

Trading company sector

Market too cautious, we stay buyers

- **Sector has underperformed but ...** — We think significant sector underperformance of TOPIX over the last three and six months is due to 1) profit declines at many trading companies in FY3/13 on lower resource prices; 2) an investor dislike of high earnings volatility resulting from resource price fluctuations and concerns over the commodity cycle; and 3) worry that RoE will stay low with shareholders' equity rising on yen weakness and equity strength but the topline not keeping pace.
- **... yen and equity market moves are actually good for NP, assets** — We stay bullish on 1) expectations for the three weak yen benefits we discussed in our February 28 report [Trading company sector - More bullish: BPS boosted by yen weakness, higher equities*](#), 2) an improving outlook for RoA and RoE medium term, and 3) compelling valuations. Mitsubishi in particular stands out with its relative PBR at an historical low (see Figure 8). Mitsubishi in particular stands out with its relative PBR at an historical low (see Figure 8) and also has unrealized gains of about ¥670bn (c\$6.8bn at ¥98.5/\$) on equity holdings of ¥1.55trn (c\$15.7bn)
- **Mitsubishi Corp. is our top pick** — We regard the focus on asset reshuffling in the new medium-term plan and comments by President Kobayashi suggesting he is eager to improve RoE as positive. Our top pick case thus rests on what we see as greater management willingness to act in ways the market likes, due to 1) the introduction of international accounting standards, which should push the disposal of cross-shareholdings, 2) reshuffling of the asset portfolio as the asset base grows, and 3) Mitsubishi being the only one of the Big 5 currently with a single-digit RoE. Mr. Kobayashi has also said that to improve RoE the firm will consider measures to address both the numerator and denominator. Increased confidence in medium-term RoE improvement could trigger a re-rating.
- **After Mitsubishi, we like Mitsui, Sumitomo, then Marubeni** — Mitsui and Sumitomo strike us as very undervalued on PBR and yield. That Sumitomo is planning for negative FCF over the coming two years in its medium-term plan is a negative but its goal of broadly maintaining net assets gives us hope of improved profitability, which is positive. We expect Mitsui & Co. to remain dependent on resources but its decision to invest in blue-chip resources seems appropriate. We like Marubeni's keenness to grow assets and raise profit and its growth potential via investment in non-resource businesses such as Gaviion.
- **Itochu: Down to Neutral** — Management is even more eager than peers to raise the share price and NP, which is exceptionally positive, but with the run-up in the shares undervaluation has diminished and we think expectations of growth via investment in non-resource businesses such as Dole is largely priced in, and we downgrade to Neutral.

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Company	Ticker	Rating		Target Price		Current Year Earnings Estimates	
		Old	New	Old	New	Old	New
Itochu	8001	1	2	¥1,250	¥1,350	¥188	¥193
Marubeni	8002	1	1	¥790	¥830	¥123	¥129
Mitsui	8031	1	1	¥1,650	¥1,700	¥196	¥214
Sumitomo	8053	1	1	¥1,300	¥1,500	¥194	¥201
Mitsubishi	8058	1	1	¥2,250	¥2,350	¥233	¥255

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Mitsubishi our top pick on compelling reasons to change

Relative sector performance poor

The trading company sector has underperformed TOPIX over the last three months (up just over 1% vs. just under 10%) and the last six months (up just c25% vs. c40%). We believe this is due to 1) profit declines for many companies in FY3/13 caused by a fall in resource prices, etc.; 2) a focus on the decline in RoE caused by an increase in shareholders' equity accompanying a weakening yen and rising equity market; and 3) on top of the profit declines in FY3/13, an investor dislike of high earnings volatility caused by resource price fluctuations. Recently, iron ore and coking coal prices have been hurt by concerns about slowing growth in China and have fallen below the assumptions of Mitsui & Co. and Mitsubishi Corp., as well as our assumptions. We expect this to weigh on share prices.

Reiterating bullish sector stance: 1) weak yen to boost EPS and BPS; 2) signs of RoE improvement over the medium term; 3) compelling valuations

However, we reiterate our bullish sector stance for the following reasons: 1) hopes of the three yen-depreciation effects we cited in our February 28 report ([Trading company sector - More bullish: BPS boosted by yen weakness, higher equities*](#)) (Figures 11, 18-21); 2) an improving outlook for RoA and RoE over the medium term after comments by many trading companies about replacing assets as part of new medium-term plans; and 3) PBRs, which are compelling despite the increase in shareholders' equity and lower RoE caused by weakening yen and rising equity markets. Low commodity prices are a concern, but we feel this has been priced into shares.

Figure 1. Investment ratings: Downgrading Itochu to Neutral, reiterating Buys on the other four majors, Mitsubishi our top pick

		Rating	TP Price (¥)	Valuation		SP 6/10	ETR	DPS(¥)		Dividend yield		PBR(x)		PER(x)	
				Target PBR	Relative PBR			3/14E	3/15E	3/14E	3/15E	3/14E	3/15E	3/14E	3/15E
Itochu	8001	Buy (1)→Neutral (2)	1,350	c1.00x	c85%	1,218	14.4%	45	47	3.7%	3.9%	0.92	0.82	6.3	6.1
Marubeni	8002	Buy (1)	830	c1.05x	c90%	688	24.1%	26	26	3.8%	3.8%	0.87	0.76	5.3	5.2
Mitsui	8031	Buy (1)	1,700	c0.85x	c70%	1,248	39.7%	53	53	4.2%	4.2%	0.62	0.58	5.8	5.8
Sumitomo	8053	Buy (1)	1,500	c0.80x	c65%	1,255	23.2%	50	53	4.0%	4.2%	0.68	0.62	6.2	5.9
Mitsubishi	8058	Buy (1)	2,350	c0.85x	c70%	1,744	37.9%	64	64	3.7%	3.7%	0.61	0.57	6.8	6.8
Avg.				0.91x	76%		27.9%			3.9%	4.0%	0.74	0.67	6.1	6.0

Source: Citi Research.

Figure 2. Five trading companies: Ratings and reasons

	Investment rating		Reasons
	Old	New	
Itochu	Buy	Neutral	We raise our NP forecasts to reflect a weaker yen, etc., but the revisions are the smallest for the sector We like management's focus on the share price and profit growth strategies, including the Dole business acquisition Share price gains have reduced the appeal of valuations, including the dividend yield
Marubeni	Buy	Buy	Considering the weaker yen and equity market gains, for FY3/14 and out we raise our NP forecast by just under 5% and our BPS forecast by just over 5% We forecast the contribution of Gavilon, etc., will support profit growth for four consecutive years We believe the shares are significantly undervalued on a FY3/14E PBR of 0.9x vs. RoE of c18%
Mitsui	Buy	Buy	We raise our FY3/14 NP forecast by c9% to reflect a weaker yen, etc. We raise our FY3/14 BPS estimate by just over 9% to reflect a weaker yen and equity market gains We believe the shares are significantly undervalued on a FY3/14E PBR of c0.65x vs. RoE of more than 11%
Sumitomo	Buy	Buy	We raise our FY3/14 BPS estimate by just under 9% to reflect a weaker yen and equity market gains We believe the shares are significantly undervalued on a FY3/14E PBR of 0.7x vs. double-digit RoE FY3/14E dividend yield of just under 4% is attractive both in absolute and sector relative terms
Mitsubishi	Buy	Buy	The company has lots of motivation to act in ways that will please investors We believe a PBR of 0.6x-0.7x is too low vs. RoE of just under 10% We forecast profit growth in the mainstay coking coal business on a rebound from strikes and other negative factors

Source: Citi Research.

Individual stock recommendations (Figures 1 and 2)

Investment order of preference

We downgrade Itochu to Neutral based such factors as share price gains, but reiterate Buy ratings on the other four major trading companies. Our order of preference is: Mitsubishi Corp., then Mitsui & Co. and Sumitomo Corp., then Marubeni. Mitsubishi Corp. is our top pick, as we highlight the reasons it has to change. Even though Mitsui & Co. and Sumitomo Corp. have double-digit RoE and have historically traded at a discount to peers, we believe PBR multiples are very attractive. Superior dividend yields relative to the sector are another appeal. Marubeni's ranking is low because its share price has risen by more than that of peers over the last 12 months, although not by as much as Itochu.

Itochu

We believe a big improvement in non-resource business RoA is the reason for Itochu's strong performance over the last three years (Figure 15). While one-off profits have contributed, this has been driven by the continued strong performance of the textile business as well as profit growth in foods, machinery, and lifestyle/IT businesses. As result, profit resistance to resource price fluctuations has strengthened. We believe this, coupled with increasing confidence in President Masahiro Okafuji, who has given priority to the share price and profits, has underpinned the good share price performance. Investors are likely to remain attracted by the commitment of management, led by Mr. Okafuji, to improving asset returns. However, we forecast non-resource RoA (profit) will decline in FY3/14 as one-off profits drop out and expect relative share price performance to deteriorate.

Mitsubishi Corp. : Reasons to change are 1) sale of cross-shareholdings, 2) asset reshuffles, and 3) RoE improvement

Mitsubishi Corp. has been our top sector pick since we nominated it as such in our April 17 report, [Trading companies: January–March preview - Low resource prices make sector a laggard but weak yen positive](#). We believe the new medium-term management plan announced in May and comments made at the briefing show that it has good reason to change (i.e., that it has the motivation to act in ways that the market likes). Specifically, 1) Mitsubishi Corp. will introduce IFRS, which may encourage the sale of cross-shareholdings; 2) balance sheet expansion has given

We forecast a decline in non-resource business RoA, which we believe has been the source of outperformance

Our top pick: it has compelling reasons to change

rise to the need for asset reshuffles; and 3) it is the only one of the five trading company majors that has a single-digit RoE. In addition, it has set a DPS floor of ¥50 and will pay out at least 30% of NP over ¥350bn. The FY3/14 dividend forecast of ¥60 equates to a payout ratio of 24.7%; however, the ¥10 excess above the ¥50 floor equates to a payout ratio against excess EPS of c33% (NP of ¥50bn is equivalent to EPS of c¥30).

Background to the reasons to changes

Under IFRS, profits on the sale of general held-for-investment equity holdings are treated as comprehensive income. If marketable equity holdings were sold aggressively before the introduction of IFRS, not only would the gains be booked as NP but unrealized gains on securities would be reduced, thereby reducing shareholders' equity. We would therefore expect RoE to improve. Mitsubishi Corp. has unrealized gains of around ¥670bn on equity holdings of ¥1.55trn, so the potential is considerable (factor 1 above). Moreover, the asset base has grown some 33% over the past three years, and given the difficulty involved in rapidly recruiting experienced personnel, we see a strong need for asset divestitures (factor 2). As one of Japan's largest conglomerates, we expect Mitsubishi Corp. to do something about profitability measures that are clearly inferior to the sector (factor 3). President Ken Kobayashi has said that to improve RoE, over the medium term Mitsubishi will consider capital measures to address both the numerator (NP) and denominator (shareholders' equity), and from this we sense the eagerness for improvement. If RoE improvement over the medium-term becomes more likely, valuations could also rise.

New medium-term plans announced by all majors apart from Mitsui

Comments about asset replacement reflect need for change after 6-7 years of high investment

All companies have commented on plans to replace assets, including Sumitomo, which has already started replacement activities. We believe this creates a good impression. However, no trading company has cited achieving a positive FCF as a target, and we believe investment will remain the priority. Since the second half of the 2000s, trading companies have increased investment and inflated their balance sheets against the backdrop of strengthening financial positions and soaring resource prices. But they have found it difficult to secure quality managers, and we believe this is the reason they are now looking to reshuffle asset portfolios.

We are impressed by Marubeni's RoA target and Mitsubishi's new shareholders' return policy

Looking at individual medium-term plans, we like Marubeni's high RoA target and Mitsubishi's more flexible shareholders' return policy. However, we think Marubeni could miss targets if it does not replace assets and secure high-yield assets, and that Mitsubishi's dividend payout ratio could remain at 25% depending on management performance. Even so, we applaud Marubeni's high targets and Mitsubishi's desire to change.

Valuations

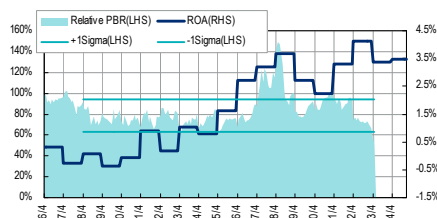
We use PBR as our main valuation metric, with ROE correlation our main focus

We continue to use PBR as our main valuation metric because (1) share prices tend to move in tandem with the market (the reason for our emphasis on relative PBR); (2) the correlation between relative PBR and RoE, ROIC, and RoA is high; and (3) historically, relative PBR has remained largely range bound. We use FY3/14 as our valuation base year. Given the strong correlation between RoE and relative PBR over the last three years or so, in setting our target PBR multiples (1) we primarily focus on RoE forecasts while taking into consideration (2) historical relative-PBR ranges, (3) reliance on resource businesses and profit volatility, and (4) absolute TOPIX PBR levels.

Shares look significantly undervalued not only on relative PBR but absolute PBR, also

Almost all trading companies are trading below the bottom end of historical relative PBR ranges and look significantly undervalued from this perspective. While RoA has been improving for more than 15 years, valuations have been held in check. We believe this is due to expectations of a gradual decline in RoE caused by rising shareholders' equity (Figures 3, 14, 16). However, given that most trading companies have a double-digit RoE, we believe they are undervalued on relative PBRs below historical ranges and absolute PBRs that are at the lowest levels in 15 years (Figures 4-8, 10).

Figure 3. Relative PBR and RoA at five trading companies: Looking undervalued



Source: Bloomberg, Citi Research.

Figure 4. Itochu: Relative PBR



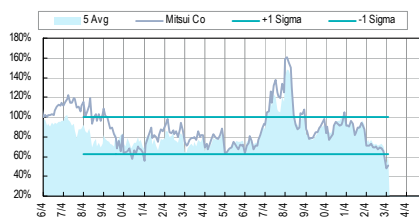
Source: Bloomberg, Citi Research.

Figure 5. Marubeni: Relative PBR



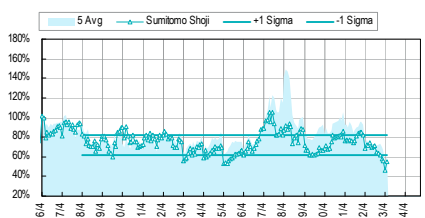
Source: Bloomberg, Citi Research.

Figure 6. Mitsui: Relative PBR



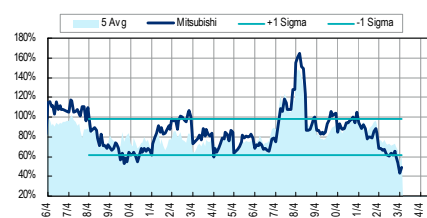
Source: Bloomberg, Citi Research.

Figure 7. Sumitomo: Relative PBR



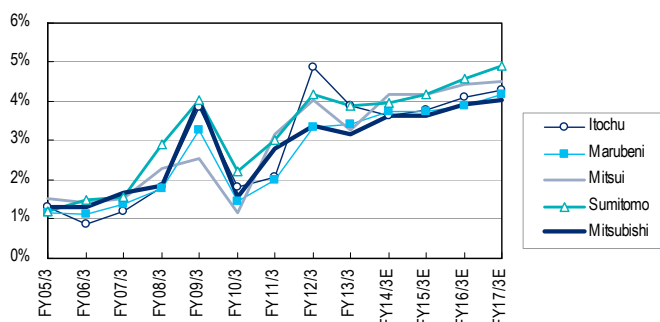
Source: Bloomberg, Citi Research.

Figure 8. Mitsubishi: Relative PBR



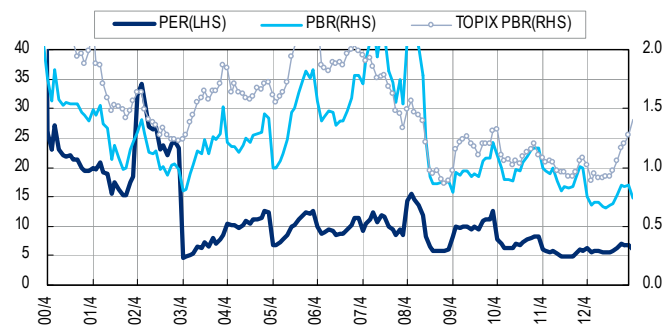
Source: Bloomberg, Citi Research.

Figure 9. Dividend yield: Mitsui and Sumitomo appealing



Source: Bloomberg, Citi Research.

Figure 10. Average PER and PBR for five trading companies, TOPIX PBR



Source: Bloomberg, Citi Research.

BPS rose sharply during FY3/13 H2 due to yen weakness and equity market strength. We think this will continue through FY3/14 H1 as earnings from some subsidiaries are booked after a lag due to fiscal year differences

Figure 11. Five trading companies: BPS rise sped up during FY3/13 H2 on yen weakness and equity market strength

	3/13BPS				3/13BPS QoQ			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Itochu	856.8	877.8	969.6	1,117.0	-0.7%	2.5%	10.5%	15.2%
Marubeni	518.1	522.2	564.6	651.9	5.6%	0.8%	8.1%	15.5%
Mitsui	1,389.2	1,426.5	1,579.7	1,743.3	-4.0%	2.7%	10.7%	10.4%
Sumitomo	1,353.1	1,356.3	1,457.2	1,641.6	0.1%	0.2%	7.4%	12.7%
Mitsubishi	2,093.2	2,116.5	2,300.1	2,537.5	-1.8%	1.1%	8.7%	10.3%

Source: Citi Research.

BPS forecasts up 5%-9% on a weaker yen and stronger equity market. As a result, we increase our BPS forecasts by more than our EPS forecasts. Our RoE forecasts increased at Mitsui and Mitsubishi, where profits are high from natural resources (a yen weakness beneficiary). (Figures 12 and 13)

Figure 12. Five trading companies: Profitability indicators, changes from previous forecasts

	ROE			YoY		ROIC			ROA	
	3/13E	3/14E	3/15E	3/13	3/14E	3/13E	3/14E	3/15E	3/13E	3/14E
Itochu	17.9%	15.8%	14.1%	-0.7ppt	-0.7ppt	5.7%	6.5%	6.0%	4.1%	4.0%
Marubeni	20.7%	17.8%	15.5%	-0.1ppt	0.2ppt	5.5%	6.0%	5.6%	3.7%	3.6%
Mitsui	10.6%	11.4%	10.3%	-0.5ppt	0.2ppt	5.5%	6.0%	5.6%	3.2%	3.7%
Sumitomo	12.4%	11.5%	10.9%	-0.6ppt	-0.5ppt	4.6%	4.4%	4.5%	3.1%	3.1%
Mitsubishi	9.4%	9.5%	8.6%	-0.1ppt	0.2ppt	3.8%	4.1%	3.9%	2.7%	2.9%
Avg.	14.2%	13.2%	11.9%	-0.4ppt	-0.1ppt	5.0%	5.4%	5.1%	3.4%	3.5%

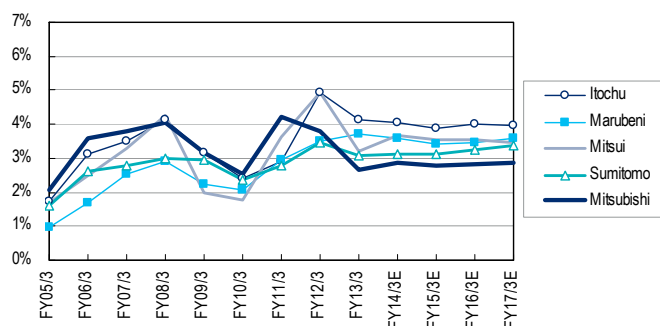
Source: Citi Research.

