Seizing upon changing, uncertain times as growth opportunities, we will forge our own path and elevate Marubeni to new heights.

In addition to anticipating issues and challenges facing society and providing solutions to society and customers, we will challenge new growth domains and new business models by transcending the status quo and conventional wisdom.

Masumi Kakinoki
President & CEO

In speaking with people both inside and outside of Marubeni since becoming president in April 2019, I keenly feel the magnitude of the expectations placed on Marubeni.

I believe that meeting such expectations is our raison d'être. I believe a general trading company is an essential partner that continually bridges gaps in society. In the 20th century, we bridged geographic gaps through trade. In the 21st century to date, we have been bridging gaps between current value and future value through investment. Over the past few years, we have entered a new era of rapid economic, technological and political change. Going forward, the Marubeni Group aims to bridge the new gaps (societal issues) that arise between the present and an obscure future. It is difficult to know what form these gaps will take, where they will lie or how big they will be. Additionally, gaps interact with each other, abruptly joining together or splitting apart.

We live in a challenging era. Nonetheless, I believe Marubeni is expected to continue to be a bold leader even amid such an environment. Marubeni will remain a company that propels society forward. The Marubeni Group aims not only to create timely solutions by anticipating societal challenges and the emerging needs of customers but also to co-create and realize dreams by anticipating the dreams of society and customers. The key to doing so is teamwork, as I tell all Marubeni Group personnel. Our teams need to hit the ground running, with everyone playing a valuable role. We cannot afford to have even a single member who lacks commitment or enthusiasm. We must forge ahead no matter what, thinking, acting and creating as a team. We do not fear failure. We never let failure become an intractable crisis. Additionally, we cultivate human capital by providing opportunities to bounce back from failure. As long as Marubeni workplaces are filled with hard-working young people warmly supported by their seniors, I have absolute confidence that we can meet expectations as a leader that continually bridges gaps.

The Marubeni Group adopted a vision of its future self as a Global Crossvalue Platform in June 2018. We did so to reaffirm our commitment to anticipating issues and challenges facing society and creating innovative solutions for society and customers, even in the coming era of uncertainty, through vertical evolution and horizontal expansion that break down various barriers, including between sectors, inside and outside the Company and national borders. As a first step toward realizing this vision, we unveiled our GC2021 Medium-Term Management Strategy in May 2019. We aim to be a value-creative group that transcends the general trading company framework. To do so, we will simultaneously pursue both sustained growth by strengthening existing businesses and explosive growth by creating new business models with sights set 10 years ahead.

In the fiscal year ended March 31, 2019, Marubeni earned consolidated net profit in excess of ¥230 billion, a second consecutive record, to achieve our GC2018 medium-term management plan target. Our earnings power and financial foundation are now stronger than ever before in Marubeni's history of over 160 years. We are heading into an unknown world. I believe uncertain times call for a management approach that places priority on Marubeni's Creed of "Fairness, Innovation and Harmony." This creed calls on us to act with fairness and integrity at all times, pursue creativity with enterprise and initiative, and give and earn the respect of others through cooperation. There are no words more fitting to the current era or more conducive to sustained growth in corporate value. I believe that upholding our Company Creed will in turn generate even greater expectations of Marubeni and further reinforce Marubeni's raison d'être and clarify its path forward. As president, I will make every effort to realize this aim.

Career History

April 1980	Joined Marubeni Corporation
June 2009	Senior Operating Officer, Power Projects & Infrastructure Division; Senior Corporate Officer, Abu Dhabi Trade House Project Department
April 2010	Executive Officer; Chief Operating Officer, Power Projects & Infrastructure Division
April 2013	Managing Executive Officer; Chief Operating Officer, Corporate Planning & Strategy Department, Global Strategy & Coordination Department, and Research Institute; Chairman of Internal Control Committee; Vice Chairman of Investment and Credit Committee
June 2013	Managing Executive Officer, Member of the Board
April 2014	Managing Executive Officer
April 2017	Senior Managing Executive Officer
April 2018	Senior Executive Vice President, Chief Executive Officer, Power Business & Plant Group
June 2018	Senior Executive Vice President, Member of the Board
April 2019	President and CEO, Member of the Board

President & CEO Masumi Kakinoki on Strategy

GC2021 Medium-Term Management Strategy in the President & CEO's Words

Q1 What is the Global Crossvalue Platform?

A1 Clarification of the Marubeni Group's raison d'être.

In June of 2018, the year in which Marubeni commemorated the 160th anniversary of its establishment in 1858, the Marubeni Group adopted Global Crossvalue Platform as a long-term vision to aspire toward.

In simple terms, building a Global Crossvalue Platform will involve radical reform of Marubeni's businesses and organizational structure. Until recently, Marubeni grew by creating and providing various solutions to society and customers while transforming its business model from trading to investing. However, we started to experience a major sense of crisis in response to society's changing values, the digital revolution and drastic changes in the industrial structure and competitive landscape. Under our existing organizational structure based mainly on product verticals, we were concerned about the possibility of sooner or later losing the ability to provide solutions to problems, obsolescence of our existing business models and the risk of asset holdings becoming stranded assets. We feared that perpetuation of the status quo could call Marubeni's raison d'être into question. In response, we initiated radical reforms after discussing how to best navigate the whole Marubeni Group through these changing times and how to turn threats into opportunities. The Global Crossvalue Platform is the Marubeni Group's commitment to its internal and external stakeholders — a clarification and reaffirmation of its raison d'être when launching these reforms and a commitment to continually grow corporate value on a

Group-wide basis.

The Global Crossvalue Platform was formulated through repeated face-to-face discussions among not only the Corporate Management Committee but also frontline Marubeni Group employees who create solutions that only Marubeni can deliver.

We extensively engaged in frank discussions with employees who have built our existing business models, asking them how long they expect those business models to last under an organizational structure based predominantly on product verticals, the conventional trading company framework. We were told that current business models would survive for another 2-3 years, 4-5 years or in some cases 10 years, but there were few business models that frontline employees were confident would survive beyond 10 years. I continue to communicate with all Marubeni Group personnel, constantly encouraging them to depart from the status quo, think hard about creating value throughout the Marubeni Group, embrace challenges without being afraid to fail and break free of existing organizational silos.

The "platform" in Global Crossvalue Platform is a generator of new businesses based on cross-pollination of various forms of value on a global scale. The Marubeni Group itself aims to create solutions for society and customers by anticipating the issues and challenges facing society while evolving vertically and expanding horizontally as a single mega-platform encompassing a wide variety of businesses.

We will challenge new businesses by dismantling outdated organizations and transcending conventional wisdom. We will realize a Marubeni Group that challenges new growth domains and new business models.

Long-Term Direction

Our vision: Global crossvalue platform
Value creation company going beyond the boundaries of the current *Sogo Shosha*

Pursue growth engines and create new business models by proactively addressing the challenges of customers and society through vertical evolution and horizontal expansion

Global crossvalue platform
Marubeni

Global Changes and Major Trends toward 2030

- Millennial generation and changing values
- Technological innovation, digital transformation
- Geopolitical risk and the shifting balance of world powers
- Transformation of the industrial structure
- New business ecosystems

Discontinuous changes, Disruptions to the status quo

Concurrent Opportunities and Threats

Opportunities

- New growth opportunities arising from changes

Threats

- Risk of existing business models becoming obsolete
- Limitations inherent in solutions based on product-oriented business lines

Ability to identify opportunities and threats, anticipate the future and drive change

Q2 Is the GC2021 Medium-Term Management Strategy a plan to realize your Global Crossvalue Platform vision?

