

# Shareholders' Guide "Marubeni"

No.125, Winter 2018

## Top Message



### Financial Results for the Six-month Period Ended September 30, 2018, and Vision for the Marubeni of the Future

I would like to express my sincere gratitude to you, our shareholders, for your unwavering support. Below I provide an overview of the financial results for the six-month period ended September 30, 2018, and the forecast of financial results for the fiscal year ending March 31, 2019, and explain the "Vision for the Marubeni of the future", announced in June, 2018.

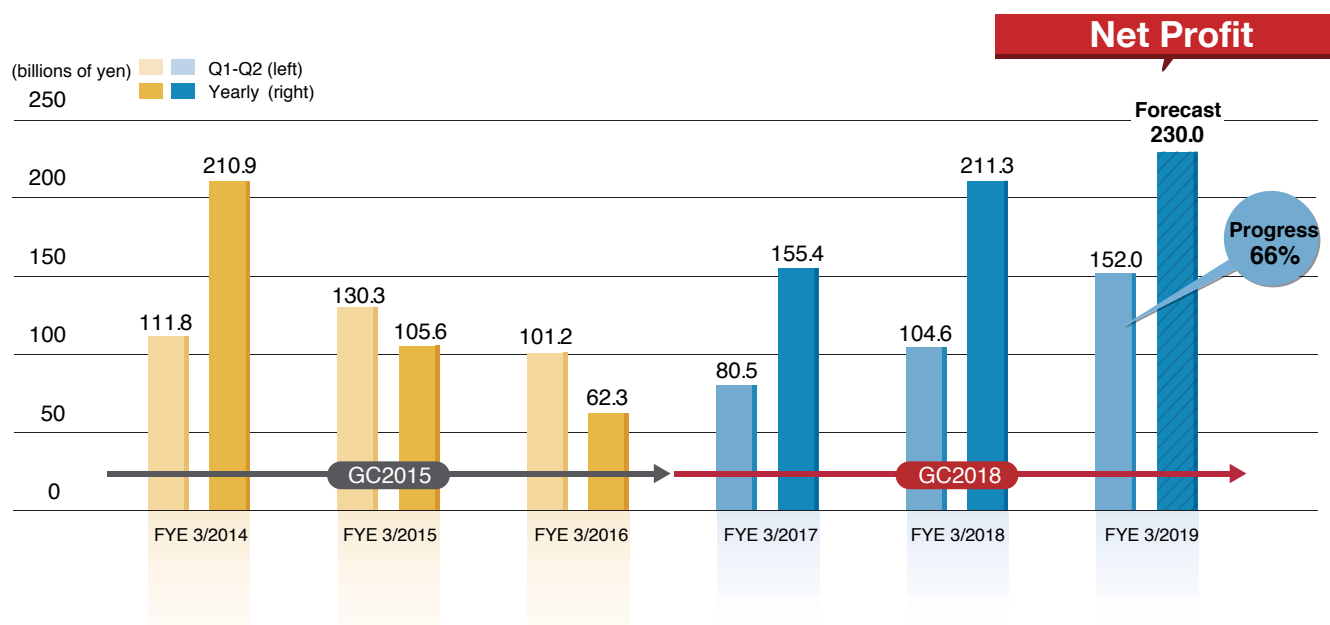
**Fumiya Kokubu**  
President & CEO

## Overview of the Financial Results for the Six-month Period Ended September 30, 2018 and Forecast of Financial Results for the Fiscal Year Ending March 31, 2019

### Record-high first-half profits

In the six-month period ended September 30, 2018, the global economy generally maintained a stable growth trajectory amid continued stable expansion in developed economies, most notably the U.S., and a continued growth in emerging market economies such as China. On the downside, trade frictions in response to U.S. policy and

changes in the Middle East situation increasingly cast a pall of uncertainty over the entire global economy. Meanwhile, crude oil and other commodity prices fluctuated with respect to each commodity in response to supply-side factors and the effects of trade frictions, mainly between the U.S. and China.



In this environment, we achieved record-high first-half profits, with consolidated net profit rising sharply by 47.4 billion yen, or 45% year on year, to 152.0 billion yen in the six-month period ended September 30, 2018. Against the backdrop of the previously mentioned stable growth in the global economy, profit from non-natural resource businesses increased by 37.1 billion yen, driven chiefly by the Forest Products, Power Business, and Agri-Input Business Divisions, and profit from natural resource businesses,

mainly the Energy Division, increased by 10.3 billion yen. We have left the full-year consolidated net profit forecast unchanged at 230.0 billion yen, the level set at the beginning of the fiscal year. We are making steady progress toward achieving our targets and are, as of the end of the first half of the current fiscal year, 66% of the way to achieving record-high profits for a second consecutive year.

