

# Shareholders' Guide “Marubeni”

No.126, Summer 2019

## 01 Message from CEO

### A permanent partner that closes gaps in the world

My name is Masumi Kakinoki. I was appointed president of Marubeni Corporation in April this year. First, I would like to sincerely thank our valued shareholders for their strong support.

In the fiscal year ended March 31, 2019, we delivered record profit for the second consecutive year, and achieved all of the quantitative targets in our Medium-Term Management Plan GC2018. Now we have launched a new Medium-Term Management Strategy, GC2021, covering the three years from April 2019 to March 2022. Details are presented on the following pages.

I believe that a Sogo Shosha should be a permanent partner that continuously closes gaps in the world.



In the twentieth century, we bridged geographical gaps with trade. Since the beginning of the twenty-first century, we have bridged the gaps between present value and future value with investment. Now, the Marubeni Group is shifting its focus to bridging gaps in a new way: making the obscure future visible.

In the last few years, the world has entered a new era of rapid change in the economic, technological and political landscapes. New gaps (i.e. social issues) will appear in that obscure future.

In addition to creating the value needed today by staying ahead of emerging social issues, the Marubeni Group aims to anticipate the future dreams of society and work together with society to make those dreams a reality.

I hereby pledge my full commitment to working for the sustainable growth and development of the Marubeni Group. I would appreciate to your continued support.

A handwritten signature in black ink, appearing to read 'Masumi Kakinoki', written in a cursive style.

Masumi Kakinoki  
President and CEO

# 02 Medium-Term Management Strategy GC2021

## (FYE 3/2020 – FYE 3/2022)

### Our Long-Term Management Direction Toward 2030

#### Global crossvalue platform

A value creation company going beyond the boundaries of the current Sogo Shosha

In the fiscal year ended March 31, 2019, the final year of Medium-Term Management Plan GC2018, which started in the fiscal year ended March 31, 2017, we achieved all of our profit, balance sheet and cash flow targets. As a result, our earnings foundation and financial position have become steadily stronger, positioning us for the next stage of growth.

Please see p.5 for GC2018 review

At the same time, our current operating environment is changing at an unprecedented pace, and uncertainty is increasing. Disruptions to the status quo, including changing values, digital transformation, transformation of the industrial structure, and the emergence of new business ecosystems, are taking place all around us. For us, these changes will bring both opportunities and threats. In short, while change is an opportunity, if we simply sit on our hands, we face the risk of our existing business models becoming obsolete, significantly impairing our value. We recognize that we will no longer be able to create solutions with our conventional product-oriented approach alone.

#### Basic Policy of Management Strategy

### Corporate Value Enhancement toward 2030

- **Strong financial foundation for growth**
- **Sustained growth** by strengthening existing business
- **Explosive growth** by creating new business models looking 10 years ahead in the future



Global crossvalue platform  
**Marubeni**

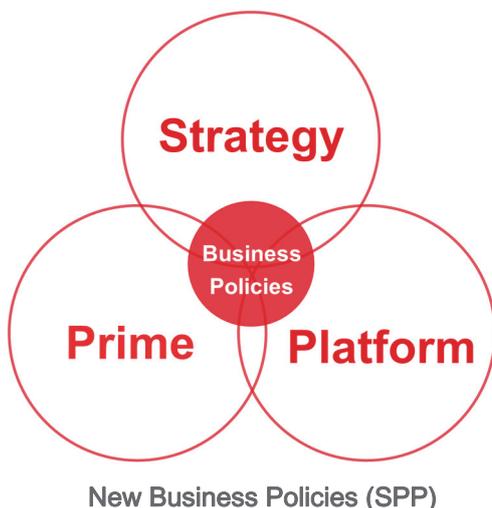
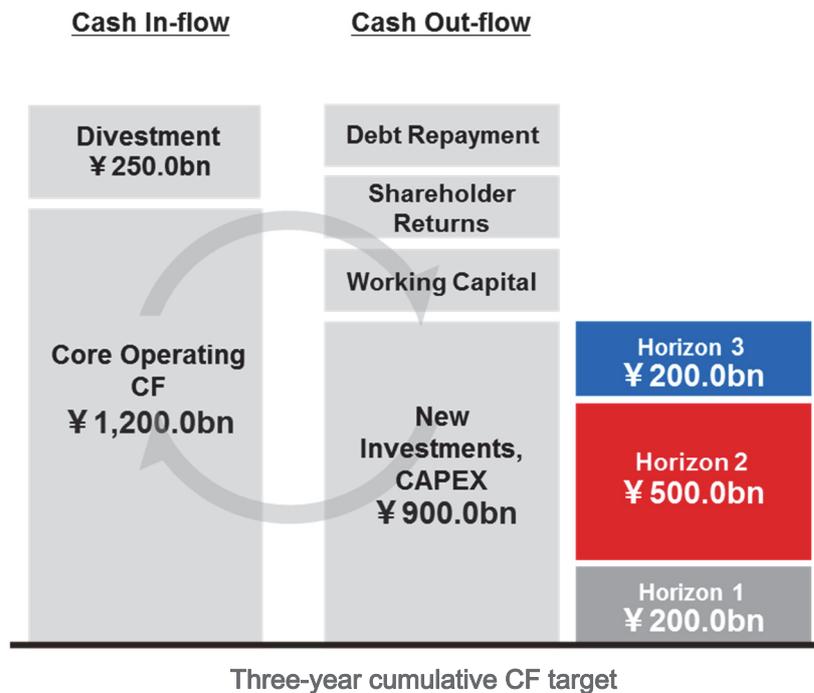
With that in mind, we established our "Global crossvalue platform" vision in June 2018. We will anticipate emerging social issues, and bring about solutions to the challenges faced by customers and society through vertical evolution and horizontal expansion. By promoting and pursuing this "Global crossvalue platform," we will seek out growth opportunities amid the changes taking place, and take on the challenge of creating new businesses. We will pursue a long-term management direction of becoming a value creation group that shapes its own future—going beyond the boundaries of the current Sogo Shosha model.

