

Accumulated Strength

Earning Power in the Non-Resource Sector

► Page 65 Special Feature 2

Further Enhancing Earning Power in the Non-Resource Sector

ITOCHU's business originated with textiles. In contrast with the general trading companies associated with the former *zaibatsu* industrial groups, the Company has weaker connections to the national government and companies in heavy industry. We, therefore, inevitably built up strengths in the non-resource sector, centered on clothing, food, and housing, where we have a wealth of expertise.

"Brand-new Deal 2014" (FYE 2014–2015) was subtitled, "Aiming to be the No. 1 Trading Company in the Non-Resource Sector." Under it, ITOCHU did, in fact, become the No. 1 general trading company in the non-resource sector. We attribute this success to our efforts to enhance the returns from major investments completed, improve the profitability of existing businesses, and revise investment criteria directing slightly lower than 80% of new investment to the non-resource sector. Following that, we continued to accumulate strengths in the non-resource sector and strengthen an earnings base that is diversified across many fields and more resilient to economic volatility, thereby enabling the stable generation of cash flows.



Core Profit in the Non-Resource Sector

¥574.5 billion
(FYE 2023)

Although the shape of our business has significantly changed from its foundation, expanding from linen trading to the development of a value chain that includes SDGs-related businesses, the Company's main focus remains on the non-resource sector.

Expanding Business into China

1972

In 1972, then-President Masakazu Echigo headed a mission to China and attempted to make an early start at cultivating the Chinese market. This led to our current business results and relationships of trust.



Accumulated Strength

Experience and Track Record in China and Other Parts of Asia

Laying a Strategic Foundation for the Future in Markets in China and Other Parts of Asia

ITOCHU was the first major general trading company to be accepted to restart trading between Japan and China. This early success in building a bridgehead in China has led to our current strength of "experience and track record in China and other parts of Asia."

Under "Brand-new Deal 2017" (FYE 2016–2018), we sought to enhance corporate value sustainably from a longer-term perspective. We worked with the CP Group to make a joint investment in CITIC, the largest investment in ITOCHU's history (approximately ¥600.0 billion), and placed a major strategic steppingstone in the world's largest consumer markets of China and other parts of Asia. CITIC is the largest Chinese state-owned conglomerate, and the CP Group is the largest conglomerate in Thailand, which has built up various businesses across China. Working with these two reputable partners, we strive to develop businesses which will lead to improving the earning power in our strong non-resource sector.



Accumulated Strength

Individual Capabilities

► Page 30 Special Feature 1: Human Resource Strategy to Enhance Corporate Value

Strengthening Our Foundation to Harness Individual Capabilities

Since its founding, ITOCHU did not maintain freestanding stores, but instead cultivated a spirit of creating businesses on its own. Based on this DNA and our core focus on the non-resource sector, which consists of small businesses and a large number of customers, we have cultivated "individual capabilities." The ability of individuals, who are also referred to as "brave warriors," to create business through their own discretion on the front lines is characteristic of the Company and the driving force behind its sustainable value creation.

Under "Brand-new Deal 2012" (FYE 2012–2013), we established our business fundamentals as the strengthening of front-line capabilities and the "earn, cut, prevent" principles, then implemented various internal reforms to draw forth our latent individual capabilities. We subsequently enhanced initiatives for work-style reforms, including the introduction of the Morning-Focused Working System in FYE 2014. As a result, we achieve high labor productivity based on a small organization comprising select individuals. In fact, ITOCHU has the lowest number of employees on a non-consolidated basis among Japan's general trading companies.



Photo courtesy of Archival Museum for the Faculty of Economics at Shiga University

Consolidated Net Profit per Employee (Non-Consolidated)

¥0.19 billion
(FYE 2023)

From the Company's founding, merchants developed business by balancing their wares on shoulder poles as they traveled on foot to distant locales.

This DNA has been steadily passed down through the eras until the present as "individual capabilities."