Figure 13. Five trading companies: NP and BPS—we lift our BPS forecasts on yen weakness and equity market strength

	NP (¥bn)					YoY		NP (YoY)			EPS(¥)		BPS(¥)		YoY	
	3/12	3/13	3/14E	3/15RE	3/16E	3/14RE	3/15RE	3/13	3/14E	3/15RE	3/13	3/14RE	3/13	3/14RE	3/13	3/14RE
Itochu	300.5	280.3	305.0	314.0	336.0	2.7%	-2.5%	-6.7%	8.8%	3.0%	177.3	193.0	1,117	1,329	5.7%	8.1%
Marubeni	172.1	205.7	224.0	228.0	238.0	4.7%	0.0%	19.5%	8.9%	1.8%	118.5	129.0	652	794	1.8%	5.3%
Mitsui	434.5	307.9	390.0	390.0	408.0	8.9%	3.7%	-29.1%	26.7%	0.0%	168.7	213.7	1,744	1,997	3.9%	9.1%
Sumitomo	250.7	232.5	252.0	265.0	290.0	3.7%	-4.0%	-7.3%	8.4%	5.2%	185.9	201.5	1,642	1,858	6.8%	8.8%
Mitsubishi	452.3	360.0	421.0	421.0	445.0	9.6%	1.2%	-20.4%	16.9%	0.0%	218.6	255.6	2,538	2,859	5.1%	8.4%
Total	1,610	1,386	1,592	1,618	1,717	6.4%	0.0%	-8.8%	13.9%	2.0%						

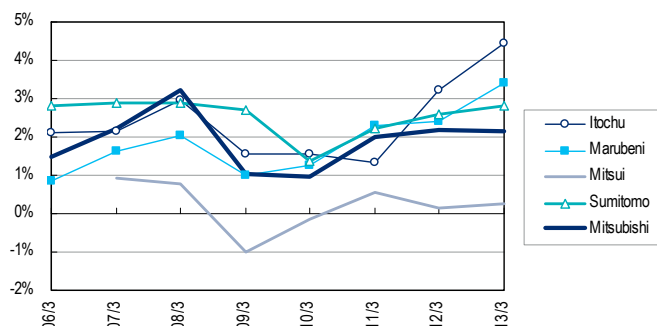
Source: Citi Research.

Figure 14. RoA: High at Itochu and Mitsui



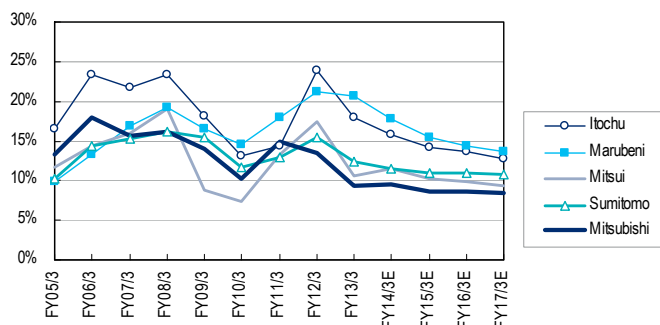
Source: Company data, Citi Research.

Figure 15. Non-resource RoA: Significant improvement for Itochu over the last two years



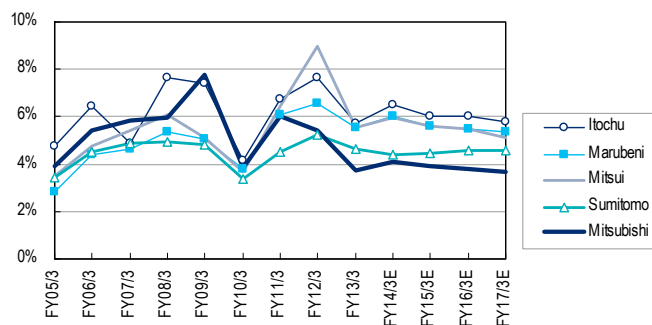
Source: Company data, Citi Research.

Figure 16. RoE: We look for a decline as BPS rises on yen weakness and higher profits



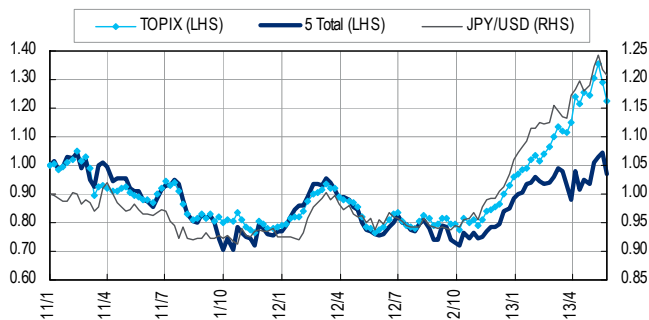
Source: Company data, Citi Research.

Figure 17. RoIC: We look for decline



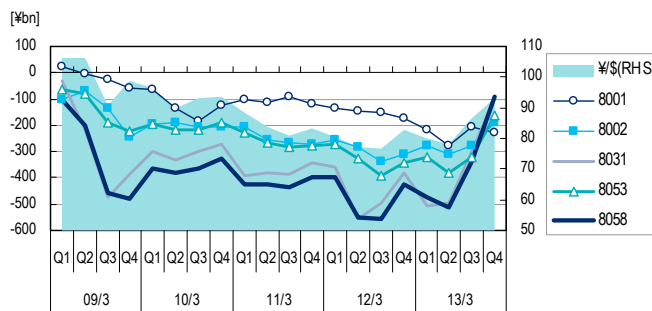
Source: Company data, Citi Research.

Figure 18. Share prices for five trading companies, forex rates, TOPIX: Significant laggards relative to TOPIX and yen weakness



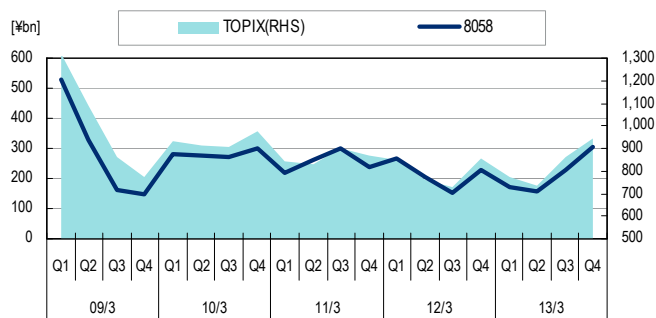
Source: Company data, Citi Research.

Figure 19. Forex translation adjustments at five trading companies: We expect further improvement; Mitsubishi tends to see change somewhat after Mitsui



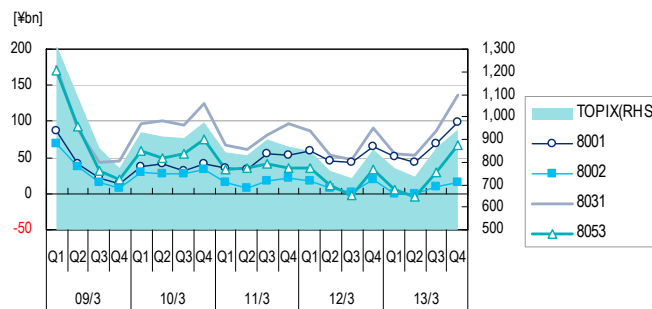
Source: Company data, Citi Research.

Figure 20. Unrealized gains on securities at Mitsubishi, TOPIX



Source: Bloomberg, Citi Research.

Figure 21. Unrealized gains on securities at four other trading companies, TOPIX



Source: Bloomberg, Citi Research.

Figure 22. Sensitivity to forex, commodity prices: Yen weakness a positive for trading companies

(\$mn)	FX			TIBOR %	Oil (\$/bbl)	Iron Ore (\$/MT)	Coal(\$/MT)		Copper (\$100/MT)	Aluminum (\$100/MT)	Zinc (\$100/MT)
	JPY/USD	JPY/AUD	JPY/BRR				Coking	Thermal			
Itochu	2,000			-5,000	330	690	540				
Marubeni	1,400				500				600		
Mitsui	1,900	1,900	400		1,900	2,200			600		
Sumitomo	1,300				50	280	230	180	230		960
Mitsubishi	2,500				1,000				1,100	1,000	

Note: Impact on NP from changes in market conditions. In addition to the above there are impacts on the forex translation adjustment account in net assets. The above figures represent the impact of a ¥1 weakening of the yen against the USD, Australian dollar, and Brazilian real, (2) a 1ppt rise in the yen interest rate, (3) a \$1/bbl rise in the crude oil price, (4) a \$1/MT rise in the iron ore price, (5) a \$1/MT rise in the price of coking coal (6) \$1/MT rise in the price of thermal coal, (7) a \$100/MT rise in copper prices, (8) a \$100/MT rise in aluminum prices, and (9) a \$100/MT rise in zinc prices for each company.

Source: Company data, Citi Research.

For more on each company's assumptions, please see our May 8 report [Trading Companies - First impressions of FY3/14 guidance at 5 companies](#).

Figure 23. Our forex and commodity price assumptions: We now assume ¥100/\$ for FY3/14 and out

	3/11	3/12	3/13	3/14E	3/15E	3/16E	3/17E	3/18E
Forex								
USD (¥/\$)	85.7	79.1	82.9	100.0	100.0	100.0	100.0	100.0
USD (CY) (¥/US\$)	87.8	79.7	79.9	100.0	100.0	100.0	100.0	100.0
Real (¥/R)	49.5	46.7	41.3	45.0	45.0	45.0	45.0	45.0
Oil and gas								
Brent Oil (CY) (\$/bbl)	82.5	110.2	109.9	101.3	93.0	90.1	92.4	94.7
Dubai Oil (\$/bbl)	82.0	109.9	110.0	101.0	92.7	89.8	92.1	94.4
Henry Hub (CY) (US\$/MMBtu)	4.4	4.0	2.8	3.6	4.1	4.8	4.9	5.0
Metals and other resources								
Hard Coking Coal (\$/MT)	215	291	194	186	193	205	212	220
Hard Coking Coal (CY) (\$/MT)	191	289	211	174	190	203	210	218
Thermal Coal (\$/MT)	98.0	125.0	95.2	101.5	95.0	98.0	101.8	107.8
Thermal Coal (CY) (\$/MT)	91.0	121.9	104.8	89.3	93.5	98.0	100.3	106.3
Iron Ore (\$/MT)	158.6	161.5	126.8	117.5	122.3	119.8	113.8	110.0
Iron Ore (CY) (\$/MT)	146.9	167.8	128.5	120.0	122.3	122.3	115.0	110.0
Copper (c/lb)	369	384	359	330	302	313	314	318
Copper (\$/MT)	8,135	8,465	7,906	7,275	6,650	6,900	6,925	7,011
Copper (CY) (c/lb)	342	400	360	341	307	308	313	318
Copper (CY) (\$/MT)	7,543	8,818	7,945	7,516	6,775	6,800	6,900	7,000
Silver (CY) (\$/oz)	20.2	35.3	31.2	31.0	28.1	25.9	23.3	20.5
Aluminum (CY) (\$/MT)	2,173	2,423	2,049	1,976	1,930	1,950	2,000	2,100
Nickel (CY) (\$/lb)	9.9	10.4	8.0	9.0	9.5	10.4	10.9	10.9
Zinc (CY) (\$/MT)	2,161	2,191	1,963	2,058	1,996	2,050	2,100	2,150
Lead (CY) (\$/MT)	2,148	2,399	2,072	2,113	2,191	2,200	2,225	2,250

Note: Forex assumptions from our Japan trading company team. Commodity price assumptions from our global commodities team.

Source: Citi Research.

Figure 24. Valuations

		Rating		Price	Mkt	FY1E=	EPS		PER (x)		PBR (x)	OPM	DY	EV/EBITDA (x)	RoE		
Code	Company				Cap		FY1E	FY2E	FY1E	FY2E	FY1E	FY2E	FY1E	FY2E	FY1E	FY2E	
Trading companies					(\$ bn)												
8001.T	Itochu	2	JPY	1,218.00	19.7	3/14	193.0	198.7	6.3	6.1	0.9	2.1%	3.9%	7.8	7.5	15.8%	14.1%
8002.T	Marubeni	1	JPY	688.00	12.2	3/14	129.0	131.3	5.3	5.2	0.9	1.3%	3.8%	5.3	5.3	17.8%	15.5%
8031.T	Mitsui	1	JPY	1,248.00	23.4	3/14	213.7	213.7	5.8	5.8	0.6	3.1%	4.2%	2.4	1.8	11.4%	10.3%
8053.T	Sumitomo	1	JPY	1,255.00	16.1	3/14	201.5	211.9	6.2	5.9	0.7	2.0%	4.2%	6.6	6.7	11.5%	10.9%
8058.T	Mitsubishi	1	JPY	1,744.00	29.4	3/14	255.3	255.3	6.8	6.8	0.6	1.0%	3.7%	7.7	6.9	9.5%	8.6%
Energy (Oil)																	
1605.T	Inpex	1	JPY	435,500.00	16.3	3/14	38,346.8	38,894.6	11.4	11.2	0.6	54.0%	1.6%	0.5	1.2	5.7%	5.6%
5020.T	JX Hld	1	JPY	471.00	12.0	3/14	68.4	70.8	6.9	6.7	0.6	2.6%	3.6%	4.9	4.7	8.4%	8.2%
Global Mining																	
BLT.L	BHP Billiton	2	USD	18.07	160.3	6/13	2.4	2.7	11.7	10.5	2.1	33.1%	4.4%	6.2	5.6	16.6%	18.9%
VALE.N	Vale	1	USD	14.29	71.8	12/13	2.1	2.0	6.7	7.0	0.9	31.8%	4.1%	4.5	4.4	14.0%	12.3%
RIO.L	Rio Tinto	1	USD	27.40	74.0	12/13	5.5	6.0	7.8	7.1	1.5	28.3%	5.2%	4.3	3.7	22.7%	19.4%
AAL.L	Anglo American	2	USD	14.22	30.8	12/13	1.8	2.2	12.4	10.1	0.7	20.2%	4.1%	4.9	4.5	6.0%	7.1%
Copper Mining																	
FCX.N	Freeport Mcmoran	3	USD	30.88	29.3	12/13	3.0	2.4	10.4	12.9	1.4	25.3%	4.0%	4.6	4.9	14.8%	11.0%
ANTO.L	Antofagasta	3	USD	9.11	14.0	12/13	1.0	0.7	13.9	20.6	2.0	31.6%	1.7%	4.9	6.8	14.1%	9.3%
Coal Mining																	
ADRO.JK	Adaro Energy	2	USD	860.00	2.8	12/12	0.0	0.0	6.7	8.7	1.1	18.7%	3.1%	3.8	4.6	16.7%	12.2%
Global Trading																	
ADEL.BO	Adani Ent	1	INR	205.85	4.0	3/13	9.9	21.4	20.7	9.6	1.1	12.4%	0.5%	14.6	8.8	7.7%	10.7%
NOBG.SI	Noble Grp	2	USD	1.01	5.3	12/13	0.1	0.1	10.0	7.2	1.0	1.4%	3.5%	7.1	6.1	10.3%	13.2%
OLAM.SI	Olam Inter	1	SGD	1.69	3.3	6/13	0.1	0.2	11.3	9.8	1.1	5.5%	2.9%	8.5	8.4	11.6%	12.2%

Note: Closing prices as of June 10.

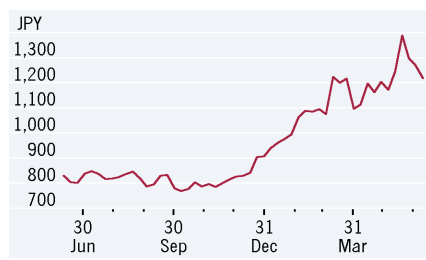
Source: Citi Research.

Company Focus

- Rating Change
- Target Price Change
- Estimate Change

Neutral	2
from Buy	
Price (10 Jun 13)	¥1,218
Target price	¥1,350
from ¥1,250	
Expected share price return	10.8%
Expected dividend yield	3.7%
Expected total return	14.5%
Market Cap	¥1,925,057M
	US\$19,490M

Price Performance (RIC: 8001.T, BB: 8001.JP)



Itochu (8001)

Downgrading to Neutral: Despite good news, undervaluation has receded on share price rise

- **Conclusion** — We raise our TP to ¥1,350 from ¥1,250 (our target valuation remains an FY3/14E PBR of 1.0x) as we up our forecasts, but we downgrade to Neutral. While we lift our NP forecast due to yen weakness, we do so by less than we do for peers. Also, while we see management's share price focus and the profit growth strategy via moves like the acquisition of part of Dole's food business as positive, Itochu posted a large loss related to oil and gas development in FY3/13. Finally, yield, etc., looks less appealing after recent share price growth.
- **BPS** — Due to yen weakness and equity market strength the rise in BPS is greater than EPS (see Figure 11, 13). At end-FY3/14 we forecast BPS of ¥1,329 (+19% YoY).
- **FY3/14** — We raise our NP forecast to ¥305bn (+8.8%) from ¥297bn. We revise our forex assumption to ¥100/\$ from ¥90/\$ and adopt natural resource price forecasts from our global commodities team. By segment, we lift our forecasts for machinery and ICT, general products, and realty, which overshot plan in FY3/13, as well as for metals, where yen weakness is a positive. Based on company forecasts we lower our adjustments/eliminations number. In YoY terms we look for profit declines for textiles and ICT, general products, and realty as one-off profits drop out, but we anticipate profit growth for energy and chemicals (yen weakness, dropout of impairment losses, lower crude price), metals (yen weakness, higher volume), and foods (consolidation of businesses acquired from Dole).
- **Company guidance** — Itochu assumes ¥90/\$. We think the numbers for machinery, foods, and ICT, general products, and realty are somewhat optimistic so undershoots look likely. However, we think metals and energy and chemicals will beat plan on yen weakness. Spot prices for iron ore and coking coal are currently below company assumptions.
- **FY3/15 and out** — We trim our forecasts on lowered assumptions for coking coal prices, etc. but medium term we anticipate profit growth on expansion for metals, iron ore, and coal. However, there could be a re-rating if 1) Itochu generates larger-than-expected synergies with the recently acquired Dole businesses and 2) non-resource businesses acquired over the past one or two years in the ICT, general products, and realty segment are able to improve their earnings power.
- **Outlook** — Itochu remains well ahead of peers in RoE, but we think the recent share price increase makes the shares look less undervalued on yield and PER. For further upside, we believe Itochu would need to set targets for profitability metrics like RoE and RoIC and then buyback shares to achieve them.