A2 It is not a mere plan, but a strategy. It is a first step toward realizing our vision.

We formulated the GC2021 Medium-Term Management Strategy as a first step toward implementing our Global Crossvalue Platform with the aim of long-term corporate value creation with our sights set on 2030. Additionally, strategies toward realization of our 10-year vision in various business domains have already been extensively discussed and shared between management and frontline business units. GC2021's three-year term is those strategies' execution phase. GC2021 is accordingly a medium-term management strategy, not a mere plan.

The Global Challenge 2018 (GC2018) medium-term management plan, GC2021's precursor, was launched in April 2016 and revised in May 2017, largely in response to changes in the external environment. In its final fiscal year (ended March 31, 2019), we achieved the revised quantitative targets, including consolidated net profit, free cash flow after delivery of sharholder returns, net debt/equity ratio and ROE. With our financial and earnings foundations steadily strengthening, we believe we have now laid the groundwork for GC2021's new challenges.

Our basic policy under GC2021 is to simultaneously pursue both sustained growth by strengthening existing businesses and explosive growth by creating new business models with our sights set 10 years ahead, all predicated on building and maintaining a strong financial foundation as a cornerstone for growth. To do so, we have incorporated three growth horizons into GC2021 as a new concept for Marubeni. These three growth horizons are one of GC2021's distinguishing features.

Horizon 1 supports sustained growth through improvement of existing businesses. Specifically, we will endeavor to grow earnings by maintaining or upgrading the value of existing businesses through capital expenditures* that, for example, extend the useful lives of existing assets.

Horizon 2 supports sustained growth through the pursuit of strategies distinctive to the Marubeni Group in existing business domains. Business divisions finished formulating their respective visions and strategies at 2018. These strategies are now in the execution stage. New investments made in existing business domains in the course of executing these strategies are Horizon 2 investments.

We have designated Horizons 1 and 2 as the Marubeni Group's core earnings drivers for achieving sustained growth during the GC2021 execution period.

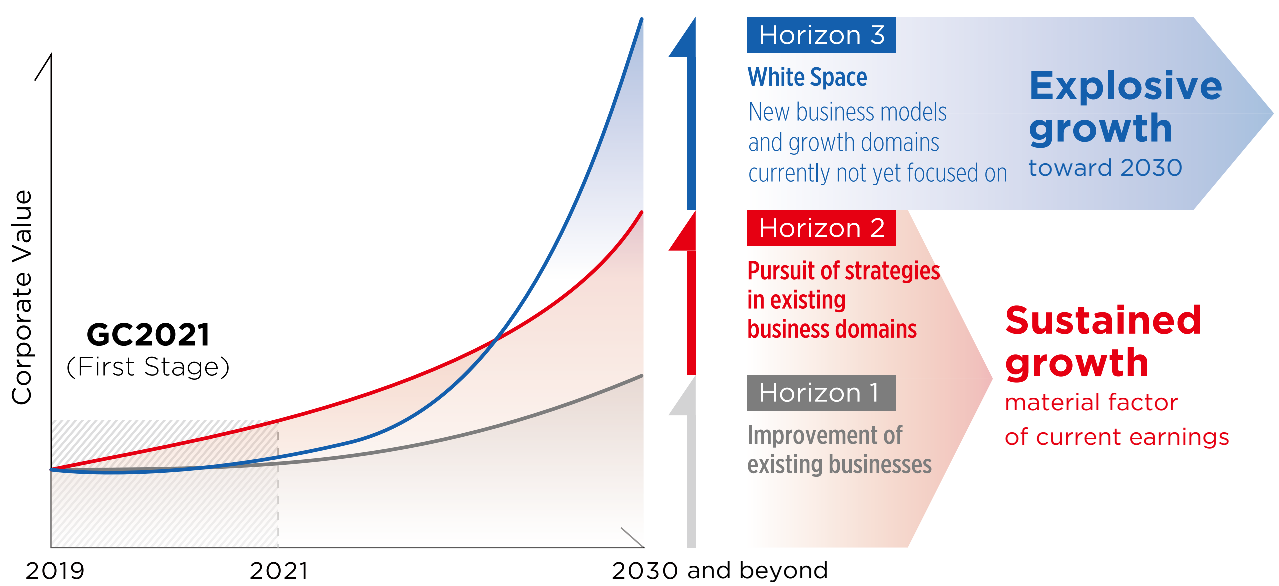
Horizon 3 targets explosive growth toward 2030. To realize such explosive growth, we have defined a concept we call White Space, which refers to new business models and growth domains that the Marubeni Group has yet to exploit. Because White Space represents a new frontier for the Marubeni Group, we recognize that Horizon 3 investments may not have realistic prospects of contributing to earnings during the GC2021 execution period. Nonetheless, we will boldly engage these highly promising growth domains to achieve explosive growth toward 2030. Beyond the explosive growth stage, Horizon 3 businesses will be treated as Horizon 1 or Horizon 2 existing businesses, meaning that we will further expand and upgrade them. Meanwhile, we will continue to challenge White Space businesses in pursuit of another round of explosive growth. Through this approach, we seek to increase the Marubeni Group's value not only on a single year basis but over one- to three-decade timeframes by always challenging new business models with different timelines corresponding to the three growth horizons.

Organizationally, we have carried out structural reforms and reallocated human (organizational) capital. We will explicitly allocate cash flows to implement our three growth horizons with differing timelines, all in the aim of strengthening existing businesses and creating new business models.

*Capital expenditures are additional investments in existing assets to maintain or increase their value.

See page 024 for more details on "Concepts of Horizon 3 and White Space."

Basic Policy of Management Strategy (Corporate Value Enhancement and Growth Horizons)



Q3 How do you plan to allocate capital in pursuit of growth?

A3 We will realize a virtuous cycle toward cash-flow maximization by allocating capital based on growth horizons.

Under GC2021, we will further strengthen cash flow management in pursuit of long-term corporate value creation. We will work to maximize core operating cash flow*, our root source of cash generation, and aim to generate cumulative positive core operating cash flow of ¥1,200 billion during GC2021's three-year term.

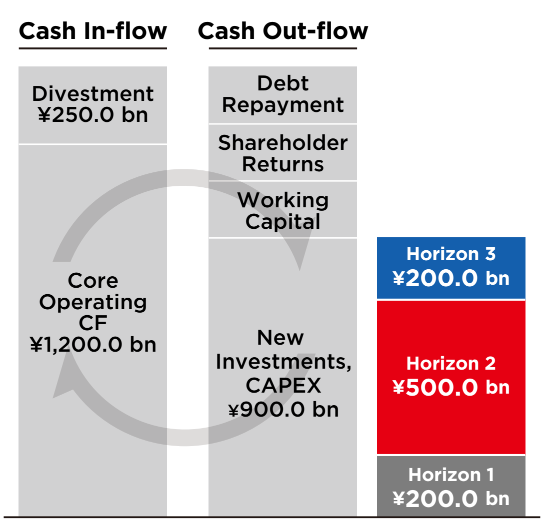
In terms of capital allocation, we will maintain financial discipline and further strengthen our financial foundation by achieving three-year cumulative positive free cash flow of at least ¥100 billion after delivery of shareholder returns, and use it to pay down debt. By doing so, we expect to achieve our target of reducing our net debt/equity ratio to around 0.8 times by March 31, 2020, one year ahead of schedule. By March 31, 2022, the end of GC2021's third and final fiscal year, we expect our debt/equity ratio to improve to approximately 0.7 times.

