

# Shareholders' Guide "Marubeni"

No.124, Summer 2018

## Top Message



### Financial Results for the Fiscal Year Ended March 31, 2018 and an Update of our "Global Challenge 2018"

I would like to express my sincere gratitude to you, our shareholders, for your unwavering support. Below I explain our financial results for the fiscal year ended March 31, 2018 and provide an update on our "Global Challenge 2018" (GC2018) Mid-term Management Plan's progress, which wrapped up its second year of the three-year term.

**Fumiya Kokubu**  
President & CEO

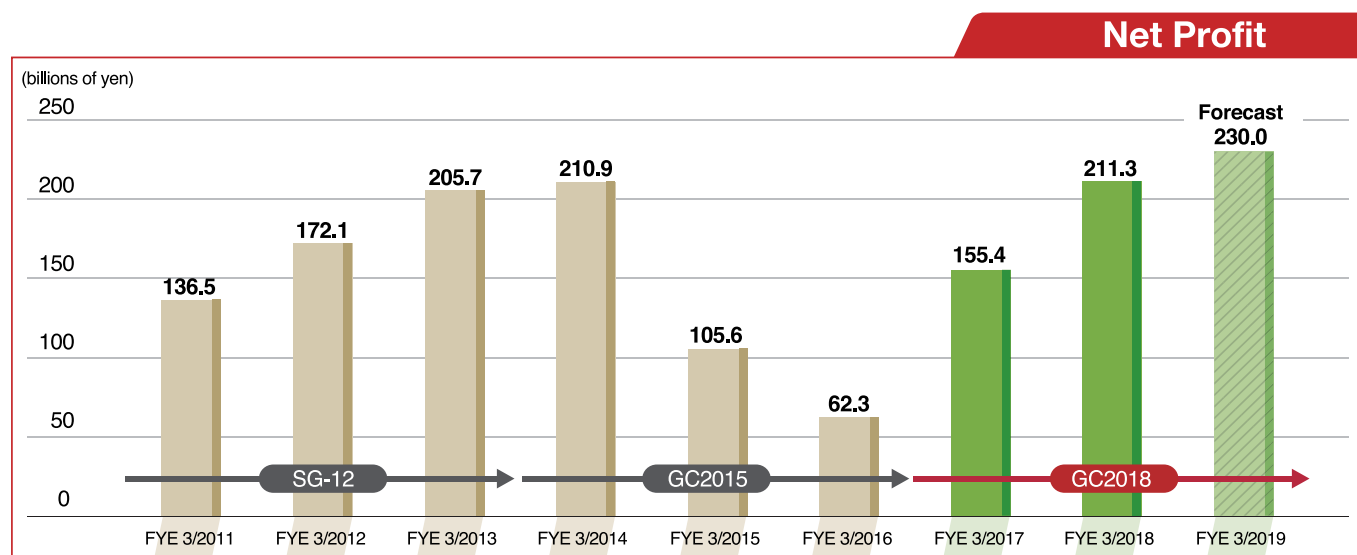
## Overview of Our Financial Results for the Fiscal Year Ended March 31, 2018

### 🚩 All-time Record Profits

Our business environment in the fiscal year ended March, 31 2018 was marked by continued stable recovery in developed economies, most notably the U.S., coupled with a pickup in growth in China and other emerging market economies. The global economy consequently grew stably on the whole. Additionally, commodities, including crude oil, coal and copper, rebounded in price relative to the previous fiscal year.

Amid such an environment, we earned all-time record

profits for the first time in four years, with consolidated net profit increasing a hefty 55.9 billion yen or 36% year on year to 211.3 billion yen in the fiscal year ended March 31, 2018. Non-resource businesses' net profit grew 28.9 billion yen, driven chiefly by the Food & Consumer Products, Chemical & Forest Products and Transportation & Machinery segments. Resource businesses' net profit increased 27.0 billion yen, largely by virtue of higher coal and copper prices.



\*The Company adopted US GAAP until FYE 3/2013, and adopts IFRS from FYE 3/2014 and onward.

## Steady Improvement in Our Financial Foundation

Under our Global Challenge 2018 (GC2018) Mid-term Management Plan, we are placing top priority on reinforcing our financial foundation. We are undertaking measures to generate more cash flow and reduce interest-bearing debt. We achieved a free cash flow (FCF) surplus of 203.7 billion yen in the fiscal year ended March 31, 2018, the second

consecutive year in which we were able to generate a high level of cash flow. By paying down debt with the cash flow thus generated, we ended the fiscal year with a net debt-to-equity ratio of 1.04 times, a 0.16 points improvement from the previous fiscal year-end. Our financial foundation is steadily improving.

