Mid-Term Management Plan 2016-2018

(FYE 3/2017 – FYE 3/2019)

*FYE: Fiscal Year Ending/Ended

GC2018

Global Challenge 2018

The Road to 2020

February 5, 2016

Marubeni

1. Positioning the New Mid-Term Management Plan

The Marubeni Group is currently facing another turning point in its management strategy.
Accordingly, the Marubeni Group has established a new Mid-Term Management Plan (2016-2018) that specifies what the Group aims to be five years from now in 2020 as well as its new management policies.

The Management Environment

1980s- 1st Turning Point

Changes in the External Environment

- Sharp yen appreciation
- Stagnation in export businesses based in Japan
- Increase in Japanese companies operating overseas

The questionable future of the Sogo Shosha
The winter of the Sogo Shosha

Transition from traditional trade to investment-based trade

2000s- 2nd Turning Point

Changes in the External Environment

- Global economic growth led by high economic growth in emerging economy countries
- Global capital surplus
  ⇒ Inflow of capital into emerging economies, low interest rates
- Steep rise in resource prices
- Development of a web-based society

Marubeni Group's Status

Decisively implemented a restructuring plan called "A" PLAN due to failed business investments
⇒ Introduction of new management system

Increase in investment earnings

against the backdrop of broad global economic growth
⇒ Recorded the highest level of profits

Present 3rd Turning Point

Changes in the External Environment

- End of monetary easing in the U.S., possibility of rising interest rates
- Stagnation in resource prices
- Uncertainty in the Chinese economy, slowing growth in emerging economies
- Renewed economic importance of advanced countries, middle income trap
- Production and service innovations through utilization of IoT and big data
- Progress in the integration of regional economies
- Increase in political and geopolitical risks

- **Change in the growth structure of the global economy has created another turning point for Marubeni. Therefore, a management strategy that is responsive to structural changes in the global economy and a competitive strategy that enables each business to succeed in their respective markets are ever more important.**
- **Marubeni's competition will not be the other Sogo Shosha, but rather the top players in each business field and market we compete in.**

The Marubeni Group's Road to 2020

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The Marubeni Group will work to outperform the top players in business fields and markets across the world, aiming to become a true global company that contributes to both regional economies and society.

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Combining all our individual strengths to create a more powerful Marubeni Group

Growing talent and businesses around the world, the Marubeni Group will increase our core of promising talent and businesses to further build a global platform.



The Marubeni Group will work to optimize and expand its existing businesses while strategically promoting new businesses that have the potential to become the core of the Group's future. In this way, the Marubeni Group will realize sustained growth.

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3. Management Policies Based on The Road to 2020

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Business and Investment Policy
Management policy for each business model

Cash Flow Management

I II III IV

Portfolio Policy

Reinforcement of Global Strategy

V **Marubeni Group's Human Resources Strategy**

Expand consolidated net profit/operating cash flow and maximize PATRAC in the long term

Further bolster the balance sheet

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4. Quantitative Targets (2016-2018)

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Consolidated Net Profit	**2018 (FYE 3/2019) ¥250.0 billion** **(Non-Natural Resources ¥230.0 billion or more)**
Free Cash Flow (after dividends)	**Cumulative total for 2016-2018 (FYE 3/2017 – FYE 3/2019)** **Positive free cash flow** **(⇒ Approximately 1.3 times the net D/E ratio as of March 31, 2019)**
ROE	**10% or more**
New Investments	**2016-2018 (FYE 3/2017 – FYE 3/2019) ¥1 trillion** **(Breakdown)** **Distribution Businesses 30%** **Finance Businesses 20%** **Stable Earnings-Type Businesses 40%** **Natural Resource Investments 10%**
Consolidated Dividend Payout Ratio	**25% or more of consolidated net profit**

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5-I. Business and Investment Policy

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▶ Based on the foundation of long-term earnings expansion in each country and region of operations, the Marubeni Group will promote businesses and investments strategically to respond to the differing operating environment and business characteristics of each business model.

⇒ Clarify and implement management policy by business model

Distribution Businesses

- Focus on such domestic-demand oriented businesses as value-added distribution and agri-related businesses worldwide (food, chemicals, transport).
- Promote platform-type business models in regions, fields and product areas that are expecting growth through M&A and organic growth to expand earnings and improve profitability over the long term.
- Primarily take majority investment.

Finance Businesses

- Concentrate on leasing and sales finance businesses.
- Promote platform-type business models in regions, fields and product areas that are expecting growth through M&A and organic growth to expand earnings and improve profitability over the long term.
- Primarily take majority investment. However, allow for minority investment stakes when large-scale investment is required.

