

COO Message

COVID-19 struck. This example illustrates how we practice the lessons learned from our past of not becoming overconfident.

At the beginning of 2020, the WHO raised the alarm in January about the spread of COVID-19 in Wuhan, and, in March, it declared a pandemic, as the COVID-19 shock raced around the world. While the 2007 global financial crisis involved a collapse of the financial system, this shock was set off by the global spread of a virus with no vaccine. It will take time to develop treatments and vaccines, and even when the pandemic ends, it is inconceivable that the world will immediately go back to how it was before COVID-19. With plummeting oil prices, eroding consumer confidence, and sharp declines in automotive and other basic industries, FYE 2020 has shaped up to be the year the tide turned on the general trading industry. While ITOCHU's business portfolio showed stability as it encompasses a diverse range of operations mainly in the consumer sector, other general trading companies with their assets more heavily concentrated in the resource sector and the basic industry sector faced a harsh environment. We also saw the emergence of huge differences in results across the general trading industry. (➡ Page 56 COVID-19's Impact on the Company and Status of Initiatives)

FYE 2021: Continue Commitment-Based Management

With the impact of COVID-19 growing every day, we held a Special Headquarters Management Committee meeting on March 31, 2020 to discuss FYE 2021. In a normal year, the entire management team would assemble with executive officers stationed overseas returning to Japan. However, considering the risk of infection, this year's meeting was limited in duration and participants to include only Directors and the President of each Division Company.

General trading companies are sensitive to economic fluctuations and the COVID-19 shock has thrown all of us into an era of extreme difficulty. Three of the difficulties include: 1) a crisis that intertwines healthcare with an economy that defies forecasting; 2) economic decline that is a cyclical contraction ensuing 11 years of economic growth following the global financial crisis so things are not expected to simply return to normal; and 3) falling crude oil prices that create worries as oil money dries up and give rise to growing credit instability for shale companies. Recognizing this era of extreme difficulty, our discussions centered on how ITOCHU can succeed in FYE 2021 and whether we should ultimately release an FYE 2021 plan or go without. Ultimately, we confirmed that we would shift our strategic focus on combatting these risks and would remain faithful to ITOCHU's commitment-based management.

In an effort to proactively disclose as much as we can to the market after accounting for currently conceivable risks, we decided to announce our FYE 2021 management plan calling for consolidated net profit of ¥400.0 billion and, in a

continuation of our progressive dividend policy, dividends of ¥88. In addition, we need to prepare for upheaval in the business environment and a global economic recession that will likely last for several years. Recognizing that we have entered a new business phase, we positioned this year as one in which we should establish a firm foothold, and decided to formulate a single-year management plan that is not contained in the medium-term management plan to address risks.

With the future unforeseeable, we should not think of FYE 2021 as a continuation of the economic expansion to date. Instead, we are designating this as a year in which we need to hold our position for a while. In order to put this into practice and fortify our position, the Company needs, I think, to thoroughly assume the lean management that Chairman & CEO Masahiro Okafuji refers to as stricter and smaller. In every field, we have vowed to return to our "earn, cut, prevent" principles. In particular, the "cut" and "prevent" principles will be key to achieving our plan. The entire Group carefully monitors contract and sales trends, logistics, credit status, and other variables to take forward-looking measures, such as insurance coverage, shorter payment terms, and rapid recovery of accounts receivable. We avoid losing income by "preventing" the incurrence of losses. By "cutting," we will not simply reduce business expenses; we will constantly create more effective ways to utilize capital. We will remain steadfast in these efforts. In FYE 2021, we will again strive to meet everyone's expectations and realize consolidated net profit of ¥400.0 billion and the announced dividend of ¥88. (➡ Page 54 FYE 2021 Management Plan)

Looking Beyond the Current Difficulties

Amid this extremely uncertain business environment, we will assess new investments more carefully than before, quickly exit from existing investments if necessary, and thoroughly manage risks, such as by refraining from investments without any strategic value. At the same time, we will steadily execute growth strategies that look beyond the COVID-19 crisis. In particular, we intend to carefully select and implement prime investment projects, especially in the consumer sector where ITOCHU has strengths.

Launched in July 2019, The 8th Company has partnered with FamilyMart, whose nationwide network of stores gets approximately 15 million customers per day, in an effort to roll out financial services, marketing, and advertisements that utilize purchasing data and customer engagement. We are also working to upgrade the data utilization system with FamilyMart and NIPPON ACCESS, INC. to optimize the value chain, including ordering, inventory and distribution, and to construct a system that can test new initiatives in actual FamilyMart stores. In addition, we are building a data management platform (DMP) to manage and utilize customer data across the entire ITOCHU Group with the aim of creating new businesses, including a digital ad business, data management business, data analysis business, and financial services business. (➡ Page 102 The 8th Company)