### Steady enhancement of our financial foundation

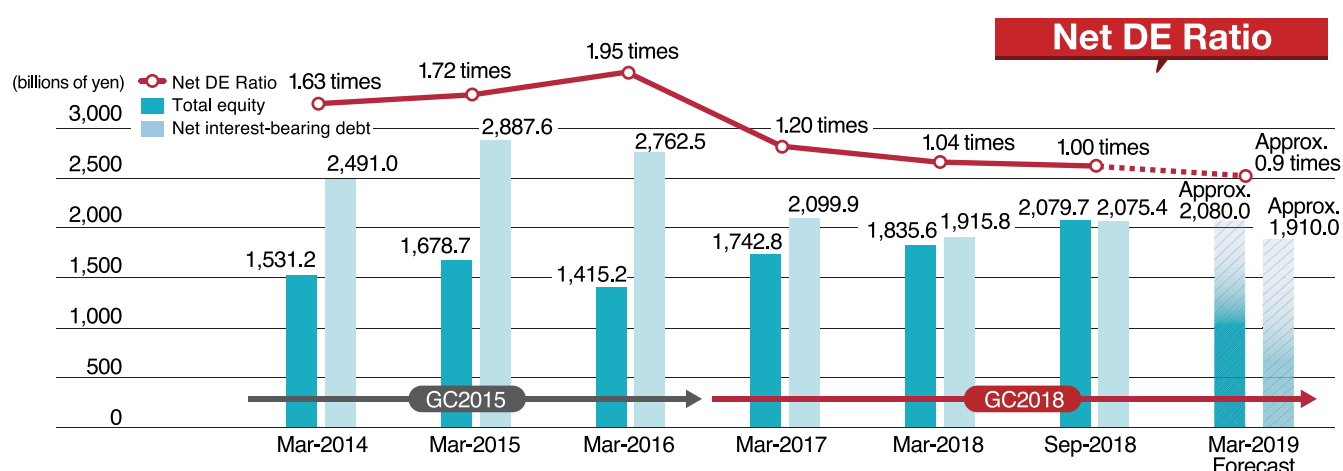
“Further reinforcement of our financial foundation” is positioned as a key priority under the Global Challenge 2018 (GC2018) mid-term management plan. Net interest-bearing debt as of September 30, 2018 rose by 159.6 billion yen from the previous fiscal year-end to 2,075.4 billion yen due to factors including the impact of foreign exchange, dividends paid, and negative free cash flow. By comparison, total equity as of September 30, 2018 increased by 244.1

billion yen from the end of the previous fiscal year to 2,079.7 billion yen, mainly as a result of profit accumulation. For the first time since the start of initiatives to reinforce the financial foundation, total equity exceeded net interest-bearing debt. As a result, we are making steady progress toward reinforcement of our financial foundation with the consolidated net debt-to-equity (DE) ratio improving by 0.04 points from the previous fiscal year-end to 1.00 times.

### Aiming for early achievement of a net DE ratio of 0.8 times

Under GC2018, we aim to achieve improvement in the net DE ratio to around 0.8 times by no later than March 31, 2021. The forecast of financial results for the fiscal year ending March 31, 2019, announced on November 2, projects that the net DE ratio will improve to around 0.9 times by

March 31, 2019. This represents improvement at a more rapid pace than we anticipated when formulating GC2018. We will continue to further reinforce our financial foundation with a view to achieving our targets early.