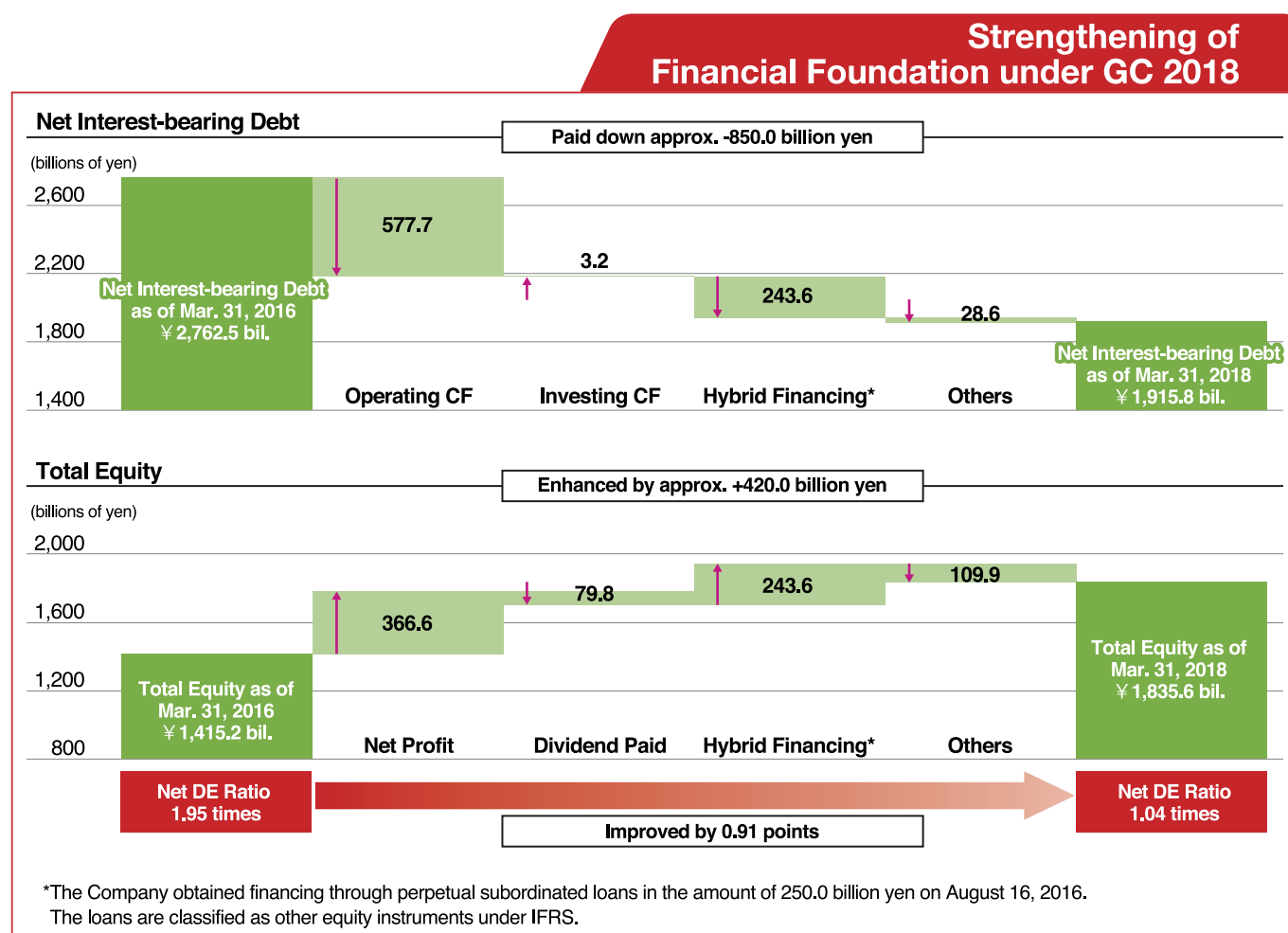
## Progress with the “Global Challenge 2018”

Over two years have passed since we launched GC2018 in the fiscal year ended March 31, 2017. We are now in GC2018's final fiscal year. Below I explain our progress during GC2018's first two years.

