June 30, 2025

Highlights of General Trading Companies' Financial Results for Fiscal Year Ended March 2025

The following are Japan Credit Rating Agency, Ltd. (JCR)'s perception of the current status and highlights for rating concerning the financial results for the fiscal year ended March 2025 (FY2024) and earnings forecasts for FY2025 of Japan's six general trading companies (collectively, the "Companies"): Mitsubishi Corporation, SUMITOMO CORPORATION, MITSUI & CO., LTD., Marubeni Corporation, ITOCHU Corporation and Sojitz Corporation.

1. Industry Trend

In the resource sector, the Companies are making numerous investments in interests, and profits tend to fluctuate depending on prices. In FY2024, prices moved differently among commodities. For instance, the price rose from roughly USD 8,500 per ton in FY2023 to around USD 9,200 in FY2024 for copper, while it fell from USD 290 to USD 210 for coking coal and from USD 120 to USD 105 for iron ore in approximate figures. These changes had varying impact on the Companies in monetary terms; net income attributable to owners of the parent (net income) in FY2024 appears to have been affected positively by the copper price in the amount of around 25 billion yen for Mitsubishi but negatively by the iron ore price in the amount of around 43 billion yen for MITSUI and the same in the amount of around 28 billion yen for ITOCHU. Yet, resource prices remain high for many commodities compared to pre-FY2020 levels, and the Companies all secure a certain level of profits in the resource sector. Even so, resource prices are susceptible to global political and economic changes, and it is difficult to make highly accurate estimates. Therefore, market trends need to be closely monitored going forward, too.

The Companies keep making new investments and are also developing new earnings sources. New investments of the Companies combined, which were hovering in the 2 trillion yen range in recent years, increased to around 3.5 trillion yen in FY2023 and to 3.7 trillion yen in FY2024. The high level of profits have created financial leeway for the Companies, which is encouraging them to accelerate investments. Some are large-scale projects; in February 2025, MITSUI announced its decision to invest approximately 800 billion yen to acquire an interest in the Rhodes Ridge iron ore project in Australia. In parallel with new investments, the Companies are also working on investment recovery. As such, constant asset replacement is a major characteristic of general trading companies. Recovery projects include not only those aimed at withdrawing from inefficient projects but also those aimed at divesting businesses, which are beginning to turn downward from their peak, on more favorable conditions from the viewpoint of business life cycle. Marubeni plans to make new investments of 400 billion yen and divestments of 230 billion yen in FY2025 so as to accelerate portfolio recycling.

2. Financial Results

Net income of the Companies combined for FY2024 came to 3,936.8 billion yen, up 3.9% from the previous year. While the resource sector saw declines in iron ore and coking coal prices, many businesses in the non-resource sector fared well; consequently, the Companies but Mitsubishi and MITSUI achieved income growth, thanks also to the impact of one-time gains and losses. SUMITOMO reported a sharp rise in the income with the elimination of large one-time losses posted in FY2023. ITOCHU achieved income growth as the decline in the resource sector was offset by the increase in the non-resource sector and extraordinary gains. Although Marubeni, too, saw the decline in the resource sector, it attained higher income in the end in the non-resource sector with growth in the aircraft leasing business in the U.S.

As regards the financial figures of the Companies combined as of March 31, 2025, while net interest-bearing debt went down by around 181.3 billion yen, equity capital (total equity minus non-controlling interests) grew by roughly 1,075.1 billion yen. As a result, net D/E ratio improved 0.02 points from a year before to 0.47x.

Net interest-bearing debt stayed almost flat for many of the Companies. The Companies are all making aggressive new investments and shareholder returns but still secure good balance by retaining high-level cash flows and recovering investments. Equity capital grew for the Companies alike. Although it was negatively affected by exchange rate fluctuations to a reasonable extent, profits accumulated steadily. Looking at Marubeni for instance, equity capital increased by 169.6 billion yen, with a 348.6 billion yen increase in retained earnings, while the negative impact of foreign exchange fluctuations amounted to 154.2 billion yen. General trading companies have a large amount of foreign currency-denominated assets associated with overseas investments and so forth, and it must be noted that there are many cases where equity capital is affected by the valuation of such assets.

3. Highlights for Rating

For FY2025, while many businesses will remain steady in the non-resource sector, the negative impact of exchange rate fluctuations and a downturn in market prices in the resource sector are projected. Consequently, net income of the Companies combined is expected to fall 9.4% over the year to 3,565 billion yen. The decline will likely be especially significant for Mitsubishi and MITSUI, which are heavily affected by the resource sector, but Marubeni, ITOCHU and Sojitz are likely to achieve income growth, driven by the non-resource sector. As regards the U.S. tariff policies, they do not have much direct impact but are feared to affect economic trends, thus requiring attention.

