

Message from the CSO / CIO

We will move forward according to plan to achieve sustainable increases in corporate value.

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Bringing in an Era of Two Leading General Trading Companies

We had intended “Brand-new Deal 2017,” the medium-term management plan that commenced in FYE 2016, as a three-year plan with two basic policies: to strengthen our financial position and build an earnings base to generate ¥400.0 billion in consolidated net profit. To meet the objectives of this plan, in FYE 2016, the first year of the plan, we accelerated asset replacement after the large-scale investment in CITIC. At the same time, we decided to process losses to clear away concerns about the future. Even though this move meant that consolidated net profit was ¥240.4 billion, we still became the leading general trading company, because other general trading companies were also writing off large-scale impairment losses due to a downturn in resource prices.

In FYE 2017, the second year of the plan, consolidated net profit surged ¥111.8 billion, or 47%, to ¥352.2 billion, reaching a record high. At the same time, we streamlined assets and succeeded in achieving record levels for a number of financial indicators, including NET DER, the ratio of shareholders’ equity to total assets, and core operating cash flows. As such, we believe we have achieved the first of our basic policies, to strengthen our financial position, one year ahead of schedule.

In the final year of the plan, FYE 2018, we are firmly on course to realize our second objective, to build a solid earnings base to generate ¥400.0 billion in consolidated net profit, our highest level ever. Staying true to a management practice to achieving what we aim for, we are bringing in an era of two leading general trading companies.



Looking toward Our Next Medium-Term Management Plan

FYE 2018 is an important year, being both the final year for our current medium-term management plan and the year leading to our next medium-term management plan. As is indicated by the subtitle of our FYE 2018 plan, “Infinite Missions Transcending Growth,” we are currently considering how the Company should look in its new stage of growth.

Even while our target is to achieve consolidated net profit of ¥400.0 billion, we recognize that management needs to maintain a firm eye on the quality of our earnings.

Rather than being overly reliant on the earnings of specific operating companies, we aim to build a strong value chain throughout the Group, boosting corporate value through the constant efforts of each operating company. To this end, I believe we need to look beyond efficiency indices such as high ROE—which is one of our strengths—to factors that are not expressed in the indicators: the labor productivity and job satisfaction of our employees, and increasing intergroup synergies.

The utilization of IT—artificial intelligence (AI), the Internet of Things (IoT), fintech (tech-based financial services), and virtual reality (VR)—offer significant potential to broaden the “infinite missions” of ITOCHU, whose strengths lie in the non-resource sector, and specifically, in consumer-related businesses. We have begun working with our subsidiary, ITOCHU Techno-Solutions Corporation, on initiatives to incorporate AI technologies in other businesses.

We plan to announce our next medium-term management plan at the start of FYE 2019. In addition to our current focuses, such as expanding the peripheral businesses of FamilyMart Co., Ltd., and pursuing synergies with the CITIC Group and the CP Group, through the plan we intend to respond flexibly to the changes of a new era and achieve sustainable increases in corporate value.