Consol.	Sales		Pretax Profit		NP		EPS	PE
	¥M	YOY (%)	¥M	YOY (%)	¥M	YOY (%)	¥	X
3/12A	11,978,276	5.1	341,174	87.1	300,505	86.5	190	6.4
3/13A	12,551,557	4.8	311,112	-8.8	280,297	-6.7	177	6.9
3/14CE	14,300,000	13.9	300,000	-3.6	290,000	3.5	183	6.6
3/14E	12,543,000	-0.1	352,000	13.1	297,000	6.0	188	6.5
3/14RE	14,350,000	14.3	316,000	1.6	305,000	8.8	193	6.3
3/15E	12,318,000	-1.8	381,000	8.2	322,000	8.4	204	6.0
3/15RE	14,071,000	-1.9	324,000	2.5	314,000	3.0	199	6.1
3/16E	12,239,000	-0.6	415,000	8.9	347,000	7.8	220	5.5
3/16RE	13,938,000	-0.9	349,000	7.7	336,000	7.0	213	5.7

A: Actuals, E: Citi Research Ests, CE: Co. Ests, RE: Citi Research Revised Ests, CRE: Co. Revised Ests, NA: Not Available, NM: Not Meaningful

8001.T: Fiscal year end 31-Mar						Price: ¥1,218; TP: ¥1,350; Market Cap: ¥1,925,057m; Recomm: Neutral					
Profit & Loss (¥m)	2012	2013	2014E	2015E	2016E	Valuation ratios	2012	2013	2014E	2015E	2016E
Sales revenue	11,978,276	12,551,557	14,350,000	14,071,000	13,938,000	PE (x)	6.4	6.9	6.3	6.1	5.7
Cost of sales	-11,021,356	-11,635,678	-13,330,000	-13,050,000	-12,897,000	PB (x)	1.4	1.1	0.9	0.8	0.7
Gross profit	956,920	915,879	1,020,000	1,021,000	1,041,000	EV/EBITDA (x)	7.0	7.3	7.8	7.5	6.6
Gross Margin (%)	8.0	7.3	7.1	7.3	7.5	FCF yield (%)	-9.6	3.2	-16.4	-4.8	-4.6
EBITDA (Adj)	349,791	331,388	296,000	300,000	318,000	Dividend yield (%)	3.6	3.6	3.7	3.9	4.2
EBITDA Margin (Adj) (%)	2.9	2.6	2.1	2.1	2.3	Payout ratio (%)	23	25	23	24	24
Depreciation	-77,171	-87,169	-7,000	-8,000	-8,000	ROE (%)	23.8	17.9	15.8	14.1	13.6
Amortisation	0	0	0	0	0	Cashflow (¥m)	2012	2013	2014E	2015E	2016E
EBIT (Adj)	272,620	244,219	289,000	292,000	310,000	EBITDA	349,791	331,388	296,000	300,000	318,000
EBIT Margin (Adj) (%)	2.3	1.9	2.0	2.1	2.2	Working capital	-94,898	0	6,000	21,000	7,000
Net interest	5,018	11,419	4,000	2,000	1,000	Other	-42,063	-85,727	-17,000	-14,000	-14,000
Non-op/Except	63,536	55,474	23,000	30,000	38,000	Operating cashflow	212,830	245,661	285,000	307,000	311,000
PreTax Profit	341,174	311,112	316,000	324,000	349,000	Capex	-396,880	-183,106	-600,000	-400,000	-400,000
Tax	-122,029	-94,333	-110,000	-113,000	-122,000	Net acq/disposals	-27,273	-8,697	100,000	100,000	100,000
Extraord./Min.Int./Pref.div.	81,360	63,518	99,000	103,000	109,000	Other	7,838	-8,187	0	0	0
Reported net profit	300,505	280,297	305,000	314,000	336,000	Investing cashflow	-416,315	-199,990	-500,000	-300,000	-300,000
Net Margin (%)	2.5	2.2	2.1	2.2	2.4	Dividends paid	-40,335	0	-70,000	-71,000	-74,000
Core NPAT	300,505	280,297	305,000	314,000	336,000	Financing cashflow	84,704	-11,323	236,000	-7,000	-11,000
Per share data	2012	2013	2014E	2015E	2016E	Net change in cash	-120,267	34,348	21,000	0	0
Reported EPS (¥)	190	177	193	199	213	Free cashflow to s/holders	-184,050	62,555	-315,000	-93,000	-89,000
Core EPS (¥)	190	177	193	199	213	Other Index (Ymn or %)	2012	2013	2014E	2015E	2016E
EPS* (¥)	190	177	193	199	213	tNOPAT	287,293	250,484	322,000	326,000	347,000
DPS (¥)	44	44	45	47	51	tBusinessProfit	400,402	351,364	443,000	446,000	459,000
CFPS (¥)	135	155	180	194	197	tEBITDA	477,573	351,364	450,000	454,000	467,000
FCFPS (¥)	-116	40	-199	-59	-56	tROIC	7.6	5.7	6.5	6.0	6.0
BVPS (¥)	863	1,117	1,329	1,482	1,648	OOIC	5.7	5.6	5.7	5.7	5.4
Wtd avg ord shares (m)	1,581	1,581	1,581	1,581	1,581						
Wtd avg diluted shares (m)	1,581	1,581	1,581	1,581	1,581						
Growth rates	2012	2013	2014E	2015E	2016E						
Sales revenue (%)	5.1	4.8	14.3	-1.9	-0.9						
EBIT (Adj) (%)	6.5	-10.4	18.3	1.0	6.2						
Core NPAT (%)	86.5	-6.7	8.8	3.0	7.0						
Core EPS (%)	86.5	-6.7	8.8	3.0	7.0						
Balance Sheet (¥m)	2012	2013	2014E	2015E	2016E						
Cash & cash equiv.	521,432	580,491	600,000	600,000	600,000						
Accounts receivables	1,823,730	1,899,106	2,089,000	2,048,000	2,029,000						
Inventory	574,345	657,853	672,000	657,000	650,000						
Net fixed & other tangibles	868,601	1,281,341	1,575,000	1,717,000	1,859,000						
Goodwill & intangibles	284,109	0	0	0	0						
Financial & other assets	2,435,056	2,698,455	3,031,000	3,217,000	3,407,000						
Total assets	6,507,273	7,117,246	7,967,000	8,239,000	8,545,000						
Accounts payable	1,434,241	1,469,155	1,679,000	1,644,000	1,625,000						
Short-term debt	450,968	482,544	560,000	402,000	387,000						
Long-term debt	2,259,717	2,447,868	2,676,000	2,898,000	2,976,000						
Provisions & other liab	666,206	605,260	605,000	605,000	605,000						
Total liabilities	4,811,132	5,004,827	5,520,000	5,549,000	5,593,000						
Shareholders' equity	1,363,797	1,765,435	2,100,000	2,343,000	2,605,000						
Minority interests	332,344	347,184	347,000	347,000	347,000						
Total equity	1,696,141	2,112,619	2,447,000	2,690,000	2,952,000						
Net debt	2,189,253	2,349,921	2,636,000	2,700,000	2,763,000						
Net debt to equity (%)	129.1	111.2	107.7	100.4	93.6						

Note: Consolidated data. * EPS: NP/Est Shares OS.

For further data queries on Citi's full coverage universe please contact Citi Research Data Services at CitiRsch.DataServices.Global@citi.com

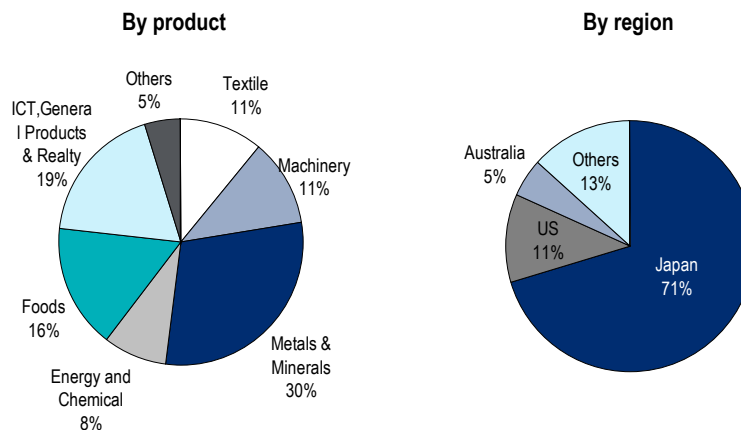


Itochu Corp. (8001) Investment Dashboard

Reasons for our Neutral rating

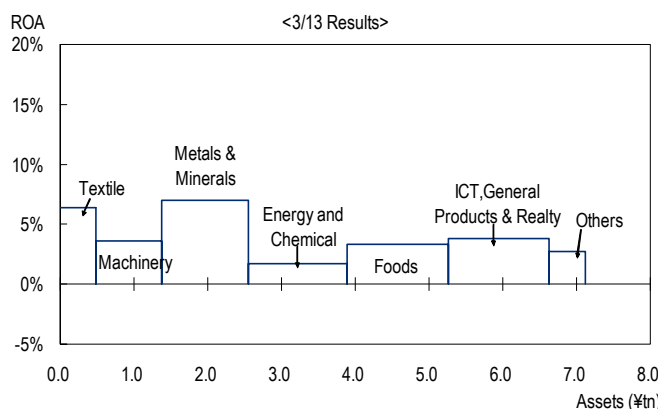
- **Profits:** We expect profit growth in FY3/14, but smaller than at peers
- **Strategy:** We think stable non-resource businesses will bolster earnings medium term, so downside risks to earnings seem smaller than at peers
- **Valuations:** The shares look less undervalued on yield and PBR

Sales breakdown (FY3/13)



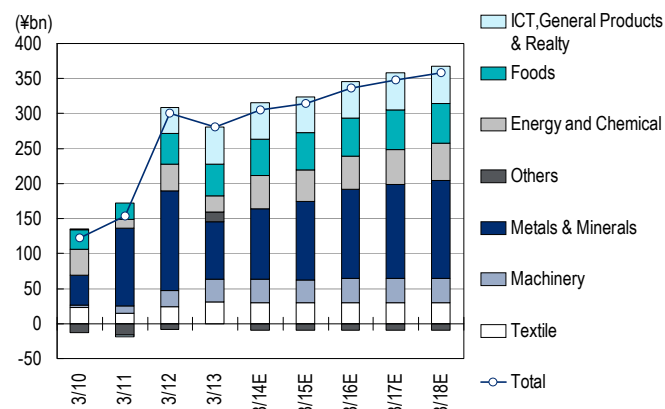
Source: Company data, Citi Research.

Business portfolio



Source: Company data, Citi Research.

NP by segment

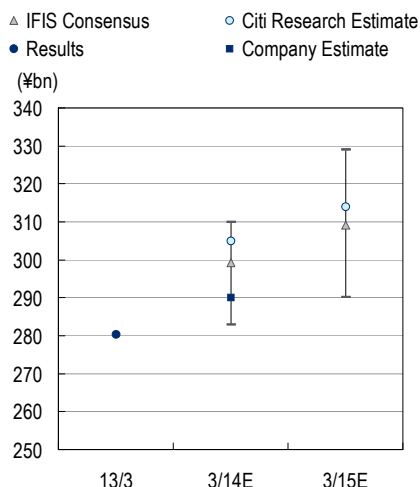


Source: Company data, Citi Research.

Alternate scenario: A more bearish case

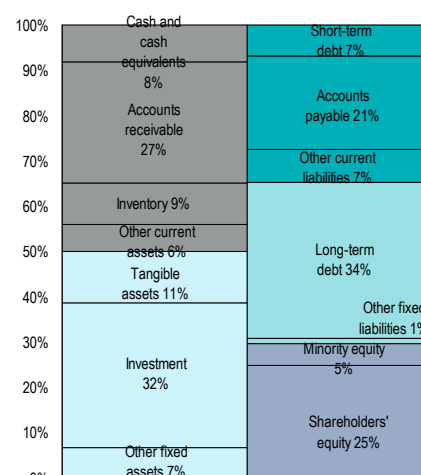
- **Resources:** Price declines in areas where Itochu has higher exposure than peers (iron ore, coal, etc.)
- **Should the Chinese economy slow more than expected and profits from Itochu's Chinese non-resource operations tumble**

NP forecast comparison



Source: Company data, IFIS (June 4), Citi Research.

Balance sheet (end-FY3/13)



Source: Company data.

Figure 25. Itochu: NP by segment (¥bn)

NP	3/12					3/13	3/14	3/14	3/15	3/16	3/13	3/14	3/15
		Q1	Q2	Q3	Q4	FY	FYCE	FYRE	FYRE	FYRE	FYE	FYE	FYE
Textile	24.4	8.5	9.5	7.0	7.0	31.2	29.0	30.0	30.0	30.0	32.0	29.0	29.0
Machinery	23.1	5.9	8.8	7.0	6.0	32.1	37.0	33.0	32.0	34.0	28.0	26.0	28.0
Metals & Minerals	142.1	24.6	18.4	14.0	23.9	82.5	85.0	101.0	112.0	128.0	83.0	98.0	122.0
Energy and Chemical	37.8	8.3	6.7	5.7	23.4	23.1	41.0	48.0	45.0	47.0	37.0	48.0	45.0
• Energy	20.1	5.1	2.8	-5.2	16.5	5.8	24.0	32.0	28.0	30.0	19.2	32.0	29.0
• Chemicals	17.7	3.2	3.9	3.9	7.0	17.3	17.0	16.0	17.0	17.0	18.0	16.0	16.0
Foods	43.8	10.9	14.4	9.7	9.0	45.7	55.0	52.0	54.0	55.0	47.0	50.0	52.0
ICT, General Products & Realty	37.6	8.4	15.0	8.6	13.8	52.1	53.0	51.0	51.0	52.0	50.0	46.0	46.0
• ICT	16.8	3.2	4.4	4.3	3.8	17.0	21.0	19.5	20.0	20.0	15.7	17.0	17.0
• Real estate, insurance, logistics	17.7	3.1	5.3	6.0	7.0	20.9	21.0	19.9	20.0	20.0	21.4	18.0	18.0
• Construction, finance	3.1	2.1	5.3	2.6	3.0	14.3	11.0	11.1	11.0	12.0	13.0	11.0	11.0
Adjustments/eliminations	-8.3	4.0	-1.2	0.0	-9.0	13.6	-10.0	-10.0	-10.0	-10.0	5.0	0.0	0.0
Total	300.5	70.7	71.6	52.0	73.9	280.3	290.0	305.0	314.0	336.0	282.0	297.0	322.0

Source: Company data, Citi Research.

Figure 26. Itochu: NP by segment (our classifications for all trading companies; ¥bn)

	3/07	3/08	3/09	3/10	3/11	3/12	3/13	3/14RE	3/15RE	3/16E	3/14E	3/15E
Resource	80.7	88.8	99.9	63.0	102.4	149.3	75.5	120.2	127.2	145.2	118.0	139.0
#Coal					32.9	18.8	3.6	11.6	19.5	27.3	14.2	29.0
#Iron Ore					72.3	110.4	60.3	78.0	81.1	89.5	71.8	81.1
#Copper					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
#Oil & Gas					-2.8	20.1	5.8	32.0	28.0	30.0	32.0	29.0
#Other resource					-1.0	0.0	5.8	-1.4	-1.4	-1.6	0.0	-0.1
Non-resource	96.4	128.5	65.5	65.2	58.6	151.2	204.8	184.8	186.8	190.8	179.0	183.0
#Machinery	21.1	21.4	-15.5	3.7	10.3	23.1	32.1	33.0	32.0	34.0	26.0	28.0
#Material	12.4	32.4	27.8	19.6	27.0	39.0	38.6	38.6	39.8	39.8	36.5	36.5
#Living	34.0	68.7	55.9	54.3	30.2	97.4	120.5	123.3	125.0	127.0	116.5	118.5
#Others	28.8	6.1	-2.8	-12.4	-9.0	-8.3	13.6	-10.0	-10.0	-10.0	0.0	0.0
Total	177.1	217.3	165.4	128.2	161.0	300.5	280.3	305.0	314.0	336.0	297.0	322.0
(Breakdown)												
Non-resource	54%	59%	40%	51%	36%	50%	73%	61%	59%	57%	60%	57%
Resource	46%	41%	60%	49%	64%	50%	27%	39%	41%	43%	40%	43%

Note: Actuals include some Citi estimates.

Source: Company data, Citi Research.

Company Focus

- Target Price Change
- Estimate Change

Buy	1
Price (10 Jun 13)	¥688
Target price	¥830
from ¥790	
Expected share price return	20.6%
Expected dividend yield	3.8%
Expected total return	24.4%
Market Cap	¥1,194,387M
	US\$12,093M

Price Performance (RIC: 8002.T, BB: 8002 JP)



Marubeni (8002)

Staying Buy: Medium-term plan ambitious, shares look significantly undervalued

- **Conclusion** — We revise our forecasts and up our TP to ¥830 from ¥790 (our target multiple remains an FY3/14E PBR of c1.05x). We reiterate our Buy rating. We do so because 1) we lift our NP forecast nearly 5% and our BPS forecast 5%+ to factor in yen weakness and equity market strength; 2) we model a fourth consecutive year of profit growth thanks to a contribution from Gavilon; and 3) we think the shares look undervalued on a PBR of nearly 0.9x vis-à-vis RoE of c18%.
- **BPS** —Due to yen weakness and equity market strength, the rise in BPS is greater than EPS (see Figure 11, 13). At end-FY3/14 we forecast BPS of ¥794 (+22% YoY).
- **FY3/14 forecasts** — We lift our NP forecast to ¥224bn (+8.9%) from ¥214bn as we revise our forex assumption to ¥100/\$ from ¥90/\$. We revise down for metals (yen weakness, lower coal price, high copper cost) and transportation equipment (FY3/13 earnings undershot forecasts) but up for foods (increased contribution from Gavilon due to yen weakness, improvement for grain business), power and infrastructure (yen weakness, overshoot in FY3/13), and finance, real estate, and IT (acquisition of NEC Mobiling). In YoY terms we expect growth for foods (Gavilon contribution, grain improvement), lifestyle and forest products (improvement in pulp prices), and energy (dropout of one-off losses, yen weakness, lower crude price). We expect a decline for metals (higher copper costs, lower coal price) and transportation equipment (dropout of one-off profits).
- **Company forecasts** — Marubeni assumes ¥95/\$. We think its forecasts are on the ambitious side for chemicals and plant and industrial machinery. At the same time, the metals forecast is low and we think the market could react negatively to the significant impact of higher costs thus far. The firm factors in nine months in earnings from Gavilon (we estimate about ¥16bn-¥17bn in the foods segment) and does not seem to reflect any impact from NEC Mobiling.
- **FY3/15 and out** — For FY3/15 we maintain our NP forecast and lower our FY3/16 forecast, as while a weaker yen is a positive, we lower our price assumptions for copper and coking coal.
- **New medium-term plan (GC 2015)** — In the ambitious new medium-term plan ending FY3/16 Marubeni 1) has for the first time set an RoA target (4%+), 2) expects new spending of ¥1.1trn, above the total of ¥970bn in the previous plan; 3) targets NP 20%-50% above FY3/13 (or ¥250bn-¥300bn); and 4) looks to keep the net D/E ratio at 1.5x. As Marubeni achieved the targets in its previous plan we have high expectations that it will work to achieve its ambitious targets this time too. The company has talked of asset reshuffling to maximize efficiency of management resources, but we await specifics. If there is both profit growth and balance sheet improvement, the market could take an even more positive view.

Consol.	Sales		OP			Pretax Profit		NP		EPS		PE
	¥M	YOY (%)	¥M	YOY (%)	OPM(%)	¥M	YOY (%)	¥M	YOY (%)	¥		X
3/12A	10,584,393	17.3	157,315	7.9	1.5	179,455	32.2	172,125	26.1	99		6.9
3/13A	10,509,088	-0.7	122,932	-21.9	1.2	159,753	-11.0	205,696	19.5	118		5.8
3/14CE	13,700,000	30.4	175,000	42.4	1.3	280,000	75.3	210,000	2.1	121		5.7
3/14E	11,979,000	14.0	171,000	39.1	1.4	215,100	34.6	214,000	4.0	123		5.6
3/14RE	13,780,000	31.1	180,000	46.4	1.3	198,000	23.9	224,000	8.9	129		5.3
3/15E	12,115,000	1.1	176,000	2.9	1.5	229,300	6.6	228,000	6.5	131		5.2
3/15RE	13,918,000	1.0	176,000	-2.2	1.3	200,000	1.0	228,000	1.8	131		5.2
3/16E	12,131,000	0.1	186,000	5.7	1.5	275,500	20.1	264,000	15.8	152		4.5
3/16RE	13,933,000	0.1	180,000	2.3	1.3	211,000	5.5	238,000	4.4	137		5.0

A: Actuals, E: Citi Research Ests, CE: Co. Ests, RE: Citi Research Revised Ests, CRE: Co. Revised Ests, NA: Not Available, NM: Not Meaningful