## Reinforcement of Financial Foundation Progressing in Advance

As mentioned earlier, in GC2018, reinforcing our financial foundation is our top priority, and we have been working on improving the financial standings by fundraising through hybrid financing, replacing assets and such. As a result, as shown in the diagram below, over the two fiscal years we

have repaid approximately 850.0 billion yen of net interest-bearing debt, enhanced approximately 420.0 billion yen of equity and improved the net debt equity ratio significantly to 1.04 times from what was 1.95 times at the start of GC2018.



## 🚩 Evolving our Business Strategy

In addition to reinforcing our financial foundation, we are simultaneously laying the groundwork for future earnings growth in accord with GC2018's basic policy of "evolving our business strategy" through such means as continuously undertaking strategic initiatives in pursuit of new opportunities. In December 2017, we held a briefing entitled "Growth Strategy in Marubeni's Distribution Businesses" on our growth strategy in

new businesses. Please visit our website to view a video of the briefing or the accompanying presentation slides.

Presentation material and video of "Growth Strategy in Marubeni's Distribution Businesses" are uploaded on our website.



[www.marubeni.com/en/ir/reports/business](http://www.marubeni.com/en/ir/reports/business)



## Progress of GC 2018 and Forecasts

	Revised GC2018 Mid-term Management Plan	FYE 3/2017-FYE 3/2018	FYE 3/2019 Forecast
<b>Consolidated Net Profit</b>	FYE 3/2019 ¥200.0 billion (Non-natural resources ¥180.0 billion or more)	FYE 3/2018 <b>¥211.3 billion</b> (Non-natural resources ¥198.0 billion)	FYE 3/2019 <b>¥230.0 billion</b> (Non-natural resources ¥180.0 billion or more)
<b>Free Cash Flow</b> (after dividends)	Cumulative total for 2016-2018 (FYE 3/2017-FYE 3/2019) ¥+400.0-500.0 billion	Cumulative for 2016-2017 (FYE 3/2017-FYE 3/2018) <b>¥+494.6 billion</b>	FYE 3/2019 (on a single-year basis) <b>¥+100.0 billion</b>
<b>Net DE Ratio</b>	as of March 31, 2019 Approximately 1.0 times	as of March 31, 2018 <b>1.04 times</b>	as of March 31, 2019 <b>Approximately 0.9 times</b>
<b>ROE</b>	10% or more	FYE 3/2018 <b>14.0%</b>	<b>10% or more</b>
<b>New Investments</b>	Cumulative total for 2016-2018 (FYE 3/2017-FYE 3/2019) ¥400.0-500.0 billion Strictly evaluate new investments in strong strategic terms mainly in non-natural resources	Cumulative for 2016-2017 (FYE 3/2017-FYE 3/2018) <b>Approximately ¥220.0 billion</b>	<b>Strictly evaluate new invest- ments in strong strategic terms mainly in non-natural resources</b>
<b>Consolidated Dividend Payout Ratio</b> (yearly dividend)	25% or more of consolidated net profit	FYE 3/2018 <b>25.5%</b> FYE 3/2017: 23 yen FYE 3/2018: 31 yen	<b>25% or more of consolidated net profit</b> FYE 3/2019: 34 yen -minimum-

## 🚩 GC2018 Quantitative Targets Achieved One Year Early

As shown in the table above, our consolidated net profit, free cash flow and net debt-to-equity ratio that I mentioned earlier all met their respective quantitative targets for the fiscal year ending March 31, 2019, GC2018's final year, a year

ahead of schedule. We continue to steadily execute GC2018 initiatives one by one in the aim of further surpassing the GC2018 targets through the concerted efforts of our entire workforce.

## 🚩 Aiming for All-time Record Profits for a Second Straight Year

We aim to achieve all-time record profits for a second consecutive year in the fiscal year ending March 31, 2019. Our consolidated net profit forecast is 230 billion yen, an 18.7 billion yen increase from last fiscal year.

In terms of cash flow, we will continue to strategically divest assets while making new investments in pursuit of growth. We aim to achieve an after-dividend free cash flow surplus

of 100 billion yen, with which we plan to pay down debt.