We have been consistently allocating capital to growth opportunities since GC2018's inception. We plan to maintain a strategically selective approach to new investments and capital expenditures. During GC2021's term, we plan to invest some ¥900 billion, allocated as follows to the three growth horizons.

Horizon 1: ¥200 billion allocated to expenditures required to improve existing businesses
Horizon 2: ¥500 billion allocated to new investments aimed at strengthening and expanding our foundations in pursuit of strategies in existing business domains
Horizon 3: ¥200 billion allocated to new investments in White Space, defined as new business models and growth domains not yet exploited by the Marubeni Group, for realization of explosive growth toward 2030

Through this approach that aims to generate cash flow with differing timelines, our allocation of capital to growth opportunities will realize a virtuous cycle that maximizes core operating cash flow and, in turn, further increases our capacity to invest.

Cash Flow Management



Three-year cumulative CF target

*Core operating cash flow: Operating cash flow excluding Net increase/decrease in working capital and others

Q4 What is your stance toward new investments under GC2021?

A4 SPP: Strategy × Prime × Platform

As part of GC2021, we have formulated a trio of new business policies we call SPP —Strategy × Prime × Platform— as basic principles common to all of the Marubeni Group's business models.

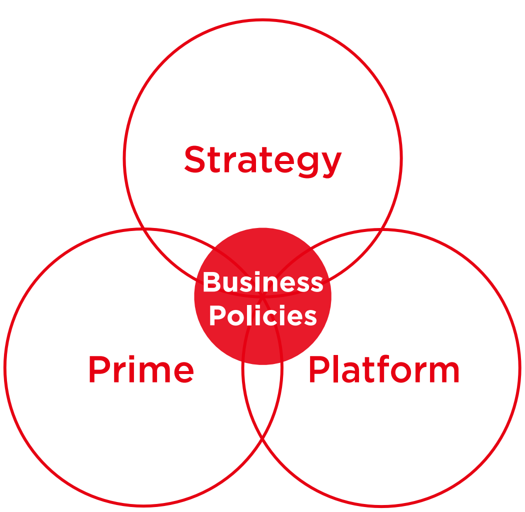
Strategy policies involve closing the gap between the status quo and our vision. It expresses our renewed commitment to staying intensively strategy-focused.

Prime policies involve proactively executing strategies across all Marubeni Group businesses. If we were to merely invest in businesses, we would have much fewer opportunities to create solutions to the challenges and issues facing society and customers. We would also have less growth potential. We have accordingly made a commitment in the form of our Prime policy, which means proactively formulating and executing with the aim of increasing the value of our businesses. When investing in businesses that are too large for us to acquire a majority stake, we will take the initiative to add value to these businesses by teaming up with like-minded partners in mutually complementary strategies. Additionally, we believe our Prime policy increases the motivation of frontline Marubeni Group personnel.

Platform policies involve leveraging the Marubeni Group's platform to substantially grow its businesses. In White Space businesses in particular, we believe we must create new value by synergistically combining a wide variety of internal and external expertise. Additionally, we treat businesses with promising prospects of geographic, market or product-line expansion as platforms. We will pursue expansion of such businesses through M&As and/or organic growth with the aim of long-term earnings growth.

After instilling these new SPP business policies in our workforce as values common to all personnel, including both employees and management, we will work to maximize the value of the Marubeni Group's overall portfolio businesses by selectively making SPP-based new investments, strengthening existing businesses and expediting recoupment of previous investments and asset turnover.

New Business Policies (SPP) : Strategy × Prime × Platform



Q5 What are your specific growth strategies?

A5 We will meet the challenge of expanding into White Space in addition to pursuing further growth in existing business domains based on our growth horizons.

GC2021 does not designate any strategic growth sectors because our business divisions are pursuing their own respective strategies to create new value. When formulating GC2021, we placed priority on strategies devised by our business divisions based on their experience addressing the needs and wants of customers and society. The business divisions of course formulated their respective growth strategies in accord with GC2021's basic policies, namely the growth horizons and SPP business policies.

Organizational aspects of the growth strategies' implementation were also extensively discussed in the process of formulating GC2021. We concluded that for the Marubeni Group to be able to anticipate dizzyingly fast changes in societal values, digital technologies, industrial structure and the competitive landscape, we must speed up our own processes and expedite the implement of growth strategies. GC2021 therefore includes organizational reforms. Specifically, we flattened the chain of command from four layers to three so that business divisions are able to implement their strategies more swiftly. The three layers

Horizon 1	Horizon 2	Horizon 3
Improvement of existing businesses	Pursuit of strategies in existing business domains	White Space

Business Strategies of the Existing 13 Business Divisions (Existing Business Domains + White Space)

Consumer Products

Lifestyle | ICT & Real Estate Business | Forest Products

- Global ODM business for SPA brands; Direct-to-consumer sales business (SPA, e-commerce, etc.)
- ICT business; Domestic and overseas housing development/sales and asset management business; Technology-enabled solutions such as 5G etc. & value-added service for condominium residents and other customers
- Musi Pulp Project's competitiveness and profitability; Packaging manufacturing and sales business overseas

Power Business, Energy & Metals

Power Business | Energy | Metals & Mineral Resources

- Total Energy Solutions Business, especially renewable energy power and natural gas/ new energy value-chain businesses, in recognition of a low-carbon society
- Global Power-retail/ Power-service related businesses; community-based utility service; distributed power generation and energy businesses
- Superior upstream interests; Initiatives for environmental and circular economy businesses

Food, Agriculture & Chemicals

Food | Agri Business | Chemicals

- Sales and marketing of specialty products in the food and chemical sectors; expanded presence in the life science field in particular in chemicals
- Production and manufacturing capabilities
- Helena Agri-Enterprises; Global agri-input business including Asia and South America; North American grain origination business

Machinery, Infrastructure & Financial Business

Plant | Aerospace & Ship | Finance & Leasing Business | Construction, Auto & Industrial Machinery

- Strong presence in social infrastructure business; Infrastructure fund business
- Finance and leasing businesses that transcend industrial verticals; Next-generation financial services businesses
- Functions in machinery & industrial domains by enhancing high-value-added services

See pages 076-101 for more details on growth strategies of our divisions.

consist of Marubeni's president, Division COOs and departmental general managers. Additionally, our previously product-based business divisions were reorganized along business-model lines, centered on steadily implementing each growth strategy. Our previous structure of six groups comprising 16 business divisions was reorganized into four groups comprising 13 business divisions. Additionally, we newly established the Next Generation Business Development Division. Its mission is to create new White Space business models from the standpoint of Group-wide optimization. It will develop growth strategies with a staff of some 100 reassigned from other business divisions.