8002.T: Fiscal year end 31-Mar						Price: ¥688; TP: ¥830; Market Cap: ¥1,194,387m; Recomm: Buy					
Profit & Loss (¥m)	2012	2013	2014E	2015E	2016E	Valuation ratios	2012	2013	2014E	2015E	2016E
Sales revenue	10,584,393	10,509,088	13,780,000	13,918,000	13,933,000	PE (x)	6.9	5.8	5.3	5.2	5.0
Cost of sales	-10,042,939	-9,980,894	-13,118,000	-13,259,000	-13,267,000	PB (x)	1.4	1.1	0.9	0.8	0.7
Gross profit	541,454	528,194	662,000	659,000	666,000	EV/EBITDA (x)	6.8	7.1	5.3	5.3	4.6
Gross Margin (%)	5.1	5.0	4.8	4.7	4.8	FCF yield (%)	3.9	14.5	-45.3	-7.3	-6.1
EBITDA (Adj)	229,826	201,563	262,000	258,000	262,000	Dividend yield (%)	2.9	3.5	3.8	3.8	3.9
EBITDA Margin (Adj) (%)	2.2	1.9	1.9	1.9	1.9	Payout ratio (%)	20	20	20	20	20
Depreciation	-72,511	-78,631	-82,000	-82,000	-82,000	ROE (%)	21.2	20.7	17.8	15.5	14.4
Amortisation	0	0	0	0	0	Cashflow (¥m)	2012	2013	2014E	2015E	2016E
EBIT (Adj)	157,315	122,932	180,000	176,000	180,000	EBITDA	229,826	201,563	262,000	258,000	262,000
EBIT Margin (Adj) (%)	1.5	1.2	1.3	1.3	1.3	Working capital	-99,816	93,368	-209,000	-6,000	-1,000
Net interest	9,541	14,218	7,000	7,000	7,000	Other	42,589	803	6,000	11,000	16,000
Non-op/Except	12,599	22,603	11,000	17,000	24,000	Operating cashflow	172,599	295,734	59,000	263,000	277,000
PreTax Profit	179,455	159,753	198,000	200,000	211,000	Capex	-125,891	-123,105	-600,000	-350,000	-350,000
Tax	-83,949	-38,551	-67,000	-68,000	-71,000	Net acq/disposals	-128,291	-104,004	100,000	150,000	150,000
Extraord./Min.Int./Pref.div.	76,619	84,494	93,000	96,000	98,000	Other	-19,507	16,231	0	0	0
Reported net profit	172,125	205,696	224,000	228,000	238,000	Investing cashflow	-273,689	-210,878	-500,000	-200,000	-200,000
Net Margin (%)	1.6	2.0	1.6	1.6	1.7	Dividends paid	-28,654	-38,200	-42,000	-45,000	-45,000
Core NPAT	172,125	205,696	224,000	228,000	238,000	Financing cashflow	171,913	129,030	123,000	-63,000	-77,000
Per share data	2012	2013	2014E	2015E	2016E	Net change in cash	61,309	213,886	-318,000	0	0
Reported EPS (¥)	99	118	129	131	137	Free cashflow to s/holders	46,708	172,629	-541,000	-87,000	-73,000
Core EPS (¥)	99	118	129	131	137	Other Index (Ymn or %)	2012	2013	2014E	2015E	2016E
EPS* (¥)	99	118	129	131	137	tNOPAT	186,427	175,000	223,000	231,000	234,000
DPS (¥)	20	24	26	26	27	tBusinessProfit	250,720	229,000	299,000	301,000	305,000
CFPS (¥)	99	170	34	151	160	tEBITDA	323,231	308,000	381,000	383,000	387,000
FCFPS (¥)	27	99	-312	-50	-42	tROIC (%)	6.5	5.5	6.0	5.6	5.5
BVPS (¥)	491	652	794	900	1,011	OOIC (%)	6.1	9.3	1.6	6.4	6.5
Wtd avg ord shares (m)	1,736	1,736	1,736	1,736	1,736						
Wtd avg diluted shares (m)	1,736	1,736	1,736	1,736	1,736						
Growth rates	2012	2013	2014E	2015E	2016E						
Sales revenue (%)	17.3	-0.7	31.1	1.0	0.1						
EBIT (Adj) (%)	7.9	-21.9	46.4	-2.2	2.3						
Core NPAT (%)	26.1	19.5	8.9	1.8	4.4						
Core EPS (%)	26.1	19.5	8.9	1.8	4.4						
Balance Sheet (¥m)	2012	2013	2014E	2015E	2016E						
Cash & cash equiv.	729,718	952,706	700,000	700,000	700,000						
Accounts receivables	1,120,170	1,192,646	1,544,000	1,559,000	1,561,000						
Inventory	443,186	495,879	577,000	583,000	583,000						
Net fixed & other tangibles	793,894	936,681	1,104,000	1,122,000	1,140,000						
Goodwill & intangibles	85,815	103,958	104,000	104,000	104,000						
Financial & other assets	1,957,104	2,283,216	2,577,000	2,723,000	2,870,000						
Total assets	5,129,887	5,965,086	6,606,000	6,791,000	6,958,000						
Accounts payable	1,060,746	1,232,694	1,456,000	1,471,000	1,472,000						
Short-term debt	334,888	470,860	953,000	652,000	726,000						
Long-term debt	2,268,552	2,416,398	2,099,000	2,382,000	2,276,000						
Provisions & other liab	549,931	656,755	657,000	657,000	657,000						
Total liabilities	4,214,117	4,776,707	5,165,000	5,162,000	5,131,000						
Shareholders' equity	852,172	1,131,834	1,379,000	1,562,000	1,755,000						
Minority interests	63,598	56,545	62,000	67,000	72,000						
Total equity	915,770	1,188,379	1,441,000	1,629,000	1,827,000						
Net debt	1,873,722	1,934,552	2,352,000	2,334,000	2,302,000						
Net debt to equity (%)	204.6	162.8	163.2	143.3	126.0						

Note: Consolidated data. * EPS: NP/Est Shares OS.

For further data queries on Citi's full coverage universe please contact Citi Research Data Services at CitiRsch.DataServices.Global@citi.com



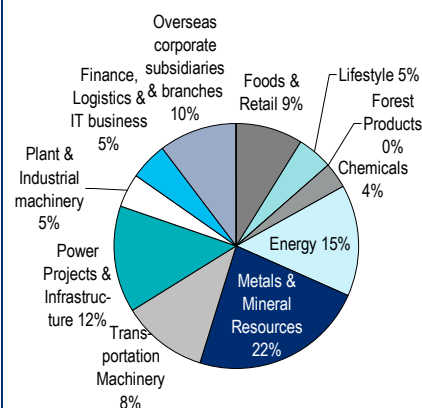
Marubeni (8002) Investment Dashboard

Reasons to Buy

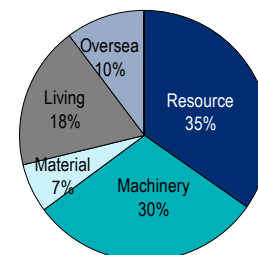
- **Profits:** We expect profit growth in FY3/14
- **Valuations:** A PBR of nearly 0.9x looks low relative to RoE of c18%
- **Strategy:** We look for expanded profits driven by non-resource businesses due to the Gavilon acquisition

Sales breakdown (FY3/13)

By Segment (I)



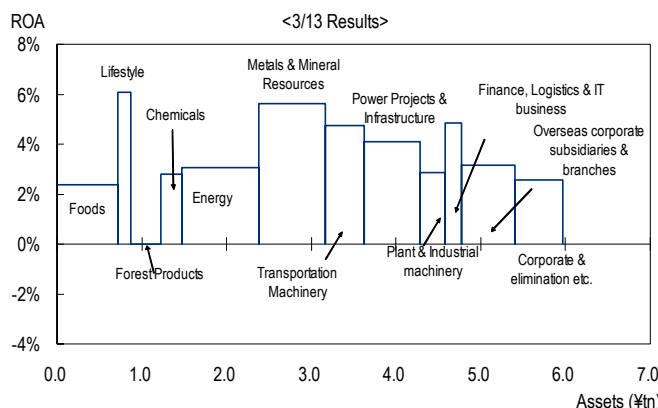
By Segment (II)



Note: By segment (1) excludes corporate and elimination. Source: Company data, Citi Research.

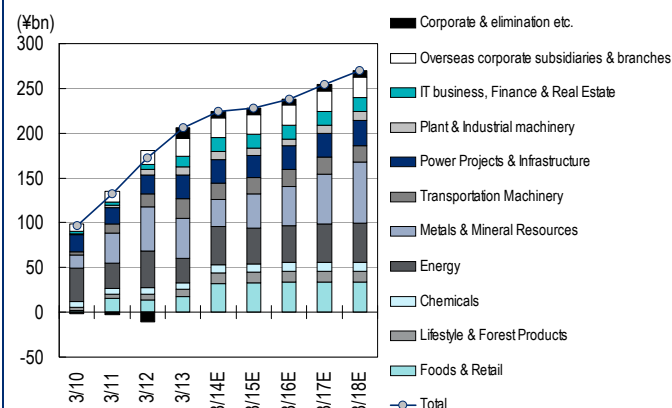
Business portfolio

<3/13 Results>



Source: Company data, Citi Research.

NP by segment

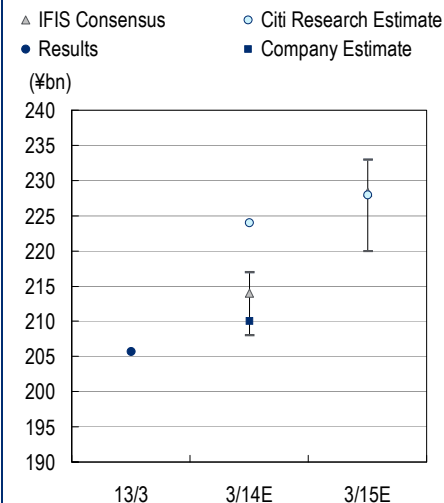


Source: Company data, Citi Research.

Alternate scenario: A more bearish case

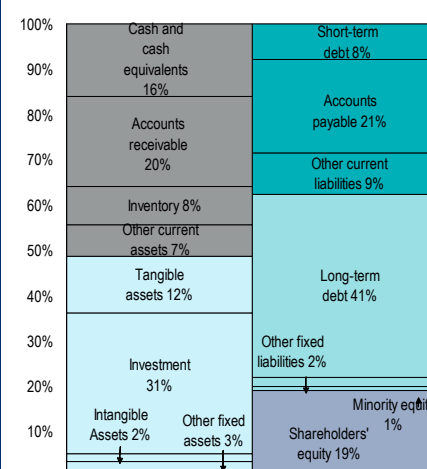
- **Non-resource businesses:** Should the foods and grain businesses take a hit from unseasonable weather
- **Resources:** Should prices for copper, to which Marubeni has a comparatively high exposure, decline
- **Balance sheet:** A rapid increase in net interest payments due to higher interest rates

NP forecast comparison



Source: Company data, IFIS (June 4), Citi Research.

Balance sheet (end-FY3/13)



Source: Company data.

Figure 27. Marubeni: NP by segment (¥bn)

NP	3/12					3/13		3/14	3/14	3/15	3/16	3/13	3/14	3/15
		Q1	Q2	Q3	Q4E	FY	FY New	FYCE	FYRE	FYRE	FYE	FYE	FYE	FYE
Foods & Retail	14.0	3.1	-0.4	4.0	4.1	17.1	17.1	30.0	32.0	33.0	34.0	8.0	27.0	28.0
Lifestyle & Forest Products	6.1	1.2	1.8	2.0	4.1	8.8	8.7	13.0	12.0	12.0	12.0	9.0	7.0	7.0
Forest Products	2.0	1.0	-0.8	0.0	-0.9	0.0								
Chemicals	7.5	1.9	2.6	1.5	1.8	6.8	6.8	10.0	9.0	9.2	9.3	7.5	8.0	8.0
Energy	40.9	12.6	9.1	6.7	9.0	27.9	27.9	39.0	43.0	40.0	41.0	40.0	44.0	44.0
Metals & Mineral Resources	49.3	16.5	12.8	10.5	12.2	44.3	44.3	19.0	30.0	38.0	44.0	52.0	51.0	61.0
Transportation Machinery	14.3	4.3	4.8	4.5	4.5	21.8	21.8	18.0	18.0	18.5	19.0	23.0	21.5	22.0
Power Projects & Infrastructure	21.4	7.5	4.7	5.3	4.7	26.9	26.9	25.0	27.0	24.5	26.5	25.0	21.5	24.0
Plant & Industrial machinery	6.1	1.4	0.3	2.0	5.5	8.7	8.7	10.0	9.0	8.0	8.0	10.0	9.0	8.0
IT business, Finance & Real estate	5.3	1.7	3.3	1.6	3.1	9.3	12.0	12.0	15.0	15.5	15.5	10.0	9.0	9.5
Overseas corporate subsidiaries & branches	16.1	1.7	10.4	4.0	5.3	19.8	19.8	22.0	22.0	22.0	22.0	19.0	20.0	20.0
Corporate & elimination etc.	-10.9	-0.4	4.2	-2.0	-1.2	14.4	11.7	12.0	7.0	7.0	7.0	2.1	-5.4	-5.2
Total	172.1	52.4	52.9	40.1	52.6	205.7	205.7	210.0	224.0	228.0	238.0	205.0	214.0	228.0

Note: The lifestyle and forestry products segments combined from FY3/13. Prior to that it was divided into the lifestyle and forestry products segments. Prior to FY3/13 the finance, real estate, and IT segment was the finance, logistics, and IT segment.
Source: Company data, Citi Research.

Figure 28. Marubeni: NP by segment (our classifications for all trading companies; ¥bn)

NP	3/07	3/08	3/09	3/10	3/11	3/12	3/13	3/14RE	3/15RE	3/16E	3/14E	3/15E
Resource	56.1	60.4	73.4	52.4	56.0	79.2	61.2	62.0	67.0	74.0	84.0	94.0
Coal		2.4	16.1	10.3	17.2	22.9	12.4	12.1	20.5	24.6	16.4	29.4
Iron Ore		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	0.0	0.0
Copper		14.4	5.6	7.8	11.3	14.9	15.5	5.3	4.6	6.2	25.6	24.4
Oil & Gas		19.3	45.0	29.1	20.5	30.9	34.1	48.9	45.5	46.6	36.9	36.6
Other resource		24.3	6.7	5.2	7.0	10.5	-0.8	-4.3	-3.6	-3.2	5.1	3.6
Non-resource	63.2	86.8	37.8	42.9	80.5	92.9	31.0	31.0	31.0	31.0	31.0	31.0
Machinery	18.0	31.1	23.1	23.5	31.4	41.8	57.4	54.0	51.0	53.5	52.0	54.0
Material	11.0	25.4	20.3	8.7	24.0	26.2	25.1	33.8	33.8	34.0	28.0	27.9
Living	12.2	12.6	-12.0	8.8	23.4	25.3	35.2	59.0	60.5	61.5	43.0	44.5
Others	22.0	17.8	6.4	2.0	1.7	-0.4	26.8	15.2	15.7	15.0	7.0	7.6
Total	119.3	147.2	111.2	95.3	136.5	172.1	205.7	224.0	228.0	238.0	214.0	228.0
Breakdown												
Non-resource	53%	59%	34%	45%	59%	54%	70%	72%	71%	69%	61%	59%
Resource	47%	41%	66%	55%	41%	46%	30%	28%	29%	31%	39%	41%

Note: Actuals include some Citi estimates.
Source: Company data, Citi Research.

Company Focus

- Target Price Change
- Estimate Change

Buy	1
Price (10 Jun 13)	¥1,248
Target price	¥1,700
from ¥1,650	
Expected share price return	36.2%
Expected dividend yield	4.2%
Expected total return	40.5%
Market Cap	¥2,277,758M
	US\$23,061M

Price Performance (RIC: 8031.T, BB: 8031 JP)



Mitsui & Co. (8031)

Staying Buy: PBR of 0.6x looks low relative to double-digit RoE

■ **Conclusion** — We revise our forecasts and raise our target price to ¥1,700 from ¥1,650 (and we lower our FY3/14E PBR target to c0.85x from c0.9x). We reiterate our Buy rating because 1) we lift our FY3/14 NP forecast on yen weakness, etc., 2) we raise our FY3/14 BPS forecast nearly 8% on yen weakness and equity market growth, and 3) we think the shares look undervalued on a PBR of 0.65x in light of 11%+ RoE. We trim our target multiple to reflect FY3/13 RoE coming in lower than the previous year, a reduction in our RoIC estimate, among other factors.

■ **Iron ore prices** — We believe the company's iron ore price assumption is \$120/MT-\$125/MT. Our assumption is more conservative at \$118/MT, but the price is currently around \$110/MT, below our assumption. Although inventories are below where they were in CY12 H2, there is concern about slowing growth in China, and we think this is the reason for sluggish prices. In our view, volume growth will drive earnings growth medium term.

■ **BPS** — Due to yen weakness and equity market strength the rise in BPS is greater than EPS (Figure 11, 13). At end-FY3/14 we forecast BPS of ¥1,997 (+14% YoY).

■ **FY3/14 forecasts** — We raise our NP forecast to ¥390bn (+27% YoY) from ¥358bn. We revise our forex assumption to ¥100/\$ from ¥90/\$ and adopt natural resource price forecasts from our global commodities team as our price assumptions. We revise up for energy (+¥35bn, on a beat in FY3/13 in areas like equity in earnings, yen weakness, and a small volume increase), Asia-Pacific ops (+¥12bn, thanks to our upward revision for energy), and steel (+¥3bn, on a newly consolidated subsidiary and price impacts). We revise down for machinery and infrastructure (-¥5bn, on an undershoot in FY3/13) and innovation and cross-function (-¥7bn, on segment reshuffling).

■ **YoY change, company guidance** — We look for YoY profit growth for energy (higher dividends received, yen weakness, higher costs, dropout of one-off profits), metals (yen weakness, dropout of one-off losses), steel (dropout of one-off losses, price improvement), and chemicals (rebound after one-off losses). We anticipate a profit decline for innovation and cross-function (segment reshuffling). The company NP forecast of ¥370bn assumes ¥95/\$, and while we think resources will beat plan on yen weakness, we anticipate an undershoot for non-resource businesses.

■ **Outlook** — Despite negative impacts from forex and resource prices, we believe Mitsui can maintain NP about ¥300bn and double-digit RoE. As such a PBR of c0.6x looks low. We think the yield above 4% is appealing too. We think valuations will rise over the medium term as well, owing in addition to an improvement in NP 1) the company's indication that it would not hesitate to implement share buybacks and undertake other measures to achieve the RoE targets in its medium-term plan and 2) the market should be reassured if the company maintains a floor dividend payout ratio of 25% or higher to demonstrate its shareholder focus even when earnings slump.

Consol.	Sales		OP			Pretax Profit		NP		EPS		PE
	¥M	YOY (%)	¥M	YOY (%)	OPM(%)	¥M	YOY (%)	¥M	YOY (%)	¥	X	
3/12A	10,481,166	5.4	348,384	9.9	3.3	413,211	51.5	434,497	41.7	238	5.2	
3/13A	10,049,637	-4.1	254,603	-26.9	2.5	314,098	-24.0	307,926	-29.1	169	7.4	
3/14CE	na	na	310,000	21.8	na	385,000	22.6	370,000	20.2	203	6.2	
3/14E	10,200,000	1.5	314,000	23.3	3.1	292,000	-7.0	358,000	16.3	196	6.4	
3/14RE	10,210,000	1.6	321,000	26.1	3.1	363,000	15.6	390,000	26.7	214	5.8	
3/15E	10,220,000	0.2	320,000	1.9	3.1	279,000	-4.5	376,000	5.0	206	6.1	
3/15RE	10,220,000	0.1	314,000	-2.2	3.1	347,000	-4.4	390,000	0.0	214	5.8	
3/16E	10,220,000	0.0	328,000	2.5	3.2	285,000	2.2	385,000	2.4	211	5.9	
3/16RE	10,230,000	0.1	326,000	3.8	3.2	361,000	4.0	408,000	4.6	224	5.6	

A: Actuals, E: Citi Research Ests, CE: Co. Ests, RE: Citi Research Revised Ests, CRE: Co. Revised Ests, NA: Not Available, NM: Not Meaningful

