

I want everyone to witness the unsurpassed reliability that our “commitment-based management” consistently achieves when we fully leverage the “true business power” of ITOCHU and the “combined power” of all Group employees working together.



behind the promises we make to our shareholders and investors.” This is also the mercantile belief that has been steadily passed down from Chubei Itoh I. I have heard some people assert that “achieving our targets requires workers on the front lines to overextend themselves.” I would answer, however, “that wouldn’t necessarily be bad for a single year, but such exertion would be unsustainable over a decade or so.” Overexerting ourselves is definitely not the way we make it possible to continuously keep our promises. Of course, a medium- to long-term vision and quantitative targets are important, but these are all meaningless unless we take responsibility for achieving them in the future. Similarly, targets that lack focus, which are set just to please everybody, are worthless. I hope that shareholders and investors will develop their own processes to assess the achievements businesses are making, as well as the progress companies are making toward the medium- to long-term vision and quantitative targets over the course of several years.

FYE 2020 was the brightest year in ITOCHU’s more than 160-year history. From FYE 2021 onward, however, we will have to endure headwinds unlike any experienced before.

A Year that Will Test Our “True Business Power”

During good times, anybody can handle management. But that is not the case when headwinds begin to blow. Going forward, our “true business power” will be tested. I realize that I will need to remain vigilant to avoid overconfidence.

Due to the extraordinary progress and results of FYE 2019 and 2020, we achieved the medium-term management plan “Brand-new Deal 2020” ahead of schedule. We therefore positioned FYE 2021 as a year to prepare for the future and achieve a solid footing through a single-year management plan. Amid a business environment where COVID-19 clouds the future, many companies have not formulated their initial plans for FYE 2021. ITOCHU, however, believes its “responsibility to stakeholders” includes disclosing one-year targets, and we announced a consolidated net profit plan of ¥400.0 billion after carefully considering the known risks we can analyze.

Unlike the global financial crisis where the corrective

course of action was clear, this time we have to wait for the development of treatments and vaccines. It will take considerable time until consumer confidence and investment appetite recover. We need to prepare ourselves for the risks of sudden, repeated plunges in market prices, exchange rates, share prices, and other indices. During these times, it is clear what we need to do: Go back to the “basics of business.”

Returning to Our “Earn, Cut, Prevent” Principles

Back in my days at the Textile Company, I was competing with other companies for the exclusive sales rights to Armani. I appealed to my negotiating partner’s sympathies by, for example, compiling the data they wanted on Japanese taxes in a thick Italian-language proposal. Ultimately, ITOCHU was able to beat out rivals who had offered larger sums of money. In a business situation similar to this, the game is won by being able to figure out precisely what the partner wants and delivering those “fine distinctions.” Academic theories and treatises do not do much good in these situations.

Similarly, in management, merely compiling data and logic would not lead to deeper understanding. Grasping the bigger picture and thinking about “what should be done” is what constitutes management. Looking more closely, I think management means deciding what to emphasize among the three “earn, cut, prevent” principles in response to the business environment over time.

With the global economy on the brink of recession and sales channels facing bottlenecks, we need to focus on the “prevent” and “cut” principles more than the “earn” principle. Fundamentals will prove invaluable. For example, we will need to closely assess the contract terms of every business transaction to carefully manage credit and inventories, take proactive and exhaustive measures to collect debt, and perform thorough cost / benefit analyses of business expenses and adjust accordingly. Now, with the outlook unclear, I intend to engage in methodical management more diligently than ever before.

In addition to comprehensively practicing lean management, we also need to prepare for business model