

The Story of Merchants

government. We took advantage of this opportunity to secure access to what would become a massive consumer market in the future. We continued working to build relations with China, which was undergoing economic development under a reform and open-door policy. In the process, we expanded our human network and business foundations.

Comprehensive Strength Accumulated from Constantly Transforming Itself

General trading companies, which operate in the middle of the value chain, are affected by trends among sellers. In particular, as manufacturers transitioned toward a practice of selling products themselves, trading companies became concerned that this disintermediation could be fateful for them. We have faced such existential crises numerous times, with the 1960s marked by “the notion that trading companies were a declining force” and the late 1970s to early 80s labeled as a “period of hardship for trading companies.” We have successfully overcome such adversities by flexibly changing the form of our business. As part of these initiatives, we moved upstream to secure stable supplies of resources and product materials. At the same time, we invested in downstream operations, notably FamilyMart, to expand our customer contact points. In addition to this vertical expansion of the value chain, we shifted toward a business model that pursued added value. One example was our move into the brand business in the Textile Company in the 1970s. By entwining our business investments and creating businesses in a multifaceted and linked manner, we have built up our comprehensive

strength. As Chubei Itoh I worded in “supplying the needs of the society” and the current Chairman & CEO, Masahiro Okafuji, explained that trading companies “are like water taking the form of the vessel in which it is carried, sometimes round, and sometimes square,” we transform ourselves as a merchant sensitive to the needs of the times.

Passing on the Management Baton While Bringing out True Value of a History of more than 160 Years

In the late 1990s, huge holdings of underperforming assets led to a crisis that threatened our continued existence. Then-President Uichiro Niwa adopted a bold stance, saying “Problems created in the 20th century should be resolved in the 20th century.” Accordingly, in FYE 2000 we processed total losses of ¥400.0 billion, sweeping away low-efficiency and unprofitable assets. We also introduced a new management method, called Risk Capital Management and shifted funds to high-efficiency assets.

Strengthening Our Financial Position

March 31, 1999

NET DER: 13.7 times

Net interest-bearing debt:

Approximately ¥4.2 trillion

March 31, 2011

NET DER: 1.4 times

Net interest-bearing debt: Approximately ¥1.6 trillion

Trading Companies as Water

The current Chairman & CEO, Masahiro Okafuji, explains that ITOCHU has the ability to transform itself, noting that general trading companies “are like water taking the form of the vessel in which it is carried, sometimes round, and sometimes square.”

Inherited Strengths

Individual Capabilities

Consolidated Net Profit per Employee (Non-Consolidated)

¥0.12 billion (FYE 2020)

ITOCHU did not maintain free-standing stores, but instead cultivated a spirit of creating businesses on its own. This DNA and the fact of having the non-resource sector, with its large number of clients, as the core naturally cultivated “individual capabilities.”

Earning Power in the Non-Resource Sector

Profits from the Non-Resource Sector

¥378.3 billion (FYE 2020)

ITOCHU's business originated with textiles, so we have traditionally been strong in the non-resource sector, particularly in areas close to consumers.

Comprehensive Strength and Ability of Self-transformation

Ratio of Group Companies Reporting Profits —

88.6% (FYE 2020)

With diversified business portfolio, we established a solid earnings base by leveraging various functions and business know-how we have cultivated as a general trading company as well as by maximizing synergies between businesses.

Experience and Track Record in China and Other Parts of Asia

Expanding Business into China

1972

In 1972, then-President Masakazu Echigo headed a mission to China. He felt certain of the future of the consumer sector and an attempt to make an early start at cultivating the Chinese market.