8031.T: Fiscal year end 31-Mar						Price: ¥1,248; TP: ¥1,700; Market Cap: ¥2,277,758m; Recomm: Buy					
Profit & Loss (¥m)	2012	2013	2014E	2015E	2016E	Valuation ratios	2012	2013	2014E	2015E	2016E
Sales revenue	10,481,166	10,049,637	10,210,000	10,220,000	10,230,000	PE (x)	5.2	7.4	5.8	5.8	5.6
Cost of sales	-9,602,887	-9,259,198	-9,299,000	-9,325,000	-9,326,000	PB (x)	0.9	0.7	0.6	0.6	0.5
Gross profit	878,279	790,439	911,000	895,000	904,000	EV/EBITDA (x)	2.7	3.2	2.4	1.8	1.4
Gross Margin (%)	8.4	7.9	8.9	8.8	8.8	FCF yield (%)	-2.6	-7.4	-11.6	-7.5	-4.9
EBITDA (Adj)	501,859	453,455	520,000	513,000	525,000	Dividend yield (%)	4.4	3.4	4.2	4.2	4.5
EBITDA Margin (Adj) (%)	4.8	4.5	5.1	5.0	5.1	Payout ratio (%)	23	25	25	25	25
Depreciation	-153,475	-198,852	-199,000	-199,000	-199,000	ROE (%)	17.4	10.6	11.4	10.3	10.0
Amortisation	0	0	0	0	0	Cashflow (¥m)	2012	2013	2014E	2015E	2016E
EBIT (Adj)	348,384	254,603	321,000	314,000	326,000	EBITDA	501,859	453,455	520,000	513,000	525,000
EBIT Margin (Adj) (%)	3.3	2.5	3.1	3.1	3.2	Working capital	-127,931	180,153	199,000	-1,000	-1,000
Net interest	81,021	78,871	83,000	83,000	83,000	Other	7,056	-172,178	16,000	17,000	15,000
Non-op/Except	-16,194	-19,376	-41,000	-50,000	-48,000	Operating cashflow	380,984	461,430	735,000	529,000	539,000
PreTax Profit	413,211	314,098	363,000	347,000	361,000	Capex	-439,760	-629,510	-1,000,000	-700,000	-650,000
Tax	-172,622	-158,349	-185,000	-177,000	-184,000	Net acq/disposals	2,718	9,155	200,000	100,000	100,000
Extraord./Min.Int./Pref.div.	193,908	152,177	212,000	220,000	231,000	Other	-1,149	-132,942	0	0	0
Reported net profit	434,497	307,926	390,000	390,000	408,000	Investing cashflow	-438,191	-753,297	-800,000	-600,000	-550,000
Net Margin (%)	4.1	3.1	3.8	3.8	4.0	Dividends paid	-98,571	-91,270	-78,000	-97,000	-97,000
Core NPAT	434,497	307,926	390,000	390,000	408,000	Financing cashflow	57,394	221,635	35,000	71,000	11,000
Per share data	2012	2013	2014E	2015E	2016E	Net change in cash	-9,947	-5,938	-30,000	0	0
Reported EPS (¥)	238	169	214	214	224	Free cashflow to s/holders	-58,776	-168,080	-265,000	-171,000	-111,000
Core EPS (¥)	238	169	214	214	224	Other Index (Ymn or %)	2012	2013	2014E	2015E	2016E
EPS* (¥)	238	169	214	214	224	tNOPAT	499,688	356,000	438,000	443,000	457,000
DPS (¥)	55	43	53	53	56	tBusinessProfit	691,689	539,222	657,000	659,000	674,000
CFPS (¥)	209	253	403	290	295	tEBITDA	845,164	738,074	855,852	857,852	872,852
FCFPS (¥)	-32	-92	-145	-94	-61	tROIC (%)	8.9	5.5	6.0	5.6	5.5
BVPS (¥)	1,447	1,744	1,997	2,157	2,328	OOIC (%)	6.8	7.2	10.0	6.7	6.5
Wtd avg ord shares (m)	1,825	1,825	1,825	1,825	1,825						
Wtd avg diluted shares (m)	1,825	1,825	1,825	1,825	1,825						
Growth rates	2012	2013	2014E	2015E	2016E						
Sales revenue (%)	5.4	-4.1	1.6	0.1	0.1						
EBIT (Adj) (%)	9.9	-26.9	26.1	-2.2	3.8						
Core NPAT (%)	41.7	-29.1	26.7	0	4.6						
Core EPS (%)	41.7	-29.1	26.7	0	4.6						
Balance Sheet (¥m)	2012	2013	2014E	2015E	2016E						
Cash & cash equiv.	1,436,329	1,430,281	1,400,000	1,400,000	1,400,000						
Accounts receivables	2,055,661	2,038,555	1,993,000	1,995,000	1,997,000						
Inventory	515,758	746,584	505,000	507,000	507,000						
Net fixed & other tangibles	1,283,522	1,615,835	1,892,000	1,993,000	2,069,000						
Goodwill & intangibles	110,307	118,448	118,000	118,000	118,000						
Financial & other assets	3,610,246	4,374,878	4,919,000	5,294,000	5,653,000						
Total assets	9,011,823	10,324,581	10,827,000	11,307,000	11,744,000						
Accounts payable	1,342,343	1,438,287	1,350,000	1,353,000	1,354,000						
Short-term debt	679,789	1,084,340	869,000	783,000	870,000						
Long-term debt	2,898,218	3,184,957	3,513,000	3,767,000	3,788,000						
Provisions & other liab	1,230,663	1,176,893	1,177,000	1,177,000	1,177,000						
Total liabilities	6,151,013	6,884,477	6,909,000	7,080,000	7,189,000						
Shareholders' equity	2,641,318	3,181,819	3,644,000	3,937,000	4,248,000						
Minority interests	219,492	258,285	274,000	290,000	307,000						
Total equity	2,860,810	3,440,104	3,918,000	4,227,000	4,555,000						
Net debt	2,141,678	2,839,016	2,982,000	3,150,000	3,258,000						
Net debt to equity (%)	74.9	82.5	76.1	74.5	71.5						

Note: Consolidated data. * EPS: NP/Est Shares OS.

For further data queries on Citi's full coverage universe please contact Citi Research Data Services at CitiRsch.DataServices.Global@citi.com

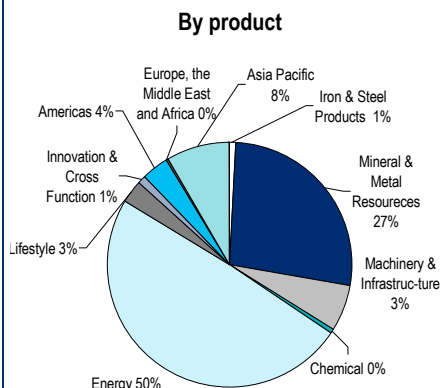


Mitsui & Co. (8031) Investment Dashboard

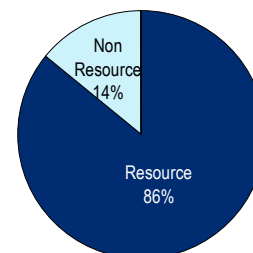
Reasons to Buy

- **Profits:** We anticipate profit growth in FY3/14 (high resource profits, weak yen a positive)
- **Non-resources:** Profitability is relatively low
- **Valuations:** FY3/15E PBR looks low at c0.65x on an FY3/15E RoE of 11%+
- **Growth potential:** We expect profit growth long term in iron ore, where Mitsui is highly cost competitive, and the Mozambique natural gas business, where reserve volume is expected to grow

NP breakdown (FY3/13)

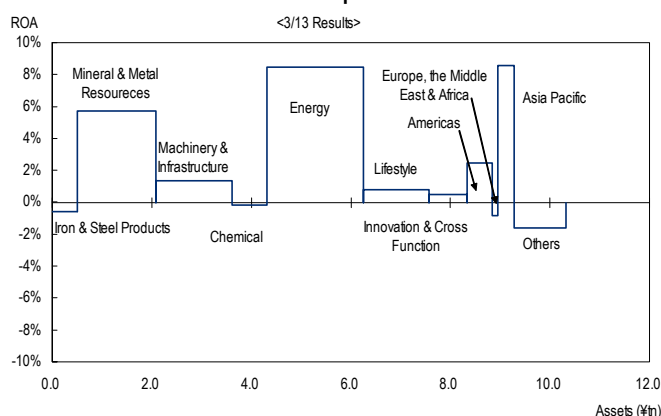


By Segment 2



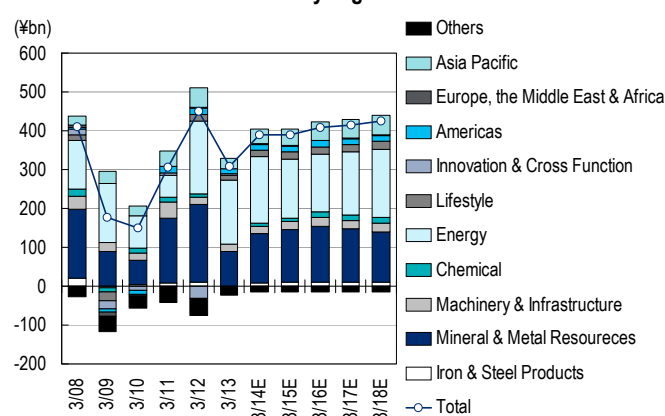
Note: By segment (1) excludes corporate and elimination. Source: Company data, Citi Research.

Business portfolio



Source: Company data, Citi Research.

NP by segment

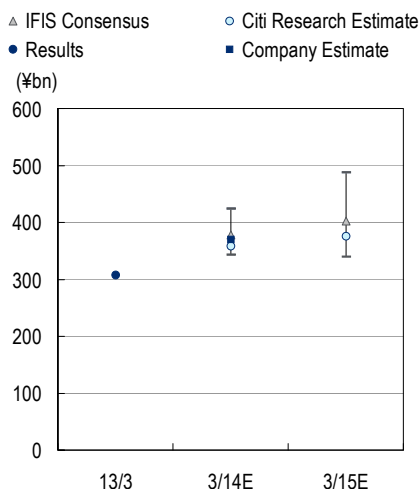


Source: Company data, Citi Research.

Alternate scenario: A more bearish case

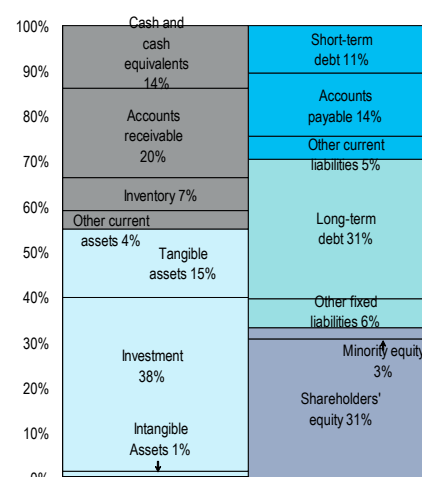
- **Resources:** A sharp decline in the price of iron ore, to which Mitsui is highly exposed
- **Non-resources:** Should chemicals and steel stay weaker than expected

NP forecast comparison



Source: Company data, IFIS (June 4), Citi Research.

Balance sheet (end-FY3/13)



Source: Company data.

Figure 29. Mitsui & Co.: NP by segment (¥bn)

NP	3/12					3/13		3/14	3/14	3/15	3/16	3/13	3/14	3/15
		Q1	Q2	Q3	Q4E	FY	FY New	FYCE	FYRE	FYRE	FYE	FYE	FYE	FYE
Iron & Steel Products	9.5	-1.9	1.1	1.0	-2.9	-2.9	-2.9	13.0	9.0	10.0	11.0	-10.0	6.0	6.0
Mineral & Metal Resources	201.3	30.3	19.3	27.0	31.3	90.5	90.5	107.0	126.0	136.0	144.0	108.0	126.0	149.0
Machinery & Infrastructure	17.7	4.3	4.6	4.0	5.0	20.5	16.9	22.0	20.0	20.0	22.0	18.0	25.0	26.0
Chemical	9.1	1.1	-2.1	1.5	1.9	-1.3	-1.5	12.0	8.0	10.0	14.0	-1.0	7.0	10.0
Energy	188.1	56.3	22.6	23.0	18.0	164.8	164.8	160.0	170.0	152.0	149.0	138.0	135.0	116.0
Lifestyle	17.0	2.5	2.4	5.0	2.1	10.3	13.0	16.0	16.0	17.0	18.0	18.0	15.0	18.0
Innovation & Cross Function	-32.2	3.4	2.6	-0.9	1.5	3.6	4.7	-3.0	-3.0	-3.0	-3.0	10.0	4.0	4.0
Americas	16.4	3.7	5.1	4.0	4.6	12.4	12.4	17.0	16.0	16.0	16.0	18.0	16.0	16.0
Europe, the Middle East and Africa	1.2	0.0	-0.5	0.0	0.8	-0.9	-0.9	3.0	1.0	1.0	2.0	0.0	1.0	1.0
Asia Pacific	49.2	8.9	7.9	4.5	0.2	27.5	27.5	33.0	39.0	43.0	47.0	23.0	27.0	34.0
Others	-42.7	-4.1	0.7	0.0	-0.3	-16.5	-16.6	-10.0	-12.0	-12.0	-12.0	-6.0	-4.0	-4.0
Total	434.5	104.4	65.1	69.1	62.1	307.9	307.9	370.0	390.0	390.0	408.0	316.0	358.0	376.0

Source: Company data, Citi Research.

Figure 30. Mitsui & Co.: NP by segment (our classifications for all trading companies; ¥bn)

NP	3/07	3/08	3/09	3/10	3/11	3/12	3/13	3/14RE	3/15RE	3/16E	3/14E	3/15E
Resource	204.0	323.7	273.3	161.9	263.9	439.1	282.5	335.0	331.0	340.0	266.0	271.0
#Coal				13.4	23.6	29.6	-12.7	3.4	14.7	24.6	6.2	12.0
#Iron Ore				67.6	186.3	233.5	113.5	158.4	158.9	165.2	146.7	160.5
#Copper				8.6	9.5	7.2	1.2	2.6	9.3	10.3	13.7	21.4
#Oil & Gas				70.1	31.3	158.5	177.5	166.6	137.3	124.4	115.8	87.0
#Other resource				2.2	13.2	10.4	3.0	4.0	10.8	15.5	-16.4	-9.9
Non-resource	105.5	86.4	-95.7	-12.2	42.9	-4.7	25.4	55.0	59.0	68.0	74.0	83.0
#Machinery	33.6	34.4	21.8	20.4	43.0	22.3	20.5	20.0	20.0	22.0	22.0	25.0
#Material	39.9	38.5	-15.0	18.9	36.0	28.1	-4.2	17.0	20.0	25.0	13.0	17.0
#Living	4.3	16.4	-23.6	-19.0	6.2	-13.9	13.9	13.0	14.0	15.0	22.0	24.0
#Others	19.8	-3.1	-79.0	-32.5	-42.3	-41.1	-4.8	5.0	5.0	6.0	17.0	17.0
Total	301.5	410.0	177.6	149.7	306.7	434.5	307.9	390.0	390.0	408.0	340.0	354.0
Breakdown												
Non-resource	38%	25%	-22%	2%	14%	6%	14%	19%	20%	22%	23%	25%
Resource	62%	75%	122%	98%	86%	94%	86%	81%	80%	78%	77%	75%

Note: Actuals include some Citi estimates.

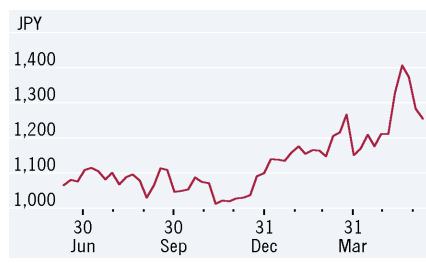
Source: Company data, Citi Research.

Company Focus

- Target Price Change
- Estimate Change

Buy	1
Price (10 Jun 13)	¥1,255
Target price	¥1,500
from ¥1,300	
Expected share price return	19.5%
Expected dividend yield	4.0%
Expected total return	23.5%
Market Cap	¥1,569,373M
	US\$15,889M

Price Performance (RIC: 8053.T, BB: 8053 JP)



Sumitomo Corp. (8053)

Staying Buy: Looks markedly undervalued on PBR and yield

- **Conclusion** — We revise our forecasts and raise our target price to ¥1,500 (raising our FY3/14E PBR target to c0.8x from c0.75x) from ¥1,300 and reiterate our Buy rating. We do so because 1) we lift our FY3/14 BPS forecast to reflect the weak yen and rising share prices, 2) at almost 4%, the company boasts a sector-leading dividend yield, and 3) we consider the shares undervalued on a PBR of 0.7x given double-digit RoE. We edged down our target multiple after considering the overall impact of lowering our RoE estimate, raising our RoIC estimate, and other factors.
- **BPS** — Due to yen weakness and equity market strength, the rise in BPS is greater than EPS (Figure 11, 13). At end-FY3/14 we forecast BPS of ¥1,858 (+13% YoY).
- **FY3/14 forecasts** — We raise our NP forecast to ¥252bn (+8.4% YoY) from ¥243bn. We revise our forex assumption to ¥100/\$ from ¥90/\$ and adopt natural resource price forecasts from our global commodities team as our price assumptions. We lift our segment NP estimate for Metal Products to reflect the weak yen and improved steel materials demand in Asia, and for the Media, Network & Lifestyle Related Goods & Service as well as the Others segments to factor in one-off profit. We cut our segment NP estimate for Mineral Resources, Energy, Chemical & Electronics in view of higher costs in the coal business and the weak yen and for Environment & Infrastructure on a shortfall in FY3/13 earnings. We expect YoY profit growth in Metal Products (driven by the weak yen and improved demand for steel materials in Asia), Mineral Resources, Energy, Chemical & Electronics (weak yen, volume growth), and in Others (one-off profit) to offset YoY profit declines in Transportation & Construction Systems (on the drop-out of one-off profit), Media, Network & Lifestyle Related Goods & Service (on the drop-out of gains made on disposals).
- **Guidance** — Our NP forecast is ¥12bn above guidance mainly because we expect the yen to be weaker than the company's ¥90/\$ assumption. We expect overshoots in the Transportation & Construction Systems and the Mineral Resources, Energy, Chemical & Electronics segments, as well as overseas.
- **FY3/15 and out** — We lower our NP forecasts, as while a weaker yen is a positive, we lower our price assumptions for copper and coking coal, etc.
- **Outlook** — In the new medium-term plan, the investment budget for the next two years is increased to a record ¥750bn, and with expected divestitures of ¥770bn the targeted increase in overall end-FY3/15 assets is limited. While we think the strategy of improving profitability by divesting assets is correct, free cash flow for the next two years is expected to be ¥200bn in the red. The end-FY3/15 RoA target (3% or higher) can hardly be described as ambitious either given FY3/13 RoA of 3.1%. All told, the numbers in the new plan strike us as somewhat incongruous. We think the market is concerned by the sustained decline in RoE. We believe the shares would likely gain on signs of divestiture-led improvements in RoE and RoA.

Consol.	Sales		OP			Pretax Profit		NP		EPS		PE
	¥M	YOY (%)	¥M	YOY (%)	OPM(%)	¥M	YOY (%)	¥M	YOY (%)	¥		X
3/12A	8,273,043	-0.9	219,857	19.8	2.7	230,759	24.8	250,669	25.2	200		6.3
3/13A	7,502,724	-9.3	162,481	-26.1	2.2	211,666	-8.3	232,451	-7.3	186		6.8
3/14CE	8,500,000	13.3	na	na	na	333,000	57.3	240,000	3.2	192		6.5
3/14E	8,067,000	7.5	231,000	42.2	2.9	238,600	12.7	243,000	4.5	194		6.5
3/14RE	8,600,000	14.6	187,000	15.1	2.2	224,000	5.8	252,000	8.4	201		6.2
3/15E	8,290,000	2.8	247,000	6.9	3.0	262,700	10.1	276,000	13.6	221		5.7
3/15RE	8,833,000	2.7	176,000	-5.9	2.0	221,000	-1.3	265,000	5.2	212		5.9
3/16E	8,428,000	1.7	257,000	4.0	3.0	277,600	5.7	298,000	8.0	238		5.3
3/16RE	9,009,000	2.0	184,000	4.5	2.0	237,000	7.2	290,000	9.4	232		5.4

A: Actuals, E: Citi Research Ests, CE: Co. Ests, RE: Citi Research Revised Ests, CRE: Co. Revised Ests, NA: Not Available, NM: Not Meaningful

