

Message from the President & CEO

**Whatever the future may bring,
we will build a robust foundation and
continue to evolve beyond the
boundaries of the *Sogo Shosha*
(general trading company) mold
as we aim to become a value-
creative corporate group.**

» We will take on the challenge of creating new business models and aim for long-term corporate value enhancement without changing the underlying spirit of the GC2021 Medium-Term Management Strategy.



Masumi Kakinoki
President & CEO



First, in addition to extending my deepest sympathies to all those affected by the impact of COVID-19, I would like to take this opportunity to express my profound gratitude to all of the medical institutions that are at the forefront of medical treatment and the many people who are working hard to prevent the spread of this virus.

The Marubeni Group has declared ensuring the safety of our Group employees, customers, and partners worldwide as our top priority, and we are taking every precaution as we continue our business activities. As president, I want to express my deepest gratitude for all Marubeni Group employees, who are facing challenges in carrying out their daily tasks; I am extremely proud of their ability to persevere through these difficult circumstances, continue to perform to the best of their abilities and focus on the Marubeni Group's future.

» The underlying spirit of GC2021 remains unchanged

I was appointed president in April 2019 and spent the fiscal year (ended March 31, 2020) focusing on instilling the new GC2021 Medium-Term Management Strategy. In particular, I focused on creating lots of opportunities for face-to-face communication with junior employees. One of my first priorities was to instill my message and unite all Group employees, so I visited as many countries as possible, rallied the Marubeni Group employees in those areas, including seconded employees from headquarters and local staff, and repeatedly engaged in direct communication with them.

Innovation is happening right now, all around us, whether we participate in it or not. Everything is moving at an accelerated pace, including technological breakthroughs, and, in some cases, things that had previously taken many small steps can now be achieved in a single bound.

For example, back when I used to work in the power business, a transmission line and a distribution line were necessary to supply electricity, even in a small village. Now, solar panel technology makes it possible to build a closed system for use by, for example, a single village, rendering obsolete the power line technology that was once essential in the not so distant past. We are in an age where breakthroughs make it possible to do things that people could once only dream of, or were otherwise technologically impractical – an age in which we can no longer rely on doing the same things we have always done to make progress.

Put simply, a *Sogo Shosha* is a collection of various businesses. We now live in a world where, in each of those businesses, the former conventional wisdom—that there is no doubt customers will come if you just continue to operate within the framework you have already built, or that customers will be happy to just buy what you have in stock—no longer applies. If you focus only on the work that your department is responsible for, you will never encounter anything new, so I encourage employees to venture outside of their normal work and see what the department next door is doing. As *Sogo Shosha* are involved in a diverse spectrum of fields, there are any number of possibilities for different businesses to collaborate. This is actually not an entirely novel idea. Years ago, we would often talk about creating synergies, but in the end we were unable to break out of our own rigid and over-compartmentalized work culture. The fact of the matter was, things were working out just fine for us, even if we didn't break free from those rigid frameworks – that is until recently. Now, due to various breakthroughs, these old-fashioned methods of doing business are gradually becoming untenable, and there is a very real possibility that the things we have relied on until now could become obsolete in no time at all. The Medium-Term Management Strategy emphasizes that threats and opportunities go hand in hand. I really believe this to be true, and so I have been



working to permeate this way of thinking throughout the Group. The Global crossvalue platform*, which has been adopted as the long-term direction of the Marubeni Group, was born from a feeling of being boxed into a corner, and the fear that, were we not to adopt it, we might end up losing our means of survival.

This is the situation Marubeni was in as the COVID-19 outbreak began, and at the end of the fiscal year (ended March 31, 2020), we recorded a large impairment loss, imposing a tremendous burden on our shareholders, and all of our stakeholders. To post this loss when we did was certainly a radical measure, but we recognized that in the long run, if we do not diligently maintain our financial strength and earnings power, we will end up placing even more of a burden upon the shoulders of our shareholders, investors, business

partners, and employees. Ultimately, we made the decision to post this loss when we did in the interest of proving to all of our stakeholders that they can still count on a bright future for the Marubeni Group. The world is changing at an astounding rate, irrespective of the situation with COVID-19. I believe that the underlying spirit of GC2021, which I have repeatedly discussed and instilled in our employees, remains unchanged; if we do not adapt to the changing world, we will be left behind, and it is possible that the assets we possess will quickly become obsolete. Marubeni is seizing this opportunity to address a number of aspects related to our business activities, for example reexamining ourselves, looking closely at the circumstances surrounding us, reflecting on things that need further consideration, and reviewing the things that require our full attention.

