal measures of SG-12. To strengthen our human resources further, we established the HR Strategy Committee, where I serve as chair, in order to develop human resources that can adapt to a changing business environment and diverse business models.

**Uchida:** What kind of human resources are you specifically looking to foster?

**Asada:** In brief, we are striving for human resources with strong individuality that can assert themselves on the global stage more than ever before. Beyond language skills, we need human resources with a real interest in and who can adapt to circumstances outside of Japan. They must be flexible enough in their thinking to accept different cultures, yet have a strong sense of resolve. A unique sense of their individuality is also important. I expect our people to display their strengths in frontline operations all over the world. They must have the strength to head off on their own accord, and

the passion to achieve any targets set. They will also make frequent visits to customers, an important habit to have for a trading company employee.

**Uchida:** Along those lines, there has been an apparent increase in the number of conservative-minded young people in Japan, many with no interest in going abroad.

**Asada:** The young employees you're describing are not found at Marubeni. Virtually every employee expresses a desire to work overseas.

**Uchida:** Once again, Marubeni defies expectations. During my own years stationed overseas I often found that general trading company people had a sense of responsibility for supporting Japan. I think this is a strength of Marubeni people, and that this attitude needs to be fostered in young employees. What are your specific thoughts with respect to human resources development at Marubeni?

**Asada:** Marubeni adopted a three-pronged approach to enhancing HR development. First, experience gained through practice is the main source for strengthening human resources.

Then there are assessment and incentive systems to encourage each individual's development and achievement as well as practical training programs. Particularly for young employees in their twenties, we are making overseas assignments mandatory, and encouraging them to gain practical experience at business sites at the forefront of our operations. For general trading companies, personnel development is impossible without experience of frontline operations.

Although in some cases the environment at these sites is quite difficult, our young employees have the advantages in terms of both the physical toughness and the mental flexibility necessary. If our employees gain an ability to judge things well through their experiences of going abroad at a young age and gaining a firsthand feel for customer needs,



then they will be better at thinking about complex cases in the future. Our employees will also get an head start on learning the specialized aspects of their business. If we are not well versed in the products, markets, business customs, and characteristics of a particular sector, we will not earn a customer's trust. I believe that the tools needed to earn a customer's trust can all be learned through firsthand experience on the ground. In our other training programs, we are also adding sessions where younger employees can develop a keen sense of frontline operations based on case studies of experiences and expertise of more senior employees.

**Uchida:** To operate on a global field, it would seem necessary to step up use of non-Japanese human resources. What are your thoughts on this?

**Asada:** Since the general trading company is a uniquely Japanese business model, I think that Japanese management personnel will be indispensable to general trading companies for some time. That said, I believe that local personnel have an important role to play in operating companies, and should be given responsibility for operations in countries and regions outside of Japan. For example, as with Helena Chemical Company, the second largest player in the U.S. market for fertilizer and agrichemicals, our main U.S. operating companies have a core management composed entirely of U.S. nationals.

## CSR Initiatives

CSR Activities Befitting Marubeni

**Uchida:** While aggressively developing a host of businesses as a general trading company, Marubeni has nonetheless won recognition from global CSR research and rating company SAM of Switzerland as both a "SAM Sector Leader," and as a member of the top

"SAM Gold Class" based on a comprehensive evaluation that well-exceeded the Factor rating. What sorts of CSR initiatives are behind these rankings?

**Asada:** One prominent feature of Marubeni CSR is the Marubeni Foundation, established in 1974. Each year the foundation spends ¥100 million to assist facilities and organizations involved in social welfare across Japan. Even in the early 2000s, when Marubeni was confronting a punishing management environment, the foundation stayed committed to this work. Marubeni has also set up scholarship foundations in the Philippines, Vietnam, Indonesia, Cambodia, Laos and Brazil. It would be wonderful if the young people in these countries who take advantage of this system one day find themselves connected to Marubeni yet again.

**Uchida:** One of the better-known socially responsible investment indexes, the Dow Jones Sustainability World Index (DJSI World), has included Marubeni as a component, top 10% of the leading sustainable companies, for three consecutive years. What points do you attribute this favorable performance to?

**Asada:** I think that the whole range of activities that Marubeni has pursued diligently for so long have finally come





to fruition. When we take action on the CSR front, our concern isn't how it will be evaluated. Instead, we work every day to make all officers and employees aware of CSR, and show our dedication to CSR through specific actions.

(See p.44 for more details regarding the SRI indexes.)

**Uchida:** The environment is also an important consideration in CSR, isn't it. Earlier, we talked about the key business fields of infrastructure and the environment. CSR is also related to the environment business in some ways. That is to say, in one way the environment can be treated as one business field of a general trading company, but from another angle, it is also a focus of social contribution activities. Where do you see connections between the two?

**Asada:** Marubeni is a private-sector company, so our purpose in doing business is of course to generate profits. But we also work vigorously to contribute to the environment through those businesses. A perfect example is the seven afforestation projects we have underway primarily in Indonesia, Australia

and elsewhere. Marubeni's total area of afforested and possibly-afforested covers 390,000 hectares\*. With these assets, we promote afforestation management, while creating employment opportunities at the same time. In Chile, we are promoting efficient use of water resources through our integrated water and wastewater operations. And in the Philippines, we, through our affiliates, TeaM Energy Corporation etc., are responsible for building facilities used to transmit electric power to regions and households without electricity, and installing distributed electric power sources (solar power), as part of measures in the country to bring electricity to every region. In addition, we take steps to support the livelihoods, health and education of local residents. Marubeni is similarly active in micro hydropower, as well as wind power, geothermal power, and other environmentally friendly renewable energy fields.