8053.T: Fiscal year end 31-Mar						Price: ¥1,255; TP: ¥1,500; Market Cap: ¥1,569,373m; Recomm: Buy					
Profit & Loss (¥m)	2012	2013	2014E	2015E	2016E	Valuation ratios	2012	2013	2014E	2015E	2016E
Sales revenue	8,273,043	7,502,724	8,600,000	8,833,000	9,009,000	PE (x)	6.3	6.8	6.2	5.9	5.4
Cost of sales	-7,354,218	-6,675,762	-7,723,000	-7,932,000	-8,082,000	PB (x)	0.9	0.8	0.7	0.6	0.6
Gross profit	918,825	826,962	877,000	901,000	927,000	EV/EBITDA (x)	6.0	7.5	6.6	6.7	6.4
Gross Margin (%)	11.1	11.0	10.2	10.2	10.3	FCF yield (%)	8.9	8.0	-7.9	-6.3	-1.7
EBITDA (Adj)	374,983	256,598	274,000	266,000	274,000	Dividend yield (%)	4.0	3.7	4.0	4.2	4.6
EBITDA Margin (Adj) (%)	4.5	3.4	3.2	3.0	3.0	Payout ratio (%)	25	25	25	25	25
Depreciation	-155,126	-94,117	-87,000	-90,000	-90,000	ROE (%)	15.4	12.4	11.5	10.9	11.0
Amortisation	0	0	0	0	0	Cashflow (¥m)	2012	2013	2014E	2015E	2016E
EBIT (Adj)	219,857	162,481	187,000	176,000	184,000	EBITDA	374,983	256,598	274,000	266,000	274,000
EBIT Margin (Adj) (%)	2.7	2.2	2.2	2.0	2.0	Working capital	-119,985	40,122	-53,000	-32,000	-25,000
Net interest	-3,862	-2,331	-2,000	-2,000	-1,000	Other	-64,581	-16,415	5,000	17,000	24,000
Non-op/Except	14,764	51,516	39,000	47,000	54,000	Operating cashflow	190,417	280,305	226,000	251,000	273,000
PreTax Profit	230,759	211,666	224,000	221,000	237,000	Capex	-49,953	-155,208	-350,000	-350,000	-300,000
Tax	-77,715	-75,326	-84,000	-88,000	-96,000	Net acq/disposals	25,678	-31,308	50,000	100,000	50,000
Extraord./Min.Int./Pref.div.	97,625	96,111	112,000	132,000	149,000	Other	-11,421	313	0	0	0
Reported net profit	250,669	232,451	252,000	265,000	290,000	Investing cashflow	-35,696	-186,203	-300,000	-250,000	-250,000
Net Margin (%)	3.0	3.1	2.9	3.0	3.2	Dividends paid	-55,003	-63,760	-58,000	-63,000	-66,000
Core NPAT	250,669	232,451	252,000	265,000	290,000	Financing cashflow	-33,273	-24,667	86,000	100,000	27,000
Per share data	2012	2013	2014E	2015E	2016E	Net change in cash	117,602	102,598	12,000	101,000	50,000
Reported EPS (¥)	200	186	201	212	232	Free cashflow to s/holders	140,464	125,097	-124,000	-99,000	-27,000
Core EPS (¥)	200	186	201	212	232	Other Index (Ymn or %)	2012	2013	2014E	2015E	2016E
EPS* (¥)	200	186	201	212	232	tNOPAT	256,622	238,760	246,800	270,200	291,200
DPS (¥)	50	46	50	53	58	tBusinessProfit	353,951	326,363	328,000	353,000	376,000
CFPS (¥)	152	224	181	201	218	tEBITDA	509,077	420,480	415,000	443,000	466,000
FCFPS (¥)	112	100	-99	-79	-22	tROIC	5.2	4.6	4.4	4.5	4.6
BVPS (¥)	1,351	1,642	1,858	2,020	2,199	OOIC	3.9	5.4	4.0	4.2	4.3
Wtd avg ord shares (m)	1,250	1,250	1,250	1,250	1,250						
Wtd avg diluted shares (m)	1,251	1,251	1,251	1,251	1,251						
Growth rates	2012	2013	2014E	2015E	2016E						
Sales revenue (%)	-0.9	-9.3	14.6	2.7	2.0						
EBIT (Adj) (%)	19.8	-26.1	15.1	-5.9	4.5						
Core NPAT (%)	25.2	-7.3	8.4	5.2	9.4						
Core EPS (%)	25.2	-7.3	8.4	5.2	9.4						
Balance Sheet (¥m)	2012	2013	2014E	2015E	2016E						
Cash & cash equiv.	847,634	960,717	1,000,000	1,000,000	1,000,000						
Accounts receivables	1,514,360	1,470,942	1,601,000	1,644,000	1,677,000						
Inventory	707,105	770,450	735,000	755,000	769,000						
Net fixed & other tangibles	960,572	1,233,389	1,408,000	1,581,000	1,716,000						
Goodwill & intangibles	331,618	279,809	280,000	280,000	280,000						
Financial & other assets	2,865,480	3,117,450	3,278,000	3,452,000	3,624,000						
Total assets	7,226,769	7,832,757	8,302,000	8,712,000	9,066,000						
Accounts payable	1,102,326	1,080,699	1,122,000	1,153,000	1,175,000						
Short-term debt	632,267	695,665	749,000	781,000	806,000						
Long-term debt	2,981,548	3,165,737	3,256,000	3,387,000	3,455,000						
Provisions & other liab	709,440	714,774	715,000	715,000	715,000						
Total liabilities	5,425,581	5,656,875	5,842,000	6,036,000	6,151,000						
Shareholders' equity	1,689,056	2,052,816	2,324,000	2,526,000	2,750,000						
Minority interests	112,132	123,066	136,000	150,000	165,000						
Total equity	1,801,188	2,175,882	2,460,000	2,676,000	2,915,000						
Net debt	2,766,181	2,900,685	3,005,000	3,168,000	3,261,000						
Net debt to equity (%)	153.6	133.3	122.2	118.4	111.9						

Note: Consolidated data. * EPS: NP/Est Shares OS.

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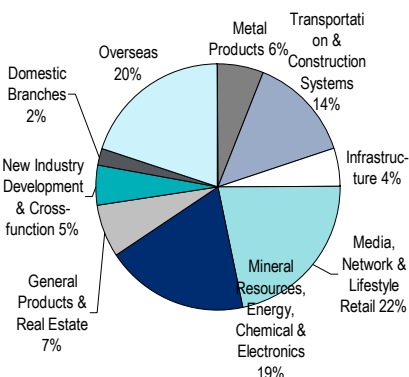
Sumitomo Corp. (8053) Investment Dashboard

Reasons to Buy

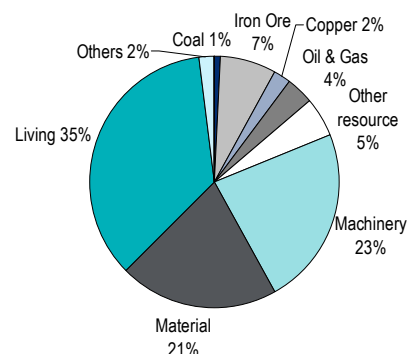
- Profit growth: We forecast YoY profit growth in FY3/14
- Valuations: Dividend yield is high, even relative to sector peers, and with double-digit RoE, the shares look markedly undervalued on a PBR of 0.7x
- Unique features: The company's strong earnings power in an extensive range of businesses is attractive

NP breakdown (FY3/13)

By segment 1



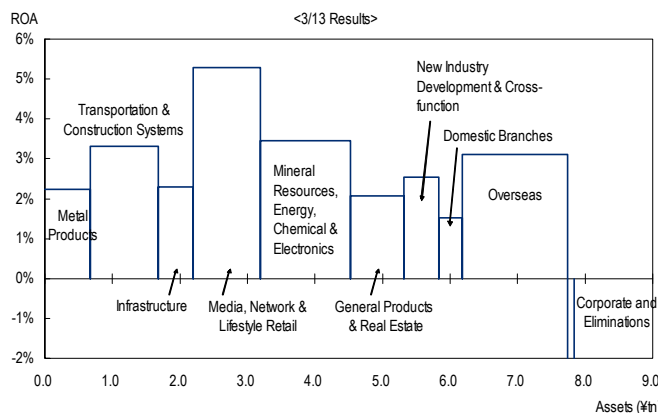
By Segment 2



Note: By segment (1) excludes corporate and elimination. Source: Company data, Citi Research.

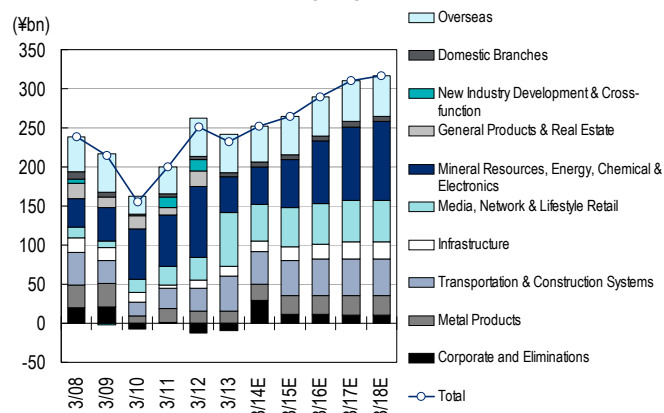
Business portfolio

<3/13 Results>



Source: Company data, Citi Research.

NP by segment

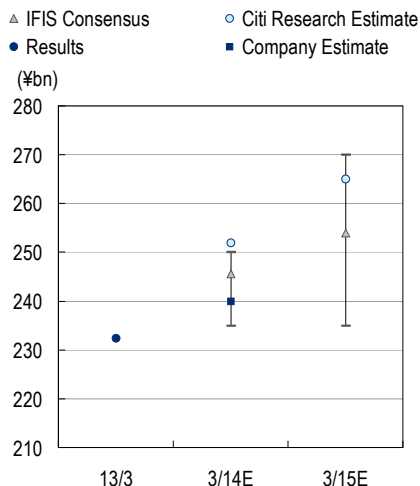


Source: Company data, Citi Research.

Alternate scenario: A more bearish case

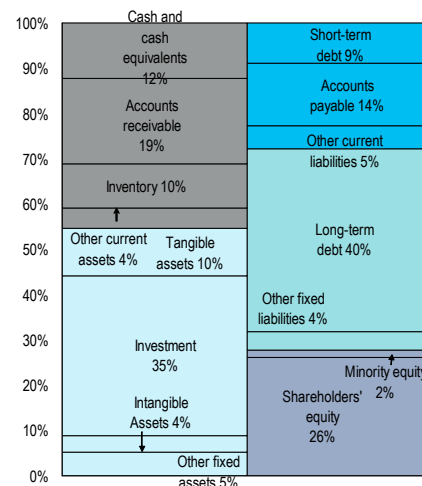
- Resources: A fall in prices for coal, iron ore, and copper, to which Sumitomo Corp. is highly exposed
- Business sentiment: If business sentiment were to improve sharply, the high yield could look less appealing

NP forecast comparison



Source: Company data, IFIS (6/4/2013), Citi Research.

Balance sheet (end-FY3/2013)



Source: Company data.

Figure 31. Sumitomo Corp.: NP by segment (¥bn)

NP	3/12					3/13		3/14	3/14		3/15	3/16	3/13		3/14	3/15
		Q1	Q2	Q3	Q4	FY	FY New		FYRE	FYRE			FYE	FYE		
Metal Products	15.4	4.0	3.1	3.4	4.4	14.9	15.2	21.0	21.0	24.0	24.0		15.5	17.0	20.0	
Transportation & Construction Systems	29.6	9.5	7.3	7.7	5.6	33.4	44.8	38.0	42.0	45.0	47.0		33.0	31.0	34.0	
Environment & Infrastructure	10.0	1.5	3.2	4.3	5.7	12.1	12.4	14.0	13.0	18.0	19.0		15.0	16.5	17.0	
Media, Network & Lifestyle Related Goods & Service	29.8	5.0	37.5	5.3	5.3	52.3	68.9	49.0	47.0	50.0	52.0		57.0	25.0	27.0	
Mineral Resources, Energy, Chemical & Electronics	89.8	12.9	9.3	11.8	9.0	46.2	46.9	39.0	48.0	61.0	80.0		41.0	64.0	84.0	
General Products & Real Estate	19.7	4.1	2.7	4.0	6.3	16.4							16.0	16.0	17.0	
New Industry Development & Cross-function	14.6	3.1	3.5	4.7	3.5	12.8							14.0	14.0	14.0	
Domestic Regional Business Units and Offices	5.0	0.9	1.5	1.5	1.5	5.4	5.4	6.0	6.0	6.8	6.8		5.3	5.7	6.5	
Overseas Subsidiaries and Branches	48.9	15.9	10.7	11.0	10.2	48.5	48.5	44.0	46.0	49.0	50.0		47.7	50.0	52.0	
Others	-12.1	-8.3	1.7	2.0	-5.5	-9.4	-9.6	29.0	29.0	11.0	11.0		-10.0	4.0	4.0	
Total	250.7	48.7	80.7	55.7	46.4	232.5	232.5	240.0	252.0	265.0	290.0		235.0	243.0	276.0	

Note: Prior to FY3/13, the Environment & Infrastructure business unit was known as the Infrastructure segment, and the Media, Network & Lifestyle Related Goods & Service unit was the Media & Lifestyle unit. From FY3/13 New, New Industry Development & Cross-function earnings are included mainly with Transportation and Construction Systems and General Products & Real Estate are included under Media, Network & Lifestyle Related Goods & Service

Source: Company data, Citi Research.

Figure 32. Sumitomo Corp.: Our segment NP forecasts (¥bn)

(NP)	3/07	3/08	3/09	3/10	3/11	3/12	3/13	3/14RE	3/15RE	3/16E	3/14E	3/15E
Resource	37.9	34.3	46.0	69.2	61.8	88.5	43.7	44.3	57.5	76.5	60.5	80.6
Coal				10.7	25.9	19.9	2.0	3.8	8.9	11.5	8.5	15.0
Iron Ore				8.6	7.8	19.8	16.6	17.4	22.6	30.0	19.7	28.8
Copper			5.9	18.9	22.5	23.5	5.4	8.7	8.0	10.7	8.3	6.8
Oil & Gas			1.1	9.2	3.7	5.4	8.4	7.2	7.2	9.8	4.3	4.2
Other resource				21.8	1.9	19.9	11.3	7.2	10.8	14.5	19.7	25.8
Non-resource	173.1	204.6	169.1	85.9	138.5	162.1	130.9	130.9	130.9	130.9	130.9	130.9
Machinery	48.6	66.2	51.9	33.8	34.7	45.7	53.5	62.7	71.2	74.3	55.8	59.7
Material	56.6	63.4	57.7	19.6	45.4	48.5	48.4	54.7	59.6	60.4	52.4	56.8
Living	39.1	40.7	23.0	32.8	46.4	64.1	82.5	48.3	51.7	53.5	56.4	59.8
• Others	28.8	34.4	36.6	-0.3	11.9	3.8	4.3	42.0	25.0	25.4	18.0	19.2
Total	211.0	238.9	215.1	155.1	200.2	250.7	232.5	252.0	265.0	290.0	243.0	276.0
Breakdown												
Non-resource	82%	86%	79%	55%	69%	65%	81%	82%	78%	74%	75%	71%
Resource	18%	14%	21%	45%	31%	35%	19%	18%	22%	26%	25%	29%

Note: Actuals include some Citi estimates.

Source: Company data, Citi Research.

Company Focus

- Target Price Change
- Estimate Change

Buy	1
Price (10 Jun 13)	¥1,744
Target price	¥2,350
from ¥2,250	
Expected share price return	34.7%
Expected dividend yield	3.7%
Expected total return	38.4%
Market Cap	¥2,872,644M
	US\$29,084M

Price Performance

(RIC: 8058.T, BB: 8058 JP)



Mitsubishi Corp. (8058)

Our top pick: Watching reasons for change, medium-term RoE improvement likely

- **Conclusion** — We revise our forecasts, raise our target price to ¥2,350 (maintaining our FY3/14E PBR target at c0.85x) from ¥2,250, and reiterate our Buy rating. Mitsubishi Corp. is our top pick because we believe 1) the adoption of IFRS is likely to promote the unwinding of cross-shareholdings, 2) divestitures are necessary given substantial growth in the asset base, and 3) the company has many reasons to take the sort of action that pleases the market—for instance, it is the only one of the Big 5 with a single-digit RoE (RoA is less than 3%).
- **Reasons to change** — We expect RoE improvements following the adoption of IFRS, because, as gains on the sales of general investment instruments are booked as comprehensive income, any pre-IFRS aggressive sell-off of marketable securities would not only mean that gains would be booked as NP but that shareholders' equity would decline on lower unrealized gains on marketable securities. We see significant potential for gains on the unwinding of cross-held shares, given valuation gains of around ¥670bn on its ¥1.55trn holdings. Moreover, the asset base has grown some 33% over the past three years, and given the difficulty involved in rapidly recruiting experienced personnel, we see a strong need for asset divestitures. As one of Japan's few conglomerates, we think the company is likely to take steps to improve indicators, which are clearly inferior to those of its peers. We think comments from the company president also signal change.
- **BPS** — Due to yen weakness and equity market strength, the rise in BPS is greater than EPS (Figure 11, 13). We forecast end-FY3/14 BPS of ¥2,859 (+13% YoY).
- **FY3/14 forecasts** — We raise our NP forecast to ¥421bn (+17% YoY) from ¥384bn. We revise our forex assumption to ¥100/\$ from ¥90/\$ and adopt natural resource price forecasts from our global commodities team as our price assumptions. We expect YoY profit growth in Metals (driven by volume growth, cost reductions, and a weak yen) and Machinery (weak yen-led profit growth in the automotive business) to offset YoY profit declines in Energy (lower dividends, weaker oil prices, weak yen), Industrial Finance, Logistics & Development (drop-out of one-off profit), and Living Essentials (on the drop-out of one-off profit). Our forecasts are higher than guidance, in part because the company assumes ¥95/\$. We estimate that it assumes coking coal at c\$160/MT-\$170/MT.
- **Outlook** — With NP of ¥350bn feasible even when hit by the negative impact of low commodity prices, a strong yen, and industrial action, and sustained RoE of almost 10%, we believe Mitsubishi Corp. is excessively undervalued on a PBR of less than 0.7x. We think concern over RoE improvement measures is one reason for the low PBR. However, at the recent medium-term business plan briefing, President Kobayashi said Mitsubishi will consider capital measures to address both the numerator (NP) and denominator (shareholders' equity) to improve RoE, and from this we sense a desire for improvement.

Consol.	Sales		OP			Pretax Profit		NP		EPS		PE
	¥M	YOY (%)	¥M	YOY (%)	OPM (%)	¥M	YOY (%)	¥M	YOY (%)	¥		X
3/12A	20,126,321	4.6	271,122	-14.2	1.3	454,708	-14.2	452,344	-2.6	274		6.4
3/13A	20,207,183	0.4	133,875	-50.6	0.7	337,206	-25.8	360,028	-20.4	218		8.0
3/14CE	20,900,000	3.4	195,000	45.7	0.9	385,000	14.2	400,000	11.1	243		7.2
3/14E	19,814,000	-1.9	228,000	70.3	1.2	329,000	-2.4	384,000	6.7	233		7.5
3/14RE	21,000,000	3.9	202,000	50.9	1.0	412,000	22.2	421,000	16.9	255		6.8
3/15E	19,829,000	0.1	230,000	0.9	1.2	372,000	13.1	416,000	8.3	252		6.9
3/15RE	20,936,000	-0.3	206,000	2.0	1.0	407,000	-1.2	421,000	0.0	255		6.8
3/16E	19,967,000	0.7	241,000	4.8	1.2	386,000	3.8	425,000	2.2	258		6.8
3/16RE	21,055,000	0.6	225,000	9.2	1.1	440,000	8.1	445,000	5.7	270		6.5

A: Actuals, E: Citi Research Ests, CE: Co. Ests, RE: Citi Research Revised Ests, CRE: Co. Revised Ests, NA: Not Available, NM: Not Meaningful