## Shareholder Returns

### Interim dividend set at 17 yen per share

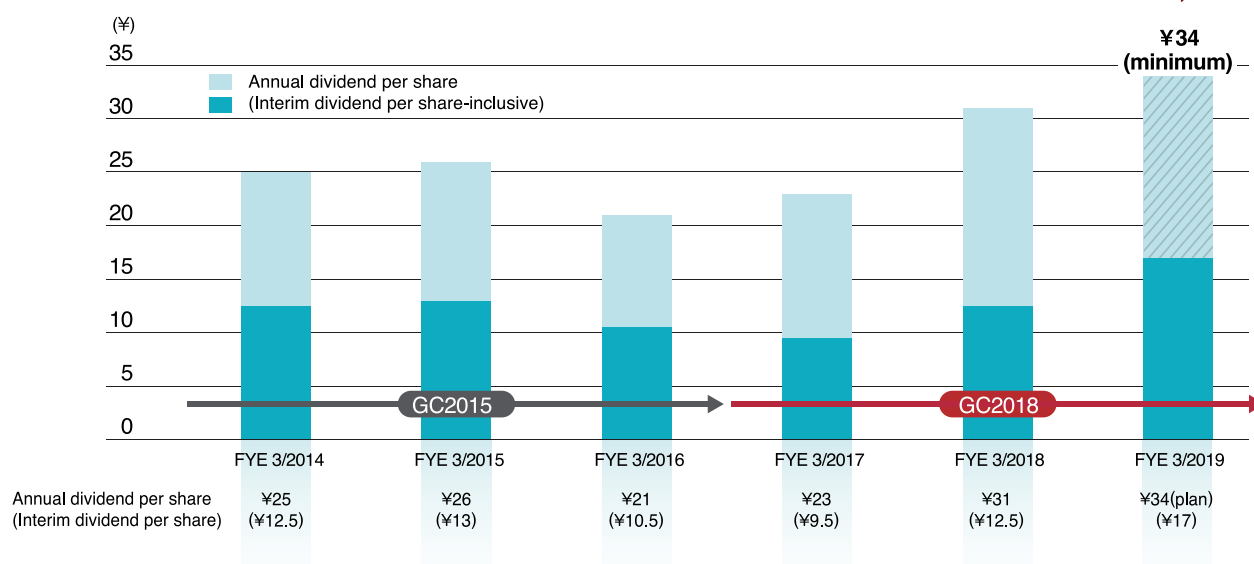
The Company applies a basic policy to determine dividends based on the principle of linking dividends to the Company's business results for each term, in order to further clarify its stance on redistribution of profits to our shareholders. The actual dividend is to be determined basically aiming for a consolidated payout ratio of 25% or more.

In accordance with the aforementioned basic policy, yearly dividend for fiscal year ending March 31, 2019 is projected to be 34 yen per share, reflecting the yearly forecast for profit attributable to owners of the parent of 230.0 billion yen which is a record-high dividend for a second consecutive year. For the fiscal year ending March 31, 2019, this yearly dividend

forecast of 34 yen per share shall be set as the minimum. We have set the interim dividend at 17 yen per share, as per the dividend forecast at the beginning of the fiscal year, and will commence payment on December 3, 2018.

The Company will utilize retained earnings (internal reserves) after payment of dividends to build a strong financial base in accordance with the aforementioned "Further reinforcement of our financial foundation" policy. We will also enhance corporate value by continuously allocating internal reserves to strategic investment in growth sectors in accordance with our "Evolving business strategy," another key priority in GC2018.

### Dividend Amount per Share



## Vision for the Marubeni of the Future

### "Global crossvalue platform"

We believe that, with the advancing wave of digital technology innovation in areas including the global economy, international politics, and the industrial world, the coming decade will bring sweeping changes that will far exceed those of the previous decade.

It is precisely at such a time of transformation that we have once again clarified our raison d'être and established "Global crossvalue platform" as our vision for the Marubeni of the future: A group that works in unison to continue enhancing

corporate value on a permanent basis.

We will create new value by treating the Marubeni Group as an unified mega-platform, not a mere assemblage of businesses, and dynamically cross-pollinating the Group's strengths, internal and external ideas, and the dreams and aspirations of each individual on that platform. On that basis, we will create solutions for society and our customers. This is our vision for the Marubeni Group.

To provide solutions to the problems of society and

customers in times of dramatic change, we must foresee those problems and create new business models by synergistically combining various elements on the Marubeni Group's platform. What makes this possible for Marubeni are two competitive advantages unique to us. The first is the many prime assets we hold overseas. The second is networking capabilities that give us access to nearly any leading company in Japan or overseas, unconstrained by corporate group or other affiliation. The combination of these two advantages with our tangible and intangible assets,


knowledge, expertise, and above all, the trust and proven track record we have built up over the years constitutes the mega-platform that is the Marubeni Group. To this platform, we add internal and external brainpower and digital catalysts such as IoT technologies to spark proverbial chemical reactions, through which we will realize a Marubeni Group that provides solutions to customers and society and continues to grow even amid a drastically changing business environment.

## Transforming Marubeni into a global platform

In the GC2018 mid-term management plan, we have articulated as our vision heading toward 2020 "Work to outcompete 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." This vision describes product-based (vertical) progress, and the addition to this vision of group-wide (horizontal) expansion extending across product categories results in the "Global crossvalue platform."