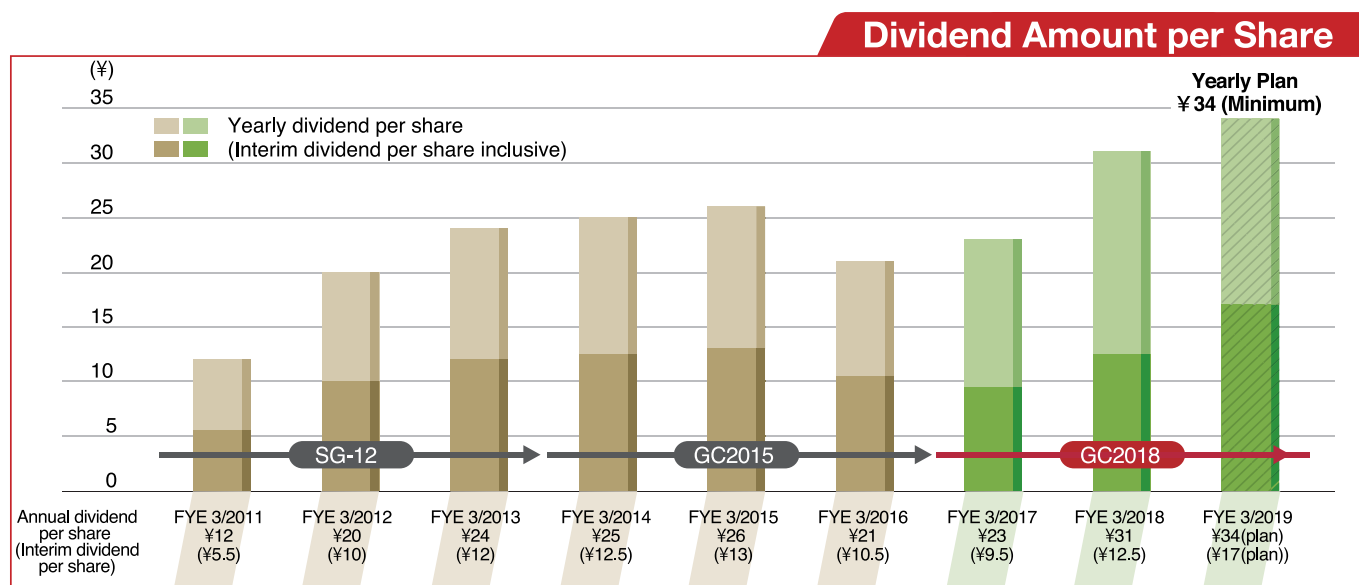
We expect our net debt-to-equity ratio to consequently improve to around 0.9 times at March 31, 2019. We are placing utmost priority on reinforcing our financial foundation to lower our net debt-to-equity ratio to around 0.8 times by no later than March 31, 2021. We believe we have made great strides toward this target.

**Planning to Pay Highest Dividend Ever at a Minimum**

For the fiscal year ended March 31, 2018, we have paid the annual dividend of 31 yen (interim dividend: 12.5 yen; year-end dividend: 18.5 yen) per share, 2 yen per share more than our February 6, 2018, dividend forecast of 29 yen per share, in accord with our basic policy of maintaining a consolidated dividend payout ratio of 25% or more of consolidated net profit, which was 211.3 billion yen. Dividends for the fiscal year ended March 31, 2018 were 8 yen per share more than the previous fiscal year's annual

dividends of 23 yen per share.

Yearly dividend for the fiscal year ending March 31, 2019 is projected to be 34 yen per share (of which our planned interim dividend is 17 yen per share), 3 yen per share more than last fiscal year's dividend of 31 yen per share, in accord with our aforementioned policy. For the fiscal year ending March 31, 2019, this initial yearly dividend forecast shall be set as the minimum.



**Toward the Completion of “Global Challenge 2018” and Beyond**

As the final year of GC2018’s term, the fiscal year ending March 31, 2019 will be a year of finishing touches. It is also the 160th anniversary of Marubeni’s founding. Throughout its long history, Marubeni has successfully navigated changing times and surmounted crises to become the Marubeni of today by transforming itself to continue providing solutions that meet society, industries and customers’ incessantly changing needs.

I want to make the current fiscal year Marubeni’s inaugural year to go beyond the boundaries of the current Sogo Shosha. As I already mentioned, we have achieved the GC2018 quantitative targets one year ahead of schedule. We aim to further surpass them, but that alone is not enough in our opinion, given the epochal turning point at which society now finds itself. Marubeni also must change, must continue advancing beyond GC2018. To do so, we are

launching various initiatives, some of which are described in the accompanying Special Feature, which I hope you read.

Please see: Special Feature

Lastly, I request the continued support of our shareholders in the coming years.