8058.T: Fiscal year end 31-Mar						Price: ¥1,744; TP: ¥2,350; Market Cap: ¥2,872,644m; Recomm: Buy					
Profit & Loss (¥m)	2012	2013	2014E	2015E	2016E	Valuation ratios	2012	2013	2014E	2015E	2016E
Sales revenue	20,126,321	20,207,183	21,000,000	20,936,000	21,055,000	PE (x)	6.4	8.0	6.8	6.8	6.5
Cost of sales	-18,998,461	-19,177,526	-19,769,000	-19,700,000	-19,792,000	PB (x)	0.8	0.7	0.6	0.6	0.5
Gross profit	1,127,860	1,029,657	1,231,000	1,236,000	1,263,000	EV/EBITDA (x)	6.8	9.8	7.7	6.9	6.3
Gross Margin (%)	5.6	5.1	5.9	5.9	6.0	FCF yield (%)	-6.2	-13.4	-1.2	-7.1	-7.0
EBITDA (Adj)	416,550	291,280	352,000	356,000	375,000	Dividend yield (%)	3.7	3.2	3.7	3.7	4.0
EBITDA Margin (Adj) (%)	2.1	1.4	1.7	1.7	1.8	Payout ratio (%)	24	25	25	25	26
Depreciation	-145,428	-157,405	-150,000	-150,000	-150,000	ROE (%)	13.4	9.4	9.5	8.6	8.6
Amortisation	0	0	0	0	0	Cashflow (¥m)	2012	2013	2014E	2015E	2016E
EBIT (Adj)	271,122	133,875	202,000	206,000	225,000	EBITDA	416,550	291,280	352,000	356,000	375,000
EBIT Margin (Adj) (%)	1.3	0.7	1.0	1.0	1.1	Working capital	-124,976	-30,568	180,000	6,000	-15,000
Net interest	108,034	138,603	117,000	120,000	122,000	Other	257,615	142,601	234,000	233,000	240,000
Non-op/Except	75,552	64,728	93,000	81,000	93,000	Operating cashflow	549,189	403,313	766,000	595,000	600,000
PreTax Profit	454,708	337,206	412,000	407,000	440,000	Capex	-728,149	-787,527	-800,000	-800,000	-800,000
Tax	-168,330	-113,486	-159,000	-157,000	-170,000	Net acq/disposals	-399,577	89,056	100,000	50,000	50,000
Extraord./Min.Int./Pref.div.	165,966	136,308	168,000	171,000	175,000	Other	26,813	-54,006	0	0	0
Reported net profit	452,344	360,028	421,000	421,000	445,000	Investing cashflow	-1,100,913	-752,477	-700,000	-750,000	-750,000
Net Margin (%)	2.2	1.8	2.0	2.0	2.1	Dividends paid	-116,802	-95,503	-91,000	-105,000	-105,000
Core NPAT	452,344	360,028	421,000	421,000	445,000	Financing cashflow	599,059	401,687	-164,000	155,000	150,000
Per share data	2012	2013	2014E	2015E	2016E	Net change in cash	42,704	92,804	-98,000	0	0
Reported EPS (¥)	274	218	255	255	270	Free cashflow to s/holders	-178,960	-384,214	-34,000	-205,000	-200,000
Core EPS (¥)	274	218	255	255	270	Other Index (Ymn or %)	2012	2013	2014E	2015E	2016E
EPS* (¥)	274	218	255	255	270	tNOPAT	439,431	353,000	427,000	432,000	442,000
DPS (¥)	65	55	64	64	69	tBusinessProfit	584,622	448,000	569,000	576,000	589,000
CFPS (¥)	333	245	465	361	364	tEBITDA	730,050	605,405	719,000	726,000	739,000
FCFPS (¥)	-109	-233	-21	-124	-121	tROIC (%)	5.4	3.8	4.1	3.9	3.8
BVPS (¥)	2,131	2,538	2,859	3,051	3,258	OOIC (%)	6.8	4.3	7.3	5.4	5.1
Wtd avg ord shares (m)	1,645	1,645	1,645	1,645	1,645						
Wtd avg diluted shares (m)	1,649	1,649	1,649	1,649	1,649						
Growth rates	2012	2013	2014E	2015E	2016E						
Sales revenue (%)	4.6	0.4	3.9	-0.3	0.6						
EBIT (Adj) (%)	-14.2	-50.6	50.9	2.0	9.2						
Core NPAT (%)	-2.6	-20.4	16.9	0	5.7						
Core EPS (%)	-2.7	-20.4	16.9	0	5.7						
Balance Sheet (¥m)	2012	2013	2014E	2015E	2016E						
Cash & cash equiv.	1,388,302	1,496,289	1,400,000	1,400,000	1,400,000						
Accounts receivables	3,383,176	3,590,814	3,524,000	3,513,000	3,533,000						
Inventory	965,057	1,202,295	1,035,000	1,032,000	1,037,000						
Net fixed & other tangibles	2,149,157	2,866,974	3,167,000	3,392,000	3,617,000						
Goodwill & intangibles	167,584	0	0	0	0						
Financial & other assets	4,535,237	5,254,293	5,721,000	6,110,000	6,499,000						
Total assets	12,588,513	14,410,665	14,847,000	15,447,000	16,086,000						
Accounts payable	2,108,171	2,230,074	2,176,000	2,168,000	2,178,000						
Short-term debt	1,321,652	1,390,959	1,103,000	1,150,000	1,445,000						
Long-term debt	3,760,101	4,498,683	4,714,000	4,927,000	4,887,000						
Provisions & other liab	1,571,619	1,734,899	1,736,000	1,736,000	1,736,000						
Total liabilities	8,761,543	9,854,615	9,729,000	9,981,000	10,246,000						
Shareholders' equity	3,507,818	4,179,698	4,710,000	5,026,000	5,366,000						
Minority interests	318,959	376,352	408,000	440,000	474,000						
Total equity	3,826,777	4,556,050	5,118,000	5,466,000	5,840,000						
Net debt	3,693,451	4,393,353	4,417,000	4,677,000	4,932,000						
Net debt to equity (%)	96.5	96.4	86.3	85.6	84.5						

Note: Consolidated data. * EPS: NP/Est Shares OS.

For further data queries on Citi's full coverage universe please contact Citi Research Data Services at CitiRsch.DataServices.Global@citi.com

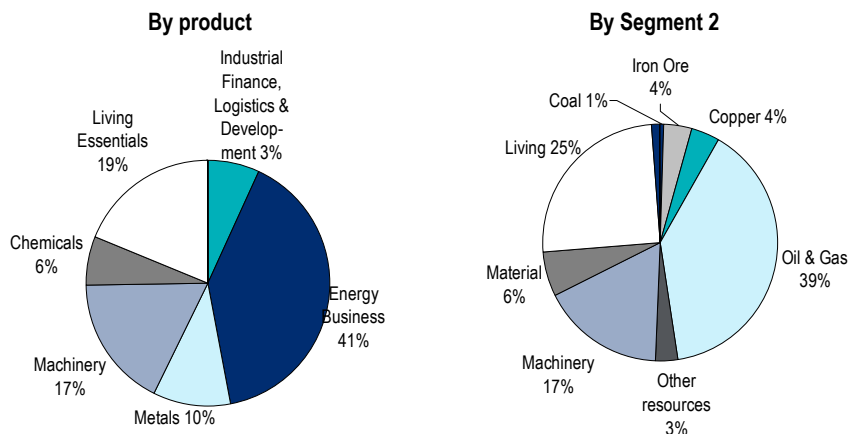


Mitsubishi Corp. (8058) Investment Dashboard

Reasons to Buy

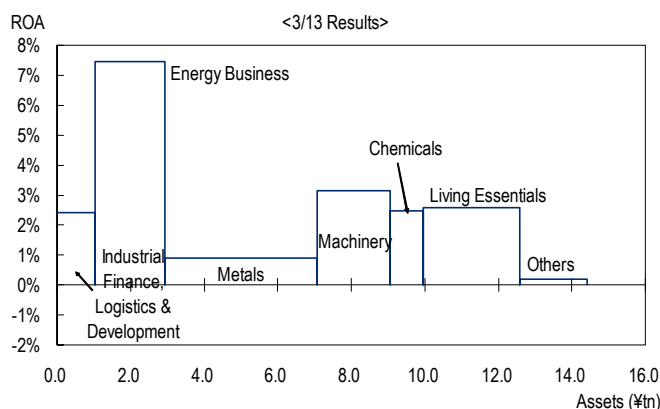
- Looks to have many reasons to take steps that would please the market
- The shares strike us as markedly undervalued, a PBR of 0.6x versus an RoE of almost 10%
- We anticipate YoY profit growth in the mainstay coking coal business, following the resolution of strikes

NP breakdown (FY3/13)



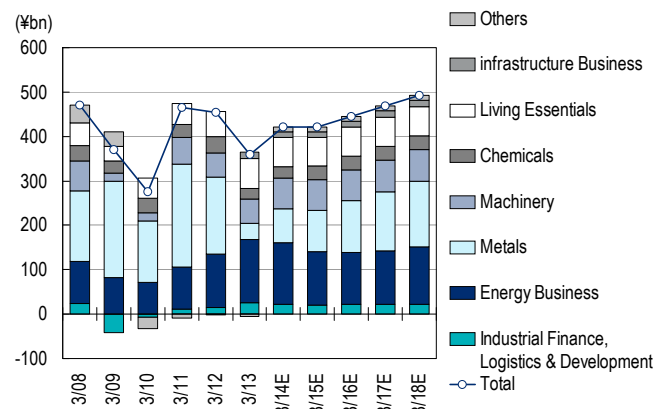
Note: By segment (1) excludes corporate and elimination. Source: Company data, Citi Research.

Business portfolio



Source: Company data, Citi Research.

NP by segment

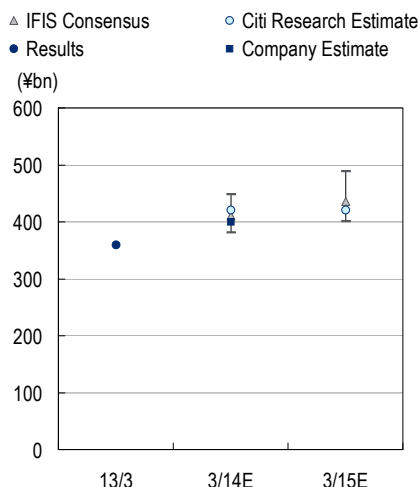


Source: Company data, Citi Research.

Alternate scenario: A more bearish case

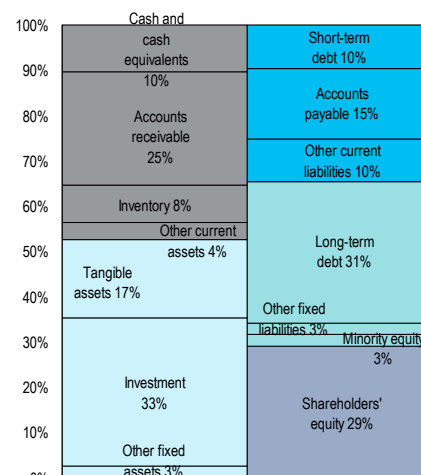
- Non-resources: Deterioration in operating environment for Southeast Asia auto business
- Resources: Bad weather or further industrial relations problems in Australian coal business, to which exposure is high

NP forecast comparison



Source: Company data, IFIS (6/4/2013), Citi Research.

Balance sheet (end-FY3/2013)



Source: Company data.

Figure 33. Mitsubishi Corp.: NP by segment (¥bn)

NP	3/12					3/13		3/14	3/14	3/15	3/16	13/3	3/14	3/15
		Q1	Q2	Q3	Q4	FY	FY New							
Industrial Finance, Logistics & Development	14.9	2.9	6.4	6.0	6.9	25.0	25.0	20.0	22.0	21.0	22.0	24.0	21.0	21.0
Energy Business	120.6	54.3	38.9	16.0	20.1	142.4	142.4	132.0	139.0	119.0	116.0	140.0	117.0	97.0
Metals	172.1	6.0	7.3	3.0	20.6	36.9	36.9	60.0	77.0	93.0	117.0	42.0	90.0	138.0
Machinery	54.5	17.1	17.4	17.0	16.8	61.9	55.6	71.0	68.0	70.0	70.0	65.0	68.0	68.0
Chemicals	37.1	7.2	6.5	8.0	5.5	22.6	22.6	30.0	26.0	30.0	30.0	24.0	28.0	30.0
Living Essentials	56.6	9.3	14.0	20.5	16.9	67.5	67.5	63.0	66.0	65.0	66.0	65.0	63.0	64.0
Infrastructure related business							14.4	14.0	13.0	13.0	14.0			
Others	-2.0	1.3	1.9	-5.0	-15.5	3.7	-4.4	10.0	10.0	10.0	10.0	-5.0	-3.0	-2.0
Total	453.8	98.1	91.9	66.0	71.4	360.0	360.0	400.0	421.0	421.0	445.0	355.0	384.0	416.0

Source: Company data, Citi Research.

Figure 34. Mitsubishi Corp.: Our segment NP forecasts (¥bn)

(NP)	3/07	3/08	3/09	3/10	3/11	3/12	3/13	3/14RE	3/15RE	3/16E	3/14E	3/15E
Resource	260.5	252.4	299.5	209.9	325.5	292.8	179.3	216.0	212.0	233.0	207.0	235.0
Coal	108.1	61.7	191.7	112.8	135.8	119.3	-2.4	30.4	41.6	60.4	35.0	73.0
Iron Ore	14.1	13.8	27.1	9.9	60.5	30.2	14.0	22.0	23.6	25.6	18.0	22.5
Copper	44.5	42.8	26.0	15.1	31.8	15.0	14.2	18.0	22.0	25.2	31.0	34.6
Oil & Gas	74.1	94.2	82.8	71.9	94.0	120.6	142.4	139.0	119.0	116.0	117.0	97.0
Other resources	16.1	13.9	10.4	0.1	3.4	7.6	11.1	6.6	5.8	5.8	6.0	7.9
Non Resource	155.0	218.4	70.1	65.0	139.1	161.1	180.7	205.0	209.0	212.0	177.0	181.0
Machinery	58.0	68.1	17.8	18.0	61.4	54.5	61.9	84.0	85.0	85.0	68.0	68.0
Material	20.0	34.7	26.8	32.4	29.1	37.1	22.6	26.0	30.0	30.0	28.0	30.0
Living	48.3	51.0	33.6	46.8	57.8	71.6	92.5	88.0	86.0	88.0	84.0	85.0
Others	-3.1	40.4	33.2	-24.6	-9.2	-2.0	3.7	7.0	8.0	9.0	-3.0	-2.0
Total	415.5	470.9	369.6	274.8	464.5	453.8	360.0	421.0	421.0	445.0	384.0	416.0
Breakdown												
Non-resource	37%	46%	19%	24%	30%	35%	50%	49%	50%	48%	46%	44%
Resource	63%	54%	81%	76%	70%	65%	50%	51%	50%	52%	54%	56%

Note: Actuals include some Citi estimates.

Source: Company data, Citi Research.

FY3/14 earnings estimates (versus previous numbers)

We revise up our segment earnings estimates for Energy to reflect the weak yen and Living Essentials (to reflect the FY3/13 overshoot and gains on the sale of shareholdings). We cut our estimates for the Metals segment to reflect the FY3/13 undershoot, lower coal prices, lower copper dividends, and weak yen effects. We also revise down our Chemicals segment estimate to reflect weaker-than-expected FY3/13 results.

Itochu

Investment strategy

We rate the shares of Itochu Neutral (2) with a ¥1,350 target price.

As with other trading companies, Itochu does business in a wide range of domains and regions. Although its net debt/equity ratio is somewhat high, its business portfolio is well balanced, with resources accounting for about 50% of profits. Profits from its non-resource businesses are high, as is its RoA, and profitability indicators like OOIC and RoE are also high. We also note that the firm has considerable exposure to China and Brazil. We rate the shares Neutral because 1) we forecast profit growth for FY3/14 as well; 2) we envisage expansion in domains with low earnings volatility thanks to deals like the acquisition of two Dole units; 3) we anticipate a plan undershoot in non-resource businesses in FY3/14, and 4) we feel undervaluation has diminished on the rally in the shares. Moving forward, we look for Itochu to generate synergies with the Dole businesses and focus on improving the ICT, general products, and realty segment, where acquisitions have been slow to bear fruit. If it looks likely that profits could rise in these areas, then the market could re-rate Itochu.

Valuation

We use PBR as our valuation metric for Itochu, with a particular emphasis on TOPIX-relative levels. We do so because 1) sector stocks are strongly correlated with the market (we stress relative PBR), 2) there is a strong correlation between RoE, RoIC, RoA, and relative PBR, 3) historical relative PBRs have been mainly range-bound.

In calculating our ¥1,350 target price, we set the relative PBR at 85%, at the bottom of the historical range, in light of our expectations for 1) profit growth in FY3/14, 2) RoE being below the historical average but superior for the sector, and 3) an earnings undershoot in non-resource businesses. Based on the TOPIX PBR we set our target PBR at c1.0x, and apply this to our FY3/14 BPS forecast.

Our target price of ¥1,350 corresponds to a dividend yield of 3.3% on our FY3/14 forecasts and 3.5% on our FY3/15 forecasts, which seems appropriate as it is within the sector range.

Risks

We see downside risks to our target price as 1) profits from acquisitions like the Dole deal resulting in profits far lower than expected; 2) the shares looking less appealing on yield should Itochu lower its dividend payout ratio; 3) deteriorating conditions (in terms of weather, politics, and labor) in resource-producing areas like Brazil and Australia; and 4) a fall for the TOPIX PBR due to economic slowness. On the other hand, upside risks are 1) better-than-expected synergies from the Dole business and other acquisitions; 2) a rise in prices for natural resources to which Itochu is highly exposed (iron ore, coal, etc.); 3) an increase in dividend payout; and 4) a rise for the TOPIX PBR due to an economic upturn.

We estimate the sensitivity of NP to price fluctuations as 1) -¥2bn or so for every ¥1/\$ appreciation, 2) -¥5bn or so for every 1% rise in the yen interest rate, 3) +¥330mn or so for every \$1/bbl increase in the Brent crude price, 4) +¥690mn or so for every \$1/MT rise in the iron ore price, and 5) +¥540mn or so for every \$1/MT

rise in the price of coking coal. If these factors manifest themselves differently than we have anticipated, the share price may not achieve our target price.

Marubeni

Investment strategy

We rate the shares of Marubeni Buy (1), with a ¥830 target price.

As with other trading companies, Marubeni does business in a wide range of domains and regions. Its D/E ratio is relatively high, although it has improved versus its historical average, and its equity capital ratio is low. However, resources account for just below 50% of profits, which seems a good level given current resource prices, and profit levels are relatively high in copper and machinery. In addition, the RoA for non-resource businesses and the overall RoE and RoIC are relatively high as well.

We rate the shares Buy because 1) we anticipate increased profits for the fourth consecutive year in FY3/14 via factors like the acquisition of the grain major Gavilon; 2) we like the ambitious medium-term plan which aims to boost RoA, and 3) we think the shares look undervalued on a PBR of nearly 0.9x vis-à-vis RoE of c18%. If it looks more likely that the firm can grow assets and improve its balance sheet, then we could see a re-rating.

Valuation

We use PBR as our valuation metric for Marubeni, with a particular emphasis on TOPIX-relative levels. We do so because 1) sector stocks are strongly correlated with the market (we stress relative PBR), 2) there is a strong correlation between RoE, RoIC, RoA, and relative PBR, 3) historical relative PBRs have been mainly range-bound.

In calculating our ¥830 target price, we set the relative PBR at 90%, at the bottom of the historical range, to reflect the likelihood of a fourth consecutive year of profit growth in FY3/14 and our expectation of a decline in RoE. Based on the TOPIX PBR we set our target PBR at about 1.05x, and apply this to our FY3/14 BPS forecast. Our target price corresponds to a dividend yield of 3.1% on our FY3/14 forecasts and 3.1% on FY3/15. These seem appropriate as they are in line with the sector averages.

Risks

We see downside risks to our target price as 1) lower-than-expected profits via acquisitions like Gavilon; 2) a hit to the food and grain business from poor weather; 3) a rise in interest payments due to higher interest rates; and 4) a fall for the TOPIX PBR due to economic slowness. On the other hand, upside risks are 1) greater-than-expected synergies (profits) from Gavilon and other acquisitions; 2) a rise in prices for resources to which Marubeni is highly exposed (copper, etc.); 3) a rise in the dividend payout; and 4) a rise for the TOPIX PBR due to an economic upturn.

We estimate the sensitivity of NP to price fluctuations as 1) -¥1.4bn or so for every ¥1/\$ appreciation, 2) +¥500mn or so for every \$1/bbl increase in the WTI crude price, and 3) +¥600mn or so for every \$100/MT rise in the price of copper. If these factors manifest themselves differently than we have anticipated, the share price may not achieve our target price.

Mitsui & Co.

Investment strategy

We rate the shares of Mitsui & Co. Buy (1), with a target price of ¥1,700.

As with other trading companies, Mitsui does business in a wide range of domains and regions. Its balance sheet is extremely healthy, and it is a leader in terms of resource business RoA, overall RoIC, dividend payout, and profits from metals and energy. On the other hand, it lags peers somewhat in RoE, dividend yield, and non-resource business RoA/profits. Mitsui's exposure to Brazil is high via its investment in Vale, and its exposure to South America more generally rose via its investment in copper (in Chile) in 2012. We see as positive the highly cost-competitive iron ore business as well as long-term profit generating potential for the Mozambique natural gas business (which is thought to have abundant reserves).

Although we assume that iron ore prices will be soft and Mitsui's non-resource business profitability will remain low, given yen weakness we think profit growth at Mitsui will outstrip that at its four peers. As we also expect RoE to remain in double digits we rate the shares Buy. Going forward we see the key points as whether acquisitions in the chemicals and foods sectors bear fruit and whether shareholders' return is expanded by hiking dividend payouts and setting a floor level for the overall dividend.

Valuation

We use PBR as our valuation metric for Mitsui. We do so because 1) sector stocks are strongly correlated with the market (we stress relative PBR), 2) there is a strong correlation between RoE, RoIC, RoA, and relative PBR, 3) historical relative PBRs have been mainly range-bound.

In calculating our target price, we set the relative PBR at 70%, below the low end of the historical range, as while we forecast profit growth in FY3/14, we anticipate RoIC of 10%-11%, lower than historically, iron ore prices are weak, and resource prices and forex are volatile due to macro factors, and referencing TOPIX PBR we calculate a target PBR of c0.85x, which we apply to our FY3/14 BPS forecast.

Our target price of ¥1,650 corresponds to a dividend yield of 3.1% on our FY3/14 forecasts and 3.1% on FY3/15. These seem appropriate as they are in line with the sector averages.