With horizontal expansion extending across product categories, we aim to spark proverbial chemical reactions and create new business models by synergistically combining different businesses on this platform. In April of this year we appointed a Chief Digital Innovation Officer (CDIO) and established the Digital Innovation Department, creating an organization to serve as a catalyst for these reactions, and are working to promote the use of digital technology and create innovation through synergistic combination of businesses. Also, as described in the previous shareholders' guide, we have introduced measures related to "Human Resources", "Mechanisms" and "Time" to encourage innovation based on free and fresh ideas. I

invite you to read the Special Feature in this shareholders' guide, which covers the status of concrete measures being implemented to this end.

 [Please see: Special Feature](#)

### Global crossvalue platform

- ✓ We anticipate the issues and challenges facing society and create innovative solutions for our customers and for the world, breaking down barriers between sectors, between internal and external, crossing borders, building on our existing business models and expanding into new markets.
- ✓ We will generate new value by freely combining our Group's strengths, internal and external expertise, individual dreams and visions, taking the Marubeni Group as one single platform.

## Wrap-up of Global Challenge 2018

This concludes my explanation of our vision for the Marubeni of the future. This is the final year of the GC2018 mid-term management plan, and we will steadily and surely bring the plan to a successful conclusion. Current business performance is strong, and in the second half we will continue with initiatives to achieve the targets in the plan. I request the continued support of our shareholders in the coming years.

**Fumiya Kokubu**  
President & CEO



# Special Feature: Going Beyond the Boundaries



Marubeni is launching various initiatives to breed innovation. We report on what the Marubeni Group is currently doing to go beyond the boundaries toward realization of its vision.

## Recap of “Going Beyond the Boundaries of the Current *Sogo Shosha*” from our last edition

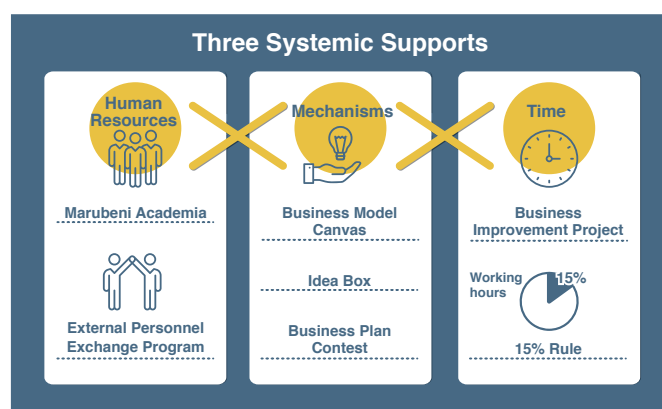
For the Marubeni Group to continue to provide new value to customers and society in a constantly changing world marked by ongoing digital transformation, the Marubeni Group itself must continue to evolve by going beyond the boundaries.

The Marubeni Group will create new value by synergistically reconfiguring its assets without being constrained by product-based organizational silos.

In the previous edition of this publication, we reported that Marubeni has established and started to successively implement systemic supports for these efforts from three standpoints—human resources, mechanisms and time—in addition to newly appointing a CDIO (Chief Digital Innovation Officer), establishing a Digital Innovation Department, and, through activities that transcend organizational and geographic boundaries, promoting Group-wide digital

strategies and creation of new business models through innovation.

In this edition, we present specific examples of initiatives that utilize these supports.



Please see: Previous edition No.124 Special Features



[https://www.marubeni.com/en/ir/reports/report/pdf/1806\\_sg\\_02\\_en.pdf](https://www.marubeni.com/en/ir/reports/report/pdf/1806_sg_02_en.pdf)

## The Business Model Canvas as a Synergy Platform

The Marubeni Group possesses a wealth of business experience, knowledge and know-how amassed over decades. One tool for learning about these resources is the so-called Business Model Canvas.

Marubeni Group’s Business Model Canvas is a library of information on some 300 business models’ assets, transactions, human networks, earnings models and competitive environments compiled into a database accessible by all Marubeni Group personnel.

Learning about the foundations of the Marubeni Group’s broad range of operations across its business groups, will help Marubeni Group personnel to create new businesses and business models.

Internal briefings are being conducted to broadly disseminate information on how to utilize the Business Model Canvas, and cross-Group initiatives that utilize it are already starting to take shape.

