

Achieving Plans to Realize Our Long-Term Vision

ITOCHU achieved its initial plans for the five consecutive years up to FYE 2015. As a general trading company that must address a variety of unexpected situations, ITOCHU has been a company that always turns its words into accomplishments. I am proud of that achievement, which has been made possible by the focused efforts of all of the Group's employees. It is important to understand that our focus on achieving our plans each year does not mean that our management is orientated toward a short-term viewpoint. Rather, our strategies, and our commitment to achieving our plans, are based on a long-term vision of achieving our long-standing ambition of becoming a company that can stand shoulder to shoulder with the top general trading companies affiliated with the *Zaibatsu*-industrial groups.

In a long-distance relay race, if runners try to take the lead from the very beginning and use all their strength in a reckless sprint, they will fail. It is important to think tactically and to ask yourself: Who will I strive to overtake, where, and how? In the same way, my strategic view is that we need to divide our

long-term vision into periods of two to three years during which the organization continually focuses its powers of concentration, to set specific objectives that can be achieved with hard work, and to move ahead one step at a time.

Based on this approach, we first set out to "strengthen our front-line capabilities," and in FYE 2012 we recaptured our position in the ranks of the top three general trading companies. Next, I was confident that if we competed in business fields where we have strengths, we could definitely succeed, and our next objective was to become the No. 1 trading company in the non-resource sector, and we achieved that goal in FYE 2015. In these ways, we have made steady progress toward achieving our vision.

To increase corporate value with this long-term viewpoint, it is essential to continually plant the seeds of growth, such as business investment. It is frequently the case that a certain period of time is required before earnings are generated by the assets acquired through an investment. In addition, there are also cases in which initial plans are not achieved due to unexpected

circumstances, and as a result an exit becomes unavoidable. To rigorously implement this approach to management, it is necessary to maintain the trust of the shareholders, who have entrusted the Company with their funds. This is the reason why we have taken steps to ensure that we have a common interest with shareholders in increasing corporate value. To that end, we have introduced a highly transparent dividend policy and a minimum dividend guarantee ⇒ [Page 28 Shareholder Value](#). We also place importance on dialogue with shareholders and other investors, and we are always aware of ITOCHU's stock price, which could be considered a performance result card for management. The most important thing is to get our shareholders to trust the management by delivering good results. That is the reason why I remain committed to the achievement of plans.

However, in FYE 2016 we did not keep this commitment. For the first time since I became president, we failed to achieve our initial plans.

Maintaining Our Momentum

In a long-distance relay race, it is important for runners to maintain their own pace, and in the same way I think that "continuity" is important in corporate management. In particular, with the FYE 2016 financial settlement, we decided to give priority to maintaining our strength.

"Brand-new Deal 2017" is a three-year medium-term management plan that clearly reflects our target of standing shoulder to shoulder with the industry leaders in FYE 2018, the final year of the plan. In FYE 2016, the first year of the plan, despite the accelerated implementation of measures to address concerns about the future, we had the opportunity to achieve our initial plan of net profit of ¥330.0 billion by taking steps to expand our base in the

non-resource sector, receiving equity in earnings of CITIC by implementing the investment one quarter earlier than our plan, and steadily realizing the one-time profit that was expected in the plan.

In this environment, other general trading companies decided to record large-scale impairment losses after January 2016, principally in resource businesses, due primarily to the rapid decline in resource prices. As a result, these general trading companies have reduced their amortization burden and lowered costs, and they will make a fresh start in FYE 2017 as more agile companies. As our presence in the industry has increased, customers and other parties are starting to look at ITOCHU in a different light, and the motivation of our employees has also

increased substantially. In this setting, there is no sense in allowing this strength to be diminished through unforeseen circumstances, such as impairment losses. After much deliberation, we decided to focus on the future and implement impairment processing, even though it meant that we would not achieve our initial plan for FYE 2016. We took this step so that we could establish a solid position that can withstand changes in the operating environment in FYE 2017 and subsequent years and maintain the organization's powers of concentration at an advanced level, thereby sustaining our current strength.

We accelerated asset replacement in both non-resource and resource fields, and we rigorously implemented rapid exits from low-profit businesses.