The other four groups and 13 business divisions will deploy the Three Growth Horizons in their respective growth strategies. In Horizons 1 and 2, they will steadily progress along the path of sustained growth by expanding existing businesses and business domains. At the same time, they will pursue the White Space of Horizon 3 in close coordination with the Next Generation Business Development Division.

See "Next Generation Business Development Division: —Business Development Organization for the Creation of New Business Models Focused on the Next 10 Years" on page 026 for more details on the Next Generation Business Development Division.

Column

Chain of Command Flattened to Three Layers

Evolving vertically and expanding horizontally by strengthening and expanding existing businesses and cross-pollinating

Since April 2019, Marubeni has embarked on structural reforms to implement new growth strategies toward the realization of the Marubeni Group's Global Crossvalue Platform vision.

First, to evolve vertically (strengthen and expand existing business domains), the Marubeni Group flattened its chain of command from four layers (President, Group CEOs, Division COOs and departmental general managers) to three layers (President, Division COOs and departmental general managers). The flatter organizational structure will enable business divisions to implement strategies faster.

To promote horizontal expansion (cross-pollination among existing businesses, entry into new business domains), Marubeni established the Next Generation Business Development Division under its Chief Digital Innovation Officer (CDIO). In addition to being conducive to horizontal expansion, the new organizational structure will allow Group CEOs to manage their groups and supervise business divisions from more of a company-wide perspective.

Horizontal Expansion

Takeo Kobayashi
Managing Executive Officer
Chief Executive Officer,
Consumer Products Group

Akira Terakawa
Senior Managing Executive Officer
Chief Executive Officer, Food,
Agriculture & Chemicals Group

Ichiro Takahara
Senior Executive Vice President,
Member of the Board
Chief Executive Officer, Power Business,
Energy & Metals Group

Hajime Kawamura
Senior Managing Executive Officer
Chief Executive Officer, Machinery,
Infrastructure & Financial Business Group

Hirohisa Miyata
Managing Executive Officer,
Member of the Board
CDIO

Key Features of Organization Reforms

- Aggregation of agri-input business & North American grain origination business to pursue further growth in the agribusiness domain
- Reorganization of Power Business Division and Energy Division under the same business group to pursue total energy solutions
- Reorganization of finance and leasing businesses under the same business division to pursue new financial solutions
- Establishment of Next Generation Business Development Division to create new business models from the point of view of Group-wide optimization

Q6 What is your shareholder returns policy?

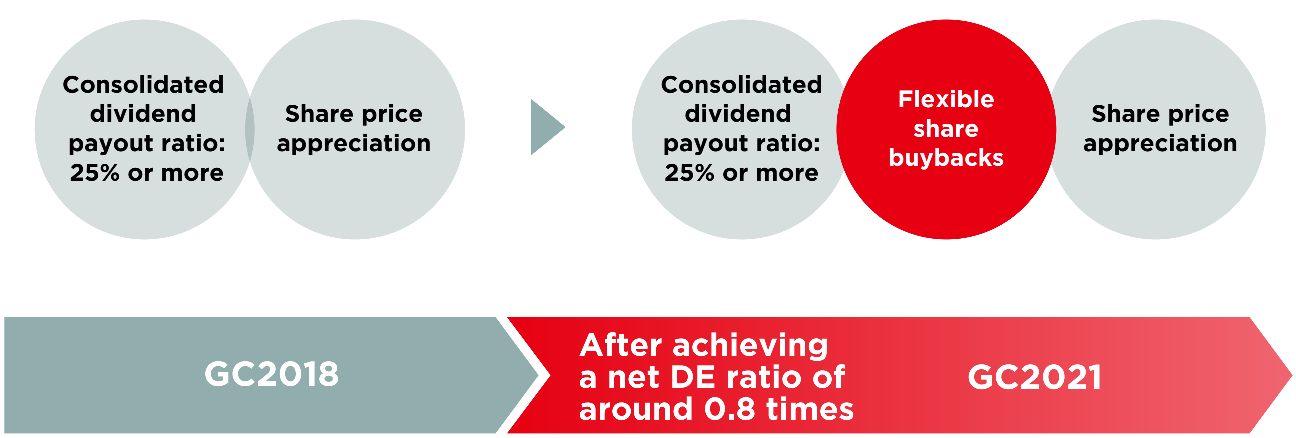
A6 We will flexibly buy back shares after achieving our net debt/equity ratio of around 0.8 times.

For dividends, we maintain a consolidated dividend payout ratio of '25% or more'. We treat the dividend forecast we disclose at the beginning of every fiscal year as a minimum dividend for that fiscal year. Under GC2021, we are targeting consolidated net profit of ¥300 billion in the fiscal year ending March 31, 2022. Although we don't plan to change our dividend payout ratio of '25% or more', we expect to increase our dividends by growing profits.

In addition, after achieving a net debt/equity ratio of approximately 0.8 times, we will buy back shares as an additional shareholder returns policy. The buyback will be done flexibly based on our ability to generate core operating cash flow, the primary source of capital allocation, and after evaluating our growth investment pipeline.

In addition to maintaining and enhancing the value of existing business, we believe that profit growth driven by new investments is important to long-term growth in shareholder value. During GC2021's three-year term, we plan to allocate some ¥900 billion to new investments (including CAPEX), including Horizon 3 investments. We aim at strategic investment in prime assets to lead to growth in shareholder returns through future profit growth and share price appreciation.

Shareholder Returns



Q7 What are the management indicators and financial targets of GC2021 ?

A7 Consolidated net profit, cash flow, ROE and pursuit of sustained growth in market capitalization.

The main management indicator of GC2021 is consolidated net profit. We aim to earn consolidated net profit of ¥300 billion in the fiscal year ending March 31, 2022, GC2021's final year. It is ¥60 billion higher than our ¥240 billion consolidated net profit target for the fiscal year ending March 31, 2020, and we are confident that it can be attained through steady execution of our ongoing growth strategies. During GC2021's term, we expect improvements to existing businesses to add about ¥50 billion to consolidated net profit and new investments to add another ¥20-¥30 billion, giving us a ¥10-¥20 billion buffer built into our target.

Other targets include three-year cumulative positive core operating cash flow of ¥1,200 billion, three-year cumulative positive free cash flow of ¥100 billion or more after delivery of shareholder returns, and net debt/equity ratio at March 31, 2022, of around 0.7 times.

Additionally, we have set a minimum ROE target of 10% in light of our cost of capital. Our ROE is currently in the vicinity of 14%.

Under GC2021, we are pursuing sustained growth in market capitalization as a new management indicator/target not included in any of our previous medium-term management plans. We did so to signal internally and externally that we will pursue growth in market capitalization through efforts to increase corporate value as a value-creative corporate group that transcends the trading company framework in pursuit of our Global Crossvalue Platform vision. We believe management has a responsibility to grow market capitalization.

