

“Brand-new Deal 2017” (FYE 2016–2018) General Review

Brand-new Deal 2012

(FYE 2012–2013)

— Establish an infrastructure to show “individual capabilities”

Brand-new Deal 2014

(FYE 2014–2015)

— Enhance earning power by overweighting

Basic Policies

Strengthen Our Financial Position	Accelerate Asset Replacement	<ul style="list-style-type: none"> Continue asset replacement and rigorous investment selection to further improve quality and efficiency of assets Maintain positive free cash flow after dividend payout by strengthening cash generation capacity and adhering to stringent investment disciplines Thoroughly implement management control to front lines with focus on cost of capital and cash flow management
	Stringent Cash Flow Management	
Build Solid Earnings Base to Generate ¥400.0 Billion Level Consolidated Net Profit	Enhance Progress Cooperation with Strategic Partners	<ul style="list-style-type: none"> Establish operating capabilities and business areas in China and the Asian region utilizing the strategic alliance with CITIC and CP Group Further strengthen our earnings base utilizing the superiority and competitive edge in the non-resource sector Expand the core profit by thoroughly applying the “Earn,” “Cut,” and “Prevent” principles
	Further Reinforcement of the Non-Resource Sector	

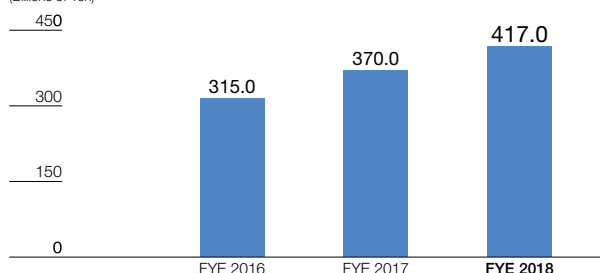
Profits

- Recorded the highest consolidated net profit among general trading companies for the first time in FYE 2016 and achieved record-high profit in FYE 2017 and then again in FYE 2018, when profit exceeded ¥400.0 billion for the first time, by rigorously implementing “Earn, Cut, Prevent” principles
- Established an earnings base that is resilient to changes in resource prices and became the No. 1 general trading company in the non-resource sector
- Enhanced existing businesses to bring 91% of Group companies reporting profits

Billions of Yen	FYE 2016	FYE 2017	FYE 2018
Consolidated net profit	240.4	352.2	400.3
Gross trading profit	1,069.7	1,093.5	1,210.4
Selling, general and administrative expenses	(835.5)	(801.8)	(890.3)
Equity in earnings of associates and joint ventures	147.7	185.2	216.2
Income tax expense	(46.4)	(125.3)	(106.1)

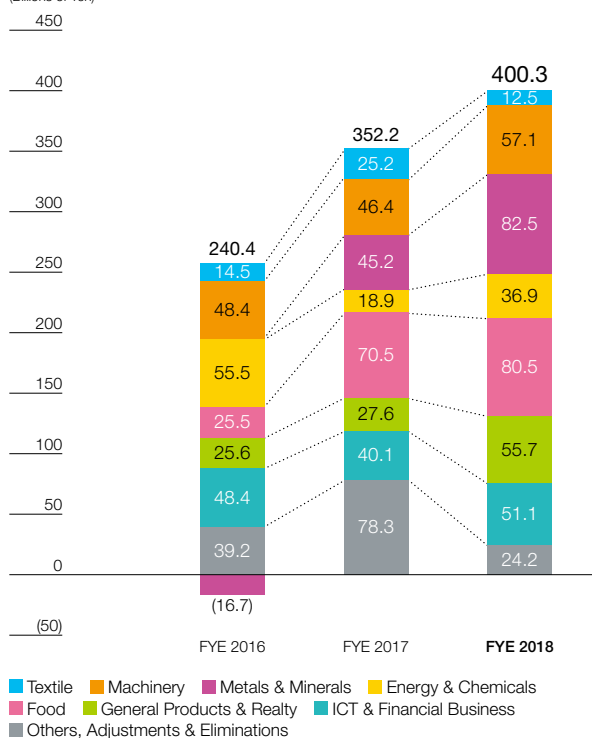
Core Profit

(Billions of Yen)



Consolidated Net Profit (Loss) by Operating Segment

(Billions of Yen)



Brand-new Deal 2017

(FYE 2016–2018)

