ManagementMessages

COo Message

# By keeping our focus firmly fixed beyond

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



Yoshihisa Suzuki President & Chief Operating Office

FYE 2020:TheYear theTideTurned

In April 2019, as we were almost sure about achieving an historic ￥500.0 billion in consolidated net profit, we held a Special Headquarters Management Committee meeting to discuss the FYE 2020 management plan. Rather than revel in our major ￥500.0 billion achievement, we honed our gaze on the trajectory beyond ￥500.0 billion. Our discus- sion focused on how ITOCHU could continue to steadily grow and what actions were needed with our organizational systems and human capital. We started the meeting reflect- ing on the many ups and downs the Company has experi- enced and what lessons couldbelearned.We narrowed these down to three major lessons. The first is not to for- mulate long-term management plans on hypotheticals. In other words, we should not announce baseless quantitative targets, and management should emphasize its commit- ments. The second is not to conduct management through excessive selection and concentration. The third is that the business environment will always change: Overconfidence is forbidden. “The higher the peak, the lower the valley." Based on these lessons, we set the FYE 2020 consoli- dated net profit plan at ￥500.0 billion, or about the same as the FYE 2019 results, and maintained our progressive 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 environments and withdrawing from legacy businesses. One goal of the new Division Company is to enhance the corporate value of

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FamilyMart, which was made a subsidiary in FYE 2019, an strengthen the Group's value chain by using the consum- ers' perspective, a “market-oriented perspective,” rather than our conventional product-oriented perspective.Finally learning from our lesson of not using excessive selection and concentration, we did not alter the Division Companies that 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 worsening of the U.S.-China trade friction, which caused a drop that some said could makefor another "unlucky August." As the Company was strengthening its warning about the eventual collapse of the long sustained period of global economic growth, ITOCHU used this market shift, under the guidance of its Chairman & CEO Masahiro Okafuji, to redouble its efforts on the “"earn, cut, prevent" principles, which form the foundation of ITOCHU"9 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, leveraging our “cut" principle. We began to take countermeasures ahead of other com panies. 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 summer vacation. This was because ITOCHU, which had growndramaticallyover thecourseof adecade,determined that it was facing a major challenge about whether it couldl keep its commitment of achieving the promised ￥500.0 billion. Since then, the stock market fortunately recovered and ITOCHU's share price set 22 record highs. The prepa rations we made for that time helped us be ready when