



Seasonal flowers greet the guests to the ground-floor lobby (June 1-26)

is businesses, I have observed that the four pillars and the general trading companies associated with the former zaibatsu industrial groups. To overcome this, we took a big bet on the general trading companies associated with the former state of the art refineries, and concluded long-term crude contracts with oil tankers. These bets were based on the observation that oil was almost 100% imported and the hypothesis that since reserves were plentiful and the industry was heavily indebted, it would present a major business opportunity. However, the 1970s oil price shocks shattered the hypothesis, and the selling price plummeted, leading to huge losses. The same bet on oil tankers was made, and the sales prices were based on the observation that oil was almost 100% imported and the hypothesis that since reserves were plentiful and the industry was heavily indebted, it would present a major business opportunity. However, the 1970s oil price shocks shattered the hypothesis, and the selling price plummeted, leading to huge losses.

At the time, our judgment of resources was not as acute as those of other general trading companies associated with the former *zaibatsu* industrial groups. We relied only on a hypothesis, and only secured “products” without securing stable buyers in heavy industry. It was an idea solely based on a “product-oriented perspective.” It was similar to real estate investments during Japan’s economic bubble where people rode the bandwagon based on the hypothesis that prices could “only go up.” With the collapse of the bubble, losses cascaded. Even now, I can clearly recall that time. ITOCHU was pushed to the edge by the disposal of out of favor resources.

believe it is extremely dangerous to make large invest-

ments relying on the hypothetical alone. This applies to their "Fourth Industrial Revolution" also, where Artificial Intelligence (AI) and other digital technologies are developing rapidly. One will find the industrial market related business will steadily grow. We must avoid investing therein.

We have to conduct business with the realization that we are merchants. To achieve the same level as general companies, we must work with the non-resource-related industrial groups, which have prime assets in the resource sector, particularly energy businesses. If they do, we have an advantage, namely the non-resource sector, which is centered on consumer-related businesses. We do not focus exclusively on resource businesses that can generate hundreds of billions of yen in profit, but if we practice a free trade, we may get more than five points.

We have to conduct business with the realization that we are merchants. To achieve the same level as general trading companies associated with the former *zaibatsu* industrial groups, which have prime assets in the resource sector, we naturally decided to compete in fields where we have an advantage, namely the non-resource sector, which is centered on consumer-related businesses. We do not have a “large chunk” of resource businesses that can generate hundreds of billions of yen in profit, but if we practice “spear-like” management and hit key points

Motivational messages to employees from the Chairman & CEO

on display alongside flowers on the first basement level. (March 12, June 12, as teleworking expands)

A small sampling of the messages

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It is in times like these we need to remember to smile.
“Spring is just around the corner.”
Then, for all the times we will need to
“Starting today, it’s full speed ahead.”

“Spring is just around the corner.”

“Thanks for all the important work you do.”

“Starting today, it’s full speed ahead.”

With this close, one-to-one, simple, sufficient, transparent, if each business transaction is smart. We diligently and routinely conduct business that pleases our customers, paying close attention to any subtle changes in order to fine-tune our policies. The FYE 2020 results proved the true value of this profit-making mindset, an approach unique to ITOCHU.

(➡ Page 52 Business Results for FYE 2020)

Keeping Our Promises

In the first year after the global financial crisis, the global economy had continued to expand. This left me worried that blowback could not be too far off. During the summer, ITOCHU Quarterly Meeting decided to hold our semi-annual business strategy meeting which is usually held in Tokyo to be held in London. I thought it would not be too far off. During the summer of 2008, however, the global financial crisis broke out. At that meeting, we enacted countermeasures for worst-case scenarios, focusing on the “prevent” and “cut” principles, which went into effect as of that day. Six months after, the threat materialized as the totally unforeseen COVID-19 pandemic. Still, ITOCHU was unshaken.

In FYE 2021, our consolidated net profit exceeded ¥500.0 billion for the second consecutive year, and we achieved record-high profits for the fourth year in a row. Although it is still early in the business cycle, we achieved the No. 1 general trading company in terms of core profit, which improves our power. Returns as a result, leading 17.0% and our net debt-to-shareholders equity ratio (NET DER) decreased to its best level ever. The price is 100% higher than the previous year. We did not seize back the top spot, we were

In the harsh environment of the general trading company in terms of core profit, ITOCHU stood alone in achieving our initial aim of core profit per share of 100 yen. ROE was an industry-base that is strategically positioned across different fields such as high upturns and high returns in its record high dividends we promised in the beginning of the year. This reassures us as leaders. To each and every Group employee, I would like to extend my sincere thanks for their unparalleled effort.

of ITOCHU's shares set 22 record highs during the year.

(➡ Page 40 CFO Interview)

Amid this harsh environment, other general trading companies had revised their forecasts downward and recorded lower profit. ITOCHU stood alone in achieving our initial plan like any other year by leveraging our robust earnings base that is strategically positioned across different fields to steadily build up profits, enabling us to pay the record-high dividends we promised in the beginning of the year. This reassures me as a leader. To each and every Group employee, I would like to extend my sincerest thanks for their unparalleled effort.

strongly believe that we should always stand firmly