Management Indicators, Financial Targets

Consolidated net profit		FYE 3/2022	**¥300.0 bn**
Cash flow	Core operating CF	Three-year cumulative	**¥1,200.0 bn**
Cash flow	FCF after delivery of shareholder returns	Three-year cumulative	**+¥100.0 bn or more** (FYE 3/2022: Net DE ratio of around 0.7 times)
New investments (including CAPEX)		Three-year cumulative	Approx. **¥900.0 bn** (**Horizon 3 ¥200.0 bn**, **Horizon 2 ¥500.0 bn**, **Horizon 1 ¥200.0 bn**) (On the condition of achieving targeted FCF after delivery of shareholder returns)
ROE			**10% or more**

Pursue sustained growth in market capitalization

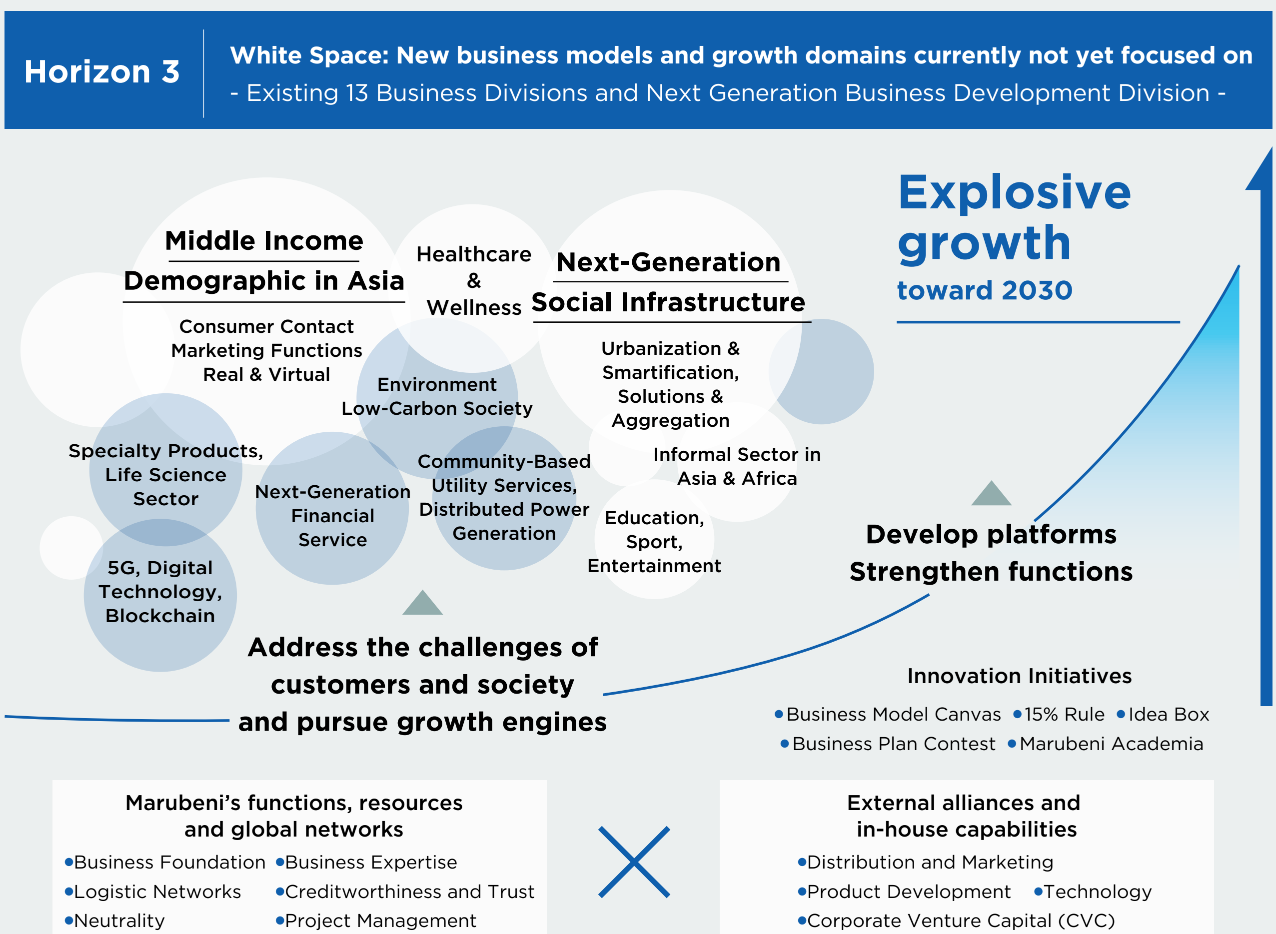
Column

Concepts of Horizon 3 and White Space

Marubeni will achieve explosive growth toward 2030 by creating new business models in White Space.

Marubeni will pursue long-term corporate value creation with its sights set on 2030. To convey its commitment to doing so to internal and external stakeholders, Marubeni incorporated into GC2021 a basic policy of explosive growth through creation of new business models with sights set 10 years ahead. The term "explosive growth" is the outcome of extensive discussion during the GC2021 formulation process. Alternatives such as "dramatic growth" were initially also proposed, but Marubeni decided to publicly commit to pursuing "explosive growth" to exceed internal and external stakeholders' expectations by transcending its previous boundaries.

Marubeni will generate explosive growth on Horizon 3, the objective of which is White Space—new business models and growth domains the Marubeni Group has yet to exploit. In contrast, the objective of Horizons 1 and 2



is sustained growth through efforts to steadily increase the value of existing businesses by strengthening and expanding them. Marubeni will ferret out growth engines from White Space on Horizon 3. While Marubeni defines "explosive growth" as multifold growth in a business's value within a 10-year timeframe, it does not intend to become involved in high-risk/high-return businesses.

A wide range of Horizon 3 growth opportunities exist one step beyond Horizons 1 and 2, domains in which the Marubeni Group can fully utilize its strengths. The key is to identify future growth engines by addressing and anticipating the challenges and issues of society and customers and proactively cultivating and growing businesses from a long-term standpoint. The aim of explosive growth is to grow businesses into core businesses many times more valuable within a 10-year timeframe, even if they do not contribute to earnings in their first years.

The adjacent infographic concretely depicts White Space to help internal and external stakeholders understand it better.

The white and blue balloons are growth domains and business models that are new to the Marubeni Group. They are areas we are targeting under GC2021. The business domains represented by blue balloons are ones already incorporated into the newly formulated GC2021 business strategies. They represent White Space the Marubeni Group will challenge as an extension of existing business domains, leveraging its strengths. The white balloons alongside the blue balloons represent domains in which the Marubeni Group does not yet have a presence, areas in which the Marubeni Group will strive to develop businesses from scratch under GC2021. The biggest white balloons are "rising middle income demographic in Asia" and "expanding next-generation social infrastructure." Marubeni will endeavor to create new business models in these two domains with major growth prospects by capitalizing on its platform encompassing its expertise, know-how, assets and other resources and capabilities. With respect to the rising middle income demographic in Asia in particular, Marubeni aims to go beyond its existing B2B business models by newly developing B2C models. In other areas as well, including "healthcare & wellness," "the informal sector in Asia & Africa," and "education, sport and entertainment," Marubeni will work to develop various new growth opportunities it has yet to challenge. In pursuit of its vision of becoming a Global Crossvalue Platform, Marubeni aims to transform into a company that transcends the general trading company model to realize explosive growth through the creation of new business models instead of clinging to its existing mindset, hesitant to branch out into new domains.

As already mentioned, Marubeni's consolidated net profit in the fiscal year ended March 2019 exceeded ¥230 billion, a second consecutive record-high, achieving the GC2018 medium-term management plan's target.

