

To Continue to Lead in a New Era for General Trading Companies

“Brand-new Deal 2017” has an extremely important position with the potential to write a new chapter in the 158-year history of ITOCHU. We will not be satisfied with holding the No. 1 position only temporarily. To lead in the new era for the general trading companies, we must build an earnings base for the generation of ¥400.0 billion in net profit while continuing to aim for an ongoing hold on the No. 1 position.

In FYE 2017, the second year of the medium-term management plan, we anticipate growth in profit in the non-resource sector, a full-year profit contribution from the investment in CITIC, and a favorable rebound from the losses processed in the previous fiscal year. Accordingly, we are aiming to achieve a new record high in profit, with plans calling for net profit of ¥350.0 billion, an increase of ¥110.0 billion year on year. This is an aggressive

quantitative plan. The assumptions for exchange rates and the prices of crude oil and other resources have been conservatively revised, but if these revised assumptions were replaced by the pricing assumptions that were used when “Brand-new Deal 2017” was initially announced, the result would call for net profit in the ¥400.0 billion range.

Under “Brand-new Deal 2017,” one of the management objectives is to aim for ROE of more than 13% on a consistent basis. We are rigorously implementing management with a focus on the cost of capital, and for FYE 2017 our plan calls for ROE of 15.2%. There is no change to our fundamental stance for increasing ROE. We maintain a strong orientation toward growth, and consequently we will aim to raise ROE by emphasizing increasing profit, which is the numerator.

⇒ [Page 26 CFO Interview](#)

Zaibatsu-industrial groups are also focusing their efforts on strengthening operations in the non-resource sector. However, I believe that there are fundamental differences between the resource business, where the aim is to reap returns of tens of billions of yen from a single investment of hundreds of billions of yen, and the non-resource business, where profits are made from reductions of a few yen. ITOCHU is committed to generating earnings as a merchant who modestly bows to its customers. We do not possess assets like those inherited by the *Zaibatsu*-industrial groups, who have strengths in resource businesses. However, we do have superior assets in the non-resource sector that we have cultivated over many years, and we have our combative spirit of taking on challenges. The ITOCHU Group has “individual capabilities.”

Aiming to be a Company that Engages All Employees

To enhance our “individual capabilities,” ITOCHU has also formulated original measures in the area of human resources, and those measures have generated steady results. For example, the revision of our personnel compensation system in FYE 2011 emphasized the results of individuals rather than their organizational units. Consequently, it raised the motivation of employees and officers in the non-resource sector, who have worked assiduously to generate earnings. Furthermore, our morning-focused working system has fostered a return to our starting point as a merchant, the rigorous focus on the viewpoints of customers, and it has also promoted employee health and enhanced operational efficiency. In these ways, the system has produced the expected results in maximizing “individual capabilities.” The effectiveness of these policies can be seen in our achievement of the highest profit in the industry, despite the fact that our workforce of approximately 4,300 people on a parent-company basis is the smallest among the five

large general trading companies.

To lead in the new era for the general trading companies, we must further concentrate the “individual capabilities” of all employees. To that end, from FYE 2017 we changed the plan’s subtitle to “Engaging All Employees to Lead a New Era for the *Sogo Shosha*.” The main point is to enable diverse employees to leverage their full potential, including employees who face time limitations due to such responsibilities as child-rearing and nursing care. On the other hand, we will not advance diversification while ignoring experience and results. Our basic policy will remain focused on ability, and we will establish an environment that engages employees while providing a carefully calibrated accommodation of individual circumstances. In addition, we are also advancing human resources policies linked with our China strategy, such as planning to expand the number of employees with Chinese-language ability to 1,000 at the end of FYE 2018, approximately three times the level in FYE 2016.

I have doubts about the idea that “even if compensation is low it is not a problem if employees are motivated.” At ITOCHU, by providing compensation in line with results, we will work to hire and retain excellent employees and take steps to ensure that they maintain their powers of concentration. In this way, we will reinforce a favorable human resources cycle that draws out their abilities to the fullest extent.

⇒ [Page 46 Human Resources Strategy](#)