**Fumiya Kokubu**  
President & CEO



Special Feature :

## Going Beyond the Boundaries of the Current Sogo Shosha



In April 2018, the Marubeni Group established new structures and systems that will enable it to "going beyond the boundaries". This special feature introduces some of these new initiatives.

### ▶ Going Beyond the Boundaries

The Marubeni Group is approaching an epochal turning point. An upheaval in the business environment driven by digital transformation is forcing trading companies to change in order to survive. To achieve the reforms that will enable us to turn the dynamic changes in society into new business opportunities, we are aiming to "go beyond the boundaries

of the current Sogo Shosha". With the Marubeni Group as a single integrated platform, we are creating new distribution channels and solutions that go beyond conventional product groupings to meet the changing needs of our customers and society.

## ► The Thinking Behind Our New Organization

One important organizational change implemented at the start of fiscal year ending March 31, 2019 is the establishment of the Digital Innovation Department headed by the Chief Digital Innovation Officer (CDIO). The Digital Information Department will be the main engine driving the “Marubeni Group's promotion of digital strategies” and “innovations leading to the creation of a new business model”. These objectives will be realized through cross-organizational activities that extend across geographical boundaries. The Digital Innovation Department takes over the functions of the former IoT–Big Data Strategy Department (IB Strategy Department), established in fiscal year ended March 31, 2018 to promote various digital-related initiatives, and integrates those activities with the functions formerly performed by the Corporate Planning & Strategy Department's Market Strategy Section, which has been tasked with overseas strategy. In the fiscal year ending March 31, 2019, the new CDIO will further advance the initiatives undertaken to date.

To create innovation, we have established an internal support system that has begun operations focused on three themes: “human resources”, “mechanisms” and “time”.



## Human Resources

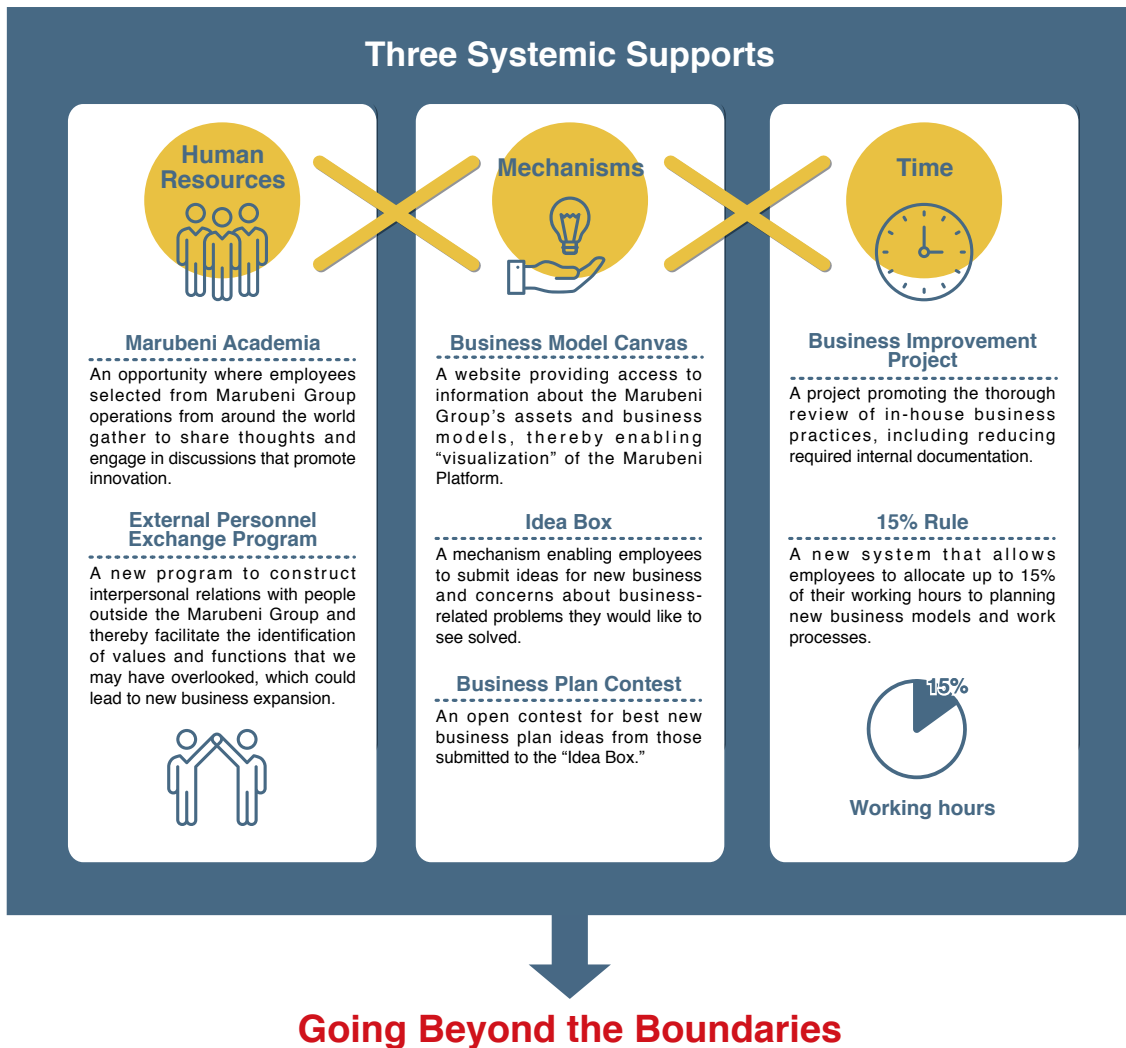
Looking ahead, the Marubeni Group needs people who not only are experts in their particular product or business area but also those who have the ability to grasp the issues affecting society and our clients from diverse perspectives and possess the creative power to fully utilize Marubeni's various business infrastructures or platforms to create solutions. To develop future leaders with such abilities, we have established “Marubeni Academia” and launched the “External Personnel Exchange Program”.