Marubeni's earnings power and financial foundation are currently stronger than ever before in its 160-year history. However, Marubeni has never previously extended its operations beyond the general trading company model or its own traditional business lines. Looking at the domains represented by the white and blue balloons, we keenly realized during the GC2021 formulation process the vastness of yet-to-be-exploited domains that extend beyond Marubeni's existing operations. At the same time, we became convinced that domains in which Marubeni has the potential to generate explosive growth are expanding. Marubeni will generate the explosive growth in this White Space through coordination between its newly established Next Generation Business Development Division and the 13 existing business divisions and cross-pollination of the Group's internal resources with external functions in the aim of creating new business models from the standpoint of Group-wide optimization.

See "Next Generation Business Development Division: Business Development Organization for the Creation of New Business Models Focused on the Next 10 Years" on page 026 for more details on the Next Generation Business Development Division.

Column

Next Generation Business Development Division:
Business Development Organization for the Creation of New Business Models Focused on the Next 10 Years

Confronting Societal and Customer Challenges, Pursuing Next-Generation Growth Engines

Masayuki Omoto
Chief Operating Officer, Next Generation Business Development Div.

The Next Generation Business Development Division was established in April 2019 with a total of about 100 employees as a new business division developing next-generation businesses by seizing upon underlying growth opportunities in societal challenges. We will develop new business models in next-generation growth areas, including the Asian middle-class, next-generation social infrastructure, healthcare and entertainment, which are all expected to grow robustly around the world going forward. We will also create new business models by pursuing the in-house utilization of AI, blockchain and other digital technologies and by combining them with Marubeni's business base and partnerships. With "creating business valued by the next generation" as the division's shared value, we will pursue measures that stimulate innovation, such as focusing on speed, thinking and acting on one's feet with no fear of minor failures, while avoiding the creation of obstacles to organizational awareness. We will work in close cooperation with all 13 business divisions as we pursue the development of next-generation businesses that will be the foundation for next-generation earnings.

Overseas Bases of Next Generation Business Development Division

Country	Location
U.S.	New York, Silicon Valley
China	Shanghai, Shenzhen
Singapore	Singapore
Estonia	Tallinn

Growth Theme for Next Generation Business Development Division

Asia Business Dept.	Next Generation Social Infrastructure Dept.	Healthcare & Medical Business Dept.	New Business Development Dept.	Digital Innovation Dept.
• Asian middle-class • Digital platforms	• Smart cities • New materials	• Healthcare • Medical	• Entertainment • Ag Tech • CVC	• Digital strategies • Innovation strategies
Business functions				Corporate functions

Establishment of a Corporate Venture Capital Fund

Marubeni established a Corporate Venture Capital Fund (CVC) firm called Marubeni Ventures Inc. This firm will look to invest in start-up companies around the globe.

In using Marubeni Ventures Inc. to invest in start-up companies that create innovative businesses, Marubeni will accelerate innovation beyond existing business models and create new businesses that will become the revenue base of the next-generation, and achieve explosive growth looking toward 2030 as stated in GC2021 Medium-Term Management Strategy.

This CVC will allow Marubeni to promote collaboration and co-creation with start-up companies more actively and with greater speed. Marubeni believes that it can support and accelerate the resolution of societal challenges, and also deliver new value to society through collaboration with selected start-up companies. Marubeni will achieve this by combining the disruptive innovation of start-up companies with its own knowledge, experience and expansive business network.

In addition to the CVC activities, Marubeni will facilitate partnerships with start-up companies as a means of creating innovative business with a global reach.

Establishment of a Pharmaceutical Product Wholesaler in China

Marubeni, in conjunction with Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (Fosun Pharma), established joint venture Fobeni Healthcom Pharmaceutical Jiangsu Co., Ltd. (Fobeni), targeting pharmaceutical distribution business between Japan and China.

In China, the spread of chronic diseases resulting from rising living standards and lifestyle changes has become a societal challenge. As China has recently been developing a medical insurance system, foreign pharmaceutical companies including Japanese ones are increasingly motivated to enter this market.

Fobeni will deliver high-quality Japanese pharmaceuticals leveraging Fosun Pharma's nationwide sales network in China and promote business aimed at resolving societal challenges.

Additionally, Marubeni and Fosun Pharma have entered into a comprehensive strategic alliance to supply high-quality pharmaceutical resources to overseas markets in Asia and Africa as well as in Japan and China. These resources include the first biosimilars* developed in China by the Fosun Pharmaceutical Group and high-quality pharmaceutical raw materials manufactured in China. Marubeni and Fosun Pharma will aim at further expanding business in the healthcare field.

*Biosimilars are pharmaceutical products verified to be of the same quality, efficacy, and safety as biopharmaceuticals (pharmaceuticals manufactured using genetic recombination and other biotechnologies) and approved as being similar to biopharmaceuticals.

Establishment of a Russian-Japanese Health Checkup and Prevention Center in Russia

Marubeni and Russian Railways*[1] signed a memorandum for the establishment of a Russian-Japanese health checkup and prevention center (the Center), with the support of the Ministry of Health, Labor and Welfare*[2] and in cooperation with Kameda Medical Center (Kameda*[3]).

The average life expectancy of Russian people is below the average for developed countries. One of the possible causes could be that preventative medical care, including regular health checkups, are not widespread in the country.

It is under such circumstances that Marubeni and Russian Railways have agreed to open the Center in Khabarovsk, Russia in 2021. The Center will provide high-quality preventative medical services, including health checkups, with the help of Japanese medical institutions.

Marubeni and Russian Railways plan to have the Center act as a flagship facility for the promotion of health checkups and preventative medical care in Russia, and are committed to having such medical care practices take root in the country leveraging the extensive hospital network of Russian Railways. The two companies will also work together to help Russian people to prevent diseases and lead healthier lives.

*1. Russian Railways is a railway company wholly owned by the Russian government. Russian Railways has the world's 4th longest railway total extension and also owns the largest hospital group in Russia, which comprises more than 170 medical institutions.
*2. The establishment of the Center is one of the projects of the "cooperation to raise medical standards in Russia and help extend healthy life expectancy of the Russian people" portion of the "Eight-Point Cooperation Plan", which Japanese Prime Minister Abe presented to Russian President Putin for promoting Japan-Russia economic exchange at the Japan-Russia Summit Meeting in May 2016.
*3. Manages Kameda General Hospital, etc.

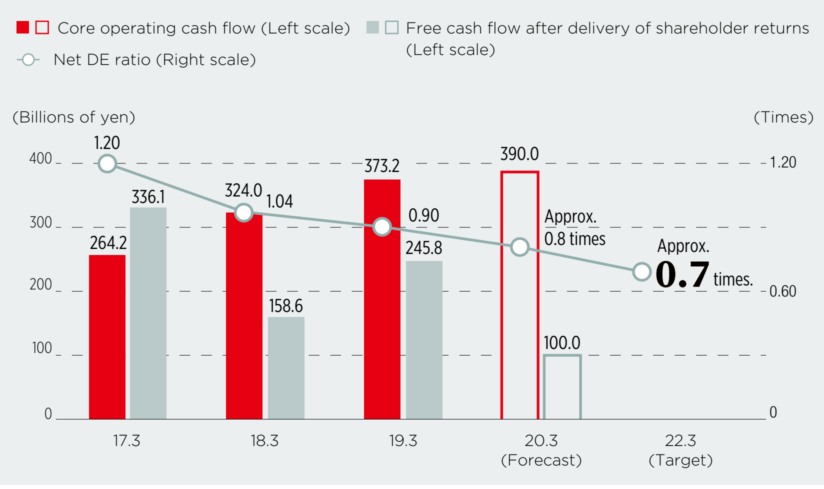
We aim to increase corporate value by pursuing strategic investments and expediting asset turnover while strengthening our financial foundation.