\* The figure of 390,000 hectares includes all areas of afforested and possibly-afforested affiliated with the Marubeni Group.

# Marubeni as a Global Company

Comprehensive Strength is the True Power of a General Trading Company

**Uchida:** In the past, a general trading company's business was mainly to function as an intermediary between producers and consumers. But today, that business model has radically transformed into one that, as you mentioned earlier, involves investment in and financing of resource interests, production facilities, and a variety of other areas, as well as developing entire supply chains covering upstream to downstream sectors. What were the factors that drove this transformation?

**Asada:** In the early days, when intermediating or trading was our core business, the role of a trading company in Japan was to scout out export and import opportunities. Since Japan has always lacked most natural resources, importing those resources was the only real option. Buying them required that Japan grow its exports to gain foreign currency, which made advancing into overseas markets critical. It was in this era that general trading companies in Japan offered functions such as intermediary services and overseas markets penetration support to their customers. But as times changed, Japan's manufacturing sector and

other companies became more international in scope, and acquired their own capacity to procure capital. Before long, these trends caused the functions that trading companies had excelled in to lose relevance. This turn of events led to debate over whether trading companies were still needed at all, or whether the industry itself was becoming obsolete.

**Uchida:** The reason for the existence of trading companies was itself called into question. I see. What conclusion did Marubeni draw from this situation?

**Asada:** We had to alter our business model. Instead of ending at just the intermediary business, we sought to acquire the insight and abilities needed to take the initiative in putting things into motion in order to deliver greater added value to our customers. Some good examples of this include securing ownership rights, our full-package infrastructure business, and investment functions with respect to each project. I mentioned securing ownership interests, but we don't stop at just infusing capital. Acting as a developer in its own right, Marubeni sends its own executives, experts, and other



Comprehensive Strength is the True  
Power of a General Trading Company



employees to local sites as part of its active involvement in developing and operating projects. In the trade business, too, instead of simple intermediary transactions, we are increasing the number of projects where we cover supply chains and value chains, upstream through downstream sectors, and everything in between. The business model you see today is the result of our pursuit to provide high-added value to customers. Particularly over the last 10 years, the reforms we initiated seem to have dovetailed nicely with the changes we predicted in the global economic climate, and have culminated in visible success.

**Uchida:** I imagine that cooperation with not one but a number of business divisions will be essential to large-scale business development and value chain creation. The typical impression of general trading companies among those on the outside is that divisions operate

stridently independently from one another, so this kind of cooperation would be difficult to coordinate unless the president or management ordered it. Is this an accurate view?

**Asada:** That was probably true, at least in part, in the past. But that kind of atmosphere simply does not exist today. Comprehensive strength, in which the entire company comes together as one, is the true power of a general trading company. When promoting a copper mine development project, for example, you have to be able to consider whether construction equipment from the transportation machinery team can be incorporated to execute the project more efficiently. Or whether our commodity teams can provide low-cost, high-quality materials. Or whether business and administrative divisions can come together to assemble the rock-solid capital procurement and project insurance coverage to

support all of this. If these points can't really be considered, then providing functions and services that offer high-added value in the truest sense to customers is impossible.

The approach called for is to fully capitalize on functions present as a general trading company to always deliver high-added value functions, services, and solutions. This is what defines the kind of businesses that only Marubeni can offer, or those that perfectly suit Marubeni.

**Uchida:** You mentioned businesses that perfectly suit Marubeni. What would you say are Marubeni's defining traits?

**Asada:** One of Marubeni's biggest traits is the presence of a well-balanced earnings structure.

**Uchida:** What do you mean exactly?

**Asada:** Resource businesses typically account for between 20% to 80% of a general trading company's earnings, and varies among companies. At Marubeni, resource businesses account for just over 40% of earnings, with machinery, materials, and living essentials accounting

for around 20% each. Instead of capturing explosive earnings from a specific field, having a well-balanced earnings structure means that a structure is in place for generating earnings from all fields without relying too heavily on one in particular. The resources field is of course an important field for Marubeni's sustainable growth, and will remain so since the stable supply of resources to Japan, which has few of its own, is non-negotiable. But this field carries the risk of sharp jumps or declines in earnings due to supply and demand, as well as price volatility. Marubeni has continuously strengthened its hand in non-resource sectors, while securing earnings power and cash flows that stay above a certain level regardless of fluctuations in market prices. This well-balanced earnings structure has become a core competence for Marubeni.





# The Future of Marubeni

Realizing a Stronger Marubeni Capable of Sustainable Growth

**Uchida:** Through their business activities, trading companies have played a major role in changing lifestyles in countries around the world, raising living standards and helping to form and develop better societies. They are expected to continue this role in the future. That brings me to my last question. Marubeni has already changed its business model in step with the changing times. What points do you consider vital to the Company's sustainable growth going forward?

**Asada:** I suspect that relentlessly forcing our business model to evolve, and whether we can continue to provide customers with the high-added-value functions, services and solutions they need, will remain key points. However, the most crucial thing with respect to Marubeni's sustainable growth, as I touched on earlier, is not simply to offer high added value, but to deliver truly distinctive products, services and functions that only Marubeni can or must, and that rival companies cannot.

Once this is achieved, Marubeni needs to win support from all stakeholders as the best trading company to do business with, the best possible partner, and a trading company to develop long-term ties with. And our existence has to be one in which Marubeni contributes unequivocally to economic, social and environmental development, and is considered a vital entity by people across the globe. In other words, the sole path to sustainable growth is for Marubeni, in all activities, to have a clear presence as a "partner that performs beyond expectations," as we demonstrate our commitment to realizing a stronger Marubeni.