Seasonal flowers welcome guests to the ground-floor lobby (June 1–26)

Motivational messages to employees from the Chairman & CEO on display alongside flowers on the first basement level. (March 12–June 12, as teleworking expands)

A small sampling of the messages

"It is in times like these we need to remember to smile."
"Spring is just around the corner."
"Thanks for all the important work you do."
"Starting today, it's full speed ahead."

its businesses. A huge gap stood between our abilities and the general trading companies associated with the former *zaibatsu* industrial groups. To overcome this, we took a big gamble; we acquired shares of TOA Oil Co., Ltd., invested in state-of-the-art refineries, and concluded long-term charter contracts with oil tankers. These actions were based on the observation that oil was almost 100% imported and the hypothesis that since reserves were predicted to be in gradual decline, quickly acquiring crude oil would present a major business opportunity. However, the 1970s were visited by two oil shocks. The hypothesis was ruthlessly shattered when we fixed our buying price high and the selling price plummeted, leading to huge losses.

At the time, our judgment of resources was not as acute as those of other general trading companies associated with the former *zaibatsu* industrial groups. We relied only on a hypothesis, and only secured "products" without securing stable buyers in heavy industry. It was an idea solely based on a "product-oriented perspective." It was similar to real estate investments during Japan's economic bubble where people rode the bandwagon based on the hypothesis that prices could "only go up." With the collapse of the bubble, losses cascaded. Even now, I can clearly recall that time. ITOCHU was pushed to the edge by the disposal of out of favor resources.

I believe it is extremely dangerous to make large investments relying on the hypothetical alone. This applies to the "Fourth Industrial Revolution" also, where Artificial Intelligence (AI) and other digital technologies are developing rapidly. A revolution does not guarantee that every related business will steadily grow. We must avoid investing recklessly.

We have to conduct business with the realization that we are merchants. To achieve the same level as general trading companies associated with the former *zaibatsu* industrial groups, which have prime assets in the resource sector, we naturally decided to compete in fields where we have an advantage, namely the non-resource sector, which is centered on consumer-related businesses. We do not have a "large chunk" of resource businesses that can generate hundreds of billions of yen in profit, but if we practice "spear-like" management and hit key points with precision, we can compete sufficiently even if each business transaction is small. We diligently and routinely conduct business that pleases our customers, paying close attention to any subtle changes in order to fine-tune our policies. The FYE 2020 results proved the true value of this profit-making mindset, an approach unique to ITOCHU. (➡ Page 52 Business Results for FYE 2020)

Keeping Our Promises

In the 11 years after the global financial crisis, the global economy had continued to expand. This left me worried that blowback could not be too far off. During the summer break in August last year, I decided to advance the semi-annual business strategy meeting which is usually held in early October by one month, holding it in early September. At that meeting, we enacted countermeasures for worst-case scenarios, focusing on the "prevent" and "cut" principles, which went into effect as of that day. Six months after, the threat materialized as the totally unforeseen COVID-19 pandemic. Still, ITOCHU was unshaken.

In FYE 2020, consolidated net profit exceeded ¥500.0 billion for the second consecutive year, and we achieved record-high profits for the fourth year in a row. Although it is unfortunate we did not seize back the top spot, we were the No. 1 general trading company in terms of core profit, which proves our earning power. ROE was an industry-leading 17.0%, and our net debt-to-shareholders' equity ratio (NET DER) decreased to its best level ever. The price of ITOCHU's shares set 22 record highs during the year. (➡ Page 40 CFO Interview)

Amid this harsh environment, other general trading companies had revised their forecasts downward and recorded lower profit. ITOCHU stood alone in achieving our initial plan like any other year by leveraging our robust earnings base that is strategically positioned across different fields to steadily build up profits, enabling us to pay the record-high dividends we promised in the beginning of the year. This reassures me as a leader. To each and every Group employee, I would like to extend my sincerest thanks for their unparalleled effort.

I strongly believe that "we should always stand firmly