

We explain COVID-19's impact on our operating performance and management policies, as well as status of initiatives.

Q.1 How has COVID-19 affected ITOCHU's consolidated business performance, management strategy and business model?

Our initial plan of consolidated business performance for FYE 2021 called for consolidated net profit of ¥400 billion. This incorporates a direct downward impact of COVID-19 of roughly 10%, excluding such impacts as falling resource prices. In addition, we set a higher loss buffer of ¥50.0 billion, an increase of ¥20.0 billion from previous years. Our plan thus gave ample consideration to preparedness for uncertainty in business environment. Even before the worldwide spread of COVID-19, we have been responding to rapid structural changes and digitalization in client industries, and have steadily noted initiatives to evolve and transform our existing business models. It is said that COVID-19 would rapidly accelerate changes in purchasing methods and preferences, as well as the digital shift. That said, the basic business flow—procuring and delivering what customers want—remains unchanged. Going forward, we will continue to take the social needs of individual countries and regions into account as we pursue our business from a customer viewpoint through a market-oriented perspective.

Q.2 Has COVID-19 prompted a change in ESG awareness?

Even if some business activities are suspended due to COVID-19, rather than responding with emergency actions, we believe companies should maintain sustainable ESG management from a medium- to long-term perspective. In addition to environment-related measures such as addressing climate change and marine pollution, the spread of COVID-19 provides an opportunity to renew society-related initiatives, including the supply chain and human rights. In April 2020, we declared a new Group corporate mission of "Sampo-yoshi," which is the philosophy we have upheld since the time of our founding. While ensuring that we maintain and improve profitability, we will continue working hard to resolve social issues by, for instance, providing a wide range of products and services and creating new businesses. To this end, we recognize the importance of remaining sensitive to changing social values and continuously undertaking proactive and consistent initiatives that contribute to ESG.

Q.3 What are some examples of initiatives ITOCHU is taking to sustain its business in an environment affected by COVID-19?

As the ITOCHU Group's strength lies in the construction sector, its businesses support the social infrastructure that forms the foundation of everyday lives in many ways. Accordingly, we are undertaking a host of initiatives to sustain corporate activities even in an environment affected by COVID-19. For example, our subsidiary, HOKEN NO MADO GROUP INC., which is one of Japan's largest agencies with walk-in stores, has promptly established a nationwide system to provide insurance consultations online, leveraging the ITOCHU Group resources to respond to customer concerns about conducting insurance consultations face-to-face. This system was implemented in July 2020. Another example can be found at our company, WingArc1st Inc., which provides software services that help leverage corporate data. Amid the rapid shift to working from home, this company energetically deployed a web-based invoice distribution service both within and outside the ITOCHU Group. This move addressed the issue of preparation and shipping of invoices which had presented a barrier to working from home. Through this service, WingArc1st Inc. helps to prevent infection risk at companies adopting the system and aided the shift in workstyles in an environment affected by COVID-19. Through these improvements on the front lines of business and the steadily accumulated effect of small initiatives, the ITOCHU Group demonstrates its highly distinctive characteristics in business contributing to customers and society at large.