* For more details on the Global crossvalue platform, by which we aim to create long-term corporate value with our sights set on 2030, please refer to GC2021 Medium-Term Management Strategy on PP.10-14.

» A company is only as good as the achievements of its employees

For a *Sogo Shosha* like Marubeni, people are the most important asset. This company has both medium-term management strategies and company-wide goals. These apply to each group, business division, and department, but ultimately a company is only as good as the accumulated achievements of each and every one of our employees. This fiscal year, Marubeni is also working on HR system reforms based on this philosophy. When individuals set their “missions” for the year, if they make a mistake in setting their mission, or if they do not properly understand it, their earnest efforts may go to waste. That is why I place considerable emphasis on correctly setting missions as the basis for performance reviews. Just because an employee is always present at the office and appears to be busy does not mean they are doing meaningful work. A true review should reflect each employee’s contribution to achieving the goals set by the company. As such, it is equally important to clarify what is expected of each employee and to identify those expectations as individual missions. As an employee, it is extremely discouraging to feel that evaluations are not being properly conducted, so we have introduced a system by which, each year, the mission and expectations for each employee are clearly identified and defined.

» Thorough governance to ensure strategy execution

Over the years, the way in which we think about the achievements of a company has largely changed. In the past, I think there was this sense that the ultimate goal was to maximize one measure of financial value – posting a profit.

Because industrial progress has moved so rapidly in the past century, we have had an excessively negative impact on this planet; there are hardly any days where the environment, and particularly climate change, does not come up as a topic of conversation. Therefore, Marubeni incorporates ESG initiatives in our business activities, starting with the things we can do right away with our existing assets. One example of this is that we were the first in the trading house sector to proclaim our stance on coal-fired power generation.

Speaking of ESGs, while the “Environment” part gets lots of public attention, I consider “Governance” to be the most important. With good governance, we can appropriately respond to both environmental and social issues while simultaneously ensuring strategy execution. We can do nothing without proper governance. As such, Marubeni places the utmost importance on board-level governance and effectiveness in carrying out our business strategies. Marubeni’s Board of Directors is extremely stringent, and freely offers their opinions on any and all matters pertaining to our business. I think that this is the correct way for a company to operate. Beginning this fiscal year, five of our eleven directors are external directors, and I think that, in the future, this number will continue to be revised and eventually the external directors will outnumber the internal directors. That said, we do not expect external directors to simply conform to the same role of the internal directors. The most important characteristic of external directors is their external point of view. For example, when we start having internal discussions about an investment project, it is not unheard of for a heated debate to ensue about how we can put the investment project into practice. Then, when we have a Board of Directors meeting and the external directors ask a very simple question as to why we have made a particular choice, or whether this choice is necessary for the development of the Company, there are times that such simple but

substantive questions remind us of the importance of being objective and not overcomplicating the issue. On several occasions, the Board has even sent the proposals back to the deliberation phase. It is invaluable to have opinions from angles that we did not even think of, or even from outside of the company.

Furthermore, as Marubeni has many Group companies, we must continue to enhance not only the governance of our headquarters, but also overall Group governance. Unless the Board of Directors is effective Group-wide, which includes our important Group companies, we cannot claim to have thorough Group governance. This represents a tough task for us ahead, but I believe that ultimately it is not possible to say that we have achieved Group governance without implementing the same kind of governance across the board as we have here at headquarters.

» Working towards restoring trust

In light of our results for this last fiscal year, I must express my deep regret for falling short of our stakeholders’ expectations. In any event, put simply, I think there are two ways for Marubeni to restore trust. First, we cannot sustainably pay our shareholders and investors back unless we survive. Because it is not possible to enhance shareholder value all at once, I want to focus on recovering our financial strength, which was greatly damaged by the impairment losses. To start, we have made a big reduction in dividend forecasts for the current fiscal year (ending March 31, 2021). We will redirect these resources to improve our financial foundation, and to improve our net DE ratio, first to around 1.1 times by the end of March 2021, and then to around 1.0 by the end of March 2022, the final year of GC2021. We will work diligently towards achieving these goals. As the current fiscal year is the next

period after having incurred the impairment losses, the other way to restore trust is to achieve the earnings targets we have set for this year no matter what. By focusing on these two things, and producing results, I pledge to gradually regain the trust of our stakeholders.

I know that incurring these losses has caused stress for all Marubeni Group employees, but what we are doing now is focusing on forward-looking efforts and initiatives, and I believe that we have created an environment in which our employees will be able to focus on their missions without feeling burdened, and in which shareholders and investors alike can justifiably expect a bright future ahead for Marubeni; I am confident that we can produce results. Please look forward to great things from Marubeni.

August 2020

Masumi Kakinoki

President & CEO