Risks

We see downside risks to our target price as 1) continued sluggish profits in non-resource businesses; 2) a fall in the price of iron ore; 3) deteriorating conditions (in terms of weather, politics, and labor) in resource-producing areas like Brazil and Australia; and 4) a fall for the TOPIX PBR due to economic slowness. On the other hand, upside risks are 1) past spending in non-resource businesses bearing fruit; 2) a rise in the price of iron ore; 3) expanded shareholders' return via the raising of the dividend payout; 4) a rise in RoE due to share buybacks; and 5) a rise for the TOPIX PBR due to an economic upturn.

We estimate the sensitivity of NP to price fluctuations as 1) -¥1.9bn or so for every ¥1/\$ appreciation, 2) -¥1.9bn or so for every ¥1/AUD appreciation, 3) -¥400mn or so for every ¥1/BRL appreciation, 4) +¥1.9bn or so for every \$1/bbl rise in the crude price, 5) +¥2.2bn or so for every \$1/MT rise in the iron ore price, and 6) +¥600mn or so for every \$100/MT rise in the copper price. If these factors manifest themselves

differently than we have anticipated, the share price may not achieve our target price.

Sumitomo Corp.

Investment strategy

We rate the shares of Sumitomo Corp. Buy (1), with a target price of ¥1,500.

As with other trading companies, Sumitomo does business in a wide range of domains and regions. Sumitomo lags peers in terms of profitability metrics like RoE and RoIC, but it is ahead of peers in dividend yield, RoA (in both resources and non-resources), non-resource profits, particularly in materials and machinery. In addition, it has a high exposure to Indonesia, Thailand, and other parts of Asia, but it has less of a bias than at other firms. We see one issue as being Sumitomo Corp.'s FY3/14 profit growth rate, which we expect to be the lowest in the sector, but we rate the shares Buy to reflect 1) the wide range of profit drivers; 2) low share price volatility; and 3) the dividend yield, which makes the shares look strongly undervalued in relative terms. If it looks like Sumitomo Corp. will boost shareholders' return further via measures like raising the dividend payout or that profits in the resource business will rise soon, then the market may look more favorably on it relative to peers.

Valuation

We use PBR as our valuation metric for Sumitomo Corp. We do so because 1) sector stocks are relatively tightly correlated with the market (we stress relative PBR), 2) there is a strong correlation between RoE, RoIC, RoA, and relative PBR, and 3) historical relative PBRs have been mainly range-bound.

In calculating our ¥1,500 target price, we set the relative PBR at 65%, below the low end of the historical range, to reflect our forecast that Sumitomo will post the lowest sector YoY earnings increase in FY3/14, FY3/14 NP is set to be boosted by one-off profits, and our expectation that while RoE will be kept in double-digits, it will decline slightly. Based on TOPIX PBR we set our target PBR at c0.8x and apply this to our FY3/14 BPS forecast.

Our target price corresponds to a dividend yield of 3.3% on our FY3/14 forecasts and 3.5% on FY3/15. These seem appropriate although they are somewhat above sector averages.

Risks

We see downside risks to our target price as 1) a slow ramp-up for the Madagascar nickel business; 2) deterioration for the metal business on a downturn for the auto sector; 3) a fall in the TOPIX PBR due to an economic downturn. To the upside, we see risks as 1) a rapid recovery for the metal business on an upturn for the auto sector; 2) expanded shareholders' return due to factors like raising the dividend payout; and 3) a rise in the TOPIX PBR on an economic upturn.

We estimate the sensitivity of NP to price fluctuations as 1) -¥1.3bn or so for every ¥1/\$ appreciation; 2) +¥50mn or so for every \$1/bbl rise in the Brent crude price; 3) +¥280mn or so for every \$1/MT rise in the price of iron ore; 4) +¥230mn or so for every \$1/MT rise in the price of coking coal; 5) +¥180mn for every \$1/MT rise in the price of thermal coal; 6) +¥30mn or so for every \$1/MT rise in the manganese ore price; 7) +¥230mn or so for every \$100/MT rise in the copper price; 8) +¥480mn for

every \$1/oz rise in the silver price; 9) +¥960mn or so for every \$100/MT rise in the zinc price, and 10) +¥320mn or so for every \$100/MT rise in the lead price. If these factors manifest themselves differently than we have anticipated, the share price may not achieve our target price.

Mitsubishi Corp.

Investment strategy

We rate Mitsubishi Corp. Buy (1), with a target price of ¥2,350.

As with other trading companies, Mitsubishi does business in a wide range of domains and regions. Although it lags other firms in terms of profitability indicators like RoIC, RoA, and RoE, its balance sheet is healthy, and it is ahead of peers in terms of metals profit generation (particularly in coal) and profit levels in machinery. In addition, Mitsubishi is highly exposed to Indonesia, where it operates an auto business, and Chile, where it has invested in the copper business. We rate the shares Buy because 1) we anticipate improvement for the coal business thanks to higher volumes and cost cuts; 2) we expect earnings growth to continue over the medium term; and 3) we are optimistic about a rise in RoE over the longer run on the sale of cross-shareholdings and future share buybacks. If it looks as if the firm will 1) raise shareholders' return by upping the dividend payout, 2) work to boost profitability (RoE, RoIC), and 3) increase non-resource profits, then we could see a rerating.

Valuation

We use PBR as our valuation metric for Mitsubishi Corp. We do so because 1) sector stocks are relatively tightly correlated with the market, 2) there is a strong correlation between RoE, RoIC, RoA, and relative PBR, and 3) historical relative PBRs have been mainly range-bound.

In calculating our ¥2,350 target price, we set the relative PBR at 70%, below the low end of the relative historical range, as while we think earnings growth in FY3/14 will be relatively strong for the sector, we anticipate a recovery in the mainstay coal business, and the balance sheet is healthy, with a net debt/equity ratio below 1x, RoE is low and in single digits. We reference TOPIX PBR in calculating a target PBR of 0.85x, which we apply to our FY3/14 BPS forecast.

Our target price corresponds to a dividend yield of 2.7% on our FY3/14 forecasts and 2.7% on FY3/15. These are below sector averages, but we find them appropriate given the healthy balance sheet and expectations for further profit growth.

Risks

We see downside risks to our target price as 1) poor weather and further labor troubles in Australia, where Mitsubishi operates its core coking coal business; 2) worsening auto market conditions in Southeast Asia; 3) a further decline for RoE and a prolonged stay at low levels; and 4) a fall in the TOPIX PBR due to an economic downturn. To the upside, we see risks as 1) a rise in the price of coking coal; 2) an upturn for auto market conditions in Southeast Asia; 3) expanded shareholders' return via measures like lifting the dividend payout; 4) a rise in RoE via share buybacks; and 5) a rise in the TOPIX PBR due to an economic upturn.

We estimate the sensitivity of NP to price fluctuations as 1) -¥2.5bn or so for every ¥1/\$ appreciation; 2) +¥1bn or so for every \$1/bbl rise in the crude price; 3) +¥1.1bn or so for every \$100/MT increase in the copper price; and 4) +¥1bn or so for every \$100/MT rise in the aluminum price. If these factors manifest themselves differently than we have anticipated, the share price may not achieve our target price.

Appendix A-1

Analyst Certification

The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

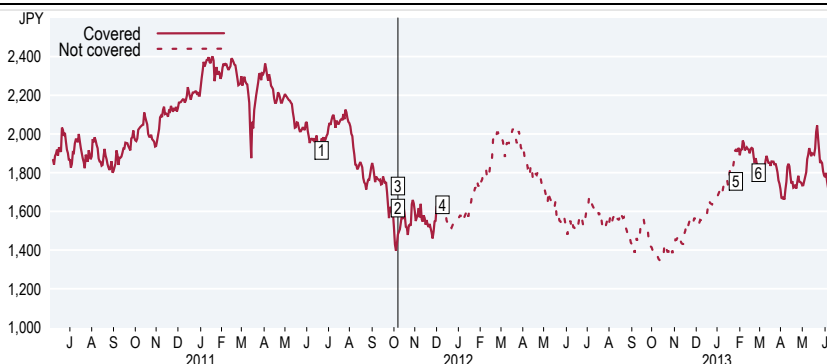
IMPORTANT DISCLOSURES

Mitsubishi Corp. (8058)

Ratings and Target Price History Fundamental Research

Analyst: Takashi Miyazaki

Covered since January 28 2013



	Date	Rating	Target Price	Closing Price
1	22-Jun-11	1M	*2,400	1,977
2	7-Oct-11	Stock rating system changed		

* Indicates change

	Date	Rating	Target Price	Closing Price
3	7-Oct-11	*1	2,400	1,481
4	9-Dec-11	Coverage terminated		

	Date	Rating	Target Price	Closing Price
5	28-Jan-13	1	*2,200	1,918
6	28-Feb-13	1	*2,250	1,839

Rating/target price changes above reflect Eastern Standard Time

Mitsubishi Corp. (8058)

Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Takashi Miyazaki

Covered since January 28 2013



	Date	Rating	Target Price	Closing Price
1	27-Jan-11	*ADD MP	-	2,324

* Indicates change

	Date	Rating	Target Price	Closing Price
2	8-Jul-11	*REM MP	-	2,099

	Date	Rating	Target Price	Closing Price
3	12-Mar-13	*ADD MP	-	1,887

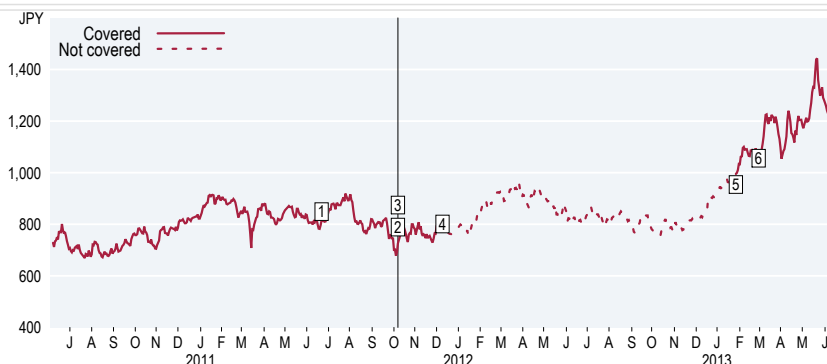
Rating/target price changes above reflect Eastern Standard Time

Itochu (8001)

Ratings and Target Price History Fundamental Research

Analyst: Takashi Miyazaki

Covered since January 28 2013



	Date	Rating	Target Price	Closing Price
1	22-Jun-11	1M	*1,150	816
2	7-Oct-11	Stock rating system changed		

* Indicates change

	Date	Rating	Target Price	Closing Price
3	7-Oct-11	*1	1,150	726
4	9-Dec-11	Coverage terminated		

	Date	Rating	Target Price	Closing Price
5	28-Jan-13	1	*1,200	995
6	28-Feb-13	1	*1,250	1,070

Rating/target price changes above reflect Eastern Standard Time

Itochu (8001)

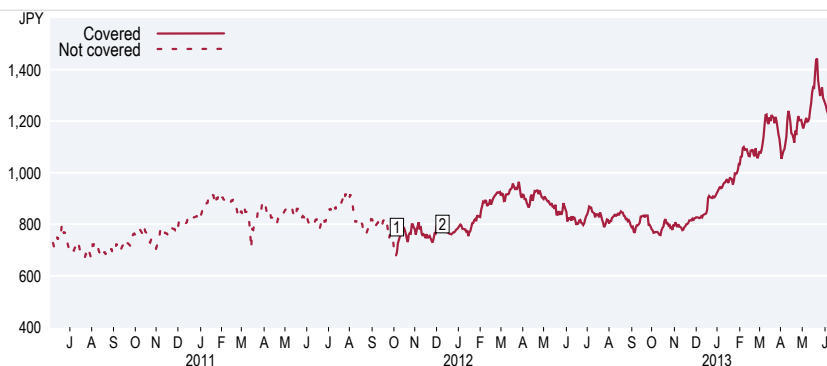
Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Takashi Miyazaki

Covered since January 28 2013



	Date	Rating	Target Price	Closing Price
1	6-Oct-11	*ADD MP	-	691

* Indicates change

	Date	Rating	Target Price	Closing Price
2	9-Dec-11	*REM MP	-	785

Rating/target price changes above reflect Eastern Standard Time

Sumitomo Corp. (8053)

Ratings and Target Price History

Fundamental Research

Analyst: Takashi Miyazaki

Covered since January 28 2013



	Date	Rating	Target Price	Closing Price
1	25-Nov-10	2H	*1,300	1,135
2	22-Jun-11	*1M	*1,500	1,072
3	7-Oct-11	Stock rating system changed		

* Indicates change

	Date	Rating	Target Price	Closing Price
4	7-Oct-11	*1	1,500	917
5	9-Dec-11	Coverage terminated		
6	28-Jan-13	*2	*1,200	1,159

	Date	Rating	Target Price	Closing Price
7	28-Feb-13	*1	*1,300	1,134

Rating/target price changes above reflect Eastern Standard Time

Sumitomo Corp. (8053)

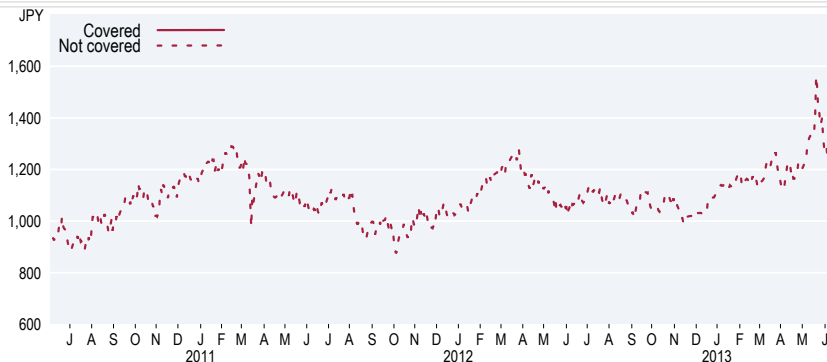
Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Takashi Miyazaki

Covered since January 28 2013



* Indicates change

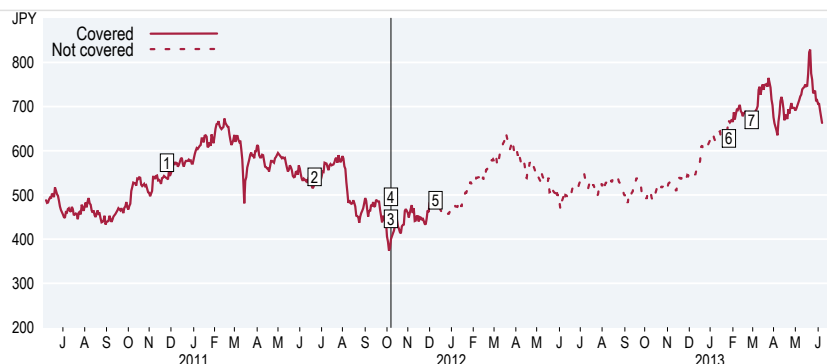
Rating/target price changes above reflect Eastern Standard Time

Marubeni (8002)

Ratings and Target Price History Fundamental Research

Analyst: Takashi Miyazaki

Covered since January 28 2013



	Date	Rating	Target Price	Closing Price
1	25-Nov-10	2H	*630	538
2	22-Jun-11	*1M	*650	530
3	7-Oct-11	Stock rating system changed		

* Indicates change

	Date	Rating	Target Price	Closing Price
4	7-Oct-11	*1	650	400
5	9-Dec-11	Coverage terminated		
6	28-Jan-13	1	*800	667

	Date	Rating	Target Price	Closing Price
7	28-Feb-13	1	*790	677

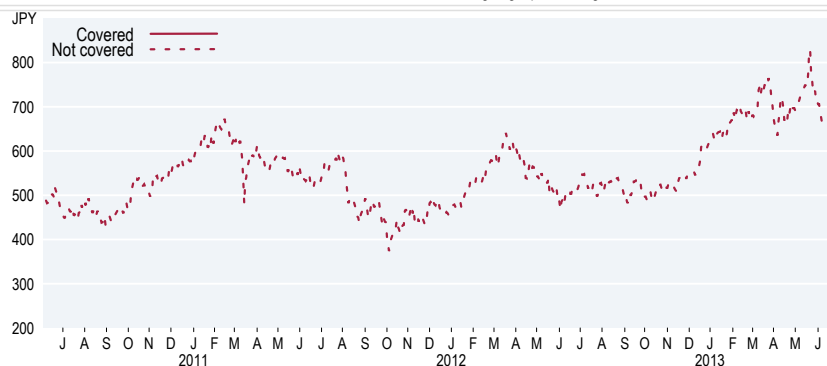
Rating/target price changes above reflect Eastern Standard Time

Marubeni (8002)

Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Takashi Miyazaki

Covered since January 28 2013



* Indicates change

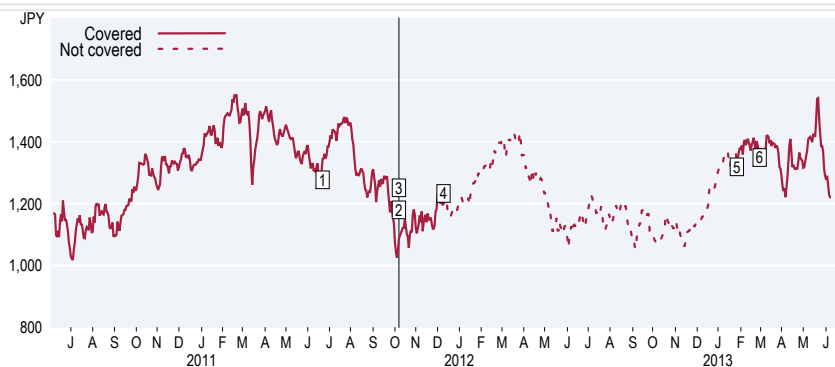
Rating/target price changes above reflect Eastern Standard Time

Mitsui & Co. (8031)

Ratings and Target Price History Fundamental Research

Analyst: Takashi Miyazaki

Covered since January 28 2013



	Date	Rating	Target Price	Closing Price
1	22-Jun-11	1M	*2,100	1,344
2	7-Oct-11	Stock rating system changed		

* Indicates change

	Date	Rating	Target Price	Closing Price
3	7-Oct-11	*1	2,100	1,088
4	9-Dec-11	Coverage terminated		

	Date	Rating	Target Price	Closing Price
5	28-Jan-13	*2	*1,500	1,328
6	28-Feb-13	*1	*1,650	1,374

Rating/target price changes above reflect Eastern Standard Time

Mitsui & Co. (8031)

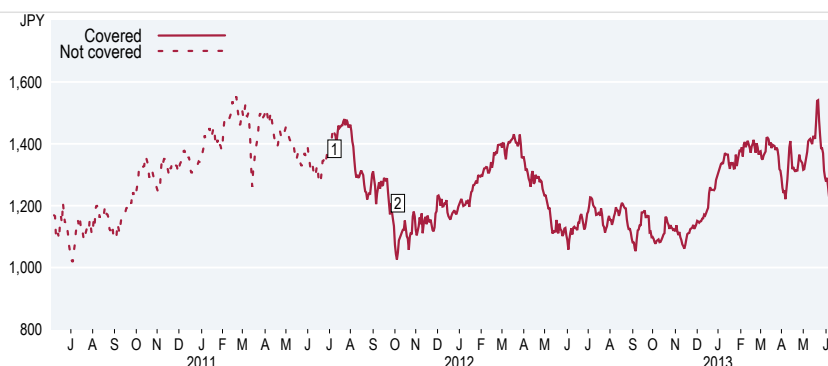
Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Takashi Miyazaki

Covered since January 28 2013



	Date	Rating	Target Price	Closing Price
1	8-Jul-11	*ADD MP	-	1,434

* Indicates change

	Date	Rating	Target Price	Closing Price
2	6-Oct-11	*REM MP	-	1,049

Rating/target price changes above reflect Eastern Standard Time

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The Firm is a market maker in the publicly traded equity securities of Itochu, Anglo American PLC, Sumitomo Corp., Marubeni, Antofagasta.

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Citi Research Equity Ratings Distribution

Data current as of 31 Mar 2013

Citi Research Global Fundamental Coverage

% of companies in each rating category that are investment banking clients

12 Month Rating			Relative Rating		
Buy	Hold	Sell	Buy	Hold	Sell
48%	39%	12%	7%	87%	7%
53%	49%	43%	65%	49%	51%

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