— Set strategic steppingstones to the Chinese and other Asian markets

B/S, Cash Flows, and Investments

- ▶ Further improved already industry-leading ROE (15.8% in FYE 2018) while increasing total shareholders' equity
- ▶ Accomplished financial position targets earlier than projected, have achieved core free cash flows of more than ¥100.0 billion for three consecutive years, and was awarded credit ratings of A or higher from all rating agencies
- ▶ Practiced strict management to control new investment within the scope of core operating cash flows and investment inflows

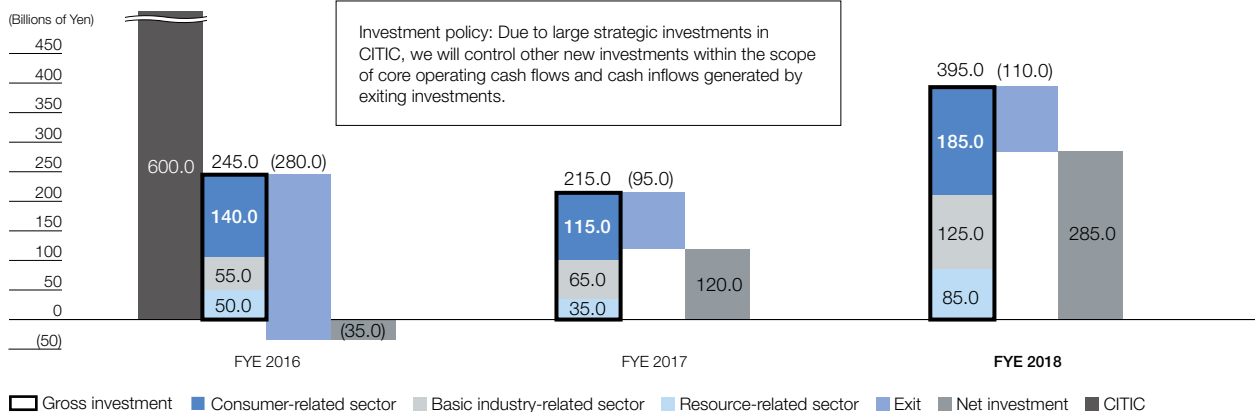
Billions of Yen	March 31, 2016	March 31, 2017	March 31, 2018
Total assets	8,036.4	8,122.0	8,663.9
Net interest-bearing debt	2,555.6	2,330.7	2,320.4
Total shareholders' equity	2,193.7	2,401.9	2,669.5
NET DER (times)	1.17	0.97	0.87
ROE	10.4%	15.3%	15.8%

Billions of Yen	FYE 2016	FYE 2017	FYE 2018
Core operating cash flows*1	375.0	420.0	460.0
Net investment cash flows*2	35.0	(120.0)	(285.0)
Core free cash flows	410.0	300.0	175.0

*1 "Operating cash flows" minus "increase/decrease of working capital"

*2 Payments and collections for substantive investment and capital expenditure. "Investment cash flows" plus "Equity transactions with non-controlling interests" minus "increase / decrease of loan receivables," etc. Excludes investment in CITIC

Investments



Investment in CITIC: Following the investment, CITIC has performed favorably in each term, taking in profits exceeding ¥60.0 billion on an annual basis. On the other hand, despite the fact that the investment in CITIC was made in anticipation of medium- to long-term expansion, we acknowledge that progress in synergy projects has been slower than initial projections. We will continue to refrain from hastily demanding results, but carefully identifying projects that contribute to mutual increase in corporate value and steadily identifying that value. Additionally, we are aware that CITIC's sluggish stock prices are in need of continued attention.

Stock Price and Shareholder Returns

- ▶ Renewed a record-high stock price and market capitalization reached ¥3.0 trillion, the highest ever
- ▶ Maintained performance-linked progressive dividend policy and set the highest minimum dividend guarantee ever of ¥70 per share in FYE 2018
- ▶ Conducted flexible share buybacks to enhance shareholder returns

Work-Style Reforms and Corporate Governance

- ▶ Accelerated work-style reforms by improving productivity and placing emphasis on customers through implementing morning-focused working systems, policies related to health management, and living with cancer. Redesigned and executed compensation policies to reward performance
- ▶ Raised ratio of outside directors to above 1/3 and transitioned to monitoring-focused Board of Directors' structure to strengthen corporate governance