

By keeping our focus firmly fixed beyond

the current difficulties and taking

forward-looking preparations, we aim to

sustainably enhance our corporate value.

Amid this unprecedented phase brought about by COVID-19 and other recent developments, we will unflinchingly maintain our steadfast efforts and continue achieving the goals we have outlined. In addition, through a market-oriented perspective, we will perceive changes in customers and industry structure to steadily seize good opportunities.

Yoshihisa Suzuki

President & Chief Operating Officer

FYE 2020: The Year the Tide Turned

In April 2019, as we were almost sure about achieving our historic ¥500.0 billion in consolidated net profit, the Special Headquarters Management Committee began to discuss the FYE 2020 management plan. Rather than celebrating our major ¥500.0 billion achievement, we had our gaze on the trajectory beyond ¥500.0 billion. Our discussion focused on how ITOCHU could continue to grow and what actions were needed with our own systems and human capital. We started the meeting on the many ups and downs the Company had experienced and what lessons could be learned. We went down to three major lessons. The first is to formulate long-term management plans on hypotheticals; in other words, we should not announce baseless targets, and management should emphasize its commitments. The second is not to conduct management with excessive selection and concentration. The third is that the business environment will always change: Overconfidence is forbidden. “The higher the peak, the lower the fall.” Based on these lessons, we set the FYE 2020 consolidated net profit plan at ¥500.0 billion, or about the same as the FYE 2019 results, and maintained our dividend policy with a dividend of ¥85, an increase of ¥2. This was a result of emphasizing our commitment to achieving the numbers we promised while first establishing a firm foothold amid an uncertain economic outlook. Another contributing factor was the establishment of the 8th Company as a new Division Company with the purpose of securing resilience against volatile business conditions and withdrawing from legacy businesses. One of the new Division Company is to enhance the corporate value of FamilyMart, which was made a subsidiary in FYE 2019, and strengthen the Group’s value chain by using the consumer-oriented perspective, a “market-oriented perspective,” rather than the conventional product-oriented perspective. Finally, learning from our lesson of not using excessive selection and concentration, we did not alter the Division Companies to had comprise our existing profit pillars. In the summer of 2019, the stock market took a turn, which had until then been steadily advancing. It started with the weakening of the U.S.–China trade friction, which caused a drop that some said could make for another “black August.” As the Company was strengthening its measures about the eventual collapse of the long sustained period of global economic growth, ITOCHU used this critical shift, under the guidance of its Chairman & CEO Masahito Okawaji, to redouble its efforts on the “earn, cut, prevent” principles, which form the foundation of ITOCHU’s management. Specifically, we redoubled efforts to uncover potential concerns and thoroughly practice our “prevent” principle to prepare for further economic deterioration, we also decided to swiftly shift toward lean management, reversing our “cut” principle. We began to take countermeasures ahead of other companies. For example, we conducted an interim review of the management plan on September 9, a month earlier than usual. We also instilled a feeling of restraint during the establishment. This was because ITOCHU, which had looked dramatically over the course of a decade, determined that it was facing a major challenge about whether it could keep its promise of achieving the promised ¥500.0 billion. Since then, the stock market fortunately recovered, and ITOCHU’s share price set 22 record highs. The preparation made for that time helped us be ready when