Stable Earnings-Type Businesses (Infrastructure, etc.)

- Focus on new investment in stable-earning infrastructure businesses that are backed by long-term contracts, such as IPP with PPAs, water treatment and sewage services and other PPPs to grow earnings.
- As investments in these businesses require large amounts of capital, have a limited upside and high dividend payout ratios, take minority investment stakes as a matter of policy.
- Take active role in projects even when in a minority investment position.

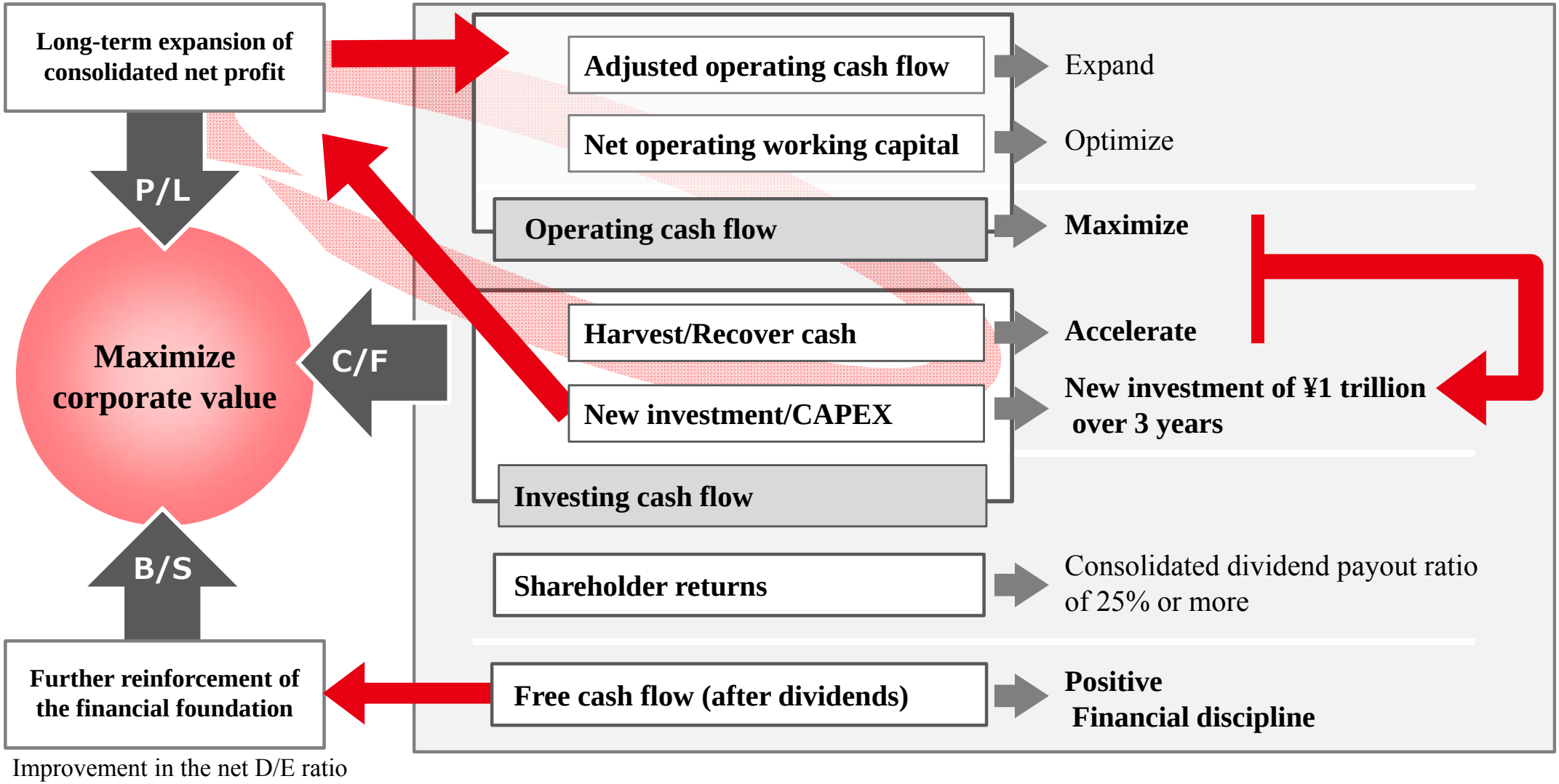
Natural Resource Investments

- Maintain assets based on a long-term perspective. Focus efforts on an early start of production for projects that are already in the process of being implemented. At the same time, center on long-term projects with a high level of cost competitiveness when making new investments.
- As the dividend payout ratio is high and investment amounts are large, make participation as a minority stakeholder in projects with operators that are reliable for investing.
- Establish a framework to balance the Group's cumulative investment in order to stabilize fluctuating profits at a certain level due to volatile and unstable resource prices.