The basic policy of the management strategy for achieving our vision is to "establish and maintain a **strong financial foundation for growth**" and, based on that, to simultaneously execute growth strategies with two different timeframes: "**sustained growth**" by strengthening existing businesses, and "**explosive growth**" by creating new business models looking 10 years ahead in the future.

## Medium-Term Management Strategy GC2021

The following is an explanation of the three priority measures of Medium-Term Management Strategy GC2021 (FYE 3/2020 – FYE 3/2022).

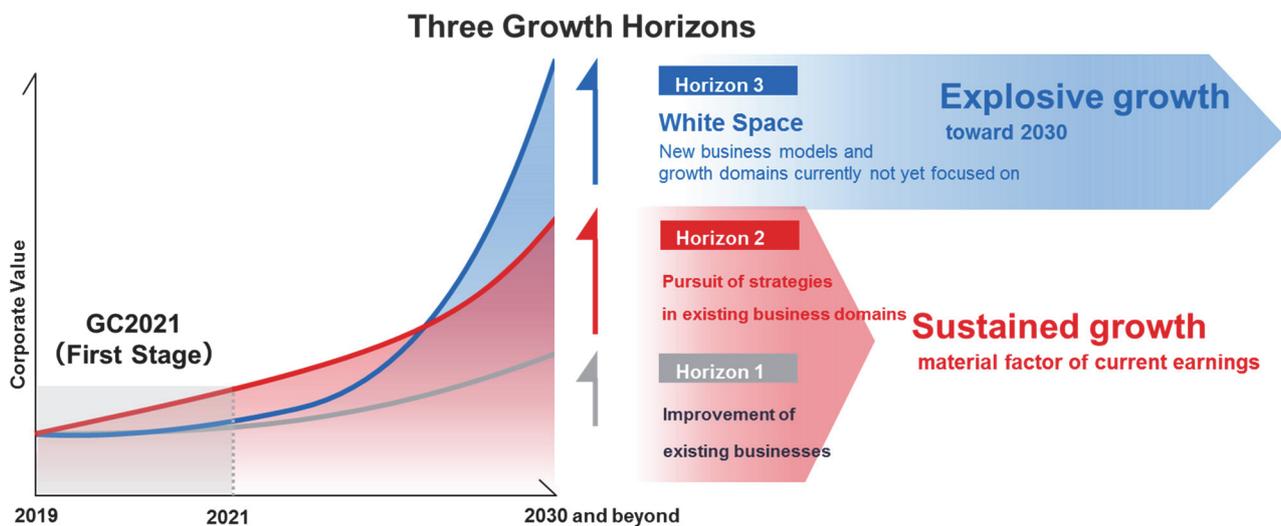
The first is cash flow management (capital allocation policy). We will focus on maximizing core operating cash flow to generate a three-year cumulative total of ¥1,200.0 billion. In addition, we will maintain financial discipline by achieving positive free cash flow of ¥100.0 billion or more after delivery of shareholder returns, and establish a positive cycle in which allocation of capital to growth areas leads to maximization of core operating cash flow in the long term.