KP (Key Partners)	KA (Key Activities)	VP (Value Propositions)	CR (Customer Relationships)	CS (Customer Segments)
	KR (Key Resources)		CH (Channels)	
CS (Cost Structure)			RS (Revenue Streams)	

The value customers are seeking, the value that the Marubeni Group is delivering to customers, earnings flows and other such information have been compiled from the customer’s standpoint for some 300 different business models into a single database.



A briefing on how to utilize the Business Model Canvas

## 15% Rule Generates New Ideas

The 15% Rule is a company-wide initiative to allow employees time to consider and implement improvements to business processes through inventiveness and ingenuity, and innovation that transcends product verticals.

The 15% Rule allows employees to devote up to 15% of their working hours to endeavors such as examining their own current jobs from different angles, exploring prospective businesses they want to bring to fruition, and

exploring subjects outside of their field of specialization. Personnel are encouraged to also use the 15% Rule to prepare for participation in the Business Plan Contest scheduled to be held in January 2019. Additionally, the Marubeni Group is utilizing shared office spaces based on the idea that sitting at the same desk in a conventional office is not conducive to the free flow of ideas.

### Cross-Group Initiatives



On two days in September 2018, the Power Business & Plant Group and Transportation & Industrial Machinery Group conducted their first section of joint training program. The program was attended by 51 mostly young personnel with the aim of preparing the ground for the two business groups, both of which are involved in machinery-related businesses, to collaborate together in new fields of business. Selected managers from both groups became lecturers. Participants were put in teams to first introduce their businesses and its issues, which then they sorted out the advantages and issues of both groups. The second section of this training program planned in late November and early December 2018 will debate on the possibilities of the cross-group prospective and ways to synergistically combine internal resources with their sights set on the future business environment. They will then present them to the management of both groups.



Commemorative photo after the training program with all of the participants

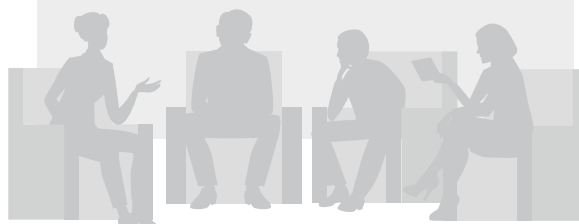
### Promoting the Free Flow of Ideas



The Digital Innovation Department has been hosting monthly Marubeni Innovation Salons since June 2018. Despite being held on weekday evenings, every one of the salons has been well attended by 50-100 of both Marubeni and Non-Marubeni personnel. The aim of the salons is to foster a culture of innovation within the Marubeni Group by stimulating Marubeni personnel through exposure to external knowledge and interaction with speakers who are actually taking action and endeavoring to innovate in their respective fields.



Marubeni Innovation Salon held at the WeWork Ginza Six coworking space



## Marubeni Academia Launched to Cultivate Next- Generation Leaders

The Marubeni Group handles a diverse range of products and business domains. The Group has launched the "Marubeni Academia" as a program to cultivate human resources capable of providing customers and wider society with optimal solutions that transcend such product verticals and, in turn, cultivate human resources who will become the Marubeni Group's next-generation leaders.

To date, a group of 25 Marubeni Group personnel from around the world with a diverse mix of personalities and career tracks have gathered together for a total of three weeks in June, September and November 2018 to participate in intense brainstorming and debating sessions.



Marubeni Academia session held in Singapore in September 2018

## External Personnel Exchange Program

The Marubeni Group is expanding personnel exchanges with unaffiliated companies with the aim of discovering potential value and functions through the eyes of outside observers. Reciprocal, temporary exchanges of personnel between the Group and unaffiliated

companies with different corporate cultures, of which include manufacturers, municipal governments, financial institutions and other entities are imparting fresh vitality to the Marubeni Group.

## Going Beyond the Boundaries of the Current *Sogo Shosha* –Global crossvalue platform–

As mentioned in President Kokubu's message, our vision for the Marubeni of the future is a "Global crossvalue platform." The Marubeni Group will address societal challenges and growth-related themes through cross-product initiatives (horizontal expansion) in addition to initiatives based on existing product verticals (vertical evolution). Our tasks are to transform the Marubeni Group into a global platform that helps to break down boundaries, and reconfigure our businesses from a multidimensional standpoint.

The examples presented in this Special Feature are but a few of the initiatives toward those ends. In addition to these initiatives, the Marubeni Group is adopting and promoting mechanisms to spur a variety of autonomous reforms on a Group-wide basis. The Marubeni Group will continue to pursue reform with the aim of going beyond the boundaries of the current *sogo shosha*.