“Marubeni Academia” brings together a select group of Marubeni Group employees from around the world, chosen for their diverse career experience and unique personalities. “Marubeni Academia” provides them with an opportunity to share their ideas and engage in thorough discussions, which we hope will lead to some truly innovative ideas to meet the needs of our clients and society.

Through the “External Personnel Exchange Program”, we hope to expand and strengthen relations with people outside the Marubeni Group. In addition to forming networks with

people outside our Group, this program will enable us to look at Marubeni from the outside perspective in order to identify values and functions that we may have overlooked and therefore not delivered to our clients. We believe this program will also contribute to the development of employees who are capable using these new insights to expand our business.

In addition, we are implementing a number of other initiatives that will enable the Marubeni Group to fully leverage the diversity of our human resources. These initiatives include a mechanism that promotes personnel exchanges within the Group, a mentoring system that transcends organizational and generational divisions, and new office attire guidelines called “Self-Biz”, which gives employees more flexibility in deciding what to wear to work based on their activities for any given day.







## Mechanisms

To break away from the thought processes shaped by our current product groupings and encourage employees to think outside the box, we must first ensure that all employees have a proper understanding of the Marubeni Group. One mechanism we have created for this purpose is the “Business Model Canvas”, a website that provides a complete portrait of the Marubeni Group’s assets and business models (platforms). This website breaks down the Marubeni Group’s diverse businesses into 300 or so business models and enables employees to access vital information about each business’ assets, transactions, people networks, earnings models, and competitive situation.

In addition, we have set up the “Idea Box” so that employees can submit ideas for new business and express their concerns about business-related problems they would like to solve. The “Idea Box” accepts contributions from all Group employees, and the new Digital Innovation Department picks up promising ideas and works with the submitter to refine the idea.

Furthermore, we plan to initiate a “Business Plan Contest” to select the best ideas submitted to the “Idea Box”. Winning ideas will then receive the funding, human resources and other resources needed to realize the plan’s implementation.



## Time

As a structure to manage extra time for new ideas and businesses, we have started the “Business Improvement Project” and implemented the “15% Rule”. These new initiatives are being implemented initially at our corporate headquarters in Tokyo and domestic branch offices.

The “Business Improvement Project” began with a thorough review of in-house business practices and is now implementing specific measures to improve those practices, such as reducing internal paperwork and other red tape.

The “15% Rule” is a new system to ensure that every employee in the company will be able to devote part of their normal working day to contemplate the future and come up with innovative ideas that transcend our current product and organizational frameworks and promote the reform of current business or working practices. This policy will allow all employees, regardless of position or function, to allocate up to 15% of their working hours to activities related to devising plans for new business models and work processes.



## Looking to the Future of the Marubeni Group

These new initiatives and systems are just the first step toward the creation of a new future for the Marubeni Group. We believe these initiatives will support the creation of a corporate culture that values employees’ self-motivation

to take on new challenges and will enhance our corporate value of “going beyond the boundaries of the current Sogo Shosha”.