Q1

How are you approaching financial discipline while implementing the GC2021 strategy?

During the term of our previous medium-term management plan GC2018, we implemented various initiatives to maximize cash flow with the aim of further strengthening our financial foundation, which we set as a top priority. These initiatives included increasing the earnings power of existing businesses, screening prospective investments more selectively and expediting asset turnover. In the fiscal year ended March 31, 2019, such efforts resulted in all-time record consolidated net profit (¥230.9 billion) for a second consecutive year, substantial positive core operating cash flow of ¥373.2 billion and positive free cash flow (FCF) of ¥245.8 billion after delivery of shareholder returns. We consider core operating cash flow to be the most accurate measure of our earnings power. We used the cash thus generated to both pay down debt and build

Cash Flows/Net DE Ratio



Nobuhiro Yabe

Senior Managing Executive Officer, Member of the Board
CFO; Chief Operating Officer, Investor Relations and Credit Ratings;
Chairman of Investment and Credit Committee;
Chief Sustainable Development Officer;
Chairman of Disclosure Committee

up equity by accumulating profits, reducing our net debt/equity ratio at March 31, 2019, to 0.90 times, a 0.14-point improvement from a year earlier. We had set a target of reducing our net debt/equity ratio to around 0.8 times by March 31, 2021 at the latest. We now expect to achieve this target by March 31, 2020, one year ahead of schedule. We have been strengthening our financial foundation more rapidly than planned. We believe we have solidly laid the groundwork for our GC2021 Medium-Term Management Strategy.

The quantitative targets of the **GC2021** strategy include three-year cumulative positive core operating cash flow of ¥1,200 billion, positive three-year cumulative FCF of at least ¥100 billion after delivery of shareholder returns, and reduction of our net debt/equity ratio to around 0.7 times by March 31, 2022, through FCF-funded debt repayments.

With our operating environment changing at an ever-faster pace, we need to maintain a strong financial foundation with enough risk-bearing capacity to enable us to continue our investment activities and realize sustained growth. Deleveraging is crucial to maintaining and upgrading our credit ratings as a company that borrows globally. We aim to further strengthen our financial foundation by continuing to rigorously manage our cash flow and interest-bearing debt no matter how our environment changes going forward.

Q2

What is your investment strategy under GC2021?

During the three-year term of the GC2018 plan, we made strategically selective new investments totaling cumulative ¥287.3 billion (excluding capital expenditures*), mainly in non-resource businesses. Specific examples include equity investments in Creekstone Farms Premium Beef LLC, a U.S. beef processor/supplier; Saide Tekstil Sanayi ve Ticaret A.S., a Turkish company that plans, manufactures and sells apparel, among other products; and Orffa International Holding B.V., one of Europe's largest distributors of functional feed additives. We are also launching a containerboard manufacturing and packaging material sales business in Vietnam.

Meanwhile, we recouped a cumulative ¥636.9 billion over the same three-year period by rigorously divesting assets that no longer made strategic sense or lacked sufficiently promising prospects.

New Containerboard Manufacturing and Packaging Material Sales Business in Vietnam

Building a wholly owned containerboard manufacturing subsidiary in Vietnam

Marubeni has established Kraft of Asia Paperboard & Packaging Co., Ltd., and commenced construction of a plant in Ba Ria-Vung Tau Province, Vietnam. The plant is scheduled to be commissioned into commercial operation in the latter half of the fiscal year ending March 31, 2021. It is slated to have annual production capacity of 350,000 tons when operating at full capacity from 2022.

Marubeni has been accumulating expertise in the containerboard business overseas in addition to its experience managing and operating domestic subsidiaries Koa Kogyo Co., Ltd., and Fukuyama Paper Co., Ltd., (respectively 79.95% and 55% owned by Marubeni). Marubeni aims to expand operations in the growing Vietnamese containerboard market by playing the lead role in their management while capitalizing on its sales network and Koa Kogyo's production technology and know-how.

Aiming to capture growing containerboard demand in the burgeoning Vietnamese economy

Global containerboard demand is expected to remain buoyant against a backdrop of solid economic expansion and e-commerce growth. With a population in excess of 93 million, Vietnam is the third-most populous ASEAN country. Its economy is growing robustly by virtue of a combination of domestic demand growth driven by national income growth and recruitment of many foreign-owned exporters. Containerboard demand in Vietnam has been growing at a compound annual rate in excess of 10%, faster than in other ASEAN nations with more developed papermaking industries such as Thailand and Indonesia. Vietnam is expected to become the ASEAN bloc's biggest containerboard-consuming country by the mid-2020s.


Artist rendering of the factory

During the three-year term of **GC2021**, we plan to cumulatively invest some ¥900 billion split among three growth horizons. We intend to allocate ¥200 billion to capital expenditures to maintain and increase the value of existing businesses (Horizon 1), ¥500 billion to new investments to expand existing business domains based on the respective strategies of business divisions (Horizon 2) and, with sights set 10 years ahead, ¥200 billion to investments in new growth domains and business models (Horizon 3) while leveraging strengths cultivated in existing businesses. In accordance with this allocation plan, we will stringently adhere to our new “SPP” business policies irrespective of the business model involved, strictly maintain investment discipline and strategically screen new investments based on a thorough understanding of their risk/return profiles.

Faced with an increasingly uncertain competitive environment, we must make smart investment decisions and manage our operations from a forward-looking standpoint. We will accordingly discuss and understand the strategic attributes of businesses and the essence of their business models more deeply than in the past in addition to conducting quantitative due diligence.

We aim to maximize the value of the Marubeni Group’s overall business portfolio by exhaustively pursuing strategic fit in the businesses in which we invest and expediting asset turnover.

*Capital expenditures are additional investments in existing assets to maintain or increase their value

See “Q4. What is your stance toward new investments under GC2021?” on page 019 for more details on the “SPP” business policies.

Q3

What are you doing to improve capital efficiency in pursuit of corporate value creation?

At Marubeni, we have long managed our operations with a strong focus on cost of capital. In pursuit of profitability in excess of our cost of capital, we use PATRAC (Profit After Tax less Risk Asset Cost) as a proprietary KPI and, in making investment decisions, confirm on a case-by-case basis whether investment deals can generate returns commensurate with their risk. Even after making investments, we monitor them individually using PATRAC and flexibly reallocate management resources by replacing unprofitable or inefficient assets.

To promote effective utilization of shareholders’ equity, one of the GC2018 plan’s quantitative targets was ROE of at least 10%. In the fiscal year ended March 31, 2019, Marubeni achieved this target with an ROE of 13.9%. **GC2021** likewise includes an ROE target of at least 10% as a minimum benchmark. We will continue to manage our operations with a cost-of-capital consciousness.