On a separate note, the percentages of the resource and non-resource sectors in net income vary among the Companies. On the premise of current resource prices, 40 to 50% of net income is accounted for by the resource sector for Mitsubishi and MITSUI. This sector is susceptible to price fluctuations, and its profits are volatile. The non-resource sector on the other hand generates profits more steadily than the resource sector, although some businesses are affected by price fluctuations. Many of the Companies are thus aiming to enhance earnings in the non-resource sector, and JCR is keeping an eye on progress in the efforts to that end.

On the financial front, many of the Companies keep net D/E ratio at 1x or lower. The Companies maintain their stance to place emphasis on the financial position, and JCR predicts that they will keep the ratio at around the current level by securing positive free cash flow.

Operating in wide-ranging business domains as general trading companies, the Companies inevitably incur a certain amount of losses every fiscal year. In particular, new investments are more prone to losses than existing businesses due to changes in the external environment. Recent examples of large losses reported were those by Marubeni in FY2019 and SUMITOMO in FY2020, both of which fell into net loss. SUMITOMO reported approximately 150 billion yen in loss for FY2023 as well. The Companies constantly review assets and probably have enough financial strength to absorb losses, but risk management still remains an important management issue.

Risk management against unexpected losses is also vital for general trading companies, which operate a wide range of businesses. Many of the Companies calculate risk assets (maximum amount of losses expected under certain conditions) and manage them by balancing that amount with equity capital, etc. as a risk buffer (risk assets divided by risk buffers). As it stands, only Sojitz has disclosed risk assets as of March 31, 2025, but, given individual situations at the end of FY2023 and thereafter, JCR presumes that SUMITOMO, Marubeni and ITOCHU, too, keep the ratio below 1x.

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(Chart 1) Consolidated Business Performance (JPY 100 mn)

	Mitsubishi (8058)			SUMITOMO (8053)			MITSUI (8031)		
	FY2023	FY2024	FY2025F	FY2023	FY2024	FY2025F	FY2023	FY2024	FY2025F
Revenues	195,676	186,176	−	69,103	72,921	−	133,249	146,626	−
Operating Income	6,674	3,711	−	4,149	4,050	−	5,254	4,007	−
Net Income	9,640	9,507	7,000	3,864	5,919	5,700	10,637	9,003	7,700

	Marubeni (8002)			ITOCHU (8001)			Sojitz (2768)		
	FY2023	FY2024	FY2025F	FY2023	FY2024	FY2025F	FY2023	FY2024	FY2025F
Revenues	72,505	77,902	−	140,299	147,242	−	24,146	25,097	−
Operating Income	2,763	2,723	−	7,029	6,839	−	845	769	−
Net Income	4,714	5,030	5,100	8,018	8,803	9,000	1,008	1,106	1,150

	Total		
	FY2023	FY2024	FY2025F
Revenues	634,979	655,964	–
Operating Income	26,715	22,099	–
Net Income	37,880	39,368	35,650

Notes:
1. Operating income = Gross profit - SG&A expenses
2. FY2025 forecasts are as announced by each of the Companies.

Source: Prepared by JCR based on financial materials of the Companies

(Chart 2) Consolidated Financial Structure (JPY 100 mn, times)

	Mitsubishi			SUMITOMO			MITSUI		
	FY2023	FY2024	FY2025F	FY2023	FY2024	FY2025F	FY2023	FY2024	FY2025F
Net Interest-bearing Debt	37,823	30,472	–	25,234	26,725	–	33,981	33,301	–
Equity Capital	90,439	93,687	–	44,455	46,485	–	75,418	75,466	–
Net D/E Ratio	0.42	0.33	–	0.57	0.57	–	0.45	0.44	–

	Marubeni			ITOCHU			Sojitz		
	FY2023	FY2024	FY2025F	FY2023	FY2024	FY2025F	FY2023	FY2024	FY2025F
Net Interest-bearing Debt	19,024	19,655	21,000	27,416	29,613	–	6,973	8,873	10,500
Equity Capital	34,597	36,292	37,000	54,270	57,551	–	9,241	9,690	10,200
Net D/E Ratio	0.55	0.54	0.57	0.51	0.51	–	0.75	0.92	1.03

	Total		
	FY2023	FY2024	FY2025F
Net Interest-bearing Debt	150,451	148,638	–
Equity Capital	308,419	319,171	–
Net D/E Ratio	0.49	0.47	–

Notes:
1. Equity capital = Total equity - Non-controlling interests
2. Net D/E ratio = Net interest-bearing debt / Equity capital
3. FY2025 forecasts are as announced by each of the Companies.

Source: Prepared by JCR based on financial materials of the Companies

<Reference>

Issuer: ITOCHU Corporation

Long-term Issuer Rating: AA+ Outlook: Stable

Issuer: Marubeni Corporation

Long-term Issuer Rating: AA Outlook: Stable

Issuer: Sojitz Corporation

Long-term Issuer Rating: A Outlook: Stable

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