The second priority measure is new business policies. We have established “Strategy,” “Prime” and “Platform” (SPP) as our new business policies. They are basic principles that are shared across all of our businesses. We define “Strategy” as constructing a vision, and closing the gap between that vision and the present; we will stay strategy-focused. “Prime” refers to the Marubeni Group taking the initiative in executing business strategies. “Platform” is about creating value by utilizing the Marubeni Group’s platform and combining internal and external expertise. Businesses in regions, fields and product areas where growth is expected over the long term will become new platforms, and the growth of those business entities will contribute to the long-term enhancement of corporate value.

The third is “growth strategies”. To promote growth strategies with different timeframes – “sustained growth” by strengthening existing businesses, and “explosive growth” by creating new business models looking 10 years ahead in the future – we introduced the concept of three growth horizons. We will steadily achieve sustained growth in Horizon 1 by improving existing businesses, and Horizon 2 by pursuing strategies in existing business domains. At the same time, we will aim for explosive growth in Horizon 3 by pursuing “White Space” (new business models and growth domains that we have not yet focused on).

In April 2019, we carried our organizational reforms to establish a framework for implementing this strategy. This involved flattening our chain of command from four levels to three to establish an organizational structure that enables rapid execution of strategies by business divisions. Under this new structure, 13 business divisions in existing domains will further develop their own business strategies, and the newly established Next Generation Business Development Division will create new business models.



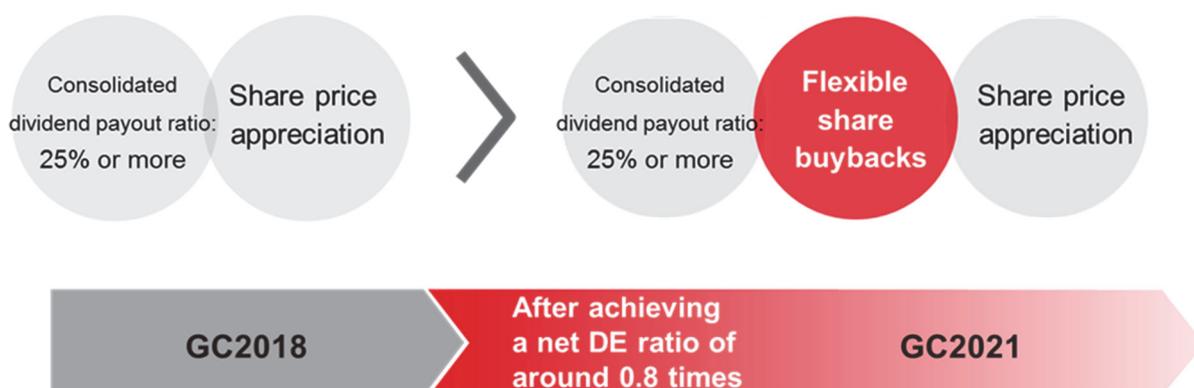
## Management Indicators, Financial Targets and Shareholder Returns Policy

The management indicators and financial targets of GC2021 are shown below. We will steadily execute the measures in GC2021 to achieve these financial targets.

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

**Pursue sustained growth in market capitalization**

Our shareholder returns policy in GC2021 is to maintain the current consolidated dividend payout ratio of 25% or more of consolidated net profit, and announce the minimum dividend for each fiscal year at the beginning of the fiscal year. In addition, after achieving a net DE ratio of around 0.8 times, we will flexibly implement share buybacks to further enhance shareholder returns.



Previous Medium-Term Management Plan GC2018 (FYE 3/2017 –FYE 3/2019) Review

	GC2018 Quantitative Targets (revised)	GC2018 Results FYE 3/2017 –FYE 3/2019
Net profit	<b>2018(FYE 3/2019) ¥200.0bn</b> (Non-natural resources ¥180.0bn or more)	<b>FYE 3/2019 ¥230.9bn</b> (Non-natural resources ¥180.4bn)
Free cash flow (after dividends)	Cumulative total for 2016-2018 (FYE 3/2017-FYE 3/2019) <b>¥+400.0bn to +500.0bn</b>	Cumulative total for 2016-2018 (FYE 3/2017-FYE 3/2019) <b>¥+740.4bn</b>
Net DE ratio	<b>as of March 31, 2019 approx. 1.0times</b>	<b>as of March 31, 2019 0.90 times</b>
ROE	<b>10% or more</b>	<b>FYE 3/2019 13.9%</b>
New investments	Cumulative total for 2016-2018 (FYE 3/2017-FYE 3/2019) <b>¥400.0bn to 500.0bn</b>	Cumulative total for 2016-2018 (FYE 3/2017-FYE 3/2019) <b>¥287.3bn</b>
Consolidated dividend payout ratio	<b>25% or more of consolidated net profit</b>	<b>FYE 3/2019 26.0%</b>