PATRAC (Profit After Tax less Risk Asset Cost)

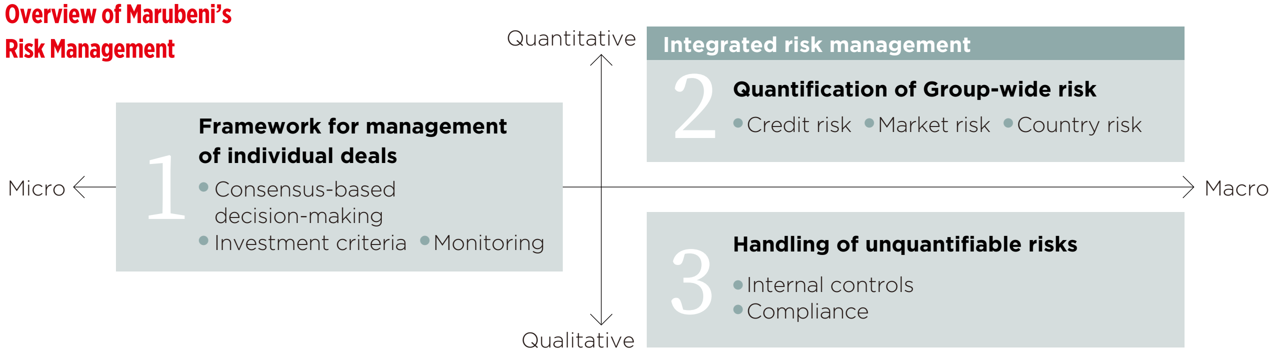
PATRAC (its objective is long-term expansion) = **Consolidated net profit** − **Risk assets** (required shareholders’ equity) × **10% risk asset cost** (cost of capital)

In conducting its diverse business activities, Marubeni manages risks through a multifaceted approach encompassing micro, macro, quantitative and qualitative perspectives. In an environment where exchange rates, resource prices and other financial and commodity market variables remain prone to substantial volatility, Marubeni practices integrated risk management by quantifying its maximum risk on a consolidated basis and keeping this maximum risk within the amount of total equity, which represents its risk-bearing capacity. While rigorously screening prospective investments on a case-by-case basis and monitoring them after they have been funded, Marubeni is also upgrading its internal control systems to prevent unforeseen losses.

See "Internal Control" on page 068 for more details of the internal control system.

Marubeni's Risk Management

Overview of Marubeni's Risk Management



Integrated Risk Management

Marubeni practices integrated risk management across its diverse operations spanning a broad range of sectors and geographic areas. Its integrated risk management incorporates both a macro view of the entire Group and a micro focus on individual risks. In conducting integrated risk management encompassing all of its Group assets, Marubeni uses the VaR (value at risk) method to calculate its maximum risk.

Integrated risk management synthesizes various risk factors to quantify risk as a single monetary value. Marubeni precisely quantifies risk through computerized simulations that reflect the latest information. Based on the asset holdings of the Marubeni Group, maximum downside risk (risk assets), as quantified by the VaR method is, at present, within the amount of total equity which is the source of funds for unforeseen circumstances.

Credit Risk Management

Marubeni analyzes counterparties' credit risk both quantitatively and qualitatively and manages its credit risk in accordance with the degree of risk involved. Specifically, Marubeni uses a credit scoring model based on its own proprietary algorithms and ranks customers in terms of creditworthiness based on their financial statement data and other relevant considerations, such as country risk and creditworthiness, including that of the parent company. Utilizing these creditworthiness rankings together with qualitative assessments, Marubeni sets credit limits for individual counterparties. Marubeni also calculates allowances for credit losses based on collection periods, seeks to earn returns commensurate with risk and takes precautions against losses.

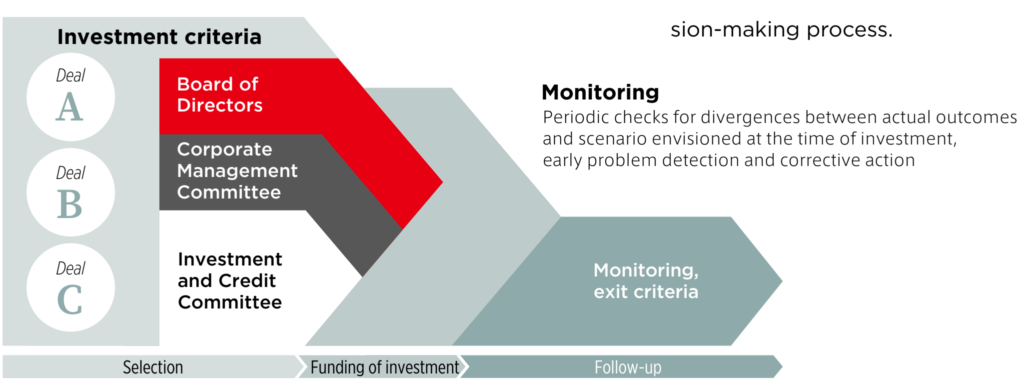
Market Risk Management

The various commodities in which Marubeni deals include crude oil, natural gas and grains, which pose a risk of substantial earnings volatility due to market price fluctuations. To avoid excessive risk exposure to any single commodity market, Marubeni currently manages the risk of such commodity price fluctuations by managing its commodity market positions that have commodity-by-commodity basis limits, and by regularly monitoring its positions in every commodity it trades.

Country Risk Management

Recognizing and managing the positive or negative impacts of unfolding events on individual countries and businesses amid an ever-changing, increasingly complex global business environment has become more important than ever for Marubeni, given its ongoing aggressive investment in overseas businesses. Marubeni currently categorizes countries based on their degree of risk in hypothetical scenarios in which financial risk escalates simultaneously across multiple countries. Marubeni manages both its overall exposure to each category of countries and the risk of concentrated exposure to any single country or region, the latter by controlling its exposure to individual countries.

Investment Decision-Making Process



Management of Individual Deals, Investment Decision-Making Process

For individual deals such as significant business investments, Marubeni has a risk management regime spanning every step from entry through exit-based consensus decision-making and monitoring.

With regard to new deals, business groups must first submit project summaries and business plans. In response, the relevant corporate staff groups submit opinions on the result of risk analyses from both a quantitative and qualitative perspective. They are then discussed by the Investment and Credit Committee. The Investment and Credit Committee applies PATRAC*, the risk-adjusted profit after tax, as one guideline for quantitatively evaluating the deal while taking into account the feasibility of individual deals, risk analyses and company-wide concentration risks. The deal is then forwarded to the Corporate Management Committee for further scrutiny and approved by the President. Deals that exceed a certain materiality threshold are approved by a Board of Directors' resolution.

* **PATRAC (Profit After Tax less Risk Asset Cost):** A performance indicator developed by Marubeni to measure the extent to which returns exceed a minimum risk-adjusted return target

Once an investment has been made, the business group monitors it. Highly material investments, however, are monitored more closely to facilitate early problem detection and corrective action. The Investment and Credit Committee, Corporate Management Committee and the Board of Directors periodically receive reports on the current status of investments. The strategic, growth and profit potential of these investments is examined, with necessary investments considered from a variety of multifaceted angles and the determination regarding whether to revise and move forward or withdraw made in accordance with a consensus-based decision-making process.