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5-II. Cash Flow Management

- Increase available funds for growth investments by **maximizing operating cash flow**. Work to maximize corporate value through the further generation of profits and cash from new business investments.
- Better utilize cash flow within the Group. Reinvest cash generated from businesses that are not expecting significant growth into next-generation growth businesses.



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5-III. Portfolio Policy

- While looking to maintain a balance in our portfolio of growth businesses, stable earnings businesses and higher volatility/higher upside businesses, the Marubeni Group will construct a portfolio that can grow earnings over the long term and secure a consolidated net income of ¥300.0 billion even in a severe business environment.
- By strengthening the earnings power of existing businesses each business will be able to reliably achieve their growth targets and increase the value of the business as well. At the same time, the Group will exit non-core businesses (unprofitable businesses, businesses that are expected to peak, businesses we have minority investment positions in that are not expected to grow, etc.) to **improve the quality of assets.**

	Target for 2018 (FYE 3/2019)	
Business Model	**Total Assets**	**Net Profit**
Distribution Businesses	¥4.5 trillion	¥140.0 billion
Finance Businesses	¥1.0 trillion	¥40.0 billion
Stable Earnings-Type Businesses (Infrastructure, etc.)	¥1.0 trillion	¥50.0 billion
Sub-Total for Non-Natural Resources	**¥6.5 trillion**	**¥230.0 billion**
Natural Resource Investments	¥1.5 trillion	¥20.0 billion
Total (includes headquarters accounts)	**¥9.0 trillion**	**¥250.0 billion**

* Assumptions for 2018: crude oil US$60/bbl, copper US$6,000/t

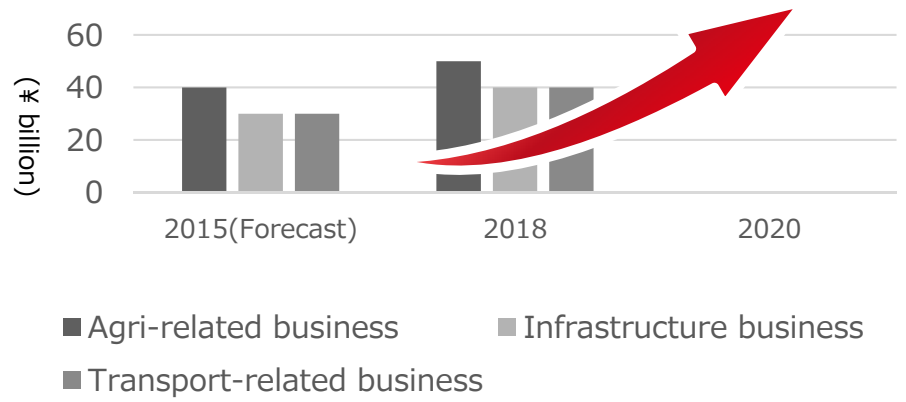
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5-IV. Reinforcement of Global Strategy

- In order to leverage the Marubeni Group's capabilities, we will promote integrated, multi-layered initiatives centered on our various individual strengths.
- The Marubeni Group views the advanced countries centered on the U.S., and ASEAN, with its growing middle-class, as key markets and is also actively pursuing opportunities in the sub-Saharan region in order to lay the groundwork for future business.
- Specifically, the Marubeni Group will further reinforce the business fields it excels in (agri-related business, infrastructure business, and transport-related business) while strategically advancing into new businesses.

Further Reinforce Strong Business Fields

Consolidated net profit	2015 (FYE 3/2016) [Forecast]	2018 (FYE 3/2019) [Target]	Main business fields
Agri-related business	¥40.0 billion	¥50.0 billion	Grain origination/sales, agricultural material sales
Infrastructure business	¥30.0 billion	¥40.0 billion	IPP with PPAs, water treatment/sewage services, PPPs
Transport-related business	¥30.0 billion	¥40.0 billion	Sales financing, lease business, aftermarket auto parts sales
Total	¥100.0 billion	¥130.0 billion	



Strategically Advance into New Businesses

- **Find projects and businesses with strong potential by fully utilizing Marubeni Group's global network.**
- **Target growing domestic demand in overseas regions and countries by expanding investment in community-based businesses and local markets.**
- **Promote platform-type business models to expand into new regions, fields and product areas that are expecting growth.**
- **Strengthen our earnings base by accumulating steady, stable profits from infrastructure businesses, etc.**

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5-V. Marubeni Group's Human Resources Strategy

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- **Recruit and develop human resources that can succeed on a global scale.**
- **Continue to promote diversity within the Group, and recruit and position diverse human resources.**

⇒ Aim to be an organization where all personnel can take pride in their work and find their work rewarding.

Marubeni Group wants talent who:

- **Constantly pursue challenges and innovations with high aspirations and curiosity**
- **Accomplish their personal goals at a high level**
- **Think and act on their own when executing their duties**

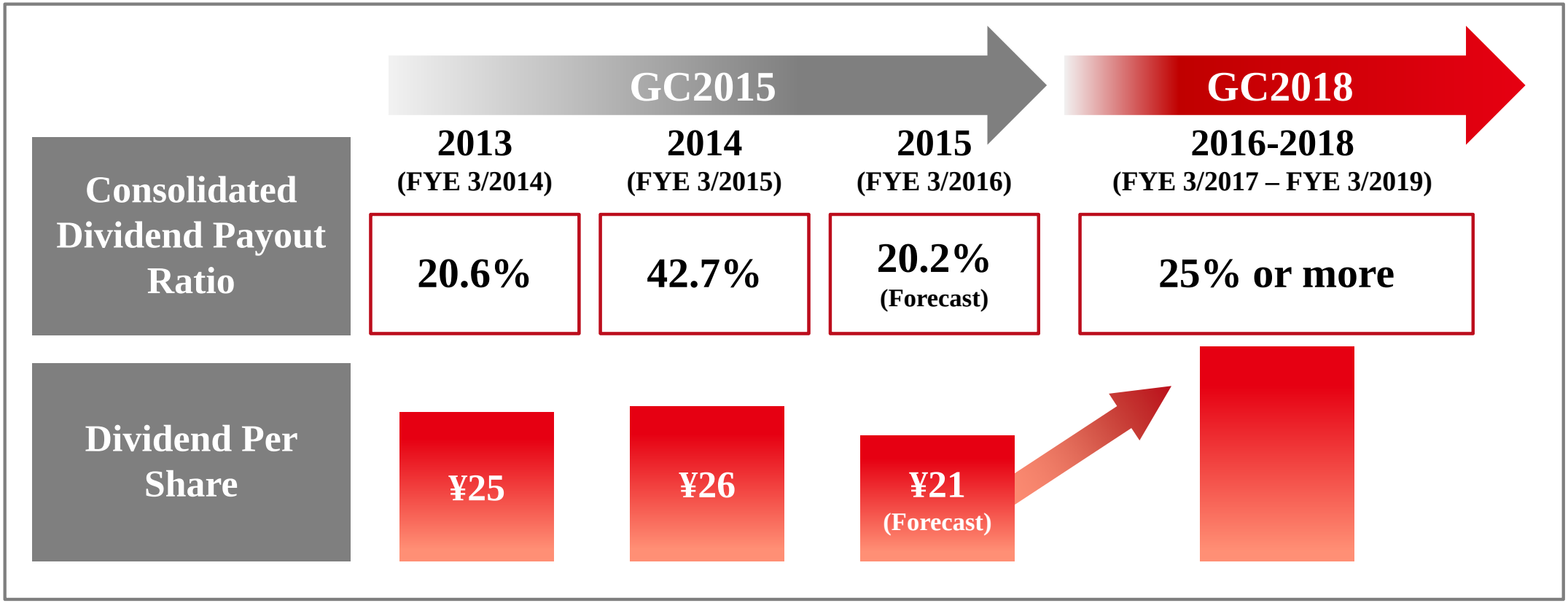
Marubeni Group seeks business leaders who, after understanding Group-wide policies and strategies, can:

- **Maximize business value**
- **Respond appropriately to changes with sharp insight toward future trends on both a micro and macro level**
- **Create new businesses**
- **Display leadership and enhance the strength of the organization**

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6. Shareholder Return Policy

- The Marubeni Group will increase retained earnings through growth in consolidated net profit and create a sound financial foundation. At the same time, the Group will increase corporate value, profit growth and operating cash flow by reinforcing existing businesses and promoting new strategic investments.
- Marubeni recognizes that its mission as a company is to continue to make contributions to shareholders by raising share prices and increasing dividends. Accordingly, Marubeni will raise the consolidated dividend payout ratio to 25% or more from 2016 (